Financial consolidated statements

1. Consolidated Income Statement

For the year ended 31 December

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

Earnings per share

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

2. Consolidated statement of comprehensive income

For the year ended 31 December

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

3. Consolidated statement of financial position

As at 31 December

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

4. Consolidated statement of changes in equity

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

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

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

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

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

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

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

Distributions made and proposed:

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

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

5. Consolidated statement of cash flows

As at 31 December

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

6. Notes to the consolidated financial statements

6.1 General information

Business activities

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

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

Legal status

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

6.2 Basis of preparation

bpost's consolidated financial statements and Board of Directors' report prepared in accordance with article 3:32 of the Belgian code of companies and associations set forth on pages 11 to 67, 73, 166 and 170 of the annual report for the financial year ended December 31, 2019 were authorized for issue by the Board of Directors on March 17, 2020. Considering the uncertainty as to the length and severity of the COVID-19 crisis and its impact on bpost Group, the Board of Directors decided on March 27, 2020 to propose to the ordinary General Meeting of Shareholders to be held on May 13, 2020 to distribute a gross dividend per share on the results of financial year 2019 of EUR 0.62 instead of EUR 0.73, as decided by the Board of Directors on March 17, 2020. Following this decision, the consolidated financial statements have been adapted accordingly. The consolidated financial statements of bpost have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the EU. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2019 and adopted by the European Union are applied by bpost.

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

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

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

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

- **IFRIC Interpretation 23** – Uncertainty over Income Tax Treatments
- **IFRS 9 – Amendments** – Prepayment Features with Negative Compensation
- **IAS 28 – Amendments** – Long-term Interests in Associates and Joint Ventures
- **IAS 19 – Amendments** – Plan Amendment, Curtailment or Settlement
- **Annual Improvements 2015-2017 Cycles**

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

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

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

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

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

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

Nature of the effect of adoption of IFRS 16

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

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

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

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

Standards and Interpretations issued but not yet applied by bpost

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

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

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

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

6.3 Significant accounting judgments and estimates

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

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

Employee Benefits - IAS 19

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

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

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

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

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

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

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

Fair value adjustments for business combinations

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

Revenue and revenue related accruals

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

Income taxes and deferred taxes

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

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

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

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

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

6.4 Summary of significant accounting policies

Consolidation

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

Subsidiaries

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

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

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

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

Associates and joint ventures

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

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

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

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

the characteristics of their pension schemes.

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

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

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

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

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

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

Business combination, goodwill and negative acquisition differences

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Lease transactions

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

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

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

- Right-of-use assets:

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

- Lease liabilities

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

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

- Leases of low-value assets

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

- Short-term leases

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

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

Investment properties

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

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

Assets held for sale

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

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

Stamp collection

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

Impairment of assets

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

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

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

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

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

Inventories

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

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

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

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

Revenue related accruals and contract assets and liabilities

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

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

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

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

Receivables

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

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

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

Contract costs

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

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

Investment securities

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

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

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

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

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

Cash and cash equivalents

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

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

Share capital

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

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

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

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

Employee benefits

SHORT-TERM BENEFITS

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

POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

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

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

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

OTHER LONG-TERM BENEFITS

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

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

The provision is calculated as follows:

Actuarial valuation of the obligation under IAS 19

– Fair value of the plan assets

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

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

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

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

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

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

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

TERMINATION BENEFITS

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

Provisions

A provision is recognized only when:

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

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

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

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

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

Income taxes and deferred taxation

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

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

Deferred taxes are not recognized in respect of:

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

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

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

Transactions in foreign currencies

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

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

Revenue recognition

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

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

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

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

(I) DISTRIBUTION AND TRANSPORT SERVICES

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

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

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

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

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

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

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

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

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

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

(II) LOGISTIC AND FULFILMENT SERVICES

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

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

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

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

(III) BACK-OFFICE AND PROXIMITY AND CONVENIENCE SERVICES

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

This class of services consist of:

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

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

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

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

Other operating Income

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

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

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

Financial income and costs

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

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

Derivative financial instruments

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

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

Hedge accounting

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

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

CASH FLOW HEDGES

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

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

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

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

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

6.5 Risk Management

Approach and methodology

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

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

bpost discloses the risks and uncertainties in three categories:

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

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

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

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

Regulatory/Legal Risks

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

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

RELATED TO OUR MAIL AND PARCEL BUSINESS

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

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

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

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

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

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

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

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

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

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

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

RELATED TO BPOST BANK, BPOST'S ASSOCIATE

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

RELATED TO OTHER REGULATORY & LEGAL REQUIREMENTS

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

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

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

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

External Business Risks

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

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

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

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

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

Operational Risks – Business risks

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

RELATED TO THE AGILITY AND FLEXIBILITY OF THE BPOST NETWORK

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

RELATED TO INFORMATION AND COMMUNICATION TECHNOLOGY

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

RELATED TO THE INTEGRATION OF RECENT ACQUISITIONS

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

RELATED TO THE ATTRACTIVENESS OF BPOST AS EMPLOYER

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

RELATED TO THE BUSINESS CONTINUITY

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

RELATED TO "FORCE MAJEURE"

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

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

Operational Risks - Financial risks

CLIMATE CHANGE RISK

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

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

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

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

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

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

EXCHANGE RATE RISK

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

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

Hedging instruments are used to mitigate these impacts.

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

As at 31 December

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

INTEREST RATE RISK

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

As at 31 December

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

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

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

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

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

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

As at 31 December

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

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

CREDIT RISK

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

As at 31 December

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

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

Operational activities

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

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

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

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

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

As at 31 December 2019

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

As at 31 December 2018

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

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

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

Investment of liquidities

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

bpost bank

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

LIQUIDITY RISK

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

The maturity of the liabilities are presented as follow:

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

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

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

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

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

Capital management policies and procedures

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

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

The table below gives an overview of the net debt / net cash position as well as the equity position:

As at 31 December

IN MILLION EUR	2019	2018
Capital		
Issued capital	364.0	364.0
Reserves	252.3	271.4
Foreign currency translation	34.0	12.7
Retained earnings	30.7	51.6
Non-controlling interests	1.7	2.5
TOTAL	**682.6**	**702.3**
Net Debt / (net cash)		
Interest bearing loans and borrowings (incl. Bank overdrafts)	1,449.9	1,024.8
Non-interest bearing loans and borrowings	0.1	0.1
- Cash and cash equivalents	(670.2)	(680.1)
TOTAL	**779.9**	**344.8**

The net debt increased by 435.1 million EUR mainly due to the impact of the initial application of IFRS 16. The outstanding liabilities end of December 2019 linked to IFRS 16 amounted to 449.3 million EUR.

6.6 Business combinations

Alvadis

On August 30, 2019 – after approval from the Belgian Competition Authority – Ubiway finalised the share purchase agreement with Conway for the sale of Alvadis, a company of the Ubiway group. Alvadis has been deconsolidated end of August 30, 2019. At the time of the startup of the sales process (in December 2018), Alvadis had been transferred to assets held for sale. The sales price amounted to 5.9 million EUR, the gain on disposal amounted to 0.6 million EUR and was recognized throughout other operating income within Mail & Retail.

Acquisition of Anthill BV

In March 2018 bpost acquired 63.6% of the shares of the Dutch company Anthill BV, which holds 100% of the shares in Active Ants BV. Active Ants provides e-fulfillment and transport services to companies active in e-commerce. Active Ants provides storage services, pick & pack and shipments of products. Anthill solely functions as a holding company. bpost paid an amount of 4.3 million EUR for 50% of the shares and performed a capital increase of 3.0 million EUR to obtain an additional 13.6% of the shares. Next to that, the agreement foresees a contingent consideration based upon the 2018 EBITDA which can amount up to 0.8 million EUR and a call and put structure for the remaining shares (36.4%). The variable exercise price of the put (based upon EBITDA) has been recognized as a financial liability for an amount of 4.5 million EUR, changes to the financial liability is recognized in the income statement. Given the put option the company was consolidated using the full-integration method as from March 2018 (with first figures consolidated as of April 1st, 2018 and 4 months included in the fourth quarter of 2018) within the Parcels & Logistics Europe & Asia operating segment, consequently the business combination is presented as if bpost obtained a 100% interest in Anthill BV because bpost believes it has acquired the present ownership interest in the shares concerned. Transaction costs were expensed and are included in the operating expenses in 2018.

The calculated goodwill is presented as follows:

FAIR VALUE OF THE ASSETS ACQUIRED AND LIABILITIES ASSUMED IN THE ACQUIRED ENTITY	IN MILLION EUR
Non-Current Assets	**8.8**
Property, plant and equipment	4.5
Intangible assets	4.3
Current Assets	**5.3**
Inventories	0.1
Trade and other receivables	1.9
Cash and cash equivalents	3.3
Non-Current Liabilities	**(2.1)**
Interest-bearing loans and borrowings	(1.1)
Deferred tax liabilities	(1.0)
Current Liabilities	**(5.8)**
Interest bearing loans and borrowings	(3.6)
Trade and other payables	(2.1)
FAIR VALUE OF NET ASSETS ACQUIRED	**6.1**
Goodwill arising on acquisition	6.4
PURCHASE CONSIDERATION TRANSFERRED	**12.5**
of which:	
- Cash paid	7.3
- Contingent consideration	5.2

ANALYSIS OF CASH FLOWS ON ACQUISITION	IN MILLION EUR
Net cash acquired with the subsidiary	3.3
Cash paid	(7.3)
NET CASH OUTFLOW	**(4.0)**

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

The adjustment to fair value following the purchase price allocation consisted of the recognition of intangible assets: customer relationships (useful life 18 year), tradename (useful life 10 year) and internally developed technology (useful life 5 year), respectively for an amount of 2.0 million EUR, 0.6 million EUR and 1.4 million EUR

In 2019 Active Ants and Anthill contributed to 20.0 million EUR of revenue and 1.2 million EUR to profit before tax from continuing operations of the Group. In 2018 Active Ants and Anthill contributed 12.9 million EUR of revenue and 0.6 million EUR to profit before tax from continuing operations of the Group.

The resulting goodwill of 6.4 million EUR derives from future growth and expected synergies within the fulfillment activities given the differentiated technology of Active Ants. None of the goodwill is expected to be deductible for income tax purposes.

In September 2019, bpost paid 0.2 million EUR in execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill nor on the result of the year.

Taken into account the updated long term plan of Anthill and the unwinding of the discount, the fair-value of the put for the remaining shares has been adjusted in 2019, hence the contingent liability increased by 7.3 million EUR and has been booked against financial costs. The total discounted outstanding liability per December 31st, 2019 amounted to 12.4 million EUR.

Contingent consideration for Apple Express

In March 2019, Apple Express Courier, ltd paid CAD 0.8 million (0.5 million EUR) in execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill nor on the result of the year. The remaining contingent consideration, based on 2019 financial results and payable in 2020, is capped at CAD 0.8 million.

Contingent consideration for Dyna Group

In July 2019, bpost paid 3.8 million EUR in connection with the execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill. The difference between the cash paid and the outstanding liability amounted to 1.7 million EUR and was recognized in the income statement under other operating income within Parcels & Logistics Europe and Asia.

Contingent consideration for Leen Menken

The share purchase agreement of Leen Menken foresaw an additional remuneration based upon EBITDA 2018/2019 and could amount up to 1.5 million EUR. As the target has not been met, the financial liability has been reversed and has been recognized in the income statement under other operating income within Parcels & Logistics Europe & Asia.

Acquisition of AtoZ BV and Multi-Channel Services Fulfilment BV

In September 2019 Active Ants acquired 100% of the shares of AtoZ Global BV and Multi-Channel Services Fulfilment BV. The group is active in the national and international distribution of packages or multi-channel services fulfillment, consisting of product storing, picking, packing, organization of transport activities, returns handling and shipping. Active Ants paid an amount of 3.6 million EUR for the shares. Next to that, the agreement foresees a contingent consideration based upon the 2019 and 2020 revenues and a second one based upon the 2021 EBITDA margin, the fair-value of the contingent considerations are recognized for an amount of 1.4 million EUR (can maximum amount to 1.9 million EUR) and 0.4 million EUR (corresponding to maximal amount) respectively. Transaction costs were expensed and are included in the operating expenses. The company was consolidated within the Parcels & Logistics Europe & Asia operating segment using the full-integration method as from October 2019. The preliminary calculated goodwill is presented as follows:

FAIR VALUE OF THE ASSETS ACQUIRED AND LIABILITIES ASSUMED IN THE ACQUIRED ENTITIES	IN MILLION EUR
Non-Current Assets	**0.3**
Property, plant and equipment	0.3
Current Assets	**1.5**
Trade and other receivables	1.0
Cash and cash equivalents	0.5
Non-Current Liabilities	**0.0**
Interest-bearing loans and borrowings	0.0
Current Liabilities	**(0.9)**
Trade and other payables	(0.9)
FAIR VALUE OF NET ASSETS ACQUIRED	**0.9**
Goodwill arising on acquisition	4.5
PURCHASE CONSIDERATION TRANSFERRED	**5.4**
of which:	
- Cash paid	3.6
- Contingent consideration	1.8

ANALYSIS OF CASH FLOWS ON ACQUISITION	IN MILLION EUR
Net cash acquired with the subsidiary	0.5
Cash paid	(3.6)
NET CASH OUTFLOW	**(3.1)**

The fair value of assets acquired and liabilities assumed at acquisition date could not be assessed yet. Consequently, the determination of the carrying amount of the acquired entity and the purchase price allocation of the acquisition are still under review and will be fully disclosed in 2020. From the date of acquisition, AtoZ Global BV and Multi-Channel Services Fulfilment BV contributed 2.7 million EUR of revenue and 0.3 million EUR to profit before tax from continuing operations of the Group, given the volatility of the figures, no figures are disclosed for the period starting from the beginning of the year.

6.7 Segment information

The Board of Directors of bpost announced May 2nd, 2018 the transformation of bpost's internal structure to prepare the company for the future with an effective date of January 1, 2019 which had an impact on how resources are allocated and performance is assessed. As bpost identifies its CEO as the chief operating decision maker (CODM), the operating segments are based on the information provided to the CEO under this new structure.

bpost operates through three business units and support units providing services to these business units:

The business unit Mail & Retail ("M&R") oversees the operational activities of collecting, transporting, sorting and distributing of addressed and non-addressed mail and printed documents, in Belgium and offers these operational activities for parcels to other business units of bpost and oversees the activities related to:

- Transactional and Advertising mail;
- Press: regrouping the distribution of newspapers and periodicals to newsstands, distribution of newspapers and periodicals to addressees;
- Value added services: document management and related activities; and
- Proximity and convenience retail network: offering proximity and convenience retail through its retail network in Belgium composed out of post offices, postal points and the Ubiway retail network of different branded shops. It also sells banking and financial products, as part of the proximity and convenience retail network, under an agency agreement with bpost bank and AG Insurance.

The business unit also carries out Services of General Economic Interest on behalf of the Belgian State (SGEI).

The business unit Parcels & Logistics Europe & Asia ("PaLo Eurasia") oversees:

- Parcels BeNe: the commercial and operational activities related to last-mile delivery and express delivery in Belgium and Netherlands and combines the last mile parcels delivery of bpost NV/SA and DynaLogic;
- E-commerce logistics Europe & Asia operating in fulfillment, handling, distribution and return management and combines Radial Europe, Anthill, DynaFix and Landmark entities in Europe and Asia; and
- Cross-border providing inbound, outbound and import services (custom duties) for parcels in Europe & Asia and for international mail worldwide.

The business unit runs several operations centers across Europe including a sorting center (NBX) and several Parcel hubs.

