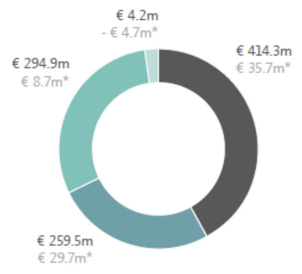
bpost third quarter 2020 results: Continued strong Parcels & Logistics performance further accelerates the mix shift and drives outlook upgrade

Third quarter 2020 highlights

- Group operating income at EUR 972.9m, +10.4% compared with the same period last year, fully driven by continued strong performance in Parcels & Logistics Europe & Asia and North America.
- Group reported EBIT at EUR 65.1m, +81.5%. Adjusted EBIT at EUR 69.5m (margin of 7.1%).
- Accelerated mix shift. Strong e-commerce driven performance in Parcels & Logistics Europe & Asia and North America further accelerates the mix shift with their combined adjusted EBIT contributions (EUR 38.5m) exceeding Mail & Retail adjusted EBIT (EUR 35.7m) for the second consecutive quarter.
- Mail & Retail reported EBIT at EUR 35.1m. Adjusted EBIT at EUR 35.7m (7.7% margin), down only EUR 2.7m explained by stellar growth in parcel volumes handled through the mail network for Parcels & Logistics Europe & Asia. Underlying mail volume decline proving resilient at -8.2% and better than pre-COVID-19 guided -9 to -11% range.
- Parcels & Logistics Europe & Asia reported EBIT at EUR 29.0m. Adjusted EBIT at EUR 29.7m (11.3% margin), up EUR 19.4m thereby nearly tripling. Strong margin improvement is driven by stellar growth in parcel volumes handled through the mail network. Parcels B2X volumes up +49.0% year-over-year.
- Parcels & Logistics North America reported EBIT at EUR 5.6m. Adjusted EBIT at EUR 8.7m (2.9% margin), up EUR 14.0m mainly driven by Radial North America, which recorded continued high growth from existing customers and clients launched in 2019 (E-commerce logistics operating income +25.2%), thereby benefitting from positive operating leverage.
- COVID-19. Key priority is to protect the health and safety of our employees and customers. As from this quarter, COVID-19 impacts are no longer separately disclosed since disentangling its effects from the observed business developments has become increasingly artificial and therefore less meaningful.
- Ransomware attack. On October 15th, 2020, Radial North America experienced a ransomware attack impacting some of its US operations. Meanwhile, Radial has managed to regain sufficient functionality to allow it to restart fulfilment operations at all of its locations. For more details, refer to note 22 (Events after the reporting period).
- Outlook 2020. Based on the current situation and facts and including the estimated financial impact of the ransomware attack, the previously reconfirmed 2020 group adjusted EBIT guidance of EUR 240-270m can be revised upwards to at least EUR 270m. Due to the second wave of the pandemic and lockdown measures taken, the visibility for the fourth quarter is however limited.
- Strategic update and revised capital allocation framework, including new dividend policy, will be communicated to the market on December 8th, 2020.
- S&P reaffirms the long- & short-term credit rating at A/A-1, outlook stable.

Third Quarter 2020 Key Figures



Mail & Retail · Parcels & Logistics Europe & Asia · Parcels & Logistics North America · Corporate

bpost group operating income

€ 972.9m ↗ +10.4%

* Adjusted EBIT

€ 69.5m ↗ +81.5%

Adjusted EBIT margin

7.1%

Parcels B2X volume growth

+49%

Underlying mail volume decline in Belgium

- 8.2%

E-commerce logistics Europe & Asia operating income

+26.5%

E-commerce logistics North America operating income

+25.2%

Further development of activities in e-commerce logistics.

Active Ants

- 2nd site in the Netherlands.
- 1st e-fulfillment center in Belgium in 2021.

Radial North America

- Investment of $ 40m, in a new fulfillment center.

Sustainability

Double deck trailers

- 30% reduction in the number of journeys and kilo-meters covered by 2030.

CEO quote

Jean-Paul Van Avermaet, CEO of bpost group: *"I'm proud to announce excellent third quarter results of bpost group where operating profit nearly doubled from last year. This is in the first place thanks to our fully committed employees worldwide, who have contributed in the most outstanding manner and who also today in very difficult circumstances bring out daily the best of themselves for our customers worldwide. In light of this continued positive earnings momentum we can raise our full year 2020 group adjusted EBIT guidance to at least EUR 270m. The world is changing at an astonishing pace, where COVID-19 has boosted e-commerce affinity and adoption and fuelled strong performance in our European and North American Parcels and Logistics divisions. Parcels & Logistics Europe and Asia EBIT nearly tripled while being positive in North America for the second consecutive quarter, resulting in a higher combined contribution of these business units to the group EBIT than Mail & Retail. This demonstrates that our business transformation is the right way forward for a viable and sustainable future."*

"We continue to invest in additional capacity with a new fulfilment site announced in the US, 2 additional parcel sorting machines installed over the summer and now fully operational in Belgium as well as plans to expand Active Ants in our home country over 2021. As we continue to navigate the unknown with the second wave of the pandemic and new lockdown measures taken, we at bpost group are fully ready for the end of year peak to successfully meet our customers' expectations during the most important season of the year. Of course, our key priority is to protect the health and safety of our employees and customers."

"Since early this year, I've been working with the executive management team on the future strategic directions for bpost group. We'll be happy to present the outcome of this exercise to you on December 8th, 2020."

Activity update: Growth, sustainability and customer experience

E-commerce logistics

bpost group continues to develop its activities in E-commerce logistics

- Active Ants
  Active Ants inaugurated in Roosendaal its second site in the Netherlands. Deploying the most innovative technologies, the new site will process millions of packages per year for several hundreds of webshops. bpost group also plans on opening a first Active Ants center in Belgium in 2021.
- Radial US
  To respond to growing E-commerce driven client demand, Radial North America will invest USD 40m, mainly over 2020 and 2021, in a new fulfilment center based in Locust Grove, Georgia, thereby creating 344 permanent full-time jobs.

Sustainability

In the third quarter, bpost group confirmed its strong commitment to reducing the impact of its activities on the climate and mobility:

- First Double deck trailers (DDT) for the transport of parcels and letters in Belgium: bpost group implements more than 320 double deck trailers by 2030, and up to an additional 550 in the following 20 years. These will replace the standard large trailers, leading to a 30% reduction in the number of journeys and kilometers covered by 2030. bpost group is also investing in trucks running on liquified natural gas (LNG) to replace all old trucks for long-distance journeys over the next few years.
- LED lighting in all sorting centers: As of February 2021, 4 sorting centers of bpost group will be equipped with LED lamps. These modifications will enable the company to save 51% on its electricity consumption for the lighting of sorting centers in Belgium and to reduce its CO_2 emissions by 1,000 tons per year. The sorting center in Brussels was already equipped with LED lighting.
- bpost group joined the new Belgian Alliance for Climate Action (BACA), launched by The Shift and WWF. The BACA is a coalition of Belgian organisations that publicly demonstrate ambitious climate goals and have chosen the path towards Science Based Targets.

Customer experience

To better respond to customer expectations, bpost group develops and integrates new tools to substantially improve the customer experience.

- Launch in October of a more user-friendly bpost.be website based on customer needs.
- In parallel, bpost group rolled out in Belgium a new Mobi, a smart mobile tool for postmen, which allows to inform customers in real time about the status of their shipment and offer them the option to digitally pay shipments at their front door.

