bpost: second quarter 2019 results

Second quarter 2019 highlights

- **2Q19 in line with expectations, on track for 2019 outlook**
- **Group operating income** at EUR 935.7m (+0.8%)
- **Group reported EBIT at EUR 101.8m. Normalized EBIT at EUR 107.5m** (margin of 11.5%)
- **Mail & Retail**
    - Total operating income at EUR 521.4m (-1.8%) driven by vigorous underlying mail volume decline partly compensated by elections and pricing.
    - Underlying mail volume decline at -9.4% driven by Transactional mail due to tougher comparables and e-substitution trend.
    - Reported EBIT at EUR 73.7m. Normalized EBIT at EUR 74.8m (14.4% margin) mainly impacted by mail volume decline and wage drift.
- **Parcels & Logistics Europe & Asia**
    - Total operating income at EUR 201.4m (+5.6%) driven by Parcel BeNe up 11.8% and terminal dues settlements in Cross-border.
    - Parcel BeNe volume growth at +17.7% driven by e-commerce.
    - Reported EBIT at EUR 22.3m. Normalized EBIT at EUR 23.6m (11.7% margin): solid EBIT margin improvement thanks to phasing of settlements on terminal dues and back-end loading of costs towards 2H.
- **Parcels & Logistics North America**
    - As anticipated, total operating income at EUR 239.0m (-4.7%) impacted by Radial customer churn and repricing.
    - Good commercial development with Total Contract Value above full-year target.
    - Reported EBIT at EUR -3.8m, normalized EBIT at EUR -0.5m (-0.2% margin) mainly impacted by client churn & repricing, in line with expectations.
- **S&P reaffirms the long- and short-term credit rating at its current level of A/A-1, outlook stable**

CEO quote

Koen Van Gerven, CEO, commented: *"The efforts delivered by all bpost's employees enabled the company to deliver second quarter results in line with expectations, and we are on track to deliver on our full-year guidance. E-commerce development helped us generate strong parcel growth in Belgium and The Netherlands. In North America, our activities enjoy a good commercial momentum whereas Radial's prior client churn and repricing of 2018 continued to weigh on the performance of the Parcels & Logistics segment. The new business signed at Radial in the first half of this year is above expectations and very promising going forward. In Belgium the acceleration of the Domestic Mail volume decline since the start of the year is driven by the anticipated e-substitution trend. It demonstrates once more the importance of modifying our distribution model in order to align it with rapidly changing consumer needs. We are fully focused on the implementation of our strategy to remain an efficient provider of mail while transforming bpost into a global e-commerce logistics player anchored in Belgium. I thank all bpost's employees for their daily commitment."*

Outlook for 2019

The 2019 ambition is to achieve a **stable Group total operating income** including building sales, a **Group normalized EBIT above EUR 300.0m**, and to distribute at least 85% of 2019 BGAAP net profit bpost NV/SA as **dividend**.

More specifically for our 4 business units:

Mail & Retail:
- We expect a low single-digit percentage decline in total operating income.
- The underlying Domestic Mail volume decline is anticipated at up to **-9% (from up to -7%)**, partly offset by an average price increase of +4.4%.
- EBIT margin of Mail & Retail is expected to range between 11% and 13%.

Parcels & Logistics Europe & Asia:
- We expect to record high single-digit percentage growth in total operating income, of which mid-teens for Parcels Belgium-Netherlands.
- EBIT margin of Parcels & Logistics Europe & Asia is expected to range between 6% and 8%.

Parcels & Logistics North America:
- Total operating income is expected to decline by a low single-digit percentage, mainly explained by the full-year impact of the 2018 client churn and repricing at Radial. Radial is however on track for the 2022 guidance as presented at the Capital Markets Day.
- Parcels & Logistics North America is expected to break-even at EBIT level.

Corporate:
- Expected to be neutral at EBIT level.

Gross capex is expected to be between **EUR 150m and EUR 185m (from EUR 150m)**.

For more information:
Saskia Dheedene T. +32 2 276 7643 (IR)
Stéphanie Voisin T. +32 2 276 2197 (IR)
Barbara Van Speybroeck T. +32 2 276 3218 (Media)

corporate.bpost.be/investors
investor.relations@bpost.be
barbara.vanspeybroeck@bpost.be

Key figures[1]

2nd quarter (in million EUR)

	Reported		Normalized		
	2018	**2019**	**2018**	**2019**	**% Δ**
Total operating income	928.4	935.7	928.4	935.7	0.8%
Operating expenses (excl. D&A)	785.8	773.9	785.8	773.9	-1.5%
EBITDA	**142.5**	**161.7**	**142.5**	**161.7**	13.4%
Depreciation and amortization	39.6	59.9	34.3	54.2	58.1%
EBIT	**102.9**	**101.8**	**108.3**	**107.5**	**-0.7%**
Margin (%)	*11.1%*	*10.9%*	*11.7%*	*11.5%*	
Profit before tax	**101.3**	**92.7**	**106.6**	**98.4**	-7.7%
Income tax expense	33.2	29.3	33.7	29.8	
Net profit	**68.1**	**63.4**	**72.9**	**68.6**	-5.9%
FCF	**(78.6)**	**4.5**	**(79.7)**	**18.5**	
bpost SA/NV net profit (BGAAP)	**82.6**	**40.1**	**82.6**	**40.1**	**-51.5%**
Net Debt/ (Net cash) at 30 June[2]	**275.6**	**692.5**	**275.6**	**692.5**	

First half (in million EUR)

	Reported		Normalized		
	2018	**2019**	**2018**	**2019**	**% Δ**
Total operating income	1,844.9	1,842.5	1,844.9	1,842.5	-0.1%
Operating expenses (excl. D&A)	1,559.1	1,529.7	1,559.1	1,529.7	-1.9%
EBITDA	**285.7**	**312.8**	**285.7**	**312.8**	9.5%
Depreciation and amortization	76.8	120.6	65.1	109.5	68.1%
EBIT	**208.9**	**192.2**	**220.6**	**203.3**	**-7.8%**
Margin (%)	*11.3%*	*10.4%*	*12.0%*	*11.0%*	
Profit before taks	**200.6**	**174.2**	**212.3**	**185.2**	-12.7%
Income tax expense	68.8	60.6	69.8	61.6	
Net profit	**131.8**	**113.5**	**142.5**	**123.7**	-13.2%
FCF	**72.7**	**190.6**	**91.3**	**213.9**	
bpost SA/NV net profit (BGAAP)	**154.9**	**100.2**	**154.9**	**100.2**	**-35.3%**
Net Debt/ (Net cash) at 30 June[2]	**275.6**	**692.5**	**275.6**	**692.5**	

[1] Normalized figures are not audited.
[2] Impact initial application IFRS 16 caused net debt to increase by EUR 429.5m.

Group overview

Second quarter 2019

Compared to last year, **total external operating income** increased by EUR 7.3m to EUR 935.7m. This increase was mainly driven by the increase of Parcels & Logistics Eurasia (EUR 11.8m, mainly organic volume growth of 17.7% of Parcels BeNe) and the increase of Corporate (EUR 19.3m) due to the sale of Centre Monnaie building. These effects were partially offset by the volume decrease of Domestic Mail (EUR -13.5m overall Domestic Mail, whereas total decrease for Mail & Retail amounted to EUR -12.6m) and the anticipated decrease of Parcels & Logistics North America (EUR -11.2m).

Operating expenses including normalized depreciation and amortization increased by EUR -8.0m, mainly driven by last year's reversal of a provision (EUR -14.9m) within Corporate, which compensated within Corporate the sale of the Centre Monnaie building. As a result **normalized EBIT** slightly decreased by EUR -0.8m or 0.7% compared to last year.

The initial application of IFRS 16 had a positive impact of EUR 26.6m on **EBITDA** compared to last year.

Net financial result decreased by EUR -8.1m 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, the interests on the loans and the bond and the first application of IFRS16.

Normalized income tax expense decreased compared to last year mainly due to the lower profit before tax.

Normalized IFRS group net profit stood at EUR 68.6m. **Belgian GAAP net profit** of the parent company amounted to EUR 40.1m.

First half 2019

Compared to last year **total external operating income** slightly decreased by EUR 2.4m to EUR 1,842.5m. The decline of Mail & Retail (EUR -23.4m) with the higher than anticipated volume decline and the anticipated decrease of Parcels & Logistics North America (EUR -24.0m) was almost compensated by the increase of Parcels & Logistics Eurasia (EUR 26.0m) and the increase of Corporate (EUR 19.0m, due to the sale of Centre Monnaie building).

Operating expenses including normalized depreciation and amortization increased by EUR -14.9m, mainly driven last year's reversal of a provision (EUR -14.9m) within Corporate. As a result **normalized EBIT** decreased by EUR -17.3m or 7.8% compared to last year.

The initial application of IFRS 16 had a positive impact of EUR 52.1m on **EBITDA** compared to last year.

Net financial result decreased by EUR -12.7m 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, the interests on the loans and the bond and the first application of IFRS16.