The business unit Parcels & Logistics North America ("PaLo N. Am.") is in charge of the commercial and operational activities related to:

- E-commerce logistics North America: operating in fulfillment, handling and distribution, return management, customer service and value-added technology services in North America (Radial and Apple Express) and Australia (FDM) and cross-border parcels services (Landmark US); and
- International mail: as full-service mail delivery provider in North America and combines MSI, IMEX and M.A.I.L.

Corporate and Support units ("Corporate") consist out of the 3 support units and the corporate unit. The support units offer business solutions to the 3 business units and to Corporate and includes Finance & Accounting, Human Resources & Service Operations, ICT & Digital. The Corporate unit includes Strategy, M&A, Legal, Regulatory and Corporate Secretary. The EBIT generated by the support units is recharged to the business units as OPEX while the depreciation remains in Corporate. Revenues generated by the Support Units, including building sales are disclosed in Corporate.

No operating segments have been aggregated to form the above reportable operating segments.

Services and products offered between legal entities are at arm's length whereas the service and products offered between business units of the same legal entity are generally based on incremental costs. Services provided by support units to business units of the same legal entity are based on full cost.

Corporate treasury, bpost bank and tax are centrally managed for the group. The net financial result, income tax and share of results of associates and joint ventures are only disclosed at the level of the group.

bpost computes its profit from operating activities (EBIT) at the segment level and is measured consistently with the financial statements' accounting guidelines (IFRS). Assets and liabilities are not reported per segment to the CODM.

The following tables present an overview of the segment results, the comparative information has been restated based on the new structure:

For the year ended 31 December

	M&R		PALO EURASIA		PALO N. AM.		CORPORATE		ELIMINATIONS		GROUP	
IN MILLION EUR	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External operating income	**1,897.1**	**1,951.7**	**813.2**	**757.0**	**1,097.5**	**1,104.8**	**30.1**	**36.8**			**3,837.8**	**3,850.2**
Intersegment operating income	174.7	159.6	17.8	35.3	6.8	9.6	372.0	356.0	(571.2)	(560.5)	0.0	0.0
TOTAL OPERATING INCOME	**2,071.7**	**2,111.3**	**830.9**	**792.3**	**1,104.2**	**1,114.4**	**402.1**	**392.8**	**(571.2)**	**(560.5)**	**3,837.8**	**3,850.2**
Operating expenses	1,734.2	1,727.6	747.7	735.9	1,048.7	1,068.3	340.7	307.8	(571.2)	(560.5)	3,300.2	3,279.1
Depreciation, amortization	83.7	54.1	21.7	31.4	71.6	48.9	70.8	43.3			247.7	177.7
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**253.8**	**329.5**	**61.5**	**24.9**	**(16.1)**	**(2.8)**	**(9.3)**	**41.7**	**0.0**	**(0.0)**	**289.9**	**393.4**
Share of results of associates and joint ventures											15.8	11.5
Financial results											(61.5)	(23.8)
Income tax expenses											(89.6)	(117.4)
PROFIT OF THE PERIOD (EAT)	**253.8**	**329.5**	**61.5**	**24.9**	**(16.1)**	**(2.8)**	**(9.3)**	**41.7**	**0.0**	**(0.0)**	**154.7**	**263.6**

The tables presented below provide an overview of the entity wide disclosures and covers also the IFRS 15 disclosure requirements.

The total operating income (excluding intersegment operating income), Revenue and Other Operating income, is measured on the same basis as the financial statements' accounting guidelines (IFRS) and business unit performance. Other operating income is allocated to several line items, but mainly to Corporate & Supporting functions as this line item only represents other operating income.

For the year ended 31 December

IN MILLION EUR	EXTERNAL OPERATING INCOME 2019	2018	CHANGE %	REVENUE 2019	2018
Mail & Retail	**1,897.1**	**1,951.7**	**-2.8%**	**1,880.4**	**1,937.5**
Transactional mail	748.0	772.4	-3.2%	747.7	772.3
Advertising mail	236.0	244.2	-3.4%	235.9	244.1
Press	344.4	354.1	-2.7%	337.4	346.9
Proximity and convenience retail network	464.8	475.7	-2.3%	456.4	469.4
Value added services	103.9	105.3	-1.3%	102.9	104.9
Parcels & Logistics Europe & Asia	**813.2**	**757.0**	**7.4%**	**809.7**	**738.0**
Parcels BeNe	380.6	345.9	10.0%	378.8	327.4
E-commerce logistics	133.1	120.8	10.2%	131.4	120.2
Cross border	299.5	290.4	3.2%	299.5	290.3
Parcels & Logistics North America	**1,097.5**	**1,104.8**	**-0.7%**	**1,089.3**	**1,098.0**
E-commerce logistics	1,008.1	1,017.9	-1.0%	1,000.2	1,011.3
International mail	89.4	86.8	3.0%	89.1	86.8
Corporate & Supporting functions	**30.1**	**36.8**	**-18.3%**	**0.0**	**0.9**
TOTAL	**3,837.8**	**3,850.2**	**-0.3%**	**3,779.4**	**3,774.4**

The geographical split of total operating income (excluded intersegment operating income) and the non-current assets is attributed to Belgium, rest of Europe, United States of America and the rest of the world. The allocation per geographical location is based on the location of the entity generating the income or holding the net asset. Other operating income is allocated to several line items.

For the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
Belgium	2,464.3	2,481.9	-0.7%
Rest of Europe	262.2	252.5	3.8%
US	1,054.8	1,064.4	-0.9%
Rest of world	56.4	51.5	9.7%
TOTAL OPERATING INCOME	**3,837.8**	**3,850.2**	**-0.3%**

For the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
Belgium	977.2	703.4	38.9%
Rest of Europe	180.1	143.2	25.8%
US	874.8	735.1	19.0%
Rest of world	46.2	31.2	48.1%
TOTAL NON-CURRENT ASSET	**2,078.4**	**1,612.9**	**28.9%**

Total non-current assets consist out of property, plant and equipment, intangible assets, investment properties and trade and other receivables (> 1 year).

Excluding the compensation received from the Belgian federal government to provide the services as described in the management contract and press concessions, included in the Mail and Retail segment, no single external customer exceeded 10% of bpost's operating income.

6.8 Revenue

For the year ended 31 December

IN MILLION EUR	2019	2018
Revenue excluding the SGEI remuneration	3,508.3	3,502.9
SGEI remuneration	271.0	271.4
TOTAL	**3,779.4**	**3,774.4**

Compared to last year, revenue slightly increased by 5.0 million EUR to 3,779.4 million EUR. The revenue increase from organic volume growth of Parcels BeNe, the new business at Radial North America and the favorable exchange rate evolution was largly offset by the continued impact of the full year 2018 client churn and repricing at Radial North America and by the Domestic Mail volume decline.

SGEI remuneration is disclosed under Press and Proximity and convenience retail network in the Mail and Retail segment.

6.9 Other operating income

For the year ended 31 December

IN MILLION EUR	2019	2018
Gain on disposal of property, plant and equipment	25.8	30.5
Gain on disposal of activities Alvadis	0.6	0.0
Benefits in kind	0.0	0.1
Rental income of investment property	1.0	2.0
Third party cost recovery	9.7	10.3
Gain on contingent considerations	3.2	18.2
Other Retail income	5.8	4.8
Other	12.3	9.9
TOTAL	**58.4**	**75.8**

Gains on disposal of property, plant and equipment, mainly related to the sales of buildings, decreased by 4.7 million EUR. The sale in 2019 of the headquarters (Centre Monnaie building 19.9 million EUR gain on disposal) was more than offset by the sales of buildings in 2018 (amongst others Old Brussels X). The rental income further decreased following the sale of the Centre Monnaie building.

Third party costs recovery decreased by 0.6 million EUR and mainly related to the reimbursements by third parties of non-core services provided by Ubiway and other subsidiaries as well as the sales realized by bpost's restaurants.

In 2018 an amount of 3.6 million EUR was reversed out of the outstanding liability related to the contingent consideration of DynaGroup as certain criteria were not achieved. Furthermore in 2018 bpost decided to exit the participation in de Buren through the put option foreseen in the initial purchase contract, which triggered the reversal of the contingent consideration amounting to 14.6 million EUR. As disclosed in the note business combination, in 2019 an amount of 1.7 million EUR and 1.5 million EUR was recognized for respectively the difference between the cash paid and the outstanding contingent consideration of DynaGroup and the reversal of the contingent consideration of Leen Menken.

Other Retail income mainly consisted of non-specific product income in the retail channel which is not part of the ordinary activity of bpost.

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

6.10 Other operating expenses

→ **For the year ended 31 December**

IN MILLION EUR	2019	2018
Provisions	(0.2)	(17.2)
Local, real estate and other taxes	12.5	11.5
Impairment on trade receivables	5.2	10.5
Penalties	0.1	0.3
Other	6.6	4.8
TOTAL	**24.2**	**9.8**

Other operating expenses increased by 14.4 million EUR versus last year. This increase was mainly explained by the reassessment of a litigation in 2018, which triggered a reversal of a provision in 2018 of 14.9 million EUR.

6.11 Services and other goods

The cost of goods and services decreased by 31.2 million EUR to 1,525.0 million EUR. This decrease was mainly due to rent and rental costs which are 91.7 million EUR lower versus last year explained by the initial application of IFRS 16. In line with IFRS 16 costs switched from rent and rental costs for 107.6 million EUR to depreciation for 105.3 million EUR and financial costs 9.7 million EUR. The leases within the scope are mainly buildings (warehouses and sales points) and vehicles.

For the year ended 31 December

IN MILLION EUR	2019	2018	EVOLUTION 2019 - 2018
Rent and rental costs	56.9	148.6	-61.7%
Maintenance and repairs	116.8	108.3	7.9%
Energy delivery	45.8	45.9	0.0%
Other goods	39.1	38.6	1.3%
Postal and telecom costs	21.2	21.2	0.1%
Insurance costs	24.9	19.7	26.0%
Transport costs	695.6	686.8	1.3%
Publicity and advertising	28.3	24.4	16.0%
Consultancy	45.1	21.7	107.5%
Interim employees	198.2	192.5	3.0%
Third party remuneration, fees	146.9	145.9	0.7%
Other services	106.2	102.6	3.5%
TOTAL	**1,525.0**	**1,556.2**	**-2.0%**

- Rental costs decreased by 91.7 million EUR mainly due the initial application of IFRS 16.
- The increase of maintenance and repairs by 8.6 million EUR was mainly caused by the increased fleet.
- Transport costs amounted to 695.6 million EUR and increased by 8.8 million EUR mainly due to the evolution of international activities, the evolution of the EUR/USD exchange rate and higher domestic parcel volumes.
- Consultancy costs increased by 23.4 million EUR given the increased project-related costs compared to last year.
- The interim costs increased by 5.7 million EUR and should be viewed together with the evolution of the payroll costs, see note 6.12.

6.12 Payroll costs

For the year ended 31 December

IN MILLION EUR	2019	2018
Wages and salaries	1,263.1	1,229.5
Social security costs	219.4	216.8
Pension costs (note 6.25)	7.6	(5.4)
Termination benefits, other long-term benefits and post-employment benefits other than Pension (note 6.25)	15.0	14.8
TOTAL	**1,505.1**	**1,455.6**

As at December 31, 2019, the headcount of bpost amounted to 34,296 (2018: 34,074) and was composed as follows:

- Statutory personnel: 8,783 (2018: 9,509).
- Contractual personnel: 25,513 (2018: 24,565).

The average FTE for 2019 was 31,054 (2018: 31,201).

The average FTE and interims for 2019 was 35,377 (2018 : 36,109).

Payroll costs (1,505.1 million EUR) and interim costs (198.1 million EUR) in 2019 amounted to 1,703.2 million EUR. Payroll and interim costs increased by 55.1 million (49.4 million EUR EUR for payroll and 5.7 million EUR for interim costs) compared to last year.

The payroll and interim costs increase driven by the exchange rate evolution, salary indexation, merit increases, the impact of the Collective Labour Agreement (CLA), last year's non-cash gain of 10.9 million EUR related to IAS 19 group insurance and the interim's wage rate increase was partly offset by a decrease of 732 FTE and interims, generating 22.7 million EUR lower costs and by a positive mix effect contributed 10.9 million EUR, mainly driven by the recruitment of auxiliary postmen.

6.13 Financial income and financial costs

The following amounts have been included in the income statement for the reporting periods presented:

For the year ended 31 December

IN MILLION EUR	2019	2018
Financial income	8.3	6.1
Financial costs	(69.7)	(29.9)
TOTAL	**(61.5)**	**(23.8)**

The net financial result of 2019 amounted -61.5 million EUR and decreased by 37.6 million EUR compared to 2018. This decrease was mainly due to the increase of non-cash financial charges related to IAS 19 employee benefits as a result of the decrease in discount rates and the first application of IFRS 16.

Financial income

For the year ended 31 December

IN MILLION EUR	2019	2018
Interest income from current accounts / commercial paper	1.1	0.4
Gain from exchange differences	6.3	5.1
Other	0.9	0.6
FINANCIAL INCOME	**8.3**	**6.1**

Financial costs

For the year ended 31 December

IN MILLION EUR	2019	2018
Financial costs on benefit obligations (IAS 19)	25.1	3.0
Lease interests expenses (IFRS 16)	9.7	0.0
Interest on loans	5.4	4.7
Interest and costs related to long-term bond	9.3	4.4
Unwinding of pre-hedge interest swap	2.5	2.7
Loss from exchange differences	6.4	8.4
Impairment current/financial assets	0.0	0.1
Contingent consideration : unwinding of discount and effect of changes related to purchase of minority interests	7.3	1.3
Other finance costs	4.0	5.4
FINANCIAL COSTS	**69.7**	**29.9**

6.14 Income tax/Deferred tax

Breakdown of Income tax expense recognized in the income statement

The income tax expense recognized in the income statement for 2019 amounted to 89.6 million EUR and breaks down as follows:

As at 31 December

IN MILLION EUR	2019	2018
INCOME TAX EXPENSE INCLUDED:		
Current Income tax expense	89.7	125.6
Adjustment to current tax expenses related to prior years	(1.6)	(6.0)
Deferred tax expense	1.6	(2.2)
TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME STATEMENT	**89.6**	**117.4**

Reconciliation of theoretical income tax expense with income tax expense recognized in the income statement

A reconciliation of theoretical tax expense with income tax expense recognized in the income statement can be detailed as follows:

IN MILLION EUR	2019	2018
Profit before tax (A)	244.3	381.0
Statutory income tax rate of the parent company (B)	29.58%	29.58%
THEORETICAL INCOME TAX EXPENSE (C) = (A) X (B)	**72.3**	**112.7**
Reconciling items between theoretical and effective Income tax expense		
Tax effect of non tax deductible expenses	6.7	6.1
Tax effects prior years	(1.6)	(4.4)
Tax effect of tax losses utilized by subsidiaries for which no deferred tax asset or no full deferred tax asset was recognized	(1.2)	(1.8)
Subsidiaries in loss situation for which no deferred tax asset or no full deferred tax asset was recognized on their tax losses	19.0	11.9
Associates and joint ventures (equity method)	(4.7)	(3.4)
Other:		
Tax effect of the changes in future tax rates	(0.3)	0.0
Other differences	(0.6)	(3.7)
TOTAL	**89.6**	**117.4**
Tax using effective rate (current period)	(89.6)	(117.4)
Profit before income tax	244.3	381.0
Effective tax rate	36.7%	30.8%

Pursuant to Belgian and Dutch corporate tax reforms bpost reassessed their deferred tax position under IFRS taking into consideration these new measures, which led to a tax expense of 0.3 million EUR in 2019.