Outlook for 2020

The group adjusted EBIT for 2020 can be revised upwards to at least EUR 270m, including the estimated financial impact of the ransomware attack at Radial North America. Due to the second wave of the pandemic and lockdown measures taken, the visibility for the fourth quarter is however limited.

The contribution per Business Unit will differ from the initial outlook issued on March 17, 2020.

Gross capex will amount to EUR 150m maximum, compared to up to EUR 200m pre-COVID-19.

The updated capital allocation framework, including new dividend policy, will be communicated to the market on December 8th, 2020.

For more information:
Saskia Dheedene T. +32 2 276 7643 (IR)

Barbara Van Speybroeck T. +32 476 517929 (Media)

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

Key figures[1]

3rd quarter (in million EUR)	Reported		Adjusted		
	2019	2020	2019	2020	% Δ
Total operating income	881.5	972.9	880.9	972.9	10.4%
Operating expenses (excl. D&A)	783.0	840.1	783.0	840.1	7.3%
EBITDA	98.5	132.8	97.9	132.8	35.7%
Depreciation and amortization	64.2	67.8	59.6	63.3	6.3%
EBIT	34.3	65.1	38.3	69.5	81.5%
Margin (%)	3.9%	6.7%	4.3%	7.1%	
Profit before tax	27.1	59.2	31.1	63.6	104.7%
Income tax expense	13.8	14.8	14.0	15.1	
Net profit	13.4	44.4	17.0	48.6	184.9%
FCF	(15.8)	(9.1)	(9.7)	33.0	
Net Debt/ (Net cash) at 30 September	751.3	597.6	751.3	597.6	-20.5%
CAPEX	47.6	41.4	47.6	41.4	-12.8%

Year-to-date (in million EUR)	Reported		Adjusted		
	2019	2020	2019	2020	% Δ
Total operating income	2,724.0	2,960.2	2,723.4	2,960.2	8.7%
Operating expenses (excl. D&A)	2,312.7	2,554.5	2,312.7	2,554.5	10.5%
EBITDA	411.3	405.7	410.7	405.7	-1.2%
Depreciation and amortization	184.7	199.3	169.1	185.6	9.8%
EBIT	226.6	206.4	241.6	220.1	-8.9%
Margin (%)	8.3%	7.0%	8.9%	7.4%	
Profit before tax	201.3	190.1	216.3	203.9	-5.8%
Income tax expense	74.4	54.3	75.6	55.1	
Net profit	126.9	135.9	140.7	148.8	5.7%
FCF	174.9	298.3	204.2	323.3	
Net Debt/ (Net cash) at 30 September	751.3	597.6	751.3	597.6	-20.5%
CAPEX	89.0	86.8	89.0	86.8	-2.4%

[1] Adjusted (previously called "Normalized") figures are not audited. Change of terminology "Adjusted" in order to align the label of this APM to the ESMA guidelines, definition and approach remain unchanged.

Group overview

Third quarter 2020

Compared to last year, total external operating income increased by EUR +91.4m to EUR 972.9m.

- Parcels & Logistics North America external operating income increased by EUR +55.0m, driven by continued strong momentum in E-commerce logistics from existing customers and new customers launched in 2019.
- The revenue increase of Parcels & Logistics Europe & Asia (EUR +64.5m) driven by thriving E-commerce both domestically (Parcels BeNe +33.1%) and abroad (Cross-border +36.0%).
- Mail & Retail external operating income declined by EUR -30.1m driven by COVID-19 impact on retail, the deconsolidation of Alvadis and underlying mail volume decline of -8.2%.
- Corporate revenues increased by EUR +2.0m driven by higher building sales.

Operating expenses including depreciation and amortization increased by EUR -60.6m, mainly driven by higher payroll, interims and transport costs driven by volume growth at Parcels & Logistics Europe & Asia and North America, partially offset by the lower material costs from Ubiway Retail including the impact of the deconsolidation of Alvadis.

EBIT and adjusted EBIT nearly doubled and respectively increased by EUR +30.7m and EUR +31.2m compared to last year. The strong margin improvement is driven by stellar growth in parcel volumes at Parcels & Logistics Eurasia handled through the mail network and by the operating leverage in E-commerce logistics within Parcels & Logistics North America.

Net financial result increased by EUR +0.9m compared to last year mainly due to lower non-cash financial charges related to IAS 19 employee benefits, partially offset by unfavourable exchange results.

Share of profit of associates and joint ventures slightly increased by EUR +0.5m compared to last year.

Income tax expense slightly increased by EUR +1.1m compared to last year mainly due to the higher profit before tax partly offset by the lower statutory tax rate in Belgium.

Group net profit stood at EUR 44.4m.

First nine months of 2020

Compared to last year, total external operating income increased by EUR 236.1m to EUR 2,960.2m.

- Parcels & Logistics North America external operating income increased by EUR +201.7m, driven by growth of E-commerce logistics, mainly at Radial, from existing customers and customers launched in 2019.
- The revenue increase of Parcels & Logistics Europe & Asia (EUR +178.8m) was mainly driven by Parcels B2X organic volume growth of 51.5% translating into 107.0m revenue growth of Parcels BeNe, along with increased revenues with E-commerce logistics and Cross-border.
- Mail & Retail external operating income declined by EUR -130.8m driven by COVID-19 impact on retail, the deconsolidation of Alvadis and underlying mail volume decline of -12.2%.
- Corporate revenues decreased by EUR -13.6m driven by lower building sales, as in the second quarter of last year a EUR 19.9m gain on the headquarter sale was realised.

Operating expenses including depreciation and amortization increased by EUR -256.3m, mainly driven by higher payroll, interims and transport costs driven by volume growth at Parcels & Logistics Europe & Asia and North America and additional costs due to COVID-19. These were partially offset by the lower material costs from Ubiway Retail including the impact of the deconsolidation of Alvadis.

As a result EBIT and adjusted EBIT decreased respectively by EUR -20.2m and EUR -21.5m compared to last year.

Net financial result increased by EUR +4.9m mainly due to lower non-cash financial charges related to IAS 19 employee benefits, partially offset by the increase of the contingent liability for the remaining shares of Anthill and unfavourable exchange result.

Share of profit of associates and joint ventures increased by EUR +4.2m compared to last year due to the increase of the result of bpost bank. This increase was mainly due to the profit realised on the partial sale of the bond portfolio in the first quarter of 2020, partly offset by the COVID-19 impact.

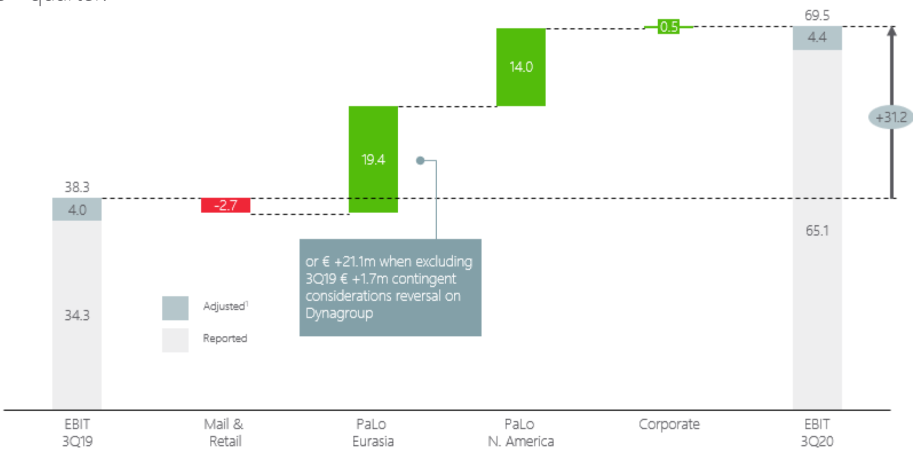
Income tax expense decreased by EUR +20.1m compared to last year mainly due to the lower profit before tax and to the lower statutory tax rate in Belgium.