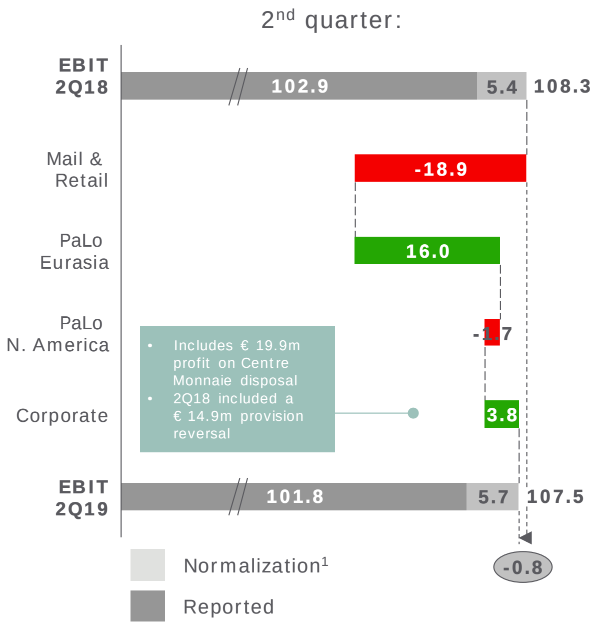
Normalized income tax expense decreased compared to last year mainly due to the lower profit before tax.

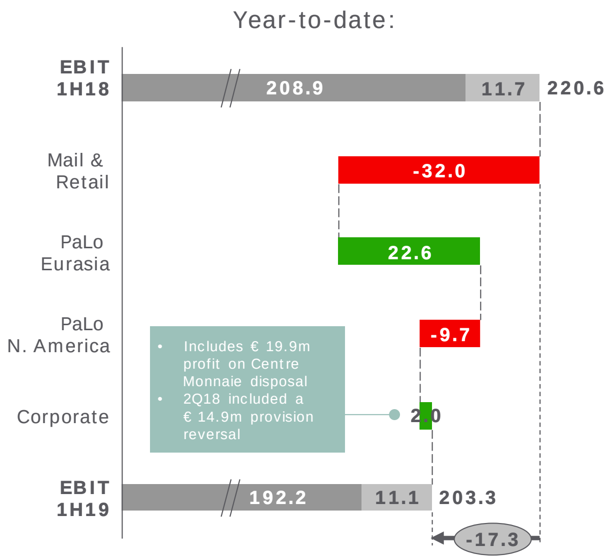
Normalized IFRS group net profit stood at EUR 123.7m. **Belgian GAAP net profit** of the parent company amounted to EUR 100.2m.

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

In million EUR (Normalized)	Year-to-date Total operating income	Year-to-date EBIT	Year-to-date Margin (%)	2nd quarter Total operating income	2nd quarter EBIT	2nd quarter Margin (%)
Mail & Retail	1,048.9	167.4	16.0%	521.4	74.8	14.4%
Parcels & Logistics Europe & Asia	398.2	41.6	10.4%	201.4	23.6	11.7%
Parcels & Logistics North America	467.6	(8.3)	-1.8%	239.0	(0.5)	-0.2%
Corporate	201.0	2.7	1.3%	114.8	9.6	8.4%
Eliminations	(273.2)	-		(141.0)	-	
Group	**1,842.5**	**203.3**	**11.0%**	**935.7**	**107.5**	**11.5%**

Evolution of the EBIT contribution of the different business units was as follows:





Business Unit performance: Mail & Retail

Mail & Retail	Year-to-date			2nd quarter		
In million EUR	2018	2019	Change %	2018	2019	Change %
External operating income	**989.2**	**965.9**	**-2.4%**	**492.0**	**479.4**	**-2.6%**
Transactional mail	398.6	382.7	-4.0%	199.0	187.3	-5.8%
Advertising mail	123.5	121.1	-2.0%	60.1	60.2	0.2%
Press	177.2	174.4	-1.6%	88.5	86.5	-2.3%
Proximity and convenience retail network	237.8	235.3	-1.1%	117.8	118.3	0.4%
Value added services	52.1	52.4	0.4%	26.6	27.1	1.7%
Intersegment operating income	78.7	83.0	5.5%	39.0	42.0	7.7%
TOTAL OPERATING INCOME	**1,067.9**	**1,048.9**	**-1.8%**	**531.0**	**521.4**	**-1.8%**
Operating expenses	847.8	840.9	-0.8%	425.1	426.8	0.4%
EBITDA	**220.2**	**208.0**	**-5.5%**	**105.9**	**94.6**	**-10.7%**
Depreciation, amortization	22.0	42.3	92.3%	12.8	20.9	63.2%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**198.2**	**165.7**	**-16.4%**	**93.0**	**73.7**	**-20.8%**
Margin (%)	*18.6%*	*15.8%*		*17.5%*	*14.1%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**199.5**	**167.4**	**-16.1%**	**93.7**	**74.8**	**-20.1%**
Margin (%)	*18.7%*	*16.0%*		*17.6%*	*14.4%*	
CAPEX	16.6	10.0	-40%	11.5	6.4	-45%
Average FTE & Interims	21,783	21,958	0.8%	21,798	22,052	1.2%

Second quarter 2019

External operating income in the second quarter 2019 amounted to EUR 479.4m and showed a decrease of EUR -12.6m or -2.6% compared to the same period of 2018.

Revenues from **Domestic Mail** (i.e. Transactional, Advertising and Press combined) decreased by EUR -13.5m to EUR 334.0m. Underlying volume[3] decline amounted to -9.4%. Transactional mail noted an underlying volume decline of -11.1% driven by a tough comparison base with specific mailings in second quarter of 2018 (MiFid and GDPR) and the continuation of the trend of the first quarter: an increased push towards digital, at the receivers' side a higher acceptance of e-documents and further volume losses at SMEs driven by digitization. Advertising mail realized an underlying volume[3] decrease of -5.6% for the quarter. Improvement of the trend in direct mail and the occurrence of elections with a positive impact on total Domestic mail volumes of 1.2% or EUR 3.7m were offset by the deterioration due to phasing of some campaigns in unaddressed. Press volume[3] decreased on an underlying basis by -6.7% driven by e-substitution and rationalization.

Total Domestic mail volume decline impacted revenues by EUR -28.1m along with a working days impact (EUR -0.2m), this decrease was only partly compensated by the net improvement in price and mix amounting to EUR 11.1m and the impact of elections (EUR 3.7m).

[3] New scope based on the business unit structure includes press revenue from Ubiway press distribution and excludes outbound. Operating income 2018 is restated but not all comparable KPI's for 2018 (quarterly and YTD) are available.

Mail & Retail Evolution underlying Mail volumes	Year-to-date 2019	2nd quarter 2019
Domestic mail	**-9.3%**	**-9.4%**
Transactional mail	-10.5%	-11.1%
Advertising mail	-6.7%	-5.6%
Press	-8.0%	-6.7%

Proximity and convenience retail network increased by EUR 0.4m to EUR 118.3m. This increase was mainly driven by the increase of Ubiway Retail and philately (Mystamp), partly offset by the decline of bpost retail revenue. Banking revenues were flat in comparison with the same period last year driven by higher commissions from bpost bank on investment funds and mortgage loans offset by revenue decline on saving accounts.

Value added services in the second quarter 2019 amounted to EUR 27.1m and showed a slight increase of EUR 0.4m. The increase driven by data sale was partly offset by lower revenue from document management.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 10.2m and depreciation and amortization increased by EUR -9.7m.

Reported EBIT in the second quarter 2019 amounted to EUR 73.7m with a margin of 14.1% and showed a decrease of EUR -19.4m compared to the same period of 2018. **Normalized EBIT** in the second quarter 2019 amounted to EUR 74.8m with a margin of 14.4% and showed a decrease of EUR -18.9m compared to the same period of 2018. The decrease of the EBIT was mainly driven by a decrease of the total operating income (EUR -9.6m) and higher total operating expenses (including D&A) (EUR -9.7m). The increase of total operating expenses (including D&A) was mainly driven by higher payroll resulting from the 2019-2020 CLA and salary indexation, only partly compensated by a favourable evolution of the FTE mix.

First half 2019

External operating income decreased by EUR -23.4m, or -2.4%, from EUR 989.2m in the first half of 2018 to EUR 965.9m in the same period of 2019.

Revenues from **Domestic Mail** (i.e. Transactional, Advertising and Press combined) amounted to EUR 678.2m in the first half of 2019, an organic decline of EUR -21.1m versus last year, due to an underlying volume decline of EUR -56.8m (-9.3%), partly compensated by the impact of elections (EUR +3.7m) and a price/mix improvement of EUR 33.6m due to the 6 months price increase for the small user baskets as from January 1, 2019 versus 4 month in the first half of 2018 with a price increase as from March 1, 2018.

Proximity and convenience retail network and **Value added services** combined amounted to EUR 287.7m, a decrease of EUR -2.3m, mainly due to the lower revenue of banking and finance in the first quarter due to lower commissions from bpost bank on saving and current accounts as a result of the low interest environment and the decline of bpost retail revenue, partly compensated by the increase of Ubiway Retail revenues.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 21.0m and depreciation and amortization increased by EUR -19.9m.

Reported EBIT and **normalized EBIT** showed a decrease of respectively EUR -32.5m and EUR -32.0m due to decrease of the total operating income (EUR -19.0m) and net increase of the operating expenses excluding D&A (EUR -14.1m, excluding impact IFRS 16).