Deferred tax presented in the statement of financial position

Net balances of deferred taxes are calculated based upon the tax position of each company and are disclosed in the statement of financial position for their net amount by legal entity.

As of December 31, 2019, bpost recognized a net deferred income tax asset of 27.3 million EUR. This net deferred income tax asset is composed as follows:

As at 31 december

IN MILLION EUR	2018	IMPACT ON PROFIT OF THE YEAR	IMPACT ON OTHER COMPREHENSIVE INCOME	IMPACT OF BUSINESS COMBINATIONS	NETTING OF TAX POSITIONS	2019
Deferred tax assets						
Employee benefits	23.6	1.6	(0.6)	0.0	0.0	24.6
Provisions	6.2	(3.5)	0.0	0.0	0.0	2.7
Tax losses carried forward	41.1	3.2	0.0	0.0	2.1	46.4
Other	29.5	5.8	(0.7)	0.0	(0.6)	33.9
TOTAL DEFERRED TAX ASSETS	**100.3**	**7.1**	**(1.3)**	**0.0**	**1.6**	**107.7**
Deferred tax liabilities						
Property plant and equipment	31.1	13.9	0.0	0.0	0.0	44.9
Intangible assets	37.7	(3.8)	0.0	0.0	1.5	35.4
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL DEFERRED TAX LIABILITIES	**68.8**	**10.1**	**0.0**	**0.0**	**1.5**	**80.4**
NET DEFERRED TAX ASSET	**31.5**	**(2.9)**	**(1.3)**	**0.0**	**(0.0)**	**27.3**

Deferred tax assets related to tax losses carried forward for Radial US have been recognized per December 31, 2019 for an amount of 42.7 million EUR. Per December 31, 2018 the deferred tax assets related to tax losses carried forward for Radial US amounted to 39.4 million EUR. These US tax losses carried forward for which a deferred tax asset has been recognized have an expiration date ranging between 2022 and 2037 or can be carried forward indefinitely for the tax losses incurred as from 2018.

As of December 31, 2019, bpost recognized a net deferred income tax liability of 7.0 million EUR. The decrease in net deferred income tax liability mainly resulted from the depreciations and impairment of intangible assets related to the purchase price allocation (other than Radial). The net deferred tax liability by type of temporary difference and the changes break down as follows :

As at 31 december

IN MILLION EUR	2018	IMPACT ON PROFIT OF THE YEAR	IMPACT ON OTHER COMPREHENSIVE INCOME	IMPACT OF BUSINESS COMBINATIONS	NETTING OF TAX POSITIONS	2019
Deferred tax assets						
Employee benefits	0.0	0.7	0.0	0.0	0.0	0.7
Provisions	0.0	1.0	0.0	0.0	0.0	1.0
Tax losses carried forward	2.2	3.7	0.0	0.0	(2.1)	3.8
Other	0.0	(0.6)	0.0	0.0	0.6	0.0
TOTAL DEFERRED TAX ASSETS	**2.2**	**4.9**	**0.0**	**0.0**	**(1.6)**	**5.5**
Deferred tax liabilities						
Property plant and equipment	1.3	0.6	0.0	0.0	0.0	1.9
Intangible assets	8.3	2.7	0.0	1.0	(1.5)	10.4
Other	(0.1)	0.2	0.0	0.0	0.0	0.2
TOTAL DEFERRED TAX LIABILITIES	**9.5**	**3.5**	**0.0**	**1.0**	**(1.5)**	**12.5**
NET DEFERRED TAX LIABILITY	**(7.3)**	**1.4**	**0.0**	**(1.0)**	**0.0**	**(7.0)**

Unrecognized deferred taxes

Deferred tax assets on the tax losses carried forward are only recognized to the extent that those losses are expected to offset a taxable profit in the future. bpost assesses a recoverability period of 5 years. Further to this assessment, no deferred tax asset has been recognized for 159.5 million EUR of carried forward tax losses. Most of these unrecognized tax losses relate to entities located in Belgium (45.0 million EUR), where they can be carried forward indefinitely, or in the United States (61.6 million). In this latter country, a loss generated in tax years ending before 1st January 2018 may be carried forward 20 years. As from 2018, US tax losses may be carried forward indefinitely.

6.15 Earnings per share

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

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

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

The table below reflects the income and share data used in the basic and diluted earnings per share computations:

For the year ended 31 December

IN MILLION EUR	2019	2018
Net profit attributable to ordinary equity holders of the parent for basic earnings	**154.2**	**264.8**
Adjustments for the effect of dilution		
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**154.2**	**264.8**
IN MILLION SHARES		
Weighted average number of ordinary shares for basic earnings per share	**200.0**	**200.0**
Effect of dilution		
Weighted average number of ordinary shares adjusted for the effect of dilution	**200.0**	**200.0**
IN EUR		
Basic, profit for the year attributable to ordinary equity holders of the parent	**0.77**	**1.32**
Diluted, profit for the year attributable to ordinary equity holders of the parent	**0.77**	**1.32**

6.16 Property, plant and equipment

IN MILLION EUR	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FURNITURE AND VEHICLES	FIXTURES AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE	TOTAL
ACQUISITION COST							
Balance at 1 January 2018	**829.6**	**423.4**	**419.8**	**184.5**	**16.4**	**0.0**	**1,873.9**
Acquisitions	1.6	25.6	33.0	26.8	1.9	0.0	88.9
Acquisitions through business combinations	5.1	6.6	8.5	0.4	0.0	0.0	20.7
Disposals	(64.1)	(44.9)	(16.9)	(33.4)	0.0	0.0	(159.3)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	(43.7)	(1.3)	(1.7)	(0.1)	0.0	0.0	(46.8)
Exchange rate difference	0.1	(0.1)	6.6	1.0	0.1	0.0	7.7
Other movements	(10.9)	0.6	0.5	16.6	(5.6)	0.0	1.1
BALANCE AT 31 DECEMBER 2018	**717.9**	**409.8**	**449.9**	**195.8**	**12.8**	**0.0**	**1,786.2**
Balance at 1 January 2019	**717.9**	**409.8**	**449.9**	**195.8**	**12.8**	**0.0**	**1,786.2**
Impact of IFRS 16 transition	0.0	0.0	0.0	0.0	0.0	417.8	417.8
Acquisitions	8.7	24.3	51.3	28.1	7.5	113.4	233.2
Acquisitions through business combinations	0.0	0.3	0.0	0.0	0.0	0.0	0.3
Reassessement	0,0	0,0	0,0	0,0	0,0	12.3	12.3
Disposals	(2.3)	(4.3)	(30.0)	(43.2)	0.0	(18.7)	(98.4)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	(0.3)	(0.3)
Assets classified as held for sale or investment property	(73.2)	0.0	0.0	15.2	0.0	0.0	(58.0)
Exchange rate difference	0.0	0.2	2.9	0.5	0.1	1.8	5.5
Other movements	(32.1)	0.1	(2.7)	20.4	(3.0)	18.7	(1.3)
BALANCE AT 31 DECEMBER 2019	**619.1**	**430.4**	**471.4**	**216.8**	**17.3**	**545.0**	**2,300.0**

IN MILLION EUR	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FURNITURE AND VEHICLES	FIXTURES AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE	TOTAL
REVALUATION							
Balance at 1 January 2018	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2018	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**
Balance at 1 January 2019	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2019	**0.0**	**0.0**	**0.0**	**0.0**	**7.4**	**0.0**	**7.4**

IN MILLION EUR	LAND AND BUILDINGS	PLANT AND EQUIPMENT	FURNITURE AND VEHICLES	FIXTURES AND FITTINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	RIGHT-OF-USE	TOTAL
DEPRECIATION AND IMPAIRMENT LOSSES							
Balance at 1 January 2018	**(487.9)**	**(298.4)**	**(247.4)**	**(91.0)**	**(3.7)**	**0.0**	**(1,128.5)**
Depreciation through business combinations	(2.1)	(2.2)	(7.1)	(0.1)	0.0	0.0	(11.5)
Disposals	43.6	44.5	16.9	29.5	0.0	0.0	134.5
Disposals through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	(18.8)	(23.4)	(45.8)	(23.9)	0.0	0.0	(111.9)
Impairment losses	1.7	(0.3)	0.1	0.4	0.0	0.0	1.9
Assets classified as held for sale or investment property	30.6	0.5	1.3	0.1	0.0	0.0	32.6
Exchange rate difference	0.0	(0.1)	(1.2)	(0.1)	0.0	0.0	(1.4)
Other movements	9.9	0.2	0.4	(11.8)	0.0	0.0	(1.3)
BALANCE AT 31 DECEMBER 2018	**(423.0)**	**(279.2)**	**(282.9)**	**(96.8)**	**(3.7)**	**0.0**	**(1,085.6)**
Balance at 1 January 2019	**(423.0)**	**(279.2)**	**(282.9)**	**(96.8)**	**(3.7)**	**(0.0)**	**(1,085.6)**
Depreciation through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	2.3	4.1	28.0	43.2	0.0	6.3	84.0
Disposals through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	(14.3)	(23.4)	(40.5)	(21.1)	0.0	(106.1)	(205.3)
Impairment losses	1.5	(0.1)	0.0	(0.3)	0.0	0.0	1.2
Assets classified as held for sale or investment property	46.5	0.0	0.0	(11.9)	0.0	0.0	34.7
Exchange rate difference	0.0	(0.1)	(0.8)	(0.1)	0.0	0.1	(0.9)
Other movements	33.8	(0.9)	(1.9)	(31.0)	0.0	(1.9)	(1.9)
BALANCE AT 31 DECEMBER 2019	**(353.0)**	**(299.5)**	**(298.1)**	**(117.8)**	**(3.7)**	**(101.7)**	**(1,173.8)**
CARRYING AMOUNT							
At 31 December 2018	295.0	130.7	167.0	99.0	16.4	0.0	708.0
At 31 December 2019	266.1	130.9	173.3	99.0	21.0	443.4	1,133.6

6.16.1 Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment decreased by 17.8 million EUR from 708.0 million EUR to 690.3 million EUR. This decrease was mainly explained by:

- depreciation and impairment amounting to 98.1 million EUR (2018: 110.0 million EUR);
- transfer of previous financial leases to right of use assets (15.5 million EUR, given the initial application of IFRS 16) and to assets held for sale (23.4 million EUR, mainly linked to the sale of the Centre Monnaie building);
- partially compensated by acquisitions (119.8 million EUR), mainly related to the build-out of new fulfillment centres in North America, mail centres infrastructure, fleet and the new distribution model.

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

6.16.2 Right-of-use assets and leases

As described in note 6.2, IFRS 16 was adopted as of January 1, 2019. The impact of the transition amounted to 417.8 million EUR, at year-end 2019 the right-of-use assets increased by 25.6 million EUR and amounted to 443.4 million EUR. This increase was mainly explained by:

- 113.4 million EUR additions, mainly related to additional warehouse leases (mainly Radial US and FDM) and vehicles i.e. replacement of ending leases;
- transfer of previous financials leases to right-of-use assets (15.5 million EUR);
- partially compensated by depreciations amounting to 106.0 million EUR.

bpost has lease contracts mainly for buildings (warehouses and post offices), vehicles, machinery and other equipment used in its operations. Lease terms and carrying amounts are detailed in the table hereunder:

IN MILLION EUR	USEFUL LIVES	CARRYING AMOUNT DEC 31, 2019
Land and Buildings	3 to 25 years	392.0
Vehicles	4 or 5 years (8 years for trucks)	47.7
Machinery and equipment	1 to 15 years	3.6
TOTAL		**443.4**

The carrying amounts and movements (including cash outflows) of the lease liabilities (under interest-bearing loans and borrowings) are being disclosed in note 6.24, whereas the maturity analysis is available in note 6.5.

bpost has certain leases for vehicles with lease terms of 12 months or less (2019: 2.6 million EUR) and also leases for printers (2019: 0.5 million EUR) and rent of square meters for Cubee lockers (2019: 0.1 million EUR) with low value, all are disclosed under rent costs, within operating expenses.

Certain rent contracts of Ubiway Retail, concessions within train stations and airports, include variable lease payments, depending on the sales of the shops. In 2019 these costs amounted to 2.6 million EUR and were included in rent, within operating expenses.

In 2019 a part of the gain on the sale of the headquarters (Centre Monnaie building) was treated as sale and lease back. As a result an amount of 1.2 million EUR of the capital gain that related to the right-of-use asset will be recognized in the income statement over the duration of the rent (end date ends 2020) as a reduction of the depreciation of the right-of-use asset. The remaining portion of the capital gain relating to the rights transferred was immediately recognized in the income statement.

There are several lease contracts that include extensions and termination options. The major lease contract relates to Brussels X (NBX), the term of this lease contract is 15 years (until 2031) with 3 possible extensions of 5 years each. These extensions are currently not included into the lease term as it is not reasonable certain that these will be exercised. The impact per extension of 5 years is estimated to increase the overall lease liability by 5%. All other major sorting centers are within property, plant and equipment.

The significant leases contracts that have not yet commenced are disclosed in 6.32 rights and commitments.

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

Operating Lease Income

bpost's future minimum operating lease income related to buildings is as followed and mainly relates to buildings of which bpost is the owner (subleases are immaterial):

For the year ended 31 December

IN MILLION EUR	2019	2018
Less than one year	0.5	1.3
Between one year and five years	1.3	3.7
More than five years	0.6	2.9
TOTAL	**2.4**	**7.9**

The income that is related to operational lease agreements is recognized in the section "Other operating income" for an amount of 1.0 million EUR in 2019.

The decrease in 2019 compared to 2018 was mainly explained by the sale of the Centre Monnaie building for which some floors were rented out.

6.17 Investment property

IN MILLION EUR	LAND AND BUILDINGS
ACQUISITION COST	
Balance at 1 January 2018	**17.6**
Acquisitions	0.0
Transfer from/to other asset categories	43.7
BALANCE AT 31 DECEMBER 2018	**61.3**
Balance at 1 January 2019	**61.3**
Acquisitions	0.0
Transfer from/to other asset categories	(45.5)
BALANCE AT 31 DECEMBER 2019	**15.8**
DEPRECIATION AND IMPAIRMENT LOSSES	
Balance at 1 January 2018	**(11.9)**
Depreciations	(0.1)
Transfer from/to other asset categories	(30.5)
BALANCE AT 31 DECEMBER 2018	**(42.6)**
Balance at 1 January 2019	**(42.6)**
Depreciations	(0.1)
Transfer from/to other asset categories	31.9
BALANCE AT 31 DECEMBER 2019	**(10.8)**
CARRYING AMOUNT	
At 31 December 2018	18.7
At 31 December 2019	5.0

Investment property mainly relates to apartments located in buildings used as post offices. The decrease of investment property in 2019 compared to 2018 was mainly explained by the sale of the Centre Monnaie building for which some floors were rented out.

Investment properties are carried at acquisition cost less any accumulated depreciation and less any impairment loss. The depreciation amount is allocated on a systematic basis over useful life (in general 40 years).

The rental income of the investment property amounted to 1.0 million EUR (2018: 2.0 million EUR). The estimated fair value of the investment property decreased from 18.7 million EUR to 5.0 million EUR given the sale of the Centre Monnaie building.

6.18 Assets held for sale

As at 31 December

IN MILLION EUR	2019	2018
Assets		
Property, plant and equipment	1.4	0.0
Alvadis	0.0	12.1
de Buren	0.0	2.6
Assets held for sale	*1.4*	*14.7*
Liabilities		
Alvadis	0.0	(7.8)
de Buren	0.0	(3.0)
Liabilities directly linked to assets held for sale	*0.0*	*(10.8)*

Property, plant and equipment

The number of buildings recognized in assets held for sale amounted to 1 at the end of 2018 versus 5 at the end of 2019. The majority of these assets are retail outlets which are vacant as a consequence of the optimization of the post offices and mail center network.