Group net profit stood at EUR 135.9m.

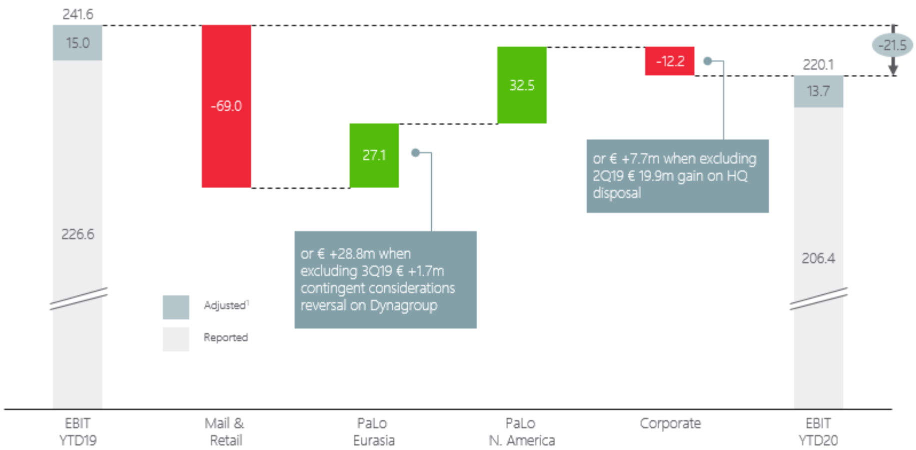
Adjusted contribution of the different business units for 2020 amounted to:

	Year-to-date			3rd quarter		
In million EUR (adjusted)	Total operating income	EBIT	Margin (%)	Total operating income	EBIT	Margin (%)
Mail & Retail	1,431.8	136.9	9.6%	463.7	35.7	7.7%
Parcels & Logistics Europe & Asia	771.5	79.0	10.2%	263.1	29.7	11.3%
Parcels & Logistics North America	911.1	18.8	2.1%	295.9	8.7	2.9%
Corporate	273.9	(14.7)	-5.4%	90.4	(4.7)	-5.2%
Eliminations	(428.2)			(140.2)		
Group	2,960.2	220.1	7.4%	972.9	69.5	7.1%

Evolution of the EBIT contribution of the different business units was as follows:
3rd quarter:



First nine months:



Business Unit performance: Mail & Retail

Mail & Retail	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
External operating income	1,410.3	1,279.6	-9.3%	444.5	414.3	-6.8%
Transactional mail	551.7	532.3	-3.5%	168.8	168.3	-0.3%
Advertising mail	171.9	131.2	-23.7%	50.8	45.9	-9.7%
Press	257.7	250.6	-2.8%	82.1	78.7	-4.1%
Proximity and convenience retail network	350.7	288.9	-17.6%	116.9	96.2	-17.7%
Value added services	78.3	76.6	-2.2%	25.9	25.2	-2.6%
Intersegment operating income	124.6	152.3	22.2%	41.6	49.4	18.8%
TOTAL OPERATING INCOME	1,534.9	1,431.8	-6.7%	486.0	463.7	-4.6%
Operating expenses	1,267.8	1,230.9	-2.9%	426.9	405.8	-4.9%
EBITDA	267.1	200.9	-24.8%	59.1	57.8	-2.2%
Depreciation, amortization	63.0	65.7	4.4%	20.7	22.7	9.9%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	204.2	135.2	-33.8%	38.5	35.1	-8.6%
Margin (%)	13.3%	9.4%		7.9%	7.6%	
PROFIT FROM OPERATING ACTIVITIES (EBIT Adjusted)	205.9	136.9	-33.5%	38.4	35.7	-7.1%
Margin (%)	13.4%	9.6%		7.9%	7.7%	
Average FTE & Interims	22,329	23,090	3.4%	23,070	24,092	4.4%

Third quarter 2020

Total operating income in the third quarter 2020 declined by EUR -22.3m or -4.6% compared to the same period of 2019. The decrease of the **external operating income** amounted to EUR -30.1m or -6.8% and was partly compensated by the higher – volume driven – **intersegment operating income** (EUR +7.8m) to PaLo Eurasia.

Revenues from **Domestic Mail** (i.e. Transactional, Advertising and Press combined) decreased by EUR -8.7m to EUR 293.0m. Underlying volume decline amounted to -8.2% (versus -7.9% full year 2019 underlying volume decline and -17.7% in the second quarter of 2020). Transactional mail volumes showed good resistance and noted an underlying decline of -8.3% for the quarter (versus -9.2% full year 2019 underlying volume decline). The volume decline was driven by the known structural trends of continued e-substitution by big senders and SMEs, higher acceptance of e-documents at the receivers' side and digitization of C2B communication through smartphone apps. Advertising mail realized an underlying volume decrease of -9.4% for the quarter (versus -4.7% full year 2019 underlying volume decline) driven by the continued recovery in unaddressed advertising mail aimed at driving traffic to the store, while Direct Mail sales was impacted by ongoing limited visibility due to COVID-19 uncertainties. Press[2] volume decreased on an underlying basis by -5.4% (versus -6.5% full year 2019 underlying volume decline) driven by e-substitution and rationalization. Total Domestic Mail volume decline impacted revenues by EUR -20.9m, partly compensated by the net improvement in price and mix amounting to EUR +12.1m.

[2] Following the merger of AMP with Burnonville the distribution of non-food to point of sales are reported as 'Press'. Revenue of the comparable period have been restated to reflect this change.

Mail & Retail Evolution underlying Mail volumes	Year-to-date 2019	2020	3rd quarter 2019	2020
Domestic mail	-8.8%	-12.2%	-7.8%	-8.2%
Transactional mail	-9.9%	-11.5%	-9.2%	-8.3%
Advertising mail	-6.6%	-18.4%	-6.5%	-9.4%
Press	-6.7%	-6.2%	-3.4%	-5.4%

Proximity and convenience retail network decreased by EUR -20.7m to EUR 96.2m. This decrease was mainly driven by reduced footfall from COVID-19 impacting Ubiway Retail, especially in travel environments, the deconsolidation of Alvadis (EUR -5.4m) as of September 2019 and lower banking & finance revenues.

Value added services amounted to EUR 25.2m and showed a decrease of EUR -0.7m versus last year due lower revenues from data and document management partly compensated by higher revenues from European license plates.

Operating expenses (including D&A) declined by EUR +19.0m. Higher operating expenses from payroll and interim driven by (1) increased headcount mainly from higher parcel volumes and absenteeism and (2) higher price from regular salary indexation, together with specific COVID-19 operating expenses (EUR -1.6m, incl. bad debt), were more than compensated by lower material costs from Ubiway Retail including the impact from the deconsolidation of Alvadis, increased sorting expenses transferred to PaLo Eurasia driven by growth in parcel volumes handled through the mail network, lower project related costs and lower use of sub-contractors.

As a result, reported EBIT amounted to EUR 35.1m with a margin of 7.6% and decreased by EUR -3.3m compared to the same period of 2019. Adjusted EBIT amounted to EUR 35.7m with a margin of 7.7% and showed a decrease of EUR -2.7m compared to previous year.

First nine months of 2020

Total operating income declined by EUR -103.1m or -6.7% compared to last year. The decrease of the external operating income amounted to EUR -130.8m or -9.3% and was partly compensated by higher – volume driven – intersegment operating income (EUR +27.7m) to PaLo Eurasia.