Business Unit performance: Parcels & Logistics Europe & Asia

Parcels & Logistics Europe & Asia In million EUR	Year-to-date 2018	2019	Change %	2nd quarter 2018	2019	Change %
External operating income	**362.2**	**388.2**	**7.2%**	**184.7**	**196.5**	**6.4%**
Parcels BeNe	160.1	178.4	11.4%	81.4	91.0	11.8%
E-commerce logistics	58.7	60.2	2.5%	30.6	29.4	-4.0%
Cross-border	143.4	149.6	4.3%	72.7	76.1	4.7%
Intersegment operating income	10.9	10.0	-8.1%	6.1	4.9	-18.7%
TOTAL OPERATING INCOME	**373.1**	**398.2**	**6.7%**	**190.8**	**201.4**	**5.6%**
Operating expenses	349.8	348.3	-0.4%	180.8	173.6	-4.0%
EBITDA	**23.4**	**49.9**	**-**	**10.0**	**27.9**	**-**
Depreciation, amortization	7.4	11.2	51.4%	4.1	5.5	35.2%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**15.9**	**38.7**	**-**	**5.9**	**22.3**	**-**
Margin (%)	*4.3%*	*9.7%*		*3.1%*	*11.1%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**19.0**	**41.6**	**-**	**7.6**	**23.6**	**-**
Margin (%)	*5.1%*	*10.4%*		*4.0%*	*11.7%*	
CAPEX	1.9	5.7	-	1.6	2.6	69.0%
Average FTE & Interims	2,933	3,141	7.1%	2,985	3,153	5.6%

Second quarter 2019

External operating income in the second quarter 2019 amounted to EUR 196.5m and showed an increase of EUR 11.8m or 6.4% compared to the same period of 2018.

Parcels BeNe increased by EUR 9.6m to EUR 91.0m driven by the consistent organic volume[4] growth of parcels of 17.7% (former Domestic Parcels combined with DynaLogic volumes). This increase was driven by e-commerce growth and good volume development at Dynalogic partly offset by declining C2C volumes. Price increases were more than offset by mix effect leading to a negative but improving price/mix.

Parcels & Logistics Europe & Asia	Year-to-date 2019	2nd quarter 2019
Evolution Parcels BeNe volume	+17.3%	+17.7%

E-commerce logistics in the second quarter 2019 amounted to EUR 29.4m, a decrease of EUR -1.2m compared to the same period of 2018 mainly driven by the decline of revenue of DynaFix partly compensated by the organic growth of Active Ants.

Cross-border increased by EUR 3.4m to EUR 76.1m driven by higher inbound revenues (positive phasing terminal dues settlements of EUR 2.2m) and higher parcels revenues from the UK and Asia partly offset by lower parcels revenues from rest of Europe.

4 New scope based on the business unit structure. Parcels BeNe volumes include former domestic parcels and DynaLogic volumes. Operating income 2018 is restated but not all comparable KPI's for 2018 (quarterly and YTD) are available.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 2.1m and normalized depreciation and amortization increased by EUR -2.1m.

Reported EBIT in the second quarter 2019 amounted to EUR 22.3m with a margin of 11.1% and showed an increase of EUR +16.5m compared to the same period of 2018. **Normalized EBIT** in the second quarter 2019 amounted to EUR 23.6m with a margin of 11.7% and showed an increase of EUR 16.0m compared to the same period of 2018. The increased EBIT was mainly driven by the increased total operating income (EUR +10.6m) and by lower total operating expenses (EUR +5.2m excluding impact IFRS 16) due to closure of non-profitable businesses, phasing towards the second half of the year of some costs and positive settlements on terminal dues decreasing transport costs by EUR 1.9m. The reported and normalized depreciations and amortization excluding the impact of IFRS 16 respectively decreased by EUR 0.7m and by EUR 0.2m.

First half 2019

External operating income increased by EUR 26.0m, or 7.2%, from EUR 362.2m in the first half of 2018 to EUR 388.2m in the same period of 2019.

Parcels BeNe amounted to EUR 178.4m in the first half of 2019, an increase of EUR 18.3m versus last year, mainly driven by an organic parcels volume growth of 17.3% and positive volume development at DynaLogic.

E-commerce logistics amounted to EUR 60.2m, an increase of EUR 1.5m, mainly driven by the integration of Active Ants as from April 1st, 2018 partly offset by the decline of revenue at DynaFix.

Cross-border increased by EUR 6.2m to EUR 149.6m, mainly driven by phasing of settlements on terminal dues (EUR 2.2m) and higher parcels revenues from the UK partly offset by rest of Europe.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 4.2m and depreciation and amortization increased by EUR -4.0m.

Reported EBIT and **normalized EBIT** showed an increase of respectively EUR 22.7m and EUR 22.6m. The increased EBIT was mainly due to the increase of the total operating income (EUR 25.1m) partially offset by the limited increase of the operating expenses (EUR -2.8m excluding impact IFRS 16) due to growth operating leverage, closure of non-profitable business and phasing of settlements on terminal dues impacting positively transport costs for EUR 1.9m and phasing towards the second half of the year of some costs.

Business Unit performance: Parcels & Logistics North America

Parcels & Logistics North America	Year-to-date			2nd quarter		
In million EUR	2018	2019	Change %	2018	2019	Change %
External operating income	**489.1**	**465.1**	**-4.9%**	**249.1**	**238.0**	**-4.5%**
E-commerce logistics	446.8	420.1	-6.0%	226.2	215.6	-4.7%
International mail	42.3	45.0	6.3%	23.0	22.3	-2.7%
Intersegment operating income	2.9	2.5	-15.3%	1.7	1.1	-36.9%
TOTAL OPERATING INCOME	**492.0**	**467.6**	**-5.0%**	**250.8**	**239.0**	**-4.7%**
Operating expenses	473.2	449.2	-5.1%	241.4	226.5	-6.2%
EBITDA	**18.8**	**18.4**	**-1.8%**	**9.4**	**12.6**	**33.8%**
Depreciation, amortization	24.7	33.2	34.8%	11.2	16.4	45.6%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**(5.9)**	**(14.8)**	**-**	**(1.9)**	**(3.8)**	**-**
Margin (%)	*-1.2%*	*-3.2%*		*-0.7%*	*-1.6%*	

PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**1.4**	**(8.3)**	**-**	**1.2**	**(0.5)**	**-**
Margin (%)	*0.3%*	*-1.8%*		*0.5%*	*-0.2%*	
CAPEX	9.6	12.6	31%	4.6	8.3	82%
Average FTE & Interims	8,228	7,168	-12.9%	8,039	6,986	-13.1%

Second quarter 2019

External operating income in the second quarter 2019 amounted to EUR 238.0m and showed a decrease of EUR -11.2m or -4.5% (-9.7% at constant exchange rate[5]) compared to the same period of 2018.

E-commerce logistics decreased by EUR -10.5m to EUR 215.6m, as anticipated mainly explained by the decrease of Radial North America due to the continued impact of the full year 2018 client churn and repricing. Investment in growth led to very strong Total Contract Value in fulfilment signed in the second quarter of 2019 at Radial North America and pipeline still looking strong for the rest of the year, also in other services.

Radial North America (*) In million USD (Normalized)	Year-to-date 2018	2019	2nd quarter 2018	2019
Total operating income	447.4	386.4	221.8	199.2
EBITDA	10.9	5.4	5.0	7.3
Profit from operating activities (EBIT)	(8.9)	(20.1)	(4.3)	(4.9)

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

International mail slightly decreased by EUR -0.6m and amounted to EUR 22.3m.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 7.7m and normalized depreciation and amortization increased by EUR -7.2m.

Reported EBIT in the second quarter 2019 amounted to EUR -3.8m with a margin of -1.6% and showed a decrease of EUR -1.9m compared to the same period of 2018. **Normalized EBIT** in the second quarter 2019 amounted to EUR -0.5m with a margin of -0.2% and showed a decrease of EUR -1.7m, compared to the same period of 2018. The decrease of the EBIT was mainly driven by the decreased total operating income (EUR -11.8m), or -4.7% (-9.9% at constant exchange rate), partly compensated by lower operating expenses (EUR 7.2m, excluding impact IFRS 16) and lower depreciations and amortization (excluding IFRS 16, EUR 2.1m reported and EUR 2.3m normalized), driven by lower fixed costs, mainly payroll and medical expenses, improved productivity in fulfilment and reduced fraud chargebacks in PT&F.

First half 2019

External operating income decreased by EUR -24.0m, or -4.9% (-11.0% at constant exchange rate), from EUR 489.1m in the first half of 2018 to EUR 465.1m in the same period of 2019.

E-commerce logistics amounted to EUR 420.1m in the first half of 2019, a decrease of EUR -26.6m versus last year, mainly driven by the decrease of Radial North America due to continued impact of the full year 2018 client churn and repricing.

International mail amounted to EUR 45.0m, an increase of EUR 2.7m mainly driven by the timing of the acquisition of IMEX and M.A.I.L. in January 2018.

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

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 13.8m and depreciation and amortization increased by EUR -12.9m.

Reported EBIT and **normalized EBIT** showed a decrease of respectively EUR -8.9m and EUR -9.7m due to decrease of the total operating income (EUR -24.4m) partly compensated by the net decrease of reported total operating expenses (EUR 10.3m, excluding impact IFRS 16) and depreciations and amortization (excluding impact IFRS 16, EUR 4.3m reported and EUR 3.5m normalized).