Profits on disposal of 25.8 million EUR (2018: 30.5 million EUR) were accounted for in the income statement in the section other operating income.

Alvadis

On December 3, 2018 bpost decided to start up the sales process of Alvadis NV/SA, hence assets and liabilities of Alvadis were classified as held for sale per December 31, 2018. On August 30, 2019, after approval from the Belgian Competition Authority Ubiway finalized the share purchase agreement with Conway for the sale of Alvadis.

The major classes of assets and liabilities of Alvadis classified as held for sale end of 2018 were as follows:

As at 31 December

IN MILLION EUR	2018
Assets	
Property, plant and equipment	0.3
Intangible assets	0.1
Deferred tax assets	0.0
Long term trade and other receivables	0.0
Inventories	2.7
Short term trade and other receivables	8.5
Cash and cash equivalents	0.5
Assets held for sale	*12.1*

Liabilities	
Long term interest-bearing loans and borrowings	0.0
Deferred tax liabilities	0.1
Provisions	0.0
Short term trade and other payables	(7.9)
Liabilities directly linked to assets held for sale	*(7.8)*
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**4.3**

Following the classification to assets held for sale in 2018, the intangible assets (brand name and customer relationship) originating from the purchase price allocation were written-down (1.0 million EUR) to reduce the carrying amount of the assets to their fair value less costs to sell based upon a binding sales agreement (classified as level 1 in the fair value hierarchy). No further write-down was necessary.

de Buren

On December 3, 2018 bpost decided to start up the exit in the participation in de Buren Internationaal BV, which operates an open network of parcel lockers in the Netherlands, through the put option foreseen in the initial purchase contract. This put option allowed bpost to sell their participation in de Buren to the minority shareholders. This transaction was completed on February 21, 2019. Hence at December 31, 2018 de Buren – part of the Parcels & Logistics Europe & Asia - was classified to held for sale.

The major classes of assets and liabilities of de Buren classified as held for sale in 2018 were as follows:

As at 31 December

IN MILLION EUR	2018
Assets	
Property, plant and equipment	0.9
Intangible assets	0.9
Deferred tax assets	0.0
Long term trade and other receivables	(0.2)
Inventories	0.8
Short term trade and other receivables	(0.1)
Cash and cash equivalents	0.3
Assets held for sale	*2.6*
Liabilities	
Long term interest-bearing loans and borrowings	(1.7)
Deferred tax liabilities	(0.1)
Provisions	0.0
Short term trade and other payables	(1.2)
Liabilities directly linked to assets held for sale	*(3.0)*
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**(0.4)**

The divestment of the 51% stake in de Buren in 2018 triggered the reversal of the contingent consideration which amounted to 14.6 million EUR as bpost was liberated from any contingent consideration or other similar obligation. This has been recorded as other operating income (see note 6.9). Following the classification to assets held for sale, the intangible assets (know-how) originating from the purchase price allocation were written-down (5.6 million EUR) as well as the goodwill (4.2 million EUR) to reduce the carrying amount of the assets to their fair value less costs to sell.

6.19 Intangible assets

IN MILLION EUR	GOODWILL	DEVELOPMENT	SOFTWARE	CUSTOMER RELATIONSHIP	TRADENAME	TOTAL
ACQUISITION COST						
Balance at 1 January 2018	**664.6**	**116.5**	**174.4**	**134.6**	**50.8**	**1,140.9**
Acquisitions	0.0	12.7	13.5	0.4	0.0	26.5
Acquisitions and additions through business combinations	3.0	0.0	0.2	3.2	0.0	6.4
Disposals	0.0	(8.7)	(5.7)	(3.2)	0.0	(17.7)
Disposals via business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Assets classified as held for sale or investment property	(4.2)	(1.2)	(10.0)	(2.5)	0.0	(17.8)
Exchange rate difference	21.6	0.0	1.6	(1.2)	0.7	22.6
Other movements	(1.5)	0.3	(1.3)	0.5	1.0	(1.1)
BALANCE AT 31 DECEMBER 2018	**683.6**	**119.6**	**172.6**	**131.6**	**52.5**	**1,159.8**
Balance at 1 January 2019	**683.6**	**119.6**	**172.6**	**131.6**	**52.5**	**1,159.8**
Acquisitions	0.0	27.5	14.8	0.2	0.0	42.4
Acquisitions and additions through business combinations	6.0	1.4	0.0	2.0	0.6	10.0
Disposals	0.0	0.0	(2.5)	(0.2)	0.0	(2.7)
Disposals via business combinations	0.0	0.0	0.0	(1.3)	(0.5)	(1.8)
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	13.4	0.0	0.9	1.5	0.8	16.6
Other movements	0.0	(0.9)	0.6	1.7	0.5	1.8
BALANCE AT 31 DECEMBER 2019	**702.8**	**147.5**	**186.3**	**135.4**	**53.9**	**1,225.9**

IN MILLION EUR	GOODWILL	DEVELOPMENT	SOFTWARE	CUSTOMER RELATIONSHIP	TRADENAME	TOTAL
DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 January 2018	**(24.8)**	**(86.6)**	**(120.3)**	**(16.9)**	**(1.9)**	**(250.6)**
Acquisitions through business combinations	(0.2)	0.0	(0.1)	(0.8)	0.0	(1.1)
Disposals	0.0	8.7	5.6	3.2	0.0	17.4
Disposals through the sale of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	(8.5)	(22.0)	(9.9)	(4.7)	(45.0)
Impairment losses	(16.3)	0.1	(5.6)	(0.7)	(0.3)	(22.8)
Assets classified as held for sale or investment property	4.2	0.7	10.0	1.9	0.1	16.8
Exchange rate difference	0.0	0.0	(1.0)	0.1	0.0	(1.0)
Other movements	0.3	(0.2)	0.0	1.2	0.0	1.3
BALANCE AT 31 DECEMBER 2018	**(36.7)**	**(85.9)**	**(133.4)**	**(22.1)**	**(6.7)**	**(284.8)**
Balance at 1 January 2019	**(36.7)**	**(85.9)**	**(133.4)**	**(22.1)**	**(6.7)**	**(284.8)**
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	2.0	0.1	0.0	2.1
Disposals via business combinations	0.0	0.0	0.0	1.3	0.5	1.8
Depreciation	0.0	(12.3)	(16.7)	(7.1)	(7.2)	(43.3)
Impairment losses	0.0	0.2	(0.2)	(0.5)	(1.2)	(1.7)
Assets classified as held for sale or investment property	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	(0.4)	(0.1)	0.0	(0.5)
Other movements	0.0	(0.1)	0.6	(1.3)	(0.5)	(1.3)
BALANCE AT 31 DECEMBER 2019	**(36.7)**	**(98.0)**	**(148.0)**	**(29.8)**	**(15.2)**	**(327.6)**

IN MILLION EUR	GOODWILL	DEVELOPMENT	SOFTWARE	CUSTOMER RELATIONSHIP	TRADENAME	TOTAL
CARRYING AMOUNT						
At 31 December 2018	646.8	33.7	39.2	109.5	45.8	874.9
At 31 December 2019	666.3	49.5	38.3	105.6	38.7	898.3

Intangible assets increased by 23.3 million EUR, mainly due to:

- acquisitions (42.4 million EUR) mainly related to ICT development costs capitalized, the migration of ICT infrastructure to the cloud and the new distribution model and;
- the increase in goodwill due to the finalization of the purchase price allocation of Anthill (1.5 million EUR) and the preliminary goodwill of Vector Invest (4.5 million EUR).
- the evolution of the exchange rate (16.1 million EUR);
- partially compensated by amortization and impairments amounting to 45.0 million EUR.

Noted that within trade name, 7.0 million EUR related to AMP has an indefinite useful life.

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

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

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) in accordance with IAS 36 Impairment of assets.

In million EUR

	PRESS	PROXIMITY AND CONVENIENCE RETAIL NETWORK	VALUE ADDED SERVICES	PARCELS BENE	E-COMMERCE LOGISTICS EUROPE & ASIA	CROSS-BORDER	E-COMMERCE LOGISTICS NORTH AMERICA	INTER NATIONAL MAIL	TOTAL
Balance at 1 January 2018	**21.9**	**28.3**	**8.8**	**42.4**	**57.2**	**0.5**	**472.9**	**7.8**	**639.8**
Acquisitions	0.0	0.0	0.0	0.0	6.0	0.0	0.0	4.2	10.2
Disposals	0.0	0.0	0.0	0.0	(7.3)	0.0	0.0	0.0	(7.3)
Impairment	0.0	0.0	(7.9)	(4.2)	(4.2)	0.0	0.0	0.0	(16.3)
Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	20.4	0.0	20.4
BALANCE AT 31 DECEMBER 2018	**21.9**	**28.3**	**0.9**	**38.3**	**51.7**	**0.5**	**493.3**	**12.0**	**646.8**
Balance at 1 January 2019	**21.9**	**28.3**	**0.9**	**38.3**	**51.7**	**0.5**	**493.3**	**12.0**	**646.8**
Acquisitions	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0	6.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate difference	0.0	0.0	0.0	0.0	0.0	0.0	11.3	2.1	13.4
BALANCE AT 31 DECEMBER 2019	**21.9**	**28.3**	**0.9**	**38.3**	**57.7**	**0.5**	**504.6**	**14.1**	**666.2**

In 2019 the goodwill of E-commerce Logistic Europe & Asia was adjusted as a result of the finalization of the purchase price allocation of Anthill BV (1.5 million EUR) and the consolidation of Vector Invest BV (4.5 million EUR) as from October 2019 (see note 6.6 business combinations). Note that the goodwill of Anthill BV was not retrospectively adjusted as the impact was deemed not material.

In 2018 bpost reorganized its segment set-up and composition of the CGU and as result reallocated goodwill. The opening balance at January 1, 2018 is presented with the reallocated goodwill included. Goodwill was impaired in 2018 for the CGUs Value added services 7.9 million EUR (Certipost), Parcels BeNe 4.2 million EUR (de Buren) and E-commerce logistics Europe & Asia 4.2 million EUR (Bubble Post). bpost recognized impairments as bpost decided to sell de Buren and stop the activities of Bubble Post and the fair value less costs to sell was lower than the carrying value. The goodwill of Certipost has been impaired as the recoverable amount is not supported anymore by the value in use as the phase out of the current eID cards will lead to a zero cash flow.

Goodwill is not amortized but is tested for impairment on an annual basis (December). For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) in accordance with IAS 36 *Impairment of assets*. The test consists of comparing the carrying amount of the assets (or group) of the CGUs with their recoverable amount. The CGUs are described in the note segment reporting and combine business operations active in a same geographical region.

The recoverable amounts are based on the value in use. The latter equals the present value of the future cash flows expected to be derived from each CGU or group of CGUs and is determined using the following inputs:

- most recent business plan and budgets, including detailed planning for EBITDA, net working capital and investment planning via capital expenditure or leasing, which covers a four year period;
- consideration of a terminal value determined from the cash flows obtained by extrapolating the cash flows of the last year of the business plan referred to above, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
- discounting of expected cash flows at a rate determined using the weighted average cost of capital formula.

The assumption for which the recoverable amounts is the most sensitive for all CGU's tested is the EBTIDA. The key assumption (EBITDA) in the budgets is based on past experiences adapted for changing market conditions. The EBITDA is the result of volume evolutions, price evolution and cost improvement projects along with new value added services following the judgement and estimates made by management in developing the budgets and forecasts for the coming years.

The discount rate is estimated based on an extensive benchmarking with peers, so as to reflect the return investors would require if they were to choose an investment in the underlying assets. The peer group was divided into mail-related peers and parcels-related peers. Besides this, the different economic environment was also factored in the determination of the weighted average cost of capital (WACC). The decrease of the discount rates in 2019 was driven by declining cost of debt and a higher gearing ratio of the peer group.

The long-term growth rate was set at 0% for mail activities and 2% for parcels activities and e-commerce logistics. The growth rates were determined based on internal expectations (same assumptions as for EBITDA evolution) and external sources and are consistent with real growth figures and expectations for the relevant sectors in which the CGUs operate and take into consideration the long-term inflation for Europe and United States.

The discount rates and the growth rates for the CGUs with material goodwill are shown in the following table:

	DISCOUNT RATES		GROWTH RATES	
	2019	2018	2019	2018
Press	5.7%	6.9%	0%	0%
Proximity and convenience retail network	5.7%	6.9%	0%	0%
Parcels BeNe	5.9%	6.6%	2%	2%
E-commerce logistics Europe & Asia	5.9%	6.6%	2%	2%
E-commerce logistics North America	7.5%	8.3%	2%	2%
International Mail	7.2%	8.4%	0%	0%

The impairment tests performed at CGU level did not lead to any impairment of assets, as the recoverable amounts of the (groups of) CGUs were significantly higher than their carrying amounts. More specifically, the difference between the CGUs' carrying amount and their value in use (headroom) represents in all cases at least more than 38% of their carrying amount. As such, a reasonable change in a key assumption on which the recoverable amount of the CGUs is based would not result in an impairment loss for the related CGUs.

In this respect, for e-commerce Logistics North America, e-commerce Europe & Asia and Parcels BeNe, which are the 3 CGUs which represent 90% of the total amount of goodwill, the worst case sensitivity analysis below leads to headroom that is still more than 21% of their respective carrying amounts. The sensitivity of the recoverable amount to changes in the key assumption, long-term growth rate and discount rate is shown in the following table:

	E-COMMERCE LOGISTICS NORTH AMERICA	E-COMMERCE LOGISTICS EUROPE & ASIA	PARCELS BENE
Sensitivity to long-term growth rate -1.0%	-13.7%	-25.0%	-18.8%
Sensitivity to long-term growth rate +1.0%	19.7%	42.2%	31.8%
Sensitivity to discount rate -0.5 %	10.6%	20.2%	15.4%
Sensitivity to discount rate +0.5 %	-8.8%	-15.5%	-11.9%
Sensitivity to EBITDA margin -1.0 %	-16.5%	-40.6%	-19.9%
Sensitivity to EBITDA margin +1.0 %	16.5%	41.8%	19.9%

An unfavorable change in growth, discount rate or EBITDA margin as disclosed above is not expected to result in an impairment.

6.20 Investment in associates and joint ventures

IN MILLION EUR	2019	2018
Balance at 1 January	**251.2**	**329.2**
Addition through business combinations	0.1	0.0
Share of profit	15.8	11.5
Dividend received	(5.0)	(4.0)
Impact of IFRS 9 on transition	0.0	(59.9)
Other movements in equity of associates and joint ventures	(22.6)	(25.5)
BALANCE AT 31 DECEMBER	**239.5**	**251.2**

Equity accounted investees decreased by 11.7 million EUR, to 239.5 million EUR as of December 31, 2019. The integration of the joint venture Jofico and the bpost's share in the gain of bpost bank for 15.8 million EUR was more than offset by the distribution of dividends from bpost bank for an amount of 5.0 million EUR and decrease in the unrealized gain on the bond portfolio in the amount of 22.6 million EUR recognized in other comprehensive income, reflecting a decrease of the underlying yield curve by 3 basis points (bps) compared to December 31, 2018. As of December 31, 2019, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of 21.6 million EUR, which represented 9.0% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but are rather recognized directly in equity in other comprehensive income.