Revenues from Domestic Mail (i.e. Transactional, Advertising and Press combined) decreased by EUR -67.3m to EUR 914.1m. Underlying volume decline amounted to -12.2%, with March 2020 to May 2020 at -20.1% due to COVID-19. Transactional mail noted an underlying volume decline of -11.5% for the year of which -16.7% from March to May 2020. During this period the COVID-19 lockdown negatively impacted all mail categories, in particular smaller administrative mail volume and registered letters. Excluding COVID-19, underlying mail volumes resisted rather well and are subject to the known trends of ongoing e-substitution and digitization. Advertising mail realized an underlying volume decrease of -18.4% for the year of which -36.2% from March to May 2020, mainly impacted by cancelled campaigns from the COVID-19 lockdown of all non-essential retail from March 18, 2020 through May 10, 2020 and a ban on promotions through April 3, 2020. Press volume decreased on an underlying basis by -6.2%, driven by e-substitution and rationalization.
Total Domestic Mail volume decline impacted revenues by EUR -101.0m and elections by EUR -3.7m. These effects were only partly compensated by the net improvement in price and mix amounting to EUR +36.1m and working days differences by EUR +1.4m.

Proximity and convenience retail network decreased by EUR -61.8m to EUR 288.9m. Excluding the impact of the deconsolidation of Alvadis as from September 2019 (EUR -20.9m), the decrease amounted to EUR -40.9m driven by lower Ubiway Retail revenues as a result of the COVID-19 related partial closure of the network and lower banking & finance revenues.

Value added services amounted to EUR 76.6m and showed a slight decrease of EUR -1.7m versus last year.

Operating expenses (including D&A) declined by EUR +34.1m. Higher operating expenses from payroll and interim driven by (1) increased headcount from higher parcel volumes and absenteeism and (2) price from COVID-19 premium and regular salary indexation, together with specific COVID-19 operating expenses, were more than compensated by lower material costs from Ubiway Retail including the impact from the deconsolidation of Alvadis, higher recoverable VAT, increased sorting expenses transferred to PaLo Eurasia driven by growth in parcel volumes handled through the mail network and lower project related costs.

Reported EBIT amounted to EUR 135.2m with a margin of 9.4% and showed a decrease of EUR -69.0m compared to 2019. Adjusted EBIT amounted to EUR 136.9m and also showed a decline of EUR -69.0m compared to previous year.

COVID-19 impacted EBIT by an estimated EUR -51.4m over the first half 2020. This is explained by the top-line development on domestic mail and retail as well as additional costs: COVID-19 premium, health and safety, increase in absenteeism and additional bad debt risk. The COVID-19 impact of the third quarter 2020 is no longer separately disclosed since disentangling its effects from the observed business developments has become increasingly artificial and therefore less meaningful.

Business Unit performance: Parcels & Logistics Europe & Asia

Parcels & Logistics Europe & Asia	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
External operating income	583.3	762.1	30.7%	195.1	259.5	33.1%
Parcels BeNe	272.8	379.8	39.2%	94.4	125.6	33.1%
E-commerce logistics	92.5	126.5	36.7%	32.3	40.8	26.5%
Cross-border	218.0	255.8	17.3%	68.4	93.0	36.0%
Intersegment operating income	13.2	9.5	-28.6%	3.2	3.6	11.1%
TOTAL OPERATING INCOME	596.5	771.5	29.3%	198.3	263.1	32.7%
Operating expenses	531.9	678.2	27.5%	183.5	228.2	24.4%
EBITDA	64.7	93.3	44.3%	14.8	34.9	-
Depreciation, amortization	16.3	16.5	0.9%	5.1	5.9	14.8%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	48.3	76.8	58.9%	9.7	29.0	-
Margin (%)	8.1%	10.0%		4.9%	11.0%	
PROFIT FROM OPERATING ACTIVITIES (EBIT Adjusted)	51.9	79.0	52.1%	10.4	29.7	-
Margin (%)	8.7%	10.2%		5.2%	11.3%	
Average FTE & Interims	3,171	3,596	13.4%	3,230	3,507	8.6%

Third quarter 2020

Total operating income increased by EUR +64.8m or 32.7%, driven by the increase of the external operating income. External operating income in the third quarter 2020 amounted to EUR 259.5m and showed an increase of EUR +64.5m or 33.1% compared to the same period of 2019.

Parcels B2X revenue were up by 45.3%, driven by Parcels B2X[3] volume growth of 49.0% fuelled by continued strong E-commerce development accelerated by COVID-19. Total revenues of Parcels BeNe amounted to EUR 125.6m and excluding last year's positive effect of the reversal of the contingent consideration of Dynagroup (EUR -1.7m), revenues increased by EUR +32.9m (or +34.9%). Dilution of the revenue growth % vs. parcels B2X revenue growth is explained by flattish year-over-year revenue development of business not captured in Parcels B2X, driven among others by last year's closure of non-profitable businesses.

Parcels & Logistics Europe & Asia	Year-to-date		3rd quarter	
	2019	2020	2019	2020
Evolution parcels volume Error! Bookmark not defined.	+18.5%	+51.5%	+21.1%	+49.0%

E-commerce logistics operating income in the third quarter 2020 amounted to EUR 40.8m, an increase of EUR +8.5m compared to the same period of 2019. This increase was mainly driven by Active Ants growth at existing customers as well as the integration of MCS Fulfilment as of from October 1st, 2019, the growth of the Radial UK business driven by existing and new clients and the opening of a new fulfilment site in Poland.

[3] Since 3Q20, the volume growth percentage consists of B2X, not including Euro-Sprinters, CityDepot, Future Lab and Dynagroup. Restated 1Q20 and 2Q20 are respectively at +25.2% and +79.3%, leading to 51.5% YTD20. Restated 3Q19 and YTD19 are respectively at +21.1% and +18.5%.

The revenue increase within Cross-border amounted to EUR +24.6m or +36.0%. The strong revenue development was driven by continued exponential growth of Asian parcel volumes, with revenues more than tripling year-over-year linked to rail transport of containers as an alternative to air freight. This increase was partly offset by the declining cross-border postal business where growth in inbound parcels could not fully compensate the decline in both inbound and outbound mail volumes.

Operating expenses (including D&A) increased by EUR -45.5m, mainly explained by higher volume-linked variable costs translating into increased payroll, interim and transport costs across all business lines. PaLo Eurasia also recorded higher intersegment operating expenses from M&R driven by solid parcels growth in the integrated last-mile mail and parcels network.

Reported EBIT and adjusted EBIT nearly tripled and respectively amounted to EUR 29.0m and EUR 29.7m, with a margin of respectively 11.0% and 11.3%. Excluding last year's contingent consideration reversal on Dynagroup, adjusted EBIT was up by EUR +21.0m. The steep margin improvement was explained by stellar growth in parcel volumes handled through the mail network.

First nine months of 2020

Total operating income increased by EUR +175.0m, mainly driven by the increase of the external operating income. External operating income amounted to EUR 762.1m in 2020 and showed an increase of EUR +178.8m or 30.7% compared to 2019.

Parcels BeNe increased by EUR +107.0m driven by parcels B2X volume growth of +51.5%[3] from thriving online sales during COVID-19 lockdown (March to May volumes up by 63.2%). COVID-19 revenue impact is estimated at EUR +44.7m over the first half 2020.

E-commerce logistics amounted to EUR 126.5m, an increase of EUR +34.0m compared to 2019. This increase was mainly driven by Radial Europe, Active Ants and DynaFresh. Further revenue growth driven by the integration of MCS Fulfilment (part of Active Ants) as from October 1st, 2019, contributing EUR 8.8m year-to-date. COVID-19 revenue impact is estimated at EUR +11.3m over the first half 2020.