Business Unit performance: Corporate

Corporate	Year-to-date			2nd quarter		
In million EUR	2018	2019	Change %	2018	2019	Change %
External operating income	**4.3**	**23.3**	**-**	**2.5**	**21.8**	**-**
Intersegment operating income	184.7	177.8	-3.7%	92.1	93.0	1.0%
TOTAL OPERATING INCOME	**189.0**	**201.0**	**6.4%**	**94.6**	**114.8**	**21.4%**
Operating expenses	165.5	164.5	-0.6%	77.2	88.1	14.1%
EBITDA	**23.4**	**36.5**	**55.7%**	**17.3**	**26.7**	**54.1%**
Depreciation, amortization	22.7	33.8	48.9%	11.5	17.1	48.5%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**0.7**	**2.7**	**-**	**5.8**	**9.6**	**65.1%**
Margin (%)	*0.4%*	*1.3%*		*6.2%*	*8.4%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**0.7**	**2.7**	**-**	**5.8**	**9.6**	**65.1%**
Margin (%)	*0.4%*	*1.3%*		*6.2%*	*8.4%*	
CAPEX	11.4	13.2	16%	7.4	8.5	15%
Average FTE & Interims	1,766	1,634	-7.5%	1,766	1,629	-7.8%

Second quarter 2019

External operating income in the second quarter 2019 increased by EUR 19.3m to EUR 21.8m. This increase was mainly due to the sale of the Centre Monnaie building. Total cash proceeds for bpost from the sale were EUR 56.1m, while the gain on sale amounted to EUR 19.9m.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 6.5m and normalized depreciation and amortization increased by EUR -6.7m.

The gain on the sale of the Centre Monnaie building was mainly offset by last year's reversal of a provision (EUR -14.9m), hence **reported EBIT** and **normalized EBIT** showed an increase of EUR 3.8m.

First half 2019

External operating income increased by EUR 19.0m compared to last year due to the sale of the Centre Monnaie building.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 13.1m and normalized depreciation and amortization increased by EUR -13.0m.

Reported EBIT and **normalized EBIT** showed an increase of EUR 1.9m as the sale of the Centre Monnaie building was partially offset by last year's reversal of a provision.

Cash flow statement

	Year-to-date		2nd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
Net cash from operating activities	168.3	174.9	(61.6)	(27.3)
Net cash used in investing activities	(95.6)	15.7	(17.0)	31.8
Net cash from financing activities	(56.8)	(104.9)	(52.8)	(60.8)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15.9	**85.7**	**(131.5)**	**(56.3)**
Free cash flow	**72.7**	**190.6**	**(78.6)**	**4.5**

Second quarter 2019

In the second quarter 2019, the net cash flow increased compared to the same period last year by EUR 75.2m to EUR -56.3m.

Free cash flow amounted to EUR 4.5m and was EUR 83.1m higher than last year.

Cash flow from operating activities increased by EUR 34.3m to EUR -27.3m while the impact of the IFRS 16 initial application amounted to EUR +24.4m. Excluding this transfer to financing activities, the lower tax prepayment (EUR +9.0m) and collected proceeds due to Radial's clients (EUR -15.1m) operating results declined by EUR 22.6m and were counterbalanced by a positive evolution of the change in working capital (EUR +38.7m). The latter was primarily explained by positive evolution of suppliers balances and payroll related provisions partially offset by a negative phasing in the payment of Social Security charges in the second quarter 2019.

Investing activities resulted in a cash inflow of EUR 31.8m in the second quarter 2019, compared to EUR -17.0m for the same period last year. The evolution was mainly due to the sale of the Centre Monnaie building (EUR +56.1m).

The cash outflow relating to **financing activities** amounted to EUR 60.8m, or a EUR 7.9m rise compared to the same period last year. The increase was mainly explained by net outflows related to payments of lease liabilities (out of which EUR -24.4m resulting from IFRS 16 application) partially counterbalanced by commercial papers issuance (EUR +15.1m).

First half 2019

In the first half 2019, the net cash flow increased compared to the same period last year by EUR 69.8m to EUR 85.7m.

Free cash flow amounted to EUR 190.6m and was EUR 117.9m higher than last year.

Cash flow from operating activities increased by EUR 6.6m to EUR 174.9m while the impact of the IFRS 16 initial application amounted to EUR +49.1m. Excluding this transfer to financing activities, lower tax prepayments (EUR +9.0m) and collected proceeds due to Radial's clients (EUR -4.7m) operating results declined by EUR 44.5m together with a negative evolution of the change in working capital (EUR -2.3m).

Investing activities resulted in a cash inflow of EUR 15.7m in the first half 2019, compared to EUR -95.6m for the same period last year. The evolution was mainly due to lower cash outflows related to acquisition of subsidiaries (EUR +60.9m) with main investments occurring in the first half 2018 and the higher proceeds from sale of buildings (EUR 52.4m which is primarily explained by the sale of the Centre Monnaie building in the first half 2019) partially offset by higher capital expenditures (EUR -2.0m).

The cash outflow relating to **financing activities** amounted to EUR 104.9m, or a EUR 48.2m rise compared to the same period last year. The increase was mainly explained by net outflows related to payments of lease liabilities (out of which EUR -49.1m resulting from IFRS 16 application).

Financial calendar

08.08.19 (10.00 CET)	Analyst Conference Call
07.10.19	Start of quiet period ahead of Q3/2019 results
06.11.19 (17.45 CET)	Announcement Q3/2019 results
07.11.19 (10.00 CET)	Analyst Conference Call
02.12.19 (17.45 CET)	Interim dividend 2019 announcement
05.12.19	Ex-dividend date (interim dividend)
06.12.19	Record date (interim dividend)
09.12.19	Payment date of the interim dividend

Interim Condensed Consolidated Financial Statements[6]

Preliminary note: In the third quarter of 2018 the purchase price allocation of Radial had been finalized, this resulted in some fair value corrections in previous quarters of 2018. As a consequence, this led to some restatements compared to the 2018 figures reported in first and second quarter of 2018 within the segment Parcels & Logistics North America and Parcels & Logistics Europe & Asia. Compared to the figures reported during the second quarter last year, operating costs (excluding depreciation) are EUR 2.2m lower and depreciation are EUR 0.5m lower, hence profit for the quarter is EUR 2.6m higher. Compared to the year to date figures reported last year total operating income is EUR 0.3m higher, operating costs (excluding depreciation) are EUR 4.9m lower and depreciation are EUR 1.3m higher hence year to date profit for the period ending June 30, 2018 is EUR 3.9m higher than reported last year for the same period.

Interim Condensed Consolidated Income Statement

In million EUR	NOTES	Year-to-date 30 June 2018	Year-to-date 30 June 2019	2nd quarter 2018	2nd quarter 2019
Revenue	6	1,830.7	1,807.4	920.6	908.3
Other operating income		14.1	35.1	7.8	27.3
TOTAL OPERATING INCOME		**1,844.9**	**1,842.5**	**928.4**	**935.7**
Material costs		(124.5)	(120.8)	(62.3)	(62.2)
Services and other goods	7	(704.9)	(660.0)	(374.5)	(335.0)
Payroll costs		(731.4)	(742.7)	(366.7)	(371.7)
Other operating expenses		1.6	(6.1)	17.6	(5.0)
Depreciation, amortization		(76.8)	(120.6)	(39.6)	(59.9)
TOTAL OPERATING EXPENSES		**(1,635.9)**	**(1,650.3)**	**(825.5)**	**(833.8)**
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**208.9**	**192.2**	**102.9**	**101.8**
Financial income		3.5	2.1	1.3	0.7
Financial costs		(13.1)	(24.4)	(8.0)	(15.5)
Share of profit of associates		1.3	4.3	5.1	5.7
PROFIT BEFORE TAX		**200.6**	**174.2**	**101.3**	**92.7**
Income tax expense		(68.8)	(60.6)	(33.2)	(29.3)
PROFIT OF THE PERIOD		**131.8**	**113.5**	**68.1**	**63.4**
Attributable to:					
Owners of the Parent		133.1	113.5	69.2	63.3
Non-controlling interests		(1.3)	0.0	(1.1)	0.1

[6] The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting

EARNINGS PER SHARE

	Year-to-date 30 June		2nd quarter	
In EUR	**2018**	**2019**	**2018**	**2019**
►basic, profit for the year attributable to ordinary equity holders of the parent	0.67	0.57	0.35	0.32
►diluted, profit for the year attributable to ordinary equity holders of the parent	0.67	0.57	0.35	0.32

In accordance with IAS 33, 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.

As far as bpost is concerned, no effects of dilution affect the net profit attributable to ordinary equity holders and the weighted average number of ordinary shares.