Impact of IFRS 9 on transition

As of January 1, 2018, IAS 39 Financial Instruments: Recognition and Measurement was replaced by IFRS 9 Financial Instruments. At the transition in 2018 to IFRS 9 bpost bank reclassified a major part of its bond portfolio from IAS 39 available-for-sale category to IFRS 9 amortized cost category. This resulted in a decrease of bpost bank's equity by 119.8 million EUR and consequently bpost's investment in associates and the relating reserves decreased by 50% of this amount so 59.9 million EUR on the transition date to IFRS 9.

An overview of the selected financial figures of the associates and joint ventures are presented in the following tables.

IN MILLION EUR	OWNERSHIP	TOTAL ASSETS	TOTAL LIABILITIES (EXCL. EQUITY)	INCOME	PROFIT/(LOSS)	OTHER COMPREHENSIVE INCOME
2018						
bpost bank	50%	11,045.3	10,542.9	265.7	22.9	(51.0)
2019						
bpost bank	50%	11,788.6	11,309.8	380.5	31.7	(45.3)

6.21 Trade and other receivables

As at 31 December

IN MILLION EUR	2019	2018
Trade receivables	0.0	0.0
Loan to associates	25.0	0.0
Contract costs - assets recognized to obtain or fulfil a contract	3.7	0.0
Other receivables	12.8	11.2
NON CURRENT TRADE AND OTHER RECEIVABLES	**41.5**	**11.2**

The increase of the non-current receivables compared to last year was mainly due to subordinated loan of 25.0 million EUR with a variable interest rate, a maturity of 10 years and a first call date after 5 years granted to bpost bank. The loan is held in a business model with the aim to hold-and-collect the contractual cash flows. The terms of the loan passes the SPPI test. The loan was classified in Stage 1 in accordance with the IFRS 9 impairment requirements and the recognised ECL is not significant.

In 2019 Radial entered into a significant number of new contracts with new clients. In doing so, Radial incurred various costs and expenditures, which fall under the categories of "Costs of Obtaining a Contract" and "Costs to Fulfill a Contract" within IFRS 15. The assets recognized in 2019 from the costs to obtain or fulfill a contract with customers are system set-up and adaptation, project management and sales commission for logistic and fulfillment services. The net assets are disclosed under other receivables.

As at 31 December

IN MILLION EUR	2019	2018
Trade receivables	656.5	646.0
Tax receivables, other than income tax	4.3	6.1
Other receivables	56.8	59.9
CURRENT TRADE AND OTHER RECEIVABLES	**717.6**	**712.0**

As at 31 December

IN MILLION EUR	2019	2018
Accrued income	7.6	8.3
Deferred charges	44.1	45.7
Other receivables	5.2	5.9
CURRENT - OTHER RECEIVABLES	**56.8**	**59.9**

Current trade and other receivables increased by 5.6 million EUR to 717.6 million EUR (2018: 712.0 million EUR), driven by a rise in trade receivables of 10.4 million EUR partly compensated by the decrease of other receivables of 3.1 million EUR and tax receivables (other than income tax) of 1.8 million EUR.

Tax receivables relate to the outstanding VAT amounts to be received.

Trade and other receivables are mainly short-term. The carrying amounts are considered to be a reasonable approximation of the fair value.

6.22 Inventories

As at 31 December

IN MILLION EUR	2019	2018
Raw materials	3.0	2.3
Finished products	5.3	6.2
Goods purchased for resale	27.3	29.2
Reductions in value	(0.9)	(0.8)
INVENTORIES	**34.7**	**36.9**

Inventories slightly decreased by 2.2 million EUR. Raw materials include consumables, i.e. materials used for printing purposes. Finished products are stamps available for sale. Goods purchased for resale mainly include post cards, supplies for resale, press distribution inventory and retail inventory (tobacco, beverage, multimedia, etc.).

6.23 Cash and cash equivalents

As at 31 December

IN MILLION EUR	2019	2018
Cash in network	163.6	151.2
Transit accounts	105.8	107.0
Cash payment transactions under execution	(26.7)	(39.4)
Bank current accounts	377.4	461.3
Short term deposits	50.0	0.0
CASH AND CASH EQUIVALENTS	**670.2**	**680.1**

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

6.24 Interest-bearing loans and borrowings

IN MILLION EUR	2018	NON-CASH CHANGES: IMPACT OF IFRS 16 TRANSITION	FOREIGN EXCHANGE MOVEMENT	NEW LEASES	REASSESSMENT	DISPOSAL	TRANSFER	OTHER	CASH FLOWS	2019
Bank loans	189.6	0.0	3.1	0.0	0.0	0.0	(9.8)	0.2	(0.2)	182.9
Long-term bond	641.8	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	642.5
Other loans	1.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.7
Lease liabilities	16.7	337.2	1.7	113.4	12.3	(10.3)	(129.9)	9.7	0.0	350.7
NON CURRENT INTEREST-BEARING LOANS AND BORROWINGS	**849.1**	**337.2**	**4.8**	**113.4**	**12.3**	**(10.3)**	**(139.7)**	**10.4**	**(0.3)**	**1,176.8**

Non-current interest-bearing loans and borrowings increased by 327.7 million EUR to 1,176.8 million EUR mainly due to the first application of IFRS 16. This increase was partially offset by a decrease of 9.1 million EUR corresponding to the portion of the loan of the European Investment Bank transferred to current interest-bearing loans and borrowings.

Due to the implementation of IFRS 16, there is a significant increase of non current lease liabilities. All movements related to additions and lease details are explained in the note 6.16.

IN MILLION EUR	2018	NON-CASH CHANGES: IMPACT OF IFRS 16 TRANSITION	FOREIGN EXCHANGE MOVEMENT	NEW LEASES	REASSESSMENT	DISPOSAL	TRANSFER	OTHER	CASH FLOWS	2019
Bank loans	8.6	0.0	0.0	0.0	0.0	0.0	9.8	0.1	(9.1)	9.4
Commercial papers	165.1	0.0	0.0	0.0	0.0	0.0	0.0	(0.6)	0.0	164.5
Other loans	0.4	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)	0.1
Lease liabilities	1.6	80.7	0.4	0.0	0.0	0.0	129.9	0.0	(113.9)	98.6
CURRENT INTEREST-BEARING LOANS AND BORROWINGS	**175.6**	**80.7**	**0.4**	**0.0**	**0.0**	**0.0**	**139.7**	**(0.5)**	**(123.2)**	**272.7**

Current interest-bearing loans and borrowings increased by 97.1 million EUR to 272.7 million EUR mainly due to the first application of IFRS 16.

Note that the total of the columns “cash flow” mentioned in the two tables above amounted to -123.5 million EUR, while “the net flows related to borrowings and lease liabilities” in the consolidated statement of cash flow amounted to -140.1 million EUR. The difference of -16.6 million EUR was mainly due to the interests on the term loan and the yield of bond booked on the trade and other payable accounts, hence are not being disclosed in this note. Furthermore in the consolidated statement of cash flows for the commercial paper the gross amounts related to the settlement and issuing of the different commercial papers in 2019 are presented respectively as cash outflow or cash inflow, whereas in the table above the net cash flow is shown.

Note furthermore that bpost also has two undrawn revolving credit facilities for a total amount of 375.0 million EUR, see note 6.31 “rights and commitments”.

Due to the implementation of IFRS 16, there is a significant increase of current lease liabilities. The amount transferred from non-current to current lease liabilities corresponds to the lease payment excluding the interest.

6.25 Employee benefits

bpost grants its active and retired personnel post-employment benefits, other long term benefits and termination benefits. These benefit plans have been valued in conformity with IAS 19. Some of them originate from measures negotiated in the framework of Collective Labor Agreements ('CLA'). The benefits granted under these plans differ depending on the categories of bpost's employees: civil servants (also known as statutory employees), pay scale contractual employees, auxiliary agents and non-pay scale contractual employees.

The employee benefits are as follows:

As at 31 December

IN MILLION EUR	2019	2018
Post-employment benefits	(29.4)	(32.8)
Other long-term benefits	(282.2)	(267.1)
Termination benefits	(9.0)	(8.5)
TOTAL	**(320.6)**	**(308.4)**

Net of the deferred tax assets related to them, employee benefits amount to 296.0 million EUR (2018: 284.8 million EUR).

As at 31 December

IN MILLION EUR	2019	2018
Employee benefits	(320.6)	(308.4)
Deferred tax assets impact	24.6	23.6
EMPLOYEE BENEFITS NET OF DEFERRED TAX	**(296.0)**	**(284.8)**

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

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(403.8)	(373.7)
Fair value of plan assets	83.2	65.3
Present value of net obligations	**(320.6)**	**(308.4)**
NET LIABILITY	**(320.6)**	**(308.4)**
Employee benefits amounts in the statement of financial position		
Liabilities	(320.6)	(308.4)
NET LIABILITY	**(320.6)**	**(308.4)**

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

IN MILLION EUR	2019	2018
Present value at 1 January	**(373.7)**	**(380.3)**
Service cost	(27.5)	(16.3)
-Current service cost	*(27.5)*	*(27.2)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(5.0)	(4.9)
Benefits paid	29.8	27.9
Re-measurement gains and (losses)	(17.8)	6.3
-Actuarial gains and (losses) recognized in Income Statement	*(17.8)*	*6.3*
Re-measurement gains and (losses) in other comprehensive income	(9.7)	(0.8)
-Actuarial gains and (losses)	*(9.7)*	*(0.8)*
Transfer	0.0	(5.6)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(403.8)**	**(373.7)**

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

IN MILLION EUR	2019	2018
Fair value of plan assets at 1 January	**65.3**	**53.4**
Contributions by employer	32.2	31.0
Contributions by employee	1.4	1.4
Benefits paid	(29.8)	(27.9)
Interest income/(cost) on assets (P&L item)	1.1	0.8
Actuarial gain/(loss) on assets (OCI item)	12.9	6.6
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**83.2**	**65.3**

The plan assets relate to the group insurance's benefit in accordance with IAS 19. These plan assets are held by a third party insurance company, and are composed of the reserves accumulated from the employer and employee contributions (insured contracts with a guaranteed return).

2019 changes in the defined benefit obligation and fair value of plan assets:

IN MILLION EUR	DEFINED BENEFIT OBLIGATION	FAIR VALUE OF PLAN ASSETS	NET LIABILITY
1 January 2019	**(373.7)**	**65.3**	**(308.4)**
Service cost	(27.5)	0.0	(27.5)
Contributions by employee	0.0	1.4	1.4
Actuarial gains and (losses) reported as operating	3.5	0.0	3.5
Subtotal included in Payroll Profit or Loss (note 6.12)	**(24.0)**	**1.4**	**(22.6)**
Interest cost	(5.0)	0.0	(5.0)
Interest income/(cost) on assets (P&L item)	0.0	1.1	1.1
Actuarial gains and (losses) reported as financial	(21.3)	0.0	(21.3)
Subtotal included in Financial Profit or Loss (note 6.13)	**(26.3)**	**1.1**	**(25.1)**
Benefits paid	29.8	(29.8)	(0.0)
Contributions by employer	0.0	32.2	32.2
SUBTOTAL CASH FLOWS STATEMENT	**(20.4)**	**4.9**	**(15.5)**
Re-measurement gains and (losses) in Other Comprehensive Income	(9.7)	12.9	3.2
31 DECEMBER 2019	**(403.8)**	**83.2**	**(320.6)**

The expense recognized in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Service cost	(26.1)	(14.6)
-Current service cost	*(26.1)*	*(25.5)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(3.8)	(4.0)
Re-measurements gains and (losses)	(17.8)	6.3
- Actuarial gains and (losses) reported as financial	*(21.3)*	*1.0*
- Actuarial gains and (losses) reported as operating	*3.5*	*5.2*
NET EXPENSE	**(47.7)**	**(12.4)**

Actuarial gains and losses caused by changes in discount rates are recorded as financial costs, whereas actuarial gains/losses for post-employment benefits are recorded in other comprehensive income. In all other cases, actuarial gains and losses are recorded as operating expenses.

Interest costs and financial actuarial gains or losses have been recorded as financial costs. All other expenses summarized above were included in the income statement caption “Payroll costs”.

The impact on payroll costs and financial costs in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(22.6)	(9.4)
Financial cost	(25.1)	(3.0)
NET EXPENSE	**(47.7)**	**(12.4)**

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

For the year ended 31 December

IN MILLION EUR	2019	2018
Re-measurement gains/(losses)	3.2	5.8
- Actuarial gains and (losses)	*3.2*	*5.8*
NET EXPENSE	**3.2**	**5.8**

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

	2019	2018
Rate of inflation	1.8%	1.8%
Future salary increase	2.8%	2.8%
Medical cost trend rate	5.0%	5.0%
Mortality tables	MR/FR-2	MR/FR-2

The discount rates have been determined by reference to market yields at the statement of financial position date. The discount rates used in 2019 range from -0.15% to 1.00% (2018: 0.00% to 1.80%):

BENEFIT	DURATION	DISCOUNT RATE		NET LIABILITY
		2019	2018	2019
Family allowances	6.8	0.45%	1.15%	(20.7)
Bank	15.0	1.00%	1.70%	(3.6)
Funeral expense	7.7	0.55%	1.30%	(2.3)
Gratification	from 11.3 to 14.1	from 0.70% to 0.75%	from 1.55% to 1.65%	(2.1)
Group insurance	from 11.3 to 18.0	from 0.75% to 1.00%	from 1.55% to 1.80%	(0.6)
Accumulated compensated absences	2.4	-0.05%	0.15%	(19.6)
Workers compensation in case of accident	12.9	0.75%	1.55%	(132.7)
Medical expenses in case of accident	18.0	1.00%	1.80%	(12.2)
Pension saving days	9.1	0.60%	1.40%	(94.1)
Jubilee Premiums	from 6.5 to 8.0	from 0.40% to 0.55%	from 1.15% to 1.30%	(1.3)
DSPR/DVVP for Mobility Center	8.4	0.55%	1.35%	(16.5)
Part-time regime (54+)	from 1.8 to 4.0	0.00%	0.45%	(5.8)
Early retirement scheme	from 0.5 to 1.7	from -0.15% to 0.00%	from 0.00% to 0.15%	(9.0)

The average duration of the defined benefit plan obligation at the end of 2019 is 11.3 years (2018: 10.8 years).

A quantitative sensitivity analysis for significant assumptions at December 31, 2019 has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

This sensitivity analysis is outlined here below:

	DISCOUNT RATE		MORTALITY TABLE MR/FR	MEDICAL TREND RATE
IN MILLION EUR	50 BP INCREASE	50 BP DECREASE	DECREASE BY 1 YEAR	100 BP INCREASE
Impact on defined benefit obligation (increase)/decrease	21.5	(23.6)	(6.4)	(2.0)

6.25.1 Post-employment

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

FAMILY ALLOWANCES

bpost's civil servants (both active and pensioners) with dependents (youngsters and disabled) receive a family allowance from Office National d'Allocations Familiales pour Travailleurs Salariés (ONAFTS) – Rijksdienst voor Kinderbijslag voor Werknemers (RKW). The financing methodology of family allowances for civil servants has changed due to a law change (law of 19 December 2014). As a consequence, bpost as a public institution pays a contribution that is defined by a program law. The amount is adapted each year proportionally to the number of civil servants (full time equivalents) and is subject to inflation.

BANK

All active members, pre-pensioners and pensioners can benefit from a reduction of the fees charged on the current account as well as favorable interest rates and/or reductions on savings certificates, investment funds, insurances and loans.

GROUP INSURANCE

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

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

Although there is still no full clarity on the approach, new legislation dated December 2015 brought more clarification on the minimum guaranteed return. The uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium has been removed with the change in the WAP/LPC law end of December 2015. As from 2016, the minimum return for future contributions is equal to the average past 24 months return on 10-year linear bonds with a minimum of 1.75% p.a.