Cross-border increased by EUR +37.8m to EUR 255.8m. This was driven by a gradual ramp-up in Asian parcel volumes since May, evolving exponentially as of June, resulting from rail transport as an alternative to air freight. This increase was partly offset by COVID-19 linked revenues losses on other international parcels volumes (UK and Rest of Europe) and lower in- and outbound mail volumes, as well as the unfavourable year-over-year evolution of terminal dues settlements (EUR -3.4m). COVID-19 revenue impact is estimated at EUR +9.7m over the first half 2020.

Operating expenses (including D&A) increased by EUR -146.5m, mainly explained by higher volume-linked variable costs translating into increased payroll, interim and transport costs across all business lines, the unfavourable impact of terminal dues settlements (EUR -3.0m) and the year-over-year VAT recovery (EUR -2.5m), as well as specific COVID-19 operating expenses consisting of the premium to operational staff, increased absenteeism, health and safety measures, higher use of subcontractors and additional bad debt provisions. PaLo Eurasia also recorded higher intersegment operating expenses from M&R driven by solid parcels growth in the integrated last-mile mail and parcels network.

As a result reported EBIT amounted to EUR 76.8m and showed an increase of EUR +28.5m (+58.9%) compared to 2019 with a margin of 10.0% and adjusted EBIT amounted to EUR 79.0m and showed an increase of EUR +27.1m (+52.1%) compared to 2019 with a margin of 10.2%.

COVID-19 had an estimated EBIT impact of EUR +11.3m over the first half 2020, from the COVID-19 driven operating income increase in all business lines partly offset by the aforementioned specific COVID-19 additional operating expenses. The COVID-19 impact of the third quarter 2020 is no longer separately disclosed since disentangling its effects from the observed business developments has become increasingly artificial and therefore less meaningful.

Business Unit performance: Parcels & Logistics North America

Parcels & Logistics North America	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
External operating income	705.0	906.7	28.6%	239.9	294.9	22.9%
E-commerce logistics	638.6	842.5	31.9%	218.4	273.4	25.2%
International mail	66.4	64.3	-3.3%	21.4	21.4	0.0%
Intersegment operating income	4.0	4.4	10.7%	1.5	1.0	-31.5%
TOTAL OPERATING INCOME	708.9	911.1	28.5%	241.4	295.9	22.6%
Operating expenses	678.9	838.3	23.5%	229.7	269.2	17.2%
EBITDA	30.1	72.8	-	11.6	26.7	-
Depreciation, amortization	53.5	63.7	19.2%	20.2	21.1	4.2%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	(23.4)	9.1	-	(8.6)	5.6	-
Margin (%)	-3.3%	1.0%		-3.6%	1.9%	
PROFIT FROM OPERATING ACTIVITIES (EBIT Adjusted)	(13.7)	18.8	-	(5.3)	8.7	-
Margin (%)	-1.9%	2.1%		-2.2%	2.9%	
Average FTE & Interims	7,131	8,648	21.3%	7,059	9,102	28.9%

Third quarter 2020

Total operating income increased by EUR +54.5m or 22.6% (+28.9% at constant exchange rate[4]), driven by the increase of the external operating income. **External operating income** in the third quarter 2020 amounted to EUR 294.9m and showed an increase of EUR +55.0m or +22.9% (+29.3% at constant exchange rate[4]) compared to the same period of 2019.

E-commerce logistics increased by EUR +55.0m to EUR 273.4m or +25.2% (+31.6% at constant exchange rate[4]). Revenue increase was mainly driven by Radial North America benefitting from changing E-commerce shopping habits due to COVID-19 concerns. Growth mainly driven by existing customers (+34%) as well as clients launched in 2019, slightly offset by client churn. Cross-border activities (Landmark, Apple Express and FDM) benefitted from new client wins and increased E-commerce business overall, leading to higher sales from existing customers.

Radial North America (*)	Year-to-date			3rd quarter		
In million USD (Adjusted)	2019	2020	Change %	2019	2020	Change %
Total operating income	581.7	794.2	36.5%	195.3	261.8	34.0%
EBITDA	10.5	56.0	436.0%	5.1	21.2	319.0%
Profit from operating activities (EBIT)	(31.3)	3.9	-	(11.2)	3.2	-

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

International mail in the third quarter 2020 is flat year-over-year and amounted to EUR 21.4m (+5.1% at constant exchange rate[4]) with lower volumes in the business mail segment compensated by higher domestic parcels revenues from new contract wins.

Operating expenses (including D&A) increased by EUR -40.3m or -16.1% (-22.1% at constant exchange rate[4]), resulting from volume-driven higher variable labour and transportation costs, higher fixed payroll and benefits, COVID-19 related expenses and increased D&A from additional fulfilment sites. This was partly compensated by higher productivity and benefits from our cost savings program as well as cost containment measures in general.

[4] 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.

Adjusted EBIT in the third quarter 2020 amounted to EUR 8.7m and showed an increase of EUR +14.0m compared to the same period of 2019, driven by positive operating leverage in E-commerce logistics, in particular at Radial. Reported EBIT includes EUR 3.1m of amortization of intangible assets originating from the purchase price allocation and therefore amounted to EUR 5.6m with a margin of 1.9%. This was an increase of EUR +14.2m compared to the same period of 2019.

First nine months of 2020

Total operating income increased by EUR +202.2m or 28.5% (+28.7% at constant exchange rate[4]) to EUR 911.1m, driven by the increase of the external operating income. External operating income amounted to EUR 906.7m and showed an increase of EUR +201.7m or +28.6% (+28.8% at constant exchange rate[4]) compared to 2019.

E-commerce logistics increased by EUR +203.9m or +31.9% to EUR 842.5m (+32.1% at constant exchange rate[4]). The revenue increase mainly driven by Radial North America recording significant growth of existing customers driven by COVID-19 as well as new clients launched in 2019, slightly offset by client churn. COVID-19 estimated impact on revenues stood at EUR +92.0m over the first half 2020.

International mail amounted to EUR 64.3m, a decrease of EUR -2.2m or -3.3% (-3.5% at constant exchange rate[4]), the initial drop-off in business mail segment as a result of COVID-19 was almost compensated by higher domestic parcels revenues. COVID-19 estimated impact on revenues stood at EUR -2.0m over the first half 2020 with the main negative impact seen in April 2020 and improving month by month thereafter.

Operating expenses (including D&A) increased by EUR -169.7m or -23.2% (-23.3% at constant exchange rate[4]), resulting from volume-driven higher variable labour and transportation costs, higher fixed payroll and benefits, bad debt, COVID-19 related expenses and increased D&A from additional fulfilment sites. This was partly compensated by higher productivity and benefits from our cost savings program as well as cost containment measures in general.

Adjusted EBIT and reported EBIT increased by EUR +32.5m and respectively amounted to EUR 18.8m and EUR 9.1m. This uplift was driven by positive operating leverage in E-commerce logistics, in particular at Radial.

COVID-19 impacted EBIT by an estimated EUR +16.2m over the first half of 2020, mainly related to additional E-commerce logistics volumes, partly offset by additional health and safety measures, increased transport costs relating to International Mail and bad debt. The COVID-19 impact of the third quarter 2020 is no longer separately disclosed since disentangling its effects from the observed business developments has become increasingly artificial and therefore less meaningful.