Interim Condensed Consolidated Statement of Other Comprehensive Income

In million EUR	Year-to-date 30 June 2018	Year-to-date 30 June 2019	2nd quarter 2018	2nd quarter 2019
PROFIT FOR THE YEAR	**131.8**	**113.5**	**68.1**	**63.4**
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Change of other comprehensive income of associates	(13.1)	(7.3)	(4.8)	(4.0)
Net gain/(loss) on hedge of a net investment	(3.4)	(0.8)	(6.6)	1.6
Net gain/(loss) on cash flow hedges	(14.1)	0.9	(14.1)	0.4
Exchange differences on translation of foreign operations	18.1	13.2	37.4	(10.1)
NET OTHER COMPREHENSIVE INCOME / (LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(12.6)**	**6.0**	**11.9**	**(12.1)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Remeasurement gain (losses) on defined benefit plans	0.5	1.0	0.5	1.0
NET OTHER COMPREHENSIVE INCOME / (LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**0.5**	**1.0**	**0.5**	**1.0**
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	**(12.1)**	**7.0**	**12.4**	**(11.1)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**119.7**	**120.5**	**80.5**	**52.3**
Attributable to:				
Owners of the Parent	121.0	120.5	81.6	52.2
Non-controlling interest	(1.3)	0.0	(1.1)	0.1

Interim Condensed Consolidated Statement of Financial Position

In million EUR	NOTES	As of 31 December 2018	As of 30 June 2019
Assets			
Non-current assets			
Property, plant and equipment	8	708.0	1,090.4
Intangible assets	9	874.9	878.1
Investments in associates	10	251.2	248.2
Investment properties		18.7	5.3
Deferred tax assets		31.5	22.8
Trade and other receivables		11.2	12.8
		1,895.7	**2,257.5**
Current assets			
Inventories		36.9	34.9
Income tax receivable		5.7	7.5
Trade and other receivables	11	712.0	538.9
Cash and cash equivalents	12	680.1	770.2
		1,434.7	**1,351.5**
Assets held for sale		14.7	10.2
TOTAL ASSETS		**3,345.1**	**3,619.3**
Equity and liabilities			
Issued capital		364.0	364.0
Reserves		271.4	264.9
Foreign currency translation		12.7	25.1
Retained earnings		51.6	113.5
Equity attributable to equity holders of the Parent		**699.7**	**767.6**
Equity attributable to non-controlling interests		2.5	2.7
TOTAL EQUITY		**702.3**	**770.3**
Non-current liabilities			
Interest-bearing loans and borrowings	13	849.1	1,170.9
Employee benefits	14	308.4	311.6
Trade and other payables		17.5	17.8
Provisions		22.6	20.7
Deferred tax liabilities		7.3	7.4
		1,204.8	**1,528.5**
Current liabilities			
Interest-bearing loans and borrowings	15	175.7	283.5
Bank overdrafts		0.0	8.1
Provisions		16.8	15.1
Income tax payable		21.4	0.7
Derivative instruments	17	0.8	0.6
Trade and other payables	16	1,212.5	1,007.9
		1,427.3	**1,316.0**
Liabilities directly associated with assets held for sale		10.8	4.5
TOTAL LIABILITIES		**2,642.9**	**2,849.0**
TOTAL EQUITY AND LIABILITIES		**3,345.1**	**3,619.3**

Interim Condensed Consolidated Statement of Changes in Equity

In million EUR	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
	AUTHORIZED & ISSUED CAPITAL	TREASURY SHARES	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
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					133.1	133.1	(1.3)	131.8
Other comprehensive income			84.2	14.7	(110.9)	(12.1)		(12.1)
TOTAL COMPREHENSIVE INCOME	**364.0**	**(0.0)**	**84.2**	**14.7**	**22.1**	**121.0**	**(1.3)**	**119.7**
Dividends (Pay-out)			(50.0)		0.0	(50.0)	0.0	(50.0)
Other			(0.4)		(1.3)	(1.7)	1.3	(0.4)
AS OF 30 JUNE 2018	**364.0**	**(0.0)**	**284.0**	**3.2**	**131.7**	**782.9**	**4.3**	**787.2**
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					113.5	113.5	0.0	113.5
Other comprehensive income			46.2	12.4	(51.6)	7.0		7.0
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**46.2**	**12.4**	**61.9**	**120.5**	**0.0**	**120.5**
Dividends (Pay-out)			(50.0)		0.0	(50.0)	0.0	(50.0)
Other			(2.7)		0.0	(2.7)	0.2	(2.5)
AS OF 30 JUNE 2019	**364.0**	**(0.0)**	**264.9**	**25.1**	**113.5**	**767.6**	**2.7**	**770.3**

Equity increased by EUR 68.0m, or 9.7%, to EUR 770.3m as of June 30, 2019 from EUR 702.3m as of December 31, 2018. The realized profit (EUR 113.5m), the exchange differences on translation of foreign operations (EUR 12.4m), the effective part of a cash-flow hedge entered into to hedge the cash flow risk of the bond (EUR 0.9m) and the remeasurement gains on post-employment benefits (EUR 1.0m) were offset amongst others by the fair value adjustment in respect of bpost bank's bond portfolio (EUR 7.3m) and the payment of a dividend (EUR 50.0m). The cash-flow hedge reserve will be reclassified to profit or loss over the 8 years after the issuance date of the bond.

Interim Condensed Consolidated Statement of Cash Flows

	Year-to-date		2nd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
Operating activities				
Profit before tax	200.6	174.2	101.3	92.7
Depreciation and amortization	76.8	120.6	39.6	59.9
Impairment on bad debts	5.4	1.0	1.4	0.4
Gain on sale of property, plant and equipment	(1.3)	(20.6)	(1.1)	(20.6)
Other non-cash items	3.3	10.7	2.6	5.5
Change in employee benefit obligations	6.9	4.7	7.5	5.7
Share of profit of associates	(1.3)	(4.3)	(5.1)	(5.7)
Dividend received	0.0	0.0	0.0	0.0
Income tax paid	(67.2)	(58.6)	(64.1)	(55.7)
Income tax paid on previous years	(11.8)	(13.8)	0.0	0.0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	**211.4**	**213.9**	**82.1**	**82.1**
Decrease/(increase) in trade and other receivables	77.2	170.8	(104.6)	10.5
Decrease/(increase) in inventories	(0.5)	4.0	(2.0)	1.2
Increase/(decrease) in trade and other payables	(86.4)	(186.9)	(26.1)	(105.7)
Increase/(decrease) in collected proceeds due to clients	(18.6)	(23.3)	1.1	(14.0)
Increase/(decrease) in provisions	(14.9)	(3.6)	(12.2)	(1.5)
NET CASH FROM OPERATING ACTIVITIES	**168.3**	**174.9**	**(61.6)**	**(27.3)**
Investing activities				
Proceeds from sale of property, plant and equipment	5.3	57.7	5.1	57.6
Acquisition of property, plant and equipment	(34.2)	(30.1)	(21.8)	(20.7)
Acquisition of intangible assets	(5.8)	(11.4)	(3.2)	(5.2)
Acquisition of other investments	0.5	0.0	(0.0)	0.0
Acquisition of subsidiaries, net of cash acquired	(61.4)	(0.5)	3.0	(0.0)
NET CASH USED IN INVESTING ACTIVITIES	**(95.6)**	**15.7**	**(17.0)**	**31.8**
Financing activities				
Proceeds borrowings and lease liabilities	0.0	335.3	0.0	165.1
Payments related to borrowings and lease liabilities	(6.5)	(390.2)	(2.8)	(175.8)
Payments for derivative instruments	0.0	0.0	0.0	0.0
Transactions with minorities	(0.3)	(0.0)	0.0	(0.0)
Dividends paid	(50.0)	(50.0)	(50.0)	(50.0)
NET CASH FROM FINANCING ACTIVITIES	**(56.8)**	**(104.9)**	**(52.8)**	**(60.8)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15.9**	**85.7**	**(131.5)**	**(56.3)**
NET FOREIGN EXCHANGE DIFFERENCE	**6.7**	**(3.7)**	**8.3**	**(6.0)**
Cash and cash equivalent less bank overdraft as of 1st January	466.0	680.1		
Cash and cash equivalent less bank overdraft as of 30 June	488.6	762.1		
MOVEMENTS BETWEEN 1ST JANUARY AND 30 JUNE	**22.6**	**82.0**		

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate Information

The interim condensed consolidated financial statements of bpost for the first six months ended June 30, 2019 were authorized for issue in accordance with a resolution of the Board of Directors on August 7, 2019.

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 of Belgium. bpost has its registered office at the Muntcentrum-Centre Monnaie, 1000 Brussels. bpost shares are listed on the NYSE-Euronext Brussels since June 21, 2013 (share ticker BPOST).

2. Basis of preparation and accounting policies

Basis of preparation

These interim financial statements are subject to review by the independent auditor (see statement of limited review).

The interim condensed consolidated financial statements for the six months ended June 30, 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with bpost's annual financial statements as at December 31, 2018.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of bpost's annual financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as from January 1, 2019.

bpost applied for the first time in the first quarter 2019, IFRS 16 Leases, as required by IAS 34, the nature and effect of these changes are disclosed below.

Apart from **IFRS 16 –** Leases, the following new standards and amendments, entered into force as from January 1, 2019, do not 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 Cycles (2015-2017)**

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 identifies as containing lease under IAS 17 and IFRIC 4.

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

In million EUR	January 1, 2019 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 EUR 434.6m are recognised and presented separately in the statement of financial position, this includes the lease assets recognised previously under finance leases of EUR 16.8m.

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**

Summary of new accounting policies

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation.

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.

As from 1 January 2019, bpost as lessee recognizes at present value assets for the right to use received and liabilities for the payment obligations entered into for all leases in the balance sheet, as follow:

- 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 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. 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. 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.

Significant judgement in determining the lease term of contracts with renewal options

- Used 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 if available otherwise same methodology as 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 not to be exercised.

Set out below, are the carrying amounts of bpost's right-of-use assets and lease liabilities on June 30, 2019:

In million EUR	Year-to-date 2019
Assets	
Lands and buildings	387.0
Plant and machinery	3.9
Motor vehicles	46.9
Other equipment	0.5
Total	**438.3**
Liabilities	
Non-current Lease liabilities	337.9
Current Lease liabilities	109.1
Total	**447.1**

Standards and Interpretations 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 interim condensed consolidated financial statements.

Standard or interpretation	Effective for in reporting periods starting on or after
IFRS 3 - Amendments – Definition of a Business (*)	1 January 2020
IAS 1 and IAS 8 – Amendments - Definition of Material (*)	1 January 2020
The Conceptual Framework for Financial Reporting	1 January 2021
IFRS 17 - Insurance Contracts (*)	1 January 2021

(*) 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.