Although there is no full consensus in the market concerning the methodology, in 2018 the underlying methodology used for IAS19 accounting of these defined contribution plans has been finetuned taken into account the evolution in methodologies in the market based on new insights. bpost continues to use the PUC (projected unit credit) methodology but without projection of future contributions and salaries as the plans are not backloaded (contributions do not increase with age). The only reason why contributions may materially increase at a later stage of a career is linked to salary increases being higher than indexations in step rate plans. Furthermore in 2018 bpost applied paragraph 115 of IAS 19. The assets and liabilities are determined taking into account contractual interest guarantees on mathematical reserves, guaranteed by the insurance company. Applying paragraph 115 may result in higher assets when guaranteed interest rates are higher than the discount rate, resulting in a lower net liability. The impact of the above resulted in a non-cash gain of 10.9 million EUR in 2018.

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

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(112.6)	(98.1)
Fair value of plan assets	83.2	65.3
Present value of net obligations	**(29.4)**	**(32.8)**
NET LIABILITY	**(29.4)**	**(32.8)**
Employee benefits amounts in the statement of financial position		
Liabilities	(29.4)	(32.8)
NET LIABILITY	**(29.4)**	**(32.8)**

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

IN MILLION EUR	2019	2018
Present value at 1 January	(98.1)	(104.0)
Service cost	(10.0)	2.6
-Current service cost	*(10.0)*	*(8.3)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(1.5)	(1.4)
Benefits paid	6.6	5.6
Re-measurement gains and (losses)	0.0	0.0
-Actuarial gains and (losses) recognized in Income Statement	*0.0*	*0.0*
Re-measurement gains and (losses) in other comprehensive income	(9.7)	(0.8)
-Actuarial gains and (losses)	*(9.7)*	*(0.8)*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(112.6)**	**(98.1)**

The fair value of the plan assets is presented as follows:

IN MILLION EUR	2019	2018
Fair value of plan assets at 1 January	**65.3**	**53.4**
Contributions by employer	9.0	8.7
Contributions by employee	1.4	1.4
Benefits paid	(6.6)	(5.6)
Interest income/(cost) on assets (P&L item)	1.1	0.8
Actuarial gain/(loss) on assets (OCI item)	12.9	6.6
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**83.2**	**65.3**

The expense recognized in the income statement is presented hereafter:

As of 31 December

IN MILLION EUR	2019	2018
Service cost	(8.5)	4.3
-Current service cost	*(8.5)*	*(6.7)*
-Past service (cost)/gain	*0.0*	*10.9*
Net interest	(0.3)	(0.6)
Re-measurements gains and (losses)	0.0	0.0
- Actuarial gains and (losses) reported as financial	*0.0*	*0.0*
- Actuarial gains and (losses) reported as operating	*0.0*	*0.0*
NET EXPENSE	**(8.9)**	**3.6**

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

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(8.5)	4.3
Financial cost	(0.3)	(0.6)
NET EXPENSE	**(8.9)**	**3.6**

The expense recognized in other comprehensive income is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Re-measurement gains/(losses)	3.2	5.8
- Actuarial gains and (losses)	*3.2*	*5.8*
NET EXPENSE	**3.2**	**5.8**

6.25.2 Other long-term employee benefits

Other long-term employee benefits include accumulated compensated absences, pension saving days, part-time benefits, worker compensation in case of accident, medical expenses in case of accident, jubilee premiums and DSPR/DVVP for Job Mobility Center.

ACCUMULATED COMPENSATED ABSENCES

Civil servants are entitled to 21 sick-days per year. During these 21 days and if they have received the appropriate note from a doctor, they receive 100% of their salary. If in any given year, a civil servant is absent less than 21 days, the balance of the unused sickness days is carried over to the following years up to a maximum of 63 days (see section Pension saving days hereinafter). Employees who are ill for more than 21 days during a year will first use up the year's allotment and then use the days carried over from previous years as per their individual account. During this period, they will receive their full salary. Once the allotment of the year and the days carried over are used up, they receive reduced payments.

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

There was no modification to the calculation methodology compared to 2018. The valuation is based on the future "projected payments / cash outflows". The cash outflows are calculated for the totality of the population considered, based on a certain consumption pattern, derived from the statistics over the 12 months of 2019. The individual notional accounts are projected for the future and decreased by the actual number of days of illness.

The annual payment is the number of days used (and limited by the number of days in the savings account) multiplied by the difference between the projected salary (increased with social charges) at 100% and the reduced payments. The relevant withdrawal and mortality rates have been applied together with the discount rate applicable to the duration of the benefit.

PENSION SAVING DAYS

Civil servants have the possibility to convert the unused sick days above the 63 days in their 'notional' account (see above "Accumulated Compensated Absences" benefit) in pension saving days (7 sick days per 1 pension saving day) and to convert each year a maximum of 3 days of extra-legal holidays. Contractual employees with a permanent contract are entitled to a maximum of 2 pension saving days per year and have the possibility to convert each year a maximum of 3 days of extra-legal holidays. The pension saving days are accumulated year over year and can be used as from the age of 50.

The methodology of valuation is based on the same approach as the benefit "Accumulated Compensated Absences". The valuation is based on the future "projected payments / cash outflows". These are calculated for the totality of the population considered, based on a certain "consumption" pattern, derived from the statistics over the 12 months of 2019, as provided by the human resources department. The individual "pension saving days" accounts are projected per person and decreased by the actual number of used pension saving days.

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

PART-TIME REGIME (50+)

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

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

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

In 2016, two new plans were approved:

- Framework Agreement of June 2, 2016 (valid until December 2016): (i) the plan approved in 2012 for distributors and extended in 2014 to employees working during night is also applicable for collect agents and (ii) for the other employees, the plan is accessible as from 57 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the collect agents and 48 months for the other beneficiaries of the plan;
- Framework Agreement of September 30, 2016: (i) for the distributors, collect agents and the employees working during night, the plan is accessible as from 55 years old and (ii) for the other employees, the minimum age required is 57 years old. bpost makes contributions equal to 7.5% of the gross annual salary for a maximum period of 72 months for the night workers, distributors and collect agents and 48 months for the other beneficiaries of the plan. This plan is extended until December 2020 following the Framework Agreement of December 20, 2018.

WORKERS COMPENSATION IN CASE OF ACCIDENT

Until October 1, 2000, bpost was self-insured for injuries at the workplace and on the way to and from the workplace. As a result, all compensations to workers for accidents which occurred before October 1, 2000 are incurred and financed by bpost itself.

Since October 1, 2000, bpost has contracted insurance policies to cover such risk.

DSPR/ DVVP FOR JOB MOBILITY CENTER

The Framework Agreement of September 30, 2016 defined a Dispense Précédant la Retraite/ Dienstvrijstelling voorafgaand aan de Pensionering (DSPR/ DVVP) plan for the Job Mobility Center. This plan foresees for an indefinite duration that civil servants aged as from 61 years old who are attached to the Job Mobility Center and who are still attached to it after a period of one year will be released from service. bpost continues to pay to the beneficiaries 70% of their salary at departure and until they reach retirement age, with a maximum of 5 years.

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

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(282.2)	(267.1)
Fair value of plan assets	0.0	0.0
Present value of net obligations	**(282.2)**	**(267.1)**
Unrecognized actuarial (gains)/losses		
NET LIABILITY	**(282.2)**	**(267.1)**
Employee benefits amounts in the statement of financial position		
Liabilities	(282.2)	(267.1)
NET LIABILITY	**(282.2)**	**(267.1)**

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

IN MILLION EUR	2019	2018
Present value at 1 January	**(267.1)**	**(269.7)**
Service cost	(12.8)	(13.7)
-Current service cost	*(12.8)*	*(13.7)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	(3.5)	(3.4)
Benefits paid	19.1	18.7
Re-measurement gains and (losses)	(18.0)	6.6
-Actuarial gains and (losses) recognized in Income Statement	*(18.0)*	*6.6*
Transfer	0.0	(5.6)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(282.2)**	**(267.1)**

The expense recognized in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Service cost	(12.8)	(13.7)
-Current service cost	*(12.8)*	*(13.7)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	(3.5)	(3.4)
Re-measurements gains and (losses)	18.0	6.6
- Actuarial gains and (losses) reported as financial	*21.3*	*1.0*
- Actuarial gains and (losses) reported as operating	*3.3*	*5.6*
NET EXPENSE	**(34.2)**	**(10.5)**

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

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(9.5)	(8.1)
Financial cost	(24.7)	(2.4)
NET EXPENSE	**(34.2)**	**(10.5)**

6.25.3 Termination benefits

EARLY RETIREMENT SCHEME

In 2019, the previous early-retirement plans as stipulated below are included in these benefits:

- the plan covered by the Framework Agreement of July 1, 2012 and accessible to the civil servants meeting certain age, seniority and service organization conditions as at December 31, 2013 at the latest. The Joint Committee of December 19, 2013 has extended this measure until the next Collective Labor Agreement.
- an early-retirement plan approved by the Framework Agreement of May 22, 2014 and accessible to the civil servants

under certain conditions of age, seniority and service organization. The Joint Committee of December 17, 2015 extended this measure until the next Collective Labor Agreement or June 30, 2016 at the latest.

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

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

In case a civil servant concerned by the Alpha plan had not been selected for a new function 12 months after the publication of the open functions, (s)he was put in early-retirement. bpost continued to pay to the beneficiaries a portion (between 60% and 70% depending on the duration of the early-retirement) of their salary at departure and until they reached retirement age. The early-retirement period was treated as a service period.

Two new early-retirement plans were approved in 2016:

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

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

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

As at 31 December

IN MILLION EUR	2019	2018
Present value of total obligations	(9.0)	(8.5)
Fair value of plan assets	0.0	0.0
Present value of net obligations	**(9.0)**	**(8.5)**
Unrecognized actuarial (gains)/losses		
NET LIABILITY	**(9.0)**	**(8.5)**
Employee benefits amounts in the statement of financial position		
Liabilities	(9.0)	(8.5)
NET LIABILITY	**(9.0)**	**(8.5)**

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

IN MILLION EUR	2019	2018
Present value at 1 January	**(8.5)**	**(6.6)**
Service cost	(4.7)	(5.2)
-Current service cost	*(4.7)*	*(5.2)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	0.0	0.0
Benefits paid	4.1	3.6
Re-measurement gains and (losses)	0.2	(0.3)
-Actuarial gains and (losses) recognized in Income Statement	*0.2*	*(0.3)*
Re-measurement gains and (losses) in other comprehensive income	0.0	0.0
-Actuarial gains and (losses)	*0.0*	*0.0*
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	**(9.0)**	**(8.5)**

The expense recognized in the income statement is presented hereafter:

For the year ended 31 December

IN MILLION EUR	2019	2018
Service cost	(4.7)	(5.2)
-Current service cost	*(4.7)*	*(5.2)*
-Past service (cost)/gain	*0.0*	*0.0*
Net interest	0.0	0.0
Re-measurements gains and (losses)	0.2	(0.3)
- Actuarial gains and (losses) reported as financial	*0.0*	*0.0*
- Actuarial gains and (losses) reported as operating	*0.2*	*(0.3)*
NET EXPENSE	**(4.6)**	**(5.5)**

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

For the year ended 31 December

IN MILLION EUR	2019	2018
Payroll costs	(4.5)	(5.5)
Financial cost	(0.0)	0.0
NET EXPENSE	**(4.6)**	**(5.5)**

6.26 Trade and other payables

As at 31 December

IN MILLION EUR	2019	2018
Trade payables	1.4	0.0
Other payables	26.2	17.5
NON-CURRENT TRADE AND OTHER PAYABLES	**27.7**	**17.5**

Non-current trade and other payables amounted to 27.7 million EUR and consisted mainly of the working capital provided by bpost bank enabling bpost to conduct business on behalf of bpost bank and the contingent consideration arrangements related to the acquisitions of Vector Invest and Anthill. The increase compared to last year was mainly explained by the increase of the contingent consideration of Anthill given the fair-value adjustment of the put on the remaining shares in 2019 (see note 6.6 business combinations).

As at 31 December

IN MILLION EUR	2019	2018
Trade payables	537.5	499.9
Payroll and social security payables	336.8	332.5
Tax payable other than income tax	10.3	12.4
Other payables	366.2	367.7
CURRENT TRADE AND OTHER PAYABLES	**1,250.9**	**1,212.5**

The carrying amounts are considered to be a reasonable approximation of the fair value. The other payables included in current trade and other payable include the following items:

As at 31 December

IN MILLION EUR	2019	2018
Transit account franking machines	9.7	10.9
Working capital provided for postal financial services	18.8	18.8
Terminal dues from postal operators	82.5	133.2
Cash guarantees received	13.4	9.6
Accruals	181.9	122.4
Deferred income	51.9	55.9
Deposits received from third parties	0.1	0.1
Other payables	7.9	16.8
CURRENT OTHER PAYABLES	**366.2**	**367.7**

Terminal dues from postal operators decreased by 50.7 million EUR to 82.5 million EUR mainly due to the settlement of the previous year's outstanding positions with one postal operator.

Contract liabilities

As at 31 December

IN MILLION EUR	2019	2018
Stamps sold not yet used and credit on franking machine	36.2	40.0
Other contract liabilities	11.8	12.1
CONTRACT LIABILITIES	**48.0**	**52.1**

The considerations paid already by customers that have been allocated to the unsatisfied remaining performance obligation amounted to 48.0 million EUR and mainly related to stamps and credits on franking machine sold but not yet used by customers at balance sheet date. Reasonable sensitivity applied on the historical usage did not result in material effect on the carrying amount of the remaining performance obligation of stamps. Contract liabilities are disclosed as deferred income. At year-end the performance obligation for the SGEI has been satisfied and no contact liabilities are recorded.

6.27 Provisions

IN MILLION EUR	LITIGATION	ENVIRONMENT	ONEROUS CONTRACT	OTHER	TOTAL
Balance at 1 January 2018 (restated)	32.1	0.6	23.4	10.5	66.5
Additional provisions recognized	1.8	0.0	0.1	4.3	6.2
Addition through Business Combinations					
Provisions used	(1.9)	0.0	(6.6)	(3.4)	(11.9)
Provisions reversed	(15.8)	0.0	(4.3)	(3.0)	(23.0)
Exchange rate difference	0.0	0.0	1.4	0.0	1.4
Other movements	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2018	**16.2**	**0.6**	**14.1**	**8.5**	**39.3**
Non current balance at end of year	11.9	0.6	9.1	0.9	22.6
Current balance at end of year	4.3	0.0	5.0	7.5	16.8
	16.2	**0.6**	**14.1**	**8.5**	**39.3**
Balance at 1 January 2019	16.2	0.6	14.1	8.5	39.3
Additional provisions recognized	2.1	0.0	0.0	3.2	5.3
Addition through Business Combinations	0.0	0.0	0.0	0.0	0.0
Provisions used	(0.3)	(0.0)	(5.9)	(2.6)	(8.8)
Provisions reversed	(2.3)	0.0	(2.6)	(1.3)	(6.2)
Exchange rate difference	0.0	0.0	0.3	0.0	0.3
Other movements	0.0	0.0	0.0	0.0	0.0
BALANCE AT 31 DECEMBER 2019	**15.7**	**0.5**	**5.9**	**7.7**	**29.8**
Non current balance at end of year	11.6	0.5	3.3	0.7	16.2
Current balance at end of year	4.1	0.0	2.6	7.0	13.7
	15.7	**0.5**	**5.9**	**7.7**	**29.8**

The provision for **litigation** amounted to 15.7 million EUR. It represents the expected financial outflow relating to many different (actual or imminent) litigations between bpost and third parties.