Business Unit performance: Corporate

Corporate In million EUR	Year-to-date 2019	 2020	 Change %	3rd quarter 2019	 2020	 Change %
External operating income	25.4	11.8	-53.5%	2.2	4.2	92.9%
Intersegment operating income	266.4	262.1	-1.6%	88.6	86.2	-2.7%
TOTAL OPERATING INCOME	291.8	273.9	-6.1%	90.8	90.4	-0.4%
Operating expenses	242.3	235.2	-2.9%	77.8	77.0	-1.0%
EBITDA	49.5	38.7	-21.8%	13.0	13.4	3.4%
Depreciation, amortization	52.0	53.4	2.7%	18.2	18.1	-0.3%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	(2.5)	(14.7)	-	(5.2)	(4.7)	-
Margin (%)	-0.9%	-5.4%		-5.7%	-5.2%	
PROFIT FROM OPERATING ACTIVITIES (EBIT Adjusted)	(2.5)	(14.7)	-	(5.2)	(4.7)	-
Margin (%)	-0.9%	-5.4%		-5.7%	-5.2%	
Average FTE & Interims	1,628	1,606	-1.3%	1,617	1,574	-2.7%

Third quarter 2020

External operating income in the third quarter 2020 increased by EUR +2.0m to EUR 4.2m driven by higher building sales.

Operating expenses (including D&A) decreased by EUR +0.8m driven by lower demand for services from the different operational Business Units (EUR -2.4m intersegment operating income). Net of the intersegment operating income, operating expenses (including D&A) increased by EUR -1.6m mainly driven by higher provisions.

As a result reported EBIT and adjusted EBIT showed an increase of EUR +0.5m year-over-year to EUR -4.7m.

First nine months of 2020

External operating income decreased by EUR -13.6m to EUR 11.8m driven by lower building sales, due to the sale in second quarter of 2019 of the headquarters Centre Monnaie building (EUR 19.9m gain on disposal). This was partly offset by higher building sales in the first and third quarter of 2020.

Operating expenses (including D&A) decreased by EUR +5.7m driven by lower demand for services from the operational business units (EUR -4.3m intersegment operating income). Net of intersegment operating income, the operating expenses (including D&A) decreased by EUR +1.4m due to lower project costs and cost containment, partly offset by negative year-over-year VAT recovery impact and higher provisions.

Reported EBIT and adjusted EBIT showed a decrease of EUR -12.2m mainly driven by lower external operating income (EUR -13.6m).

Cash flow statement

	Year-to-date		3rd quarter	
In million EUR	2019	2020	2019	2020
Net cash from operating activities	206.7	370.3	31.8	28.4
of which CF from operating activities before Δ in WC & provisions	299.5	366.5	85.6	93.6
Net cash used in investing activities	(31.8)	(72.0)	(47.5)	(37.5)
Net cash from financing activities	(151.7)	(98.2)	(46.8)	(47.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	23.1	200.0	(62.5)	(56.4)
Free cash flow	174.9	298.3	(15.8)	(9.1)

Third quarter 2020

In the third quarter 2020, the net cash outflow decreased compared to the same period last year by EUR 6.1m to EUR 56.4m.

Free cash flow amounted to EUR -9.1m, whereas the **adjusted free cash flow** amounted to EUR +33.0m (i.e. when adjusting the free cash flow for the collected proceeds due to clients in Radial, which amounted to EUR -42.2m in the third quarter 2020).

Cash flow from operating activities compared to the same period last year slightly decreased by EUR 3.4m to EUR 28.4m. Cash flow from operating activities before change in working capital and provisions increased by EUR 8.0m as improved EBITDA (EUR +34.3m) was partially offset by tax prepayments (EUR -19.0m).
Outflow related to collected proceeds due to Radial's clients was EUR -36.2m higher (EUR 42.2m outflow in the third quarter 2020 compared to an outflow of EUR 6.0m in the same period last year). The balance of the variance in change in working capital (EUR +23.1m) was mainly explained by higher settlements of receivables as a result of the increased sales in the second quarter 2020, partially offset by higher outflow related to social security deferred to the third quarter 2020 and lower supplier balances.

Investing activities resulted in a cash outflow of EUR 37.5m in the third quarter 2020, compared to a cash outflow of EUR 47.5m for the same period last year. The evolution in the third quarter was mainly explained by the disposal of Alvadis in the third quarter 2019 (EUR -5.9m) more than offset by lower capex (EUR 6.1m) and lower spend on M&A activities (EUR 7.3m).
Capital expenditures stood at EUR 41.4m in the third quarter 2020 and was mainly spent on increasing capacity for parcels and E-commerce logistics at Radial North America, in Belgium (Parcels B2X) and the Netherlands (Active Ants).

In 2020 the cash outflow relating to **financing activities** amounted to EUR 47.2m approximately in line with last year.

First nine months of 2020

In the first nine months 2020, the net cash flow increased compared to the same period last year by EUR 176.9m to EUR 200.0m.

Free cash flow amounted to EUR 298.3m.

Cash flow from operating activities compared to the same period last year increased by EUR 163.7m to EUR 370.3m.
Cash flow from operating activities before change in working capital and provisions increased by EUR 67.1m. This was partly explained by EBITDA excluding gain on HQ (EUR +14.3m, out of which EUR +19.9 related to the non-cash item). The first nine months 2020 benefited from a positive tax assessment on previous years (EUR +7.5m vs. EUR -13.8m in the first quarter 2019). Furthermore the lower tax prepayments had a positive impact on operating results (EUR +30.7m).
Change in working capital and provisions was positive in the first nine months of 2020 (EUR +3.8m vs. EUR -92.8m in 2019) leading to an improvement vs. the same period last year (EUR +96.6m). This was mainly explained by the positive impact of extended payment terms in payables due to some temporary initiatives set up in the context of the pandemic, which will be

unwound in the course of the first quarter next year and the increased cross border activities leading to increased terminal dues.

Investing activities resulted in a cash outflow of EUR 72.0m in the first nine months 2020, compared to a cash outflow of EUR 31.8m for the same period last year. This was mainly explained by the proceeds of building sales (EUR -43.6m) combined with disposal of Alvadis (EUR -5.9m) in 2019. This was partially compensated by lower spend on M&A activities (EUR +7.1m) and lower capital expenditures (EUR +2.2m). Capital expenditures amounted to EUR 86.8m compared to EUR 89.0m prior year, and were mainly spent on increasing capacity for parcels and E-commerce logistics at Radial North America, in Belgium (Parcels B2X) and the Netherlands (Active Ants).

In 2020 the cash outflow relating to financing activities amounted to EUR -98.2m compared to -151.7m last year, mainly explained by the absence of a dividend payment in 2020 (EUR +50.0m).

Key events during the third quarter

As of December 1st, 2020, Ilias Simpson will head bpost group's Parcels & Logistics activities in North America thereby succeeding Henri de Romrée who will leave bpost group at the end of 2020

The bpost group Board of Directors has decided, following the recommendation of bpost's Remuneration Committee, to nominate Ilias Simpson as the new CEO of Radial US. He will succeed Henri de Romrée whose mandate ends on December 1st, 2020. Ilias will be member of the bpost group Executive Committee. Ilias Simpson (38) is senior vice president of Fulfilment Services for Radial and member of the Executive Leadership Team. He has been leading operations for Radial fulfilment centers, network optimization, engineering, continuous improvement and project management. Ilias has many years of experience in business development, lean implementation and growth strategies. Before joining Radial, he held leadership positions at Ryder, Pentair, Halliburton and Cintas. Ilias holds an MBA degree from the University of Dayton and a BA degree in Sociology from the University of North Texas. He is a member of the National Black MBA Association and is a decorated veteran of the U.S. Air Force. Henri de Romrée was Chief Financial Officer from 2018 until 2019 and headed the Mail & Retail business in Belgium before moving to the North-American activities in 2020. He is also member of the bpost group Executive Committee and CEO of Radial. Henri de Romrée will make a permanent return to Belgium for family reasons. He will stay at Radial until the end of the year to organize the hand-over and the end-of-year peak with Ilias Simpson.