3. Seasonality of Operations

bpost revenue and earnings are affected by several seasonal fluctuations.

Pursuant to the 6th management contract, bpost is the provider of certain SGEI. These 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. In accordance with the Belgian State's commitment to the European Commission, the delivery of newspapers and periodicals is no longer part of the management contract. For the latter the Belgian State decided to award the contract of distribution of newspapers and periodicals after a public consultation of the market to bpost. The compensation on SGEI is based on a net avoided cost ("NAC") methodology and is being equally distributed over the four quarters. This methodology provides that compensation shall be based upon the difference in the net cost between bearing or not the provision of SGEI. The remuneration for the delivery of newspapers and periodicals consists of a flat amount (equally distributed over the four quarters) and a variable fee based upon the distributed volumes. This remuneration is subject to an ex-post calculation based upon the evolution of the costs basis of bpost. During the year calculations are made for the SGEI and the distribution of newspapers and periodicals to ensure the remuneration is in line with the amounts recorded.

The peak season beginning as of the month of December in Europe and around Thanksgiving in the US has a positive effect on the sales of Parcels BeNe and E-commerce logistics. For Radial North-America part of the Parcels and Logistics North America segment, a leading US player in integrated e-commerce logistics and omnichannel technology, the fourth quarter is traditionally the quarter with the highest revenue and earnings.

4. Business Combinations

Alvadis

On March 15, 2019 Ubiway, a subsidiary of bpost, signed a share purchase agreement with Conway for the sale of Alvadis, a company of the Ubiway group. At the time of the startup of the sales process (in December 2018) Alvadis had been transferred to assets held for sale, Alvadis will be deconsolidated at the time of the completion of the transaction i.e. once the approval of the Belgian Competition Authority is obtained.

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-fulfilment 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 EUR 4.3m for 50% of the shares and performed a capital increase of EUR 3.0m 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 EUR 0.8m 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 EUR 4.5m, changes of the financial liability will be booked in the profit and loss 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 PaLo Eurasia operating segment, consequently the business combination is presented as if bpost obtained a 100% interest in Anthill BV. 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 EUR 1.9m 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 EUR 2.0m, EUR 0.6m and EUR 1.4m.

In the first six months of 2019 Active Ants and Anthill contributed EUR 9.0m of revenue and EUR 0.3m to profit before tax from continuing operations of the Group. In 2018 Active Ants and Anthill contributed EUR 12.9m of revenue and EUR 0.6m to profit before tax from continuing operations of the Group.

The resulting goodwill of EUR 6.4m 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.

Contingent consideration for Apple Express

In March 2019, Apple Express Courier, ltd paid CAD 0.8m (EUR 0.5m) 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, payable in 2019, is capped at CAD 0.8m (amongst others based upon financial results).

5. Operating Segments

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 commercial activities related to Transactional, Advertising mail and Press and the operational activities of collecting, transporting, sorting and distributing of addressed and non-addressed mail, printed documents, newspapers and periodicals in Belgium and offers these operational activities for parcels to other business units of bpost. Furthermore M&R offers Value added services including document management and related activities and offers proximity and convenience retail through its retail network in Belgium composed out of post offices, postal point 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 the commercial and operational activities related to last-mile delivery and express delivery in BeNe, e-commerce logistics (fulfillment, handling, distribution and return management) and cross-border (inbound, outbound and import services) for parcels in Europe & Asia and for international mail worldwide. The business unit runs several operations centers across Europe including a sorting center (NBx) and several Parcel hubs. DynaGroup, Radial and Landmark Global entities in Europe & Asia are part of this business unit.

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

Corporate and Support units ("Corporate") consist out of the 3 support units and the corporate unit. The support units offer as a sole provider 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 3 business units as OPEX while the depreciation remains in Corporate. Revenues generated by the Support Units, including sales building 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.

As corporate treasury, bpost bank and tax are centrally managed for the group the net financial result, income tax and share of profit of associates are only disclosed at the level of the group.

bpost computes its profit from operating activities (EBIT) at the segment and is measured consistently with the financial statement's 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:

	M&R		PaLo Eurasia		PaLo N. Ame		Corporate		Eliminations		Group	
In million EUR	**2Q18**	**2Q19**	**2Q18**	**2Q19**	**2Q18**	**2Q19**	**2Q18**	**2Q19**	**2Q18**	**2Q19**	**2Q18**	**2Q19**
External operating income	**492.0**	**479.4**	**184.7**	**196.5**	**249.1**	**238.0**	**2.5**	**21.8**			**928.4**	**935.7**
Intersegment operating income	39.0	42.0	6.1	4.9	1.7	1.1	92.1	93.0	(138.8)	(141.0)	0.0	0.0
TOTAL OPERATING INCOME	**531.0**	**521.4**	**190.8**	**201.4**	**250.8**	**239.0**	**94.6**	**114.8**	**(138.8)**	**(141.0)**	**928.4**	**935.7**
Operating expenses	425.1	426.8	180.8	173.6	241.4	226.5	77.2	88.1	(138.8)	(141.0)	785.8	773.9
Depreciation, amortization	12.8	20.9	4.1	5.5	11.2	16.4	11.5	17.1			39.6	59.9
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**93.0**	**73.7**	**5.9**	**22.3**	**(1.9)**	**(3.8)**	**5.8**	**9.6**	**0.0**	**0.0**	**102.9**	**101.8**
Share of profit of associates											5.1	5.7
Financial results											(6.7)	(14.8)
Income tax expenses											(33.2)	(29.3)
PROFIT OF THE PERIOD (EAT)	**93.0**	**73.7**	**5.9**	**22.3**	**(1.9)**	**(3.8)**	**5.8**	**9.6**			**68.1**	**63.4**

Year-to-date	M&R		PaLo Eurasia		PaLo N. Ame		Corporate		Eliminations		Group	
In million EUR	**1H18**	**1H19**	**1H18**	**1H19**	**1H18**	**1H19**	**1H18**	**1H19**	**1H18**	**1H19**	**1H18**	**1H19**
External operating income	**989.2**	**965.9**	**362.2**	**388.2**	**489.1**	**465.1**	**4.3**	**23.3**			**1,844.9**	**1,842.5**
Intersegment operating income	78.7	83.0	10.9	10.0	2.9	2.5	184.7	177.8	(277.1)	(273.2)	0.0	0.0
TOTAL OPERATING INCOME	**1 067.9**	**1 048.9**	**373.1**	**398.2**	**492.0**	**467.6**	**189.0**	**201.0**	**(277.1)**	**(273.2)**	**1,844.9**	**1,842.5**
Operating expenses	847.8	840.9	349.8	348.3	473.2	449.2	165.5	164.5	(277.1)	(273.2)	1,559.1	1,529.7
Depreciation, amortization	22.0	42.3	7.4	11.2	24.7	33.2	22.7	33.8			76.8	120.6
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**198.2**	**165.7**	**15.9**	**38.7**	**(5.9)**	**(14.8)**	**0.7**	**2.7**	**0.0**	**0.0**	**208.9**	**192.2**
Share of profit of associates											1.3	4.3
Financial results											(9.6)	(22.3)
Income tax expenses											(68.8)	(60.6)
PROFIT OF THE PERIOD (EAT)	**198.2**	**165.7**	**15.9**	**38.7**	**(5.9)**	**(14.8)**	**0.7**	**2.7**			**131.8**	**113.5**

The tables presented below provide an overview of the entity wide disclosures.

The total operating income (excluding intersegment operating income), Revenue and Other Operating income, is measured on the same basis as the financial statement's 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.

	Year-to-date			2nd quarter	
In million EUR	2018	2019	Change %	2018	2019
Mail & Retail	**989.2**	**965.9**	**-2.4%**	**492.0**	**479.4**
Transactional mail	398.6	382.7	-4.0%	199.0	187.3
Advertising mail	123.5	121.1	-2.0%	60.1	60.2
Press	177.2	174.4	-1.6%	88.5	86.5
Proximity and convenience retail network	237.8	235.3	-1.1%	117.8	118.3
Value added services	52.1	52.4	0.4%	26.6	27.1
Parcels & Logistics Europe & Asia	**362.2**	**388.2**	**7.2%**	**184.7**	**196.5**
Parcels BeNe	160.1	178.4	11.4%	81.4	91.0
E-commerce logistics	58.7	60.2	2.5%	30.6	29.4
Cross border	143.4	149.6	4.3%	72.7	76.1
Parcels & Logistics North America	**489.1**	**465.1**	**-4.9%**	**249.1**	**238.0**
E-commerce logistics	446.8	420.1	-6.0%	226.2	215.6
International mail	42.3	45.0	6.3%	23.0	22.3
Corporate & Supporting functions	**4.3**	**23.3**		**2.5**	**21.8**
TOTAL	**1,844.9**	**1,842.5**	**-0.1%**	**928.4**	**935.7**

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.