The reversal in 2018 was mainly due to the reassessment of a litigation.

The period anticipated for the cash outflows pertaining thereto is dependent on developments in the length of the underlying proceedings for which the timing remains uncertain.

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

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

All claims and allegations are contested by bpost.

Finally, on December 10, 2012, the Belgian Competition Authority concluded that certain aspects of bpost's pricing policy over the January 2010-July 2011 period infringed Belgian and European competition law and imposed a fine of approximately 37.4 million EUR. While bpost paid the fine in 2013, it contested the Belgian Competition Authority's findings and appealed the decision before the Brussels Court of Appeal. On November 10, 2016, the Brussels Court of Appeal annulled the Authority's decision. The Belgian Competition Authority appealed this judgment before the Supreme Court on points of law. On November 22, 2018, the Supreme Court annulled the judgment and referred the case to the Brussels Court of Appeal for retrial. By a judgement dated February 19, 2020, the Brussels Court of Appeal decided to refer 2 questions to the EU Court of Justice ("**ECJ**") for a preliminary ruling. A decision of the ECJ [1]is expected within 2 years.

The provision related to **environment** issues amounted to 0.5 million EUR. It covers soil sanitation.

The provision on **onerous contracts** concerns the best estimate of the costs relating to the closing down of Mail & Retail offices and the ICT maintenance of a phasing-out webstore platform. In 2019 the provision for onerous contracts related to the phasing-out webstore platform was reassessed following negotiations with the third party supplier, hence a reversal of 2.6 million EUR was recorded.

Other provisions amounted to 7.7 million EUR.

1 *The ECJ hands down its decision to the referring court, which is then obliged to implement the ruling.*

6.28 Financial assets and financial liabilities

The following table provides the fair value measurement hierarchy of bpost's financial assets and financial liabilities :

IN MILLION EUR AS AT 31 DECEMBER 2018	CARRYING AMOUNT	FAIR VALUE CATEGORIZED: QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)
FINANCIAL ASSETS MEASURED AT AMORTIZED COST				
Non-Current				
Financial assets	11.2	0.0	11.2	0.0
Investments securities	0.0	0.0	0.0	0.0
Current				
Financial assets	1,392.1	0.0	1,392.1	0.0
TOTAL FINANCIAL ASSETS	**1,403.4**	**0.0**	**1,403.4**	**0.0**
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (EXCEPT FOR DERIVATIVES):				
Non-Current				
Long-term bond	641.8	629.7	0.0	0.0
Financial liabilities	224.7	0.0	224.7	0.0
Current				
Derivatives instruments - forex swap	0.1	0.0	0.1	0.0
Derivatives instruments - forex forward	0.7	0.0	0.7	0.0
Financial liabilities	1,388.2	0.0	1,388.2	0.0
TOTAL FINANCIAL LIABILITIES	**2,255.4**	**629.7**	**1,613.7**	**0.0**

IN MILLION EUR AS AT 31 DECEMBER 2019	CARRYING AMOUNT	FAIR VALUE CATEGORIZED: QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)
FINANCIAL ASSETS MEASURED AT AMORTIZED COST				
Non-Current				
Financial assets	37.6	0.0	37.6	0.0
Investments securities	0.0	0.0	0.0	0.0
Current				
Financial assets	1,391.8	0.0	1,391.8	0.0
TOTAL FINANCIAL ASSETS	**1,429.4**	**0.0**	**1,429.4**	**0.0**

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST (EXCEPT FOR DERIVATIVES):				
Non-Current				
Long-term bond	642.5	674.8	0.0	0.0
Financial liabilities	561.9	0.0	561.9	0.0
Current				
Derivatives instruments - forex swap	0.6	0.0	0.6	0.0
Derivatives instruments - forex forward	0.7	0.0	0.7	0.0
Financial liabilities	1,528.1	0.0	1,528.1	0.0
TOTAL FINANCIAL LIABILITIES	**2,733.8**	**674.8**	**2,091.3**	**0.0**

The fair value of the non-current and current financial assets measured at amortized cost and the non-current and current financial liabilities measured at amortized cost, approximate their carrying amounts. As they are not measured at fair value in the statement of financial position their fair value should not be disclosed.

During the period there was no transfer between fair value hierarchy levels and there were no changes in the valuation techniques and inputs applied.

Financial assets measured at amortized cost

The increase of the financial assets measured at amortized cost was mainly due to the subordinated loan granted in 2019 to bpost bank (25.0 million EUR) and the increase of non-current trade and other receivables (5.2 million EUR).

Financial liabilities measured at fair value - non current

The increase of the non-current financial liabilities is mainly explained by the initial application of IFRS 16.

At the end of 2019, the non-current financial liabilities consisted of:

- 185.0 million USD unsecured term loan (floating interest rate). This loan started on July 3, 2018 with a maturity of 3 years with two possible extensions of one year each.
- 650.0 million EUR bond. The 8-year bond has been issued in July 2018 with a coupon of 1.25%. In anticipation of this issuance, in February 2018 bpost entered into a forward interest rate swap for 10 years with a nominal amount of 600.0 million EUR to hedge the interest risk of the bond.
- 18.2 million EUR EIB (European Investment Bank) loan (floating interest rate). bpost took out a 100.0 million EUR loan from the EIB on May 5, 2007. It has a yearly reimbursement of 9.1 million EUR and last payment is foreseen in 2022. The yearly amount of 9.1 million EUR is included in the section "Interest-bearing loans and borrowings - current".
- Liabilities related to IFRS 16 (350.7 million EUR).

Derivative instruments

bpost is exposed to certain risks relating to its daily business operations. The primary risk is the foreign currency risk and is managed using derivative instruments. bpost uses foreign exchange forward contracts and foreign exchange swap contracts to manage some of its exposures in foreign currencies. Those contracts have been underwritten in order to hedge the exchange rate risks linked to the intercompany loans granted by bpost to its subsidiaries. At year end 2019 the impact of the fair value of the forward contracts and foreign exchange swap contracts amounted to an increase of the liabilities by 1.3 million EUR.

Financial liabilities measure at amortized cost – current

At year end 2019 the outstanding commercial paper issued by bpost amounted to 164.5 million EUR. The maturity of the different commercial papers ranges between 1 to 3 months. Given the current market conditions, bpost can benefit from negative interest rates. The outstanding balance of liabilities related to IFRS 16 amounted to 98.6 million EUR.

6.29 Derivative financial instruments and hedging

Derivative instruments

bpost uses foreign exchange forward contracts and foreign exchange swap contracts to manage some of its exposures in foreign currencies. Those contracts have been underwritten in order to hedge the exchange rate risks linked to the intercompany loans granted by bpost to its subsidiaries.

At year-end 2019 bpost had three foreign exchange swaps and four foreign exchange forwards outstanding, five with ING and two with Société Générale.

On January 21, 2019, May 29, 2019 and August 1,2019 bpost entered into two swap contracts and one foreign exchange forward to exchange 0.9 million SGD against 0.6 million EUR to cover the currency risk of a specific debt in SGD.

On July 23, 2019 bpost entered in a foreign exchange swap with ING to exchange 8.1 million GBP against 8.9 million EUR to cover the currency risk of a specific debt in GBP.

The other foreign exchange swap started on September 11, 2019 to exchange 6.0 million HKD with 0.7 million EUR.

Furthermore on May 2, 2018 bpost underwrote two foreign exchange forwards to exchange 6.0 million USD with 4.7 million EUR. All the USD contracts are used to cover the currency risk of specific debts in USD.

Interest Rate Swap

In February 2018, bpost entered into a forward starting Interest Rate Swap with a 10-year maturity and a nominal amount of 600.0 million EUR. The transaction was contracted in order to hedge the interest rate risk on the contemplated issuance of a long-term bond to refinance the acquisition bridge loan entered into in November 2017 for the acquisition of Radial.

In July 2018, bpost issued a 650.0 million EUR 8-year bond. At that time, the interest rate swap was unwound and settled via a payment of 21.5 million EUR split between an effective part 20.0 million EUR and an ineffective part 1.5 million EUR. The ineffective part was booked in the income statement. The effective part of the cash-flow hedge (20.0 million EUR) has been recognized in other comprehensive income (amount net of tax is 14.8 million EUR) as cash-flow hedge reserve. This cash-flow hedge is reclassified to profit or loss during the same periods as the long-term bonds' cash-flows will affect profit or loss over 8 years as from its issuance date. In 2019 a net amount of 1.8 million EUR has been reclassified to the income statement.

Net investment hedge

In 2018 bpost entered into a USD term loan, with a maturity of 3 years with two possible extensions of one year each. To refinance the 2017 acquisition of Radial Holdings, LP, bpost, with EUR as its functional currency, borrowed along with the issuance of the bond in USD to mitigate the risk on foreign exchange rate differences on the foreign operations. Hence bpost performed a net investment hedge. Consequently, the effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income. The notional amount of the hedging amounted to 143.0 million USD, whereas the carrying amount converted into Euro amounted to 127.3 million EUR. At December 31, 2019 the net loss on the revaluation of the USD loan recognized in other comprehensive income and accumulated in the foreign currency translation reserve amounted to 2.4 million EUR. There was no ineffectiveness in 2019.

6.30 Contingent liabilities and contingent assets

As described under note 6.27, the Brussels Court of Appeal annulled the Belgian Competition Authority's decision imposing a fine of 37.4 million EUR on November 10, 2016. The Belgian Competition Authority appealed this judgment before the Supreme Court on points of law. On November 22, 2018, the Supreme Court annulled the judgment and referred the case to the Brussels Court of Appeal for retrial. By a judgement dated February 19, 2020, the Brussels Court of Appeal decided to refer 2 questions to the EU Court of Justice (**"ECJ"**) for a preliminary ruling. A decision of the ECJ[1] is expected within 2 years. The foregoing constitutes a contingent asset as, should the Court of Appeal annul the Belgian Competition Authority's decision, bpost may recover the fine of 37.4 million EUR (excluding interests).

6.31 Rights and commitments

Lease contracts signed but not started yet

Two significant new lease contracts have been signed for which the start date is after the statement of financial position date. These contracts relate to the lease for the new headquarters of the Group, start date foreseen in 2021, duration of 15 years with an estimated right-of-use asset of 50.1 million EUR and an additional warehouse for Active Ants starting 30 June 2020, duration of 9 years with an estimated right-of-use asset of 9.2 million EUR.

Guarantees received

At 31 December 2019, bpost benefits from bank guarantees amounting to 46.6 million EUR, issued by banks on behalf of bpost's customers. These guarantees can be called in and paid against in the event of non-payment or bankruptcy. They therefore offer bpost financial certainty during the period of contractual relations with the customer.

Goods for resale on consignment

At 31 December 2019, merchandise representing a sales value of 1.7 million EUR had been consigned by partners for the purpose of sale through the postal network.

Revolving credit facilities

bpost has two undrawn revolving credit facilities for a total amount of 375.0 million EUR. The syndicated facility amounts to 300.0 million EUR, which expires in October 2022, has been extended in 2019 to October 2024 whereas the bilateral facility of 75.0 million EUR, which expires in June 2023, has been extended in 2019 to June 2024 and allows for EUR and USD drawdowns. The interest rate of 300.0 million EUR revolving credit facility changes according to bpost's sustainability rating as determined by an external party.

1 *The ECJ hands down its decision to the referring court, which is then obliged to implement the ruling.*

Guarantees given

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

bpost has an agreement with Belfius, ING and KBC, according to which they agree to provide for up to 82.1 million EUR in guarantees for bpost upon simple request. Furthermore bpost has provided for an amount of 14.4 million EUR of guarantees to third parties.

Funds of the State

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

6.32 Related party transactions

a) Relations with the shareholders

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

The rights of the Belgian State as bpost’s shareholder are defined in the corporate governance policies (publicly available on bpost website).

THE BELGIAN STATE AS PUBLIC AUTHORITY
The Belgian State is, together with the European Union, the main legislator in the postal sector. The Belgian Institute for Postal services and Telecommunications (**“BIPT”**), the national regulatory authority, is the main regulator of the postal sector in Belgium.

THE BELGIAN STATE AS A CUSTOMER
The Belgian State is one of bpost’s largest customers. Including the remuneration for the Services of General Economic Interest (**“SGEIs”**), 10.3% of bpost’s total operating income in 2019 was attributable to the Belgian State and State related entities.

bpost provides postal delivery services to a number of ministries, both on commercial terms and pursuant to the provisions of the management contract.

bpost provides universal postal services and SGEIs entrusted to it by the Belgian State, covering postal, financial, and other public services. The Law of March 21, 1991, the Postal Law of January 26, 2018, the management contract as well as concession agreements set out the rules and conditions for carrying out the obligations that bpost assumes in execution of its universal postal services and SGEIs, and, where applicable, the financial compensation paid by the Belgian State.

The SGEIs entrusted to bpost under the management contract include the maintenance of the retail network, the provision of day-to-day SGEIs (i.e., “cash at counter” services and home delivery of pensions and social allowances) and the provision of certain *ad hoc* SGEIs, which are SGEIs that by nature are provided without any recurrence. *Ad hoc* SGEIs include the social role of the postman, especially in relation to persons who live alone or are the least privileged (this service is rendered through the use of handheld terminals and the electronic ID card by mail carriers on their round), the “Please Postman” service, the distribution of information to the public, cooperation with regard to the delivery of voting paper packages, the delivery of addressed and unaddressed election printed items, the delivery at a special price of postal items sent by associations, the delivery of letter post items falling within the freepost system, the payment of attendance fees during elections, the financial and administrative processing of fines, the printing and sale of fishing permits and the sale of post stamps.

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

Tariffs and other terms for the provision of certain of the services provided under the management contract are determined in implementing agreements between bpost, the Belgian State and, where relevant, the other parties or institutions concerned.

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

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

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

In December 2019 the Belgian Federal Council of Ministers decided to extend the current press concessions with bpost for a period of two years (2021-2022) at the conditions that apply for 2020, as specified in the current concessions. This decision will be notified to the European Commission.

bpost also provides cash account management services to the Belgian State and certain other public entities pursuant to the Royal Decree of January 12, 1970 regulating the postal service as amended pursuant to the Royal Decree of April 30, 2007 regulating postal financial services and the Royal Decree of April 14, 2013 amending the Royal Decree of January 12, 1970 regulating the postal service.

The compensation granted to bpost in respect of the SGEIs is being disclosed in note 6.8 of the annual report and amounted to 271.0 million EUR for 2019 (271.4 million EUR in 2018).

1 *In October 2016, the Flemish Federation of Press Vendors (‘Vlaamse Federatie van Persverkopers’) sought the annulment of the European Commission’s clearance decision before the General Court on procedural grounds. In February 2019, the General Court has removed the case from the register following the request by VFP to discontinue the proceedings.*

The compensation of SGEIs is based on a net avoided cost (**"NAC"**) methodology. This methodology provides that compensation shall be based on the difference between (i) the net cost for the provider of operating with the SGEI obligation and (ii) the net cost for the same provider of operating without that obligation.

The compensation for the distribution of newspapers and periodicals consists of a flat amount and a variable fee based upon distributed volumes. This compensation is subject to further *ex-post* verifications and must be NAC compliant.

In 2015, the Belgian State unilaterally decided to reduce the compensation for 2015 by 6.5 million EUR. Nevertheless, bpost has reserved its rights and booked an equivalent amount of doubtful debt that is still outstanding per end of December 2019. Including the doubtful debtor, the outstanding amount owed by the Belgian State for the SGEI remuneration on December 31, 2019 amounted to 109.7 million EUR (107.6 million EUR on December 31, 2018). bpost has also provided a bank guarantee of 5.4 million EUR with respect to the SGEI remuneration to the Belgian State.