Adjusted stamp tariffs from 2021

On January 1, 2021 bpost will adjust its stamp tariffs. In line with previous years, the average tariff rise for all domestic mail products in 2021 will be about 6%. For domestic mail sent within Belgium there is a distinction between Prior and Non Prior. The Non Prior stamp will cost EUR 1.07 a piece per 10 or EUR 1.10 for a single stamp. The prior stamp will cost EUR 1.57 a piece per 10 or EUR 1.60 for a single stamp. The tariff for a standardized item to an address within Europe will be EUR 1.91 a piece and EUR 1.85 when at least five stamps are purchased. For items to an address outside Europe, the international tariff will be EUR 2.13 a piece and EUR 2.07 when at least five stamps are purchased.

Financial calendar

04.11.2020 (10.00 CET)	Analyst Conference Call
08.12.2020 (10.30 CET)	Strategy update and capital allocation
08.02.2021	Start of quiet period ahead of FY20 results
09.03.2021 (17.45 CET)	Announcement annual results FY20
10.03.2021 (10.00 CET)	Analyst Conference Call
06.04.2021	Start of quiet period ahead of 1Q21 results
05.05.2021 (17.45 CET)	Announcement 1Q21 results
06.05.2021 (10.00 CET)	Analyst Conference Call
12.05.2021	Ordinary General Meeting of Shareholders
07.07.2021	Start of quiet period ahead of 2Q21 results
05.08.2021 (17.45 CET)	Announcement 2Q21 and half-year results
06.08.2021 (10.00 CET)	Analyst Conference Call
11.10.2021	Start of quiet period ahead of 3Q21 results
09.11.2021 (17.45 CET)	Announcement 3Q21 results
10.11.2021 (10.00 CET)	Analyst Conference Call
01.12.2021 (17.45 CET)	Interim dividend 2021 announcement
06.12.2021	Ex-dividend date (interim dividend)
07.12.2021	Record date (interim dividend)
08.12.2021	Payment date of the interim dividend

Unaudited Interim Condensed Consolidated Financial Statements[5]

Interim Condensed Consolidated Income Statement (unaudited)

		Year-to-date		3rd quarter	
In million EUR	Notes	2019	2020	2019	2020
Revenue	8	2,678.3	2,929.9	871.0	964.1
Other operating income		45.7	30.3	10.6	8.8
TOTAL OPERATING INCOME		2,724.0	2,960.2	881.5	972.9
Material costs		(183.5)	(149.7)	(62.7)	(51.1)
Services and other goods	9	(1,004.0)	(1,218.5)	(343.9)	(395.9)
Payroll costs		(1,110.9)	(1,163.8)	(368.2)	(384.5)
Other operating expenses		(14.4)	(22.4)	(8.2)	(8.5)
Depreciation, amortization		(184.7)	(199.3)	(64.2)	(67.8)
TOTAL OPERATING EXPENSES		(2,497.5)	(2,753.8)	(847.2)	(907.8)
PROFIT FROM OPERATING ACTIVITIES (EBIT)		226.6	206.4	34.3	65.1
Financial income		5.2	4.8	3.1	(0.4)
Financial costs		(39.9)	(34.7)	(15.5)	(11.1)
Share of results of associates and joint ventures		9.5	13.7	5.2	5.7
PROFIT BEFORE TAX		201.3	190.1	27.1	59.2
Income tax expense		(74.4)	(54.3)	(13.8)	(14.8)
PROFIT OF THE PERIOD		126.9	135.9	13.4	44.4
Attribuable to:					
Owners of the Parent		126.5	135.6	13.0	44.5
Non-controlling interests		0.3	0.3	0.3	(0.1)

EARNINGS PER SHARE

	Year-to-date		3rd quarter	
In EUR	2019	2020	2019	2020
►basic, profit for the year attributable to ordinary equity holders of the parent	0.63	0.68	0.07	0.22
►diluted, profit for the year attributable to ordinary equity holders of the parent	0.63	0.68	0.07	0.22

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.

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

Interim Condensed Consolidated Statement of Other Comprehensive Income (unaudited)

	Year-to-date		3rd quarter	
In million EUR	2019	2020	2019	2020
PROFIT FOR THE YEAR	126.9	135.9	13.4	44.4
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Change of other comprehensive income of associates	(12.1)	(14.0)	(4.8)	(2.1)
Gross change of other comprehensive income of associates	*(17.0)*	*(20.4)*	*(6.4)*	*(2.8)*
Income tax effect	*4.9*	*6.3*	*1.6*	*0.7*
Net gain/(loss) on hedge of a net investment	(6.4)	5.2	(5.7)	5.6
Net gain/(loss) on cash flow hedges	1.3	1.4	0.4	0.5
Gain/ (loss) on cash flow hedges	*1.7*	*1.9*	*0.6*	*0.6*
Income tax effect	*(0.4)*	*(0.5)*	*(0.2)*	*(0.2)*
Exchange differences on translation of foreign operations	46.8	(31.6)	33.6	(32.3)
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	29.6	(39.1)	23.6	(28.4)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gain (losses) on defined benefit plans	1.0	0.9	0.0	0.0
Gross gain/ (loss) on defined benefit plans	*1.5*	*1.2*	*0.0*	*0.0*
Income tax effect	*(0.5)*	*(0.3)*	*0.0*	*0.0*
NET OTHER COMPREHENSIVE INCOME/(LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	1.0	0.9	0.0	0.0
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	30.6	(38.1)	23.6	(28.4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	157.5	97.8	37.0	16.0
Attributable to:				
Owners of the Parent	157.2	97.5	36.7	16.1
Non-controlling interest	0.3	0.3	0.3	(0.1)

Interim Condensed Consolidated Statement of Financial Position (unaudited)

In million EUR	Notes	As of 31 December 2019	As of 30 September 2020
Assets			
Non-current assets			
Property, plant and equipment	10	1,133.6	1,109.6
Intangible assets	11	898.3	860.8
Investments in associates and joint ventures	12	239.5	239.1
Investment properties		5.0	3.3
Deferred tax assets		27.3	28.1
Trade and other receivables		41.5	43.0
		2,345.1	2,284.0
Current assets			
Inventories		34.7	36.7
Income tax receivable		8.1	8.1
Trade and other receivables	13	717.6	595.1
Cash and cash equivalents	14	670.2	856.1
		1,430.5	1,495.9
Assets held for sale		1.4	4.0
TOTAL ASSETS		3,777.1	3,783.9
Equity and liabilities			
Issued capital		364.0	364.0
Reserves		252.3	256.7
Foreign currency translation		34.0	7.5
Retained earnings		30.7	135.9
Equity attributable to equity holders of the Parent		680.9	764.1
Equity attributable to non-controlling interests		1.7	1.4
TOTAL EQUITY		682.6	765.5
Non-current liabilities			
Interest-bearing loans and borrowings		1,176.8	1,178.4
Employee benefits	16	320.6	311.2
Trade and other payables	15	27.7	44.5
Provisions		16.2	17.7
Deferred tax liabilities		7.0	6.4
		1,548.2	1,558.2
Current liabilities			
Interest-bearing loans and borrowings		272.7	275.1
Bank overdrafts		0.5	0.0
Provisions		13.7	10.8
Income tax payable	17	7.3	42.9
Derivative instruments	20	1.3	0.7
Trade and other payables	18	1,250.9	1,130.6
		1,546.3	1,460.2
TOTAL LIABILITIES		3,094.5	3,018.5
TOTAL EQUITY AND LIABILITIES		3,777.1	3,783.9