	Year-to-date			2nd quarter	
In million EUR	2018	2019	Change %	2018	2019
Belgium	1,236.6	1,250.4	1.1%	616.6	633.9
Rest of Europe	112.5	121.2	7.7%	59.1	60.2
USA	468.5	445.1	-5.0%	238.7	227.7
Rest of world	27.3	25.8	-5.6%	13.9	13.8
TOTAL OPERATING INCOME	**1,844.9**	**1,842.5**	**-0.1%**	**928.4**	**935.7**

	As of 31 December	As of 30 June	
In million EUR	2018	2019	Change %
Belgium	703.4	932.0	32.5%
Rest of Europe	143.2	168.2	17.5%
USA	735.1	839.9	14.3%
Rest of world	31.2	46.4	48.7%
TOTAL NON-CURRENT ASSETS	**1,612.9**	**1,986.6**	**23.2%**

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

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. Revenue

	Year-to-date 30 June		2nd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
Revenue excluding the SGEI remuneration	1,696.1	1,670.4	853.7	840.6
SGEI remuneration	134.7	136.9	66.9	67.8
TOTAL	**1,830.7**	**1,807.4**	**920.6**	**908.3**

7. Services and other goods

The table below presents a breakdown of services and other goods:

	Year-to-date 30 June			2nd quarter		
In million EUR	**2018**	**2019**	**Change %**	**2018**	**2019**	**Change %**
Rent and rental costs	73.1	27.6	-62.3%	37.2	13.1	-64.9%
Maintenance and repairs	54.0	57.4	6.1%	27.4	29.5	7.9%
Energy delivery	22.3	22.6	1.3%	11.1	11.0	-1.0%
Other goods	16.5	16.8	1.9%	9.3	9.3	0.1%
Postal and telecom costs	9.9	10.0	1.4%	5.6	5.0	-11.7%
Insurance costs	10.2	11.8	15.8%	3.9	5.9	50.4%
Transport costs	309.6	303.7	-1.9%	160.8	153.9	-4.3%
Publicity and advertising	11.7	11.4	-1.8%	6.0	6.2	3.0%
Consultancy	13.3	19.3	45.5%	7.8	12.8	65.1%
Interim employees	71.8	64.0	-10.8%	35.1	31.4	-10.6%
Third party remuneration, fees	66.6	68.3	2.6%	34.1	33.7	-1.1%
Other services	46.1	47.1	2.3%	36.3	23.3	-35.8%
TOTAL	**704.9**	**660.0**	**-6.4%**	**374.5**	**335.0**	**-10.5%**

In the first half 2019, services and other goods showed a decrease by EUR 44.9m mainly due to a decrease of rent and rental costs by EUR 45.6m. The decrease of the rent and rental expenses was mainly explained by the initial application of IFRS 16. In line with IFRS 16 costs switched from rent and rental costs for EUR 52.1m to depreciation for EUR 49.8m and financial costs EUR 4.4m. The leases within the scope are mainly buildings (warehouses and sales points) and vehicles.

8. Property, plant and equipment

Property, plant and equipment increased by EUR 382.4m, or 54.0%, to EUR 1,090.4m as of June 30, 2019. The increase was mainly explained by: the right of use assets recognised for EUR 417.8m per January 1, 2019 given the initial application of IFRS 16, capital expenditures of EUR 30.1m, right of use asset recognised for EUR 53.2m during the first half 2019 and the evolution of the exchange rate, partially offset by depreciation for EUR 99.2m (including EUR 49.8m related to IFRS 16 right of use assets) and transfers to investment property and to assets held for sale (main impact is the sale of the Centre Monnaie building that was transferred to assets held for sale in the first quarter and sold in the second quarter with total cash proceeds of EUR 56.1m and a gain of EUR 19.9m). The assets of IFRS 16 are mainly leases related to buildings and vehicles.

9. Intangible assets

Intangible assets increased by EUR 3.2m, or 0.4%, to EUR 878.1m as of June 30, 2019. The increase was mainly due to the capital expenditures of EUR 11.4m, the finalisation of the purchase price allocation of Anthill BV (increase of EUR 5.5m mainly due to the recognition of intangible assets) and the evolution of the exchange rate, partially offset by the depreciation for EUR 21.4m.

10. Investments in associates

Investments in associates slightly decreased by EUR 3.0m, to EUR 248.2m as of June 30, 2019. The increase of bpost's share in the gain of bpost bank for EUR 4.3m was more than compensated by the decrease in the unrealized gain on the bond portfolio in the amount of EUR 7.3m recognized in other comprehensive income, reflecting a decrease of the underlying yield curve by 4 basis points (bps) compared to December 31, 2018. As of June 30, 2019, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of EUR 31.5m, which represented 12.7% 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.

11. Current trade and other receivables

Current trade and other receivables decreased by EUR 173.1m to EUR 538.9m as of June 30, 2019. The decrease was mainly driven by the usual settlement of the SGEI receivable during the first quarter of the year and driven by the peak sales of year-end.

12. Cash and cash equivalents

Cash and cash equivalents increased by EUR 90.1m to EUR 770.2m as of June 30, 2019, the sale of the Centre Monnaie building was offset by the payment of EUR 50.0m dividend.

13. Non-Current Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings increased by EUR 321.8m to EUR 1,170.9m mainly due to the initial application of IFRS 16.

14. Employee benefits

In million EUR	As of 31 December 2018	As of 30 June 2019
Post-employment benefits	(32.8)	(30.6)
Long-term employee benefits	(113.5)	(117.0)
Termination benefits	(8.5)	(8.6)
Other long-term benefits	(153.5)	(155.4)
TOTAL	**(308.4)**	**(311.6)**

Employee benefits increased by EUR 3.2m, or 1.0%, to EUR 311.6m as of June 30, 2019. The increase mainly reflects:

- The payment of benefits for an amount of EUR 13.8m.
- Operational actuarial gains for an amount of EUR 1.3m.
- Service cost (EUR 12.3m) and interest cost (EUR 2.0m).
- Financial actuarial losses of EUR 5.5m caused by changes in the discount rates.
- A remeasurement gain on defined benefit plans of EUR 1.5m (before tax), recognized through other comprehensive income.

15. Current interest-bearing loans and borrowings

Current interest-bearing loans and borrowings increased by EUR 107.8m to EUR 283.5m mainly due to the initial application of IFRS 16.

16. Current trade and other payables

Current trade and other payables decreased by EUR 204.6m to EUR 1,007.9m as of June 30, 2019. This decrease was due to the decrease of the trade payables by EUR 157.4m and the social payables by EUR 53.2m, partially offset by the increase of other payables by EUR 6.0m. The decrease of the trade payables was mainly a phasing element given the peak season at year end. The decrease of the social payables was mainly caused by the timing difference as 2018 full year social accruals (holiday pay, bonuses,...) have been paid during the first half of 2019.

17. Financial assets and financial liabilities

The following table provides the fair value measurement hierarchy of bpost's financial assets and financial liabilities per June 30, 2019:

In million EUR As of 30 June 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	12.8	0.0	12.8	0.0
Current				
Financial assets	1,309.1	0.0	1,309.1	0.0
Total financial assets	**1,321.9**	0.0	**1,321.9**	**0.0**
Financial liabilities measured at amortized cost (except for derivatives)				
Non-Current				
Long-term bond	641.9	673.9	0.0	0.0
Financial liabilities	546.8	0.0	546.8	0.0
Current				
Derivative instruments - forex swap	0.0	0.0	0.0	0.0
Derivative instruments - cross currency swap	0.0	0.0	0.0	0.0
Derivative instruments - forex forward	0.6	0.0	0.6	0.0
Financial liabilities	1,299.5	0.0	1,299.5	0.0
Total financial liabilities	**2,488.8**	**673.9**	**1,846.9**	**0.0**

The fair value of the non-current and current financial assets measured at amortised cost and the non-current and current financial liabilities measured at amortised 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.

18. 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 to hedge the exchange rate risks linked to the intercompany loans granted by bpost to its subsidiaries. At the end of the second quarter 2019 bpost had two foreign exchange swaps and five foreign exchange forwards outstanding.

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 EUR 600.0m. The transaction was contracted 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 EUR 650.0m 8-year bond. At that time, the interest rate swap was unwound and settled via a payment of EUR 21.5m split between an effective part EUR 20.0m and an ineffective part EUR 1.5m. The ineffective part was booked in the income statement. The effective part of the cash-flow hedge (EUR 20.0m) has been recognized in other comprehensive income (amount net of tax is EUR 14.8m) 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 an amount of EUR 0.9m has been reclassified to the profit and loss 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. bpost with EUR as its functional currency along with the issuance of the bond, borrowed USD to refinance the 2017 acquisition of Radial Holdings, LP. bpost borrowed a part 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 USD 143.0m, whereas the carrying amount converted into Euro amounted to EUR 127.3m. At June 30, 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 EUR 0.8 million. There was no ineffectiveness in 2019.

19. Contingent Liabilities and Contingent Assets

The contingent liabilities and contingent assets are materially unchanged from those described in the note 6.32 of bpost's annual financial statements as at December 31, 2018. This interim financial report should be read in conjunction with bpost's annual financial statements as at December 31, 2018.

20. Events After the Reporting Period

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

Limited review report

Report of the Joint Auditors – Members of the Belgian Institute of Registered Auditors to bpost SA de droit public / bpost NV van publiek recht on the review of the interim condensed consolidated financial statements as of 30 June 2019 and for the six month period then ended

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of bpost SA de droit public / bpost NV van publiek recht (the "Company"), and its subsidiaries (collectively referred to as "the Group") as at 30 June 2019 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

The board of directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Condensed Consolidated Financial Statements are not prepared, in all material aspects, in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

Diegem, 7 August 2019

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

Ernst & Young Bedrijfsrevisoren CVBA
Represented by

Romuald Bilem*
Partner
* Acting on behalf of a BVBA/SPRL

PVMD Bedrijfsrevisoren BCVBA
Represented by

Caroline Baert
Partner*

Alternative Performance Measures (unaudited)

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

Alternative performance measures (or non-GAAP measures) are presented to enhance an investor's understanding of the operating and financial performance, to aid in forecasting and to facilitate meaningful comparison of the result between periods. The presentation of the result on a normalized basis is used by management to analyse the performance, for internal planning and forecasting purposes.