Excluding the SGEI remuneration, the services provided to State related customers do not exceed 5% of bpost's total operating income.

b) Consolidated companies

A list of all subsidiaries (and equity-accounted companies), together with a brief description of their business activities, is provided in note 6.33 of this annual report.

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

c) Relations with associates and joint ventures

BPOST BANK

bpost bank is a 50% associate of bpost. bpost bank's other shareholder is BNP Paribas Fortis with the remaining 50%.

As a registered banking and insurance intermediary, bpost distributes banking and insurance products on behalf of bpost bank. bpost, in its quality of service provider, furthermore provides back office activities and other ancillary services to bpost bank. Several agreements and arrangements exist in this respect among the three companies as detailed below.

The main banking and insurance products distributed by bpost bank through bpost are current accounts, saving accounts, term accounts, certificates of deposit and funds or structured products provided by BNP Paribas Fortis, respectively accident and/or health insurances, and annuity and pension products, including 'branch 21' and 'branch 23' life insurances provided by AG Insurance.

bpost bank had approximately 718,674 current accounts and 876,496 savings accounts as of December 31, 2019. All accounts include basic services such as debit cards, access to payment and money transfer services and cash withdrawals at post office tellers or ATMs. bpost also offers the MasterCard bpost bank credit card.

bpost bank's customer lending activity consists of granting or offering consumer credits and mortgages credits. As of December 31, 2019, bpost bank had approximately 6,201 million EUR in loans on its balance sheet.

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

BANKING AND INSURANCE PARTNERSHIP AGREEMENT

The cooperation between bpost bank and BNP Paribas Fortis with respect to bpost bank is set out in a banking partnership agreement that was renegotiated and signed on December 13, 2013 until December 31, 2021.

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

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

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

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

bpost bank pays bpost a commission determined in accordance with market conditions for the distribution of banking and insurance products and for the performance of certain back-office activities. The amount of the commission for the distribution of banking and insurance products depends, *inter alia*, on the interest margin realized by bpost bank, the assets under management and the sales of financial/insurance products realized by bpost's retail network. Total income related to banking and financial products amounted to 165.3 million EUR in 2019 (2018: 167.1 million EUR), of which a significant amount is related to the commission paid by bpost bank. The amount owed by bpost bank to bpost on December 31, 2019 amounted to 8.1 million EUR (2018: 7.2 million EUR).

WORKING CAPITAL

bpost bank has placed a working capital of 12.0 million EUR at the disposal of bpost without guarantee or payment of interest by bpost. This working capital remains available to bpost throughout the term of the banking partnership agreement. It is intended to constitute the working capital enabling bpost to conduct business on behalf of bpost bank.

DIVIDEND

In 2019, bpost received a total dividend of 5.0 million EUR from bpost bank (4.0 million EUR in 2018).

JOFICO

On November 4, 2019, bpost NV/SA, AXA Bank Belgium NV/SA, Crelan NV/SA, Argenta Spaarbank NV/SA and vdk bank NV/SA incorporated the joint venture "Jofico CV". This joint venture in which each shareholder has an equal part, aims at implementing an ATM-as-a-service model according to which the participating companies will combine forces for the purchase and maintenance of their respective ATM network.

d) Compensation of key management

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

As further described in the Remuneration Report, the remuneration of the members of the Board of Directors (with the exception of the CEO) was approved by the General Shareholders' Meeting of 25 April 2000 and continued to be applicable in 2019.

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

In 2019, total remuneration paid to the Board of Directors' members (excluding the CEO) amounted to 0.4 million EUR (2018: 0.3 million EUR).

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

For the year ended December 31, 2019, a global remuneration of 4.2 million EUR (2018: 4.1 million EUR) excluding the variable remuneration was paid to CEO and the members of the Group Executive Committee, and can be broken down as follows:

- base remuneration: 3,384,170.62 EUR (2018: 3,489,148.24 EUR)
- pension contribution : 563,678.86 EUR (2018: 327,859.56 EUR)
- other benefits : 247,302.03 EUR (2018: 238,206.00 EUR)
  - insurance covering death-in-service, disability and medical coverage: 139,498.15 EUR (2018: 90,549.57 EUR)
  - representation fees: 27,641.38 EUR (2018: 29,319.58 EUR)
  - leasing costs for company car: 80,162.50 EUR (2018: 118,336.85 EUR)

In addition, the CEO and the members of the Group Executive Committee received in 2019 a global variable remuneration of 819,139.09 EUR (2018: 1,210,367.99 EUR) because the corporate objectives and the individual targets for the year that ended on December 31, 2018 were met (the 2018 assessment was only completed in 2019).

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

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

6.33 Group companies

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

- The business activities of **Active Ants, Multichannel Fulfillment** and **AtoZ** consist of cross-border e-fulfilment for webshops, including product storing, picking, packing, transport and shipping and returns handling.
- **Apple Express Courier** (Miami) and **Apple Express Courier** (Canada) are logistics and supply chain companies specializing in premium expedited and dedicated transportation and value-added forward and reverse warehousing services.
- **bpost Singapore** and **bpost Hong-Kong** provide a full range of delivery and logistics solutions, including cross-border mail and parcels and e-commerce fulfillment. Both entities are mainly focused on directly collecting parcels from overseas e-commerce companies and businesses for delivery in Europe and other regions. **bpost International Logistics (Beijing)** Co. is a company affiliated to **bpost Hong Kong** and is established in Beijing (China). It offers a full range of cross-border parcel distribution services to the Chinese e-tailers and consolidators, with a strong focus on delivery of parcels to European and other global buyers. It is primarily active in Beijing, Shanghai and Shenzhen.
- **DynaGroup** offers a range of specialized logistics services and software, from the repair of electronics (from smartphones and drones to coffee machines) to personalized e-commerce delivery services, for both small products (such as smartphones) and large consumer products (such as the delivery and installation of large televisions, washing machines and furniture). DynaGroup also provides safe and reliable services for governments and financial institutions, such as the delivery of passports and the finalizing of contracts at the customer's home.
- **Euro-Sprinters** is a courier service offering express deliveries of any size 7 days a week, 24 hours per day, within Belgium as well as internationally.
- **Freight Distribution Management Systems** and **FDM Warehousing** are specialized in providing a personalized

customer service for warehousing, fulfillment and distributing products in Australia. Its businesses consist of third party logistics (3PL) warehousing, transport & distribution.

- **Landmark Global** and **Landmark Trade Services** are leading international parcels consolidators respectively based in the US and Canada. They are mainly focused on the distribution of e-commerce parcels from U.S.-based e-tailers into Canada, Europe and Australia. They also offers various logistics solutions and fulfillment services in locations in the United States for their e-commerce customers.
- **Landmark Global (Netherlands)** provides import services for US customers looking to sell their products in Europe. This includes customs clearance services, warehousing, pick & pack and last mile delivery. **Landmark Trade Services (Netherlands)** is a spin-off company of Landmark Global (Netherlands) which focuses on advising new US customers on how to enter their products into Europe. This includes both advice on customs/VAT set-up and on product registration in the various European countries.
- **Landmark Global (PL)** provides fulfillment, logistics and distribution activities. It operates as logistics and distribution partner for direct selling companies across Western, Central and Eastern Europe.
- **Landmark Global (UK)** is a UK based mail, parcel and transport company providing global logistics solutions to the market in UK. Based near to Heathrow airport, Landmark Global (UK) has a customs bonded facility enabling to offer customs clearance services and x-ray security screening services. Landmark Global (UK) acts as an inbound and outbound gateway for other bpost entities around the world.
- **Landmark Trade Services (UK)** provides import services for goods entering the UK. Its location right next to London Heathrow makes it ideally suited to service US to UK airlift imports. **Landmark Trade Services USA** provides import services for goods entering the US.
- **Leen Menken Foodservices Logistics** is a logistic operator for the storage, logistics and distribution of refrigerated and frozen products for e-commerce.
- **Radial**'s American and European entities market a range of services all along the e-commerce logistics chain. Radial's technical, powerful omnichannel solutions connect supply and demand through efficient fulfillment and delivery options, intelligent fraud protection and payment processing and personalized customer care services, allowing brands to simplify their post click experience and improve their customer service.
- **Speos Belgium** manages outgoing document flows for its customers, specializing in the outsourcing of financial and administrative documents, such as invoices, bank statements and salary slips. Services include document generation, printing and enclosing, electronic distribution and archiving.
- **The Mail Group** (TMG) is a full-service mail delivery provider handling business-critical mail, parcels and publications from customers located throughout North America and elsewhere. It provides creative, customized, cost-effective delivery solutions with personalized customer care. The Mail Group includes **Mail Services Incorporated (MSI), IMEX Global Solutions** and **M.A.I.L.**.
- The activities of **Ubiway Group** relate to press logistics, non-press logistics and convenience & proximity retail. **AMP** is a prominent player in the Belgian press distribution market with a large number of points of sale serviced and a large number of titles distributed. **Ubiway Retail** is a significant player in the national press, tobacco and convenience retail market with a network of shops mostly operated under the Press Shop, Relay, Hello! and Hubiz brands.

	SHARE OF VOTING RIGHTS IN % TERMS		COUNTRY OF INCORPORATION
NAME	2019	2018	
bpost bank NV-bpost banque SA	50%	50%	Belgium
Jofico CV	20%		Belgium

NAME	SHARE OF VOTING RIGHTS IN % TERMS 2019	2018	COUNTRY OF INCORPORATION
Alteris NV-SA	100.0%	100.0%	Belgium
Landmark Global (Belgium) NV-SA[2]	-	100.0%	Belgium
Certipost NV-SA	100.0%	100.0%	Belgium
Euro-Sprinters NV-SA	100.0%	100.0%	Belgium
CityDepot NV-SA	100.0%	99.7%	Belgium
Parcify NV-SA	100.0%	100.0%	Belgium
Landmark Global (PL) Sp z o.o.	100.0%	100.0%	Poland
Speos Belgium NV-SA	100.0%	100.0%	Belgium
Mail Services INC	100.0%	100.0%	USA
Landmark Global (UK) LTD	100.0%	100.0%	UK
bpost Hong Kong LTD	100.0%	100.0%	Hong Kong
bpost Singapore Pte. LTD	100.0%	100.0%	Singapore
bpost International Logistics (Beijing) Co., LTD	100.0%	100.0%	China
bpost U.S. Holdings INC	100.0%	100.0%	USA
Landmark Global, INC	100.0%	100.0%	USA
Landmark Trade Services, LTD	100.0%	100.0%	Canada
Landmark Global (Australia) Distribution PTY LTD	100.0%	100.0%	Australia
Landmark Global (Netherlands) BV	100.0%	100.0%	Netherlands
Landmark Trade Services (Netherlands) BV	100.0%	100.0%	Netherlands
Landmark Trade Services (UK) LTD	100.0%	100.0%	UK
Landmark Trade Services USA, INC	100.0%	100.0%	USA
Apple Express Courier INC	100.0%	100.0%	USA
Apple Express Courier LTD	100.0%	100.0%	Canada
Freight Distribution Management Systems PTY, LTD	100.0%	100.0%	Australia
FDM Warehousing PTY, LTD	100.0%	100.0%	Australia
AMP NV-SA	100.0%	100.0%	Belgium
Burnonville NV-SA[2]	-	100.0%	Belgium
Import Lux Burnonville SARL	100.0%	100.0%	Luxemburg
Alvadis NV-SA[3]	-	100.0%	Belgium
Ubiway NV-SA	100.0%	100.0%	Belgium
Distrisud-Bellens NV-SA[2]	-	100.0%	Belgium
Ubiway Services NV-SA	100.0%	100.0%	Belgium
Internationale Boekhandel Distributiedienst NV-SA	100.0%	100.0%	Belgium
Distridijle NV-SA	100.0%	100.0%	Belgium
Ubiway Retail NV-SA	100.0%	100.0%	Belgium
kariboo! NV-SA	100.0%	100.0%	Belgium
de Buren Internationaal BV[3]	-	51.0%	Netherlands
de Buren Nederland BV[3]	-	51.0%	Netherlands
de Buren Afhaalcentrum BV[3]	-	51.0%	Netherlands
de Buren Techniek BV[3]	-	51.0%	Netherlands
Dragstra Automatisering BV[3]	-	51.0%	Netherlands
Nuleverbaar.NL BV[3]	-	51.0%	Netherlands
de Buren Belgium NV-SA [3]	-	51.0%	Belgium
de Buren Financial BV[3]	-	51.0%	Netherlands
Bubble Post NV-SA	100.0%	100.0%	Belgium
Welcome Media NV-SA	100.0%	100.0%	Belgium
DynaGroup BV	100.0%	100.0%	Netherlands

Dynafix Repair BV	100.0%	100.0%	Netherlands
Dynalogic Benelux BV	100.0%	100.0%	Netherlands
Dynafix Care BV	100.0%	100.0%	Netherlands
Dynalogic Courier BV	100.0%	100.0%	Netherlands
Dynafix Computer Repair BV	100.0%	100.0%	Netherlands
Dynasure BV	100.0%	100.0%	Netherlands
Dynafix Onsite BV	100.0%	100.0%	Netherlands
Dynalinq BV	100.0%	100.0%	Netherlands
Dynalogic Belgium NV-SA	100.0%	100.0%	Belgium
Radial Solutions Hong Kong LTD	100.0%	100.0%	Hong Kong
Radial Holdings LP	100.0%	100.0%	USA
Radial Commerce INC	100.0%	100.0%	USA
Radial South LP	100.0%	100.0%	USA
Radial INC	100.0%	100.0%	USA
935 HQ Associates LLC[2]	-	100.0%	USA
Radial Luxembourg SARL	100.0%	100.0%	Luxemburg
Radial Omnichannel Technologies India Private LTD	100.0%	100.0%	India
Trade Port Drive LLC[2]	-	100.0%	USA
Radial Omnichannel International SLU	100.0%	100.0%	Spain
Radial Fullfillment GmbH	100.0%	100.0%	Germany
Radial GmbH	100.0%	100.0%	Germany
Radial Commerce LTD	100.0%	100.0%	UK
Radial Solutions Singapore PTE LTD	100.0%	100.0%	Singapore
Radial E-commerce (Shanghai) Corp. LTD	100.0%	100.0%	China
bpost North America Holdings, INC	100.0%	100.0%	USA
Radial III GP, LLC	100.0%	100.0%	USA
Radial South GP, LLC	100.0%	100.0%	USA
IMEX Global Solutions, LLC	100.0%	100.0%	USA
M.A.I.L. (Mailing Assistance In Lafayette), INC	100.0%	100.0%	USA
Leen Menken Foodservice Logistics BV	100.0%	100.0%	Netherlands
Active Ants BV	63.6%	63.6%	Netherlands
Anthill BV	63.6%	63.6%	Netherlands
Radial Italy SRL	100.0%	-	Italy
Atoz Global BV	63.6%	-	Netherlands
Multi Channel Services Fulfilment BV	63.6%	-	Netherlands

1 *Fully consolidated*
2 *Liquidated during the year 2019*
3 *Sold during the year 2019*

6.34 Events after the statement of financial position date

The current outbreak of the COVID-19 may negatively affect economic conditions regionally as well as globally, disrupt operations, affect supply chains or otherwise impact our businesses. Given the uncertainties and ongoing developments bpost Group cannot accurately and reliably estimate the quantitative impact.

bpost **group structure**

As per 31 December 2019