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

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

Definitions

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

bpost SA/NV net profit (BGAAP): bpost defines bpost SA/NV net profit (BGAAP) as the non-consolidated profit (loss) following the Belgian General Accepted Accounting Principles after taxes and after transfer from/to untaxed reserves, this corresponds to the profit (loss) for the period available for appropriation (code #9905 of the BGAAP annual accounts). The detailed reconciliation from the consolidated IFRS profit of the year to the performance measure is available below the definitions.
bpost's management believes this measure provides the investor a better insight on the potential dividend to be distributed.

Constant exchange rate: bpost excludes in the performance at constant exchange rate the impact of the different exchange rates applied in different periods for the segment PaLo N. America. The reported figures in local currency of the prior comparable period are converted with the exchange rates applied for the current reported period.
bpost's management believes that the performance at constant exchange rate provides the investor an understanding of the operating performance of the entities part of the PaLo N. America segment.

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

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

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

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

Radial North America Performance in USD: bpost defines the performance of Radial North America as the Total operating income, EBITDA and EBIT expressed in USD following the consolidation of the group of Radial entities held by bpost North America Holdings Inc. Transactions between the group of Radial entities and other bpost group entities are not eliminated and are part of the Total operating income, EBITDA and EBIT.
bpost's management believes this measure provides the investor a better insight in the performance of Radial and the scale up of its US presence and the expanding of its product offering into value-added activities that cover the entire value chain in e-commerce logistics and omnichannel technology.

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

Reconciliation of Reported to Normalized Financial Metrics

OPERATING INCOME

In million EUR	Year-to-date 30 June 2018	Year-to-date 30 June 2019	Change %	2nd quarter 2018	2nd quarter 2019	Change %
Total operating income	1,844.9	1,842.5	-0.1%	928.4	935.7	0.8%
NORMALIZED TOTAL OPERATING INCOME	**1,844.9**	**1,842.5**	**-0.1%**	**928.4**	**935.7**	**0.8%**

OPERATING EXPENSES

In million EUR	Year-to-date 30 June 2018	Year-to-date 30 June 2019	Change %	2nd quarter 2018	2nd quarter 2019	Change %
Total operating expenses excluding depreciation, amortization	(1,559.1)	(1,529.7)	-1.9%	(785.8)	(773.9)	-1.5%
NORMALIZED TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION	**(1,559.1)**	**(1,529.7)**	**-1.9%**	**(785.8)**	**(773.9)**	**-1.5%**

EBITDA

In million EUR	Year-to-date 30 June 2018	Year-to-date 30 June 2019	Change %	2nd quarter 2018	2nd quarter 2019	Change %
EBITDA	285.7	312.8	9.5%	142.5	161.7	13.4%
NORMALIZED EBITDA	**285.7**	**312.8**	**9.5%**	**142.5**	**161.7**	**13.4%**

EBIT

In million EUR	Year-to-date 30 June 2018	2019	Change %	2nd quarter 2018	2019	Change %
Profit from operating activities (EBIT)	208.9	192.2	-8.0%	102.9	101.8	-1.0%
Non-cash impact of purchase price allocation (PPA) (1)	11.7	11.1	-4.9%	5.4	5.7	5.9%
NORMALIZED PROFIT FROM OPERATING ACTIVITIES (EBIT)	**220.6**	**203.3**	**-7.8%**	**108.3**	**107.5**	**-0.7%**

PROFIT FOR THE YEAR (EAT)

In million EUR	Year-to-date 30 June 2018	2019	Change %	2nd quarter 2018	2019	Change %
Profit for the year	131.8	113.5	-13.9%	68.1	63.4	-6.9%
Non-cash impact of purchase price allocation (PPA) (1)	10.6	10.2	-4.5%	4.8	5.3	9.4%
NORMALIZED PROFIT OF THE YEAR	**142.5**	**123.7**	**-13.2%**	**72.9**	**68.6**	**-5.9%**

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

Reconciliation of Reported to free cash flow and Normalized free cash flow

In million EUR	Year-to-date 30 June 2018	2019	Change %	2nd quarter 2018	2019	Change %
Net Cash from operating activities	168.3	175.3	4.1%	(61.6)	(27.0)	-56.3%
Net Cash used in investing activities	(95.6)	15.4		(17.0)	31.4	
FREE CASH FLOW	**72.7**	**190.6**		**(78.6)**	**4.5**	
Collected proceeds due to clients	(18.6)	(23.3)	25.4%	1.1	(14.0)	
NORMALIZED FREE CASH FLOW	**91.3**	**213.9**		**(79.7)**	**18.5**	

From IFRS Consolidated Net Profit to Belgian GAAP Unconsolidated Net Profit

	Year-to-date 30 June			2nd quarter		
In million EUR	**2018**	**2019**	**Change %**	**2018**	**2019**	**Change %**
IFRS Consolidated Net Profit	**131.8**	**113.5**	**-13.9%**	**68.1**	**63.4**	**-6.9%**
Results of subsidiaries and deconsolidation impacts	(6.0)	(1.0)	-82.5%	(2.8)	(4.6)	61.9%
Other deconsolidation impacts	10.9	(4.8)	-143.7%	10.5	(3.5)	-133.9%
Differences in depreciation and impairments	1.3	(29.5)	-	1.8	(30.7)	-
Differences in recognition of provisions	(0.7)	(0.5)	-29.6%	0.1	(0.3)	-347.2%
Effects of IAS19	1.8	0.7	-61.0%	3.5	3.0	-15.2%
Effects of IFRS 16	0.0	3.5	-	0.0	2.8	-
Depreciation intangibles assets PPA	11.7	11.1	-4.9%	5.4	5.7	5.9%
Deferred taxes	(0.7)	6.3	-	(1.3)	5.9	-
Other	4.8	0.8	-82.5%	(2.6)	(1.6)	-38.8%
Belgian GAAP unconsolidated net profit available for appropriation	**154.9**	**100.2**	**-35.3%**	**82.6**	**40.1**	**-51.5%**
Transfer to/(from) untaxed reserves	-	35.6		-	35.6	-
Belgian GAAP unconsolidated net profit for the period	**154.9**	**135.8**	**-12.3%**	**82.6**	**75.7**	**-8.3%**

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

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

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

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

	Year-to-date 30 June		2nd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(5.0)	(10.4)	(2.4)	(5.2)
Profit of the international subsidiaries (local GAAP)	5.7	15.7	2.4	3.9
Share of results of associates (local GAAP)	(6.1)	(6.4)	(2.9)	(3.2)
Other deconsolidation impacts	10.3	(4.8)	10.5	(3.5)
TOTAL	**4.9**	**(5.8)**	**7.6**	**(8.1)**

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

- Differences in the treatment of depreciation and impairments: Belgian GAAP allows useful lives (and hence depreciation rates) of fixed assets different from IFRS. Goodwill is amortized under

Belgian GAAP while IFRS requires impairment testing for goodwill. IFRS also allows intangible assets to be recorded on the balance sheet under different conditions from Belgian GAAP.

- In the second quarter of 2019 bpost recognized the gain on the sale of the Centre Monnaie building (EUR 19.9m) whereas for the statutory books bpost has chosen to apply the spread taxation of this profit, hence there's no impact of this gain on the Belgian GAAP unconsolidated net profit. The sales price will be reinvested and this gain will subject to taxes in accordance with the depreciation on these reinvested assets and will be recognized into profit over the years to come.
- Recognition of provisions is subject to different criteria under Belgian GAAP and IFRS;
- IFRS requires that all future obligations to personnel be recorded as a liability under IAS 19, whereas Belgian GAAP has no such obligation. The movements in the IFRS liability are reflected on bpost's Income Statement under personnel costs or provisions, except for the impact of changes in the discount rates for the future obligations, which is recorded as a financial result.
- In accordance with IFRS 3 bpost performed the purchase price allocation (PPA) for several entities and recognized several intangible assets (brand names, know-how, customer relationships…).
- Deferred taxes require no accounting entries under Belgian GAAP but are recorded under IFRS.

Statement of legal representatives

The CEO declares that to the best of his knowledge, the interim condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS"), as accepted by the European Union, give a true and fair view of the assets, financial position and results of bpost and of the entities included in the consolidation.

The financial report gives an accurate overview of the information that needs to be disclosed pursuant to article 13 of the Royal Decree of 14 November 2007.

Forward Looking Statements

The information in this document may include forward-looking statements[7], which are based on current expectations and projections of management about future events. By their nature, forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. Such factors may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of the Presentation and the Company undertakes no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

[7] as defined among others under the U.S. Private Securities Litigation Reform Act of 1995

Glossary

- **Capex**: total amount invested in fixed assets.
- **CMD**: Capital Markets Day
- **EAT**: Earnings After Taxes
- **EBIT**: Earnings Before Interests and Taxes.
- **EBITDA**: Earnings Before Interests, Taxes, Depreciation and Amortization.
- **Effective tax rate**: Income tax expense / profit before tax.
- **M&R:** Mail and Retail business unit.
- **PaLo Eurasia**: Parcels & Logistics Europe & Asia.
- **PaLo N. America**: Parcels & Logistics North America.
- **TCV**: Total Contract Value