Interim Condensed Consolidated Statement of Changes in Equity (unaudited)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
In million EUR	AUTHORIZED & ISSUED CAPITAL	TREASURY SHARES	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
AS PER 1 JANUARY 2019	364.0	0.0	271.4	12.7	51.6	699.7	2.5	702.3
Profit for the year 2019					126.5	126.5	0.3	126.9
Other comprehensive income			41.9	40.4	(51.6)	30.6		30.6
TOTAL COMPREHENSIVE INCOME	0.0	0.0	41.9	40.4	74.9	157.2	0.3	157.5
Dividends (Pay-out)			(50.0)		0.0	(50.0)	0.0	(50.0)
Other			(1.6)		0.3	(1.2)	(1.3)	(2.6)
AS OF 30 SEPTEMBER 2019	364.0	0.0	261.7	53.1	126.9	805.7	1.5	807.2
AS PER 1 JANUARY 2020	364.0	0.0	252.3	34.0	30.7	680.9	1.7	682.6
Profit for the year 2020					135.6	135.6	0.3	135.9
Other comprehensive income			19.0	(26.4)	(30.7)	(38.1)		(38.1)
TOTAL COMPREHENSIVE INCOME	0.0	0.0	19.0	(26.4)	105.0	97.5	0.3	97.8
Other			(14.6)		0.3	(14.4)	(0.5)	(14.9)
AS OF 30 SEPTEMBER 2020	364.0	0.0	256.7	7.5	135.9	764.1	1.4	765.5

Equity increased by EUR 82.9, or 12.1%, to EUR 765.5m as of September 30, 2020 from EUR 682.6m as of December 31, 2019. The realized profit (EUR 135.9m), the effective part of a cash-flow hedge entered into to hedge the cash flow risk of the bond (EUR 1.4m) and the remeasurement gains on post-employment benefits (EUR 0.9m) were partially offset by the fair value adjustment in respect of bpost bank's bond portfolio (EUR 14.0m), the exchange differences on translation of foreign operations (EUR 26.4m) and the net impact of the integration of Active Ants International comprising the non-controlling interests and the recognition of the contingent consideration for the purchase of the remaining shares (EUR 14.6m). 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 (unaudited)

		Year-to-date		3rd quarter	
In million EUR	Notes	2019	2020	2019	2020
Operating activities					
Profit before tax		201.3	190.1	27.1	59.2
Depreciation and amortization		184.7	199.3	64.2	67.8
Impairment on bad debts		2.6	15.0	1.6	2.2
Gain on sale of property, plant and equipment		(21.6)	(8.7)	(1.0)	(3.3)
Gain on disposal of subsidiaries		(0.6)	0.0	(0.6)	0.0
Other non-cash items		16.4	23.0	5.7	6.3
Change in employee benefit obligations	16	8.4	(8.2)	3.7	(4.1)
Share of results of associates and joint ventures	12	(9.5)	(13.7)	(5.2)	(5.7)
Dividend received		0.0	0.0	0.0	0.0
Income tax paid		(68.5)	(37.8)	(9.9)	(28.9)
Income tax paid on previous years		(13.8)	7.5	0.0	0.0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		299.5	366.5	85.6	93.6
Decrease/(increase) in trade and other receivables		92.6	107.3	(78.3)	7.4
Decrease/(increase) in inventories		1.7	(2.1)	(2.3)	(0.7)
Increase/(decrease) in trade and other payables		(152.6)	(75.1)	34.2	(30.1)
Increase/(decrease) in collected proceeds due to clients		(29.3)	(25.0)	(6.0)	(42.2)
Increase/(decrease) in provisions		(5.1)	(1.2)	(1.4)	0.3
NET CASH FROM OPERATING ACTIVITIES		206.7	370.3	31.8	28.4
Investing activities					
Proceeds from sale of property, plant and equipment		59.2	15.5	1.5	3.9
Disposal of subsidiaries, net of cash disposed of		5.9	0.0	5.9	0.0
Acquisition of property, plant and equipment	10	(65.1)	(63.2)	(35.1)	(31.7)
Acquisition of intangible assets	11	(23.9)	(23.6)	(12.5)	(9.7)
Acquisition of other investments		0.0	0.0	(0.0)	(0.0)
Acquisition of subsidiaries, net of cash acquired	5-6	(7.8)	(0.7)	(7.3)	0.0
NET CASH USED IN INVESTING ACTIVITIES		(31.8)	(72.0)	(47.5)	(37.5)
Financing activities					
Proceeds borrowings		578.9	730.6	243.6	262.4
Payments related to borrowings		(592.1)	(741.4)	(252.4)	(273.7)
Payments related to lease liabilities		(88.4)	(87.4)	(38.1)	(36.0)
Transactions with minorities		0.0	0.0	0.0	0.0
Dividends paid		(50.0)	0.0	0.0	0.0
NET CASH FROM FINANCING ACTIVITIES		(151.7)	(98.2)	(46.8)	(47.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS		23.2	200.0	(62.5)	(56.4)
NET FOREIGN EXCHANGE DIFFERENCE		6.0	(13.7)	9.7	(9.7)
Cash and cash equivalent less bank overdraft as of 1st January	14	680.1	669.7		
Cash and cash equivalent less bank overdraft as of 30 September	14	709.3	856.0		
MOVEMENTS BETWEEN 1ST JANUARY AND 30 SEPTEMBER		29.1	186.4		

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

1. Corporate Information

The interim condensed consolidated financial statements of bpost for the first nine months ended September 30, 2020 were authorized for issue in accordance with a resolution of the Board of Directors on November 3, 2020.

Business activities

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

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

Legal status

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

2. Basis for preparation and accounting policies

Basis of preparation

These interim financial statements have not been subject to review by the independent auditor.

The interim condensed consolidated financial statements for the nine months ended September 30, 2020 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, 2019.

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, 2019, except for the adoption of new standards and interpretations effective as from January 1, 2020.

The following amendments to existing standards apply for the first time as from 2020:

- IFRS 3 - Amendments – Definition of a Business: This amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.
- IAS 1 and IAS 8 – Amendments - Definition of Material
- The Conceptual Framework for Financial Reporting issued on March 2018
- IFRS 9, IAS 39 and IFRS 7 - Amendments - Interest Rate Benchmark Reform

These amendments have no impact on the consolidated financial statements, except for amendments to IFRS 3, which may impact how bpost accounts for a business combination.

Standards and Interpretations issued but not yet applied by bpost

The following standards, interpretations, amendments and revision 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 16 – Amendments – Leases COVID-19 – Related Rent Concessions	1 June 2020
IAS 1 – Amendments (*) - Classification of Liabilities as Current or Non-current	1 January 2022
IFRS 3 - Amendments (*) - Reference to the Conceptual Framework	1 January 2022
IAS 16 - Amendments (*) - Proceeds before Intended Use	1 January 2022
IAS 37 - Amendments (*) - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 (*)	1 January 2022
IFRS 17 (*) - Insurance Contracts	1 January 2023

(*) 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. Impact of COVID-19

The spread of the COVID-19 virus has an unprecedented impact on economic activity and society in general. During such crisis, the daily presence of bpost close to the citizens and its customers is of vital importance. Therefore, bpost group has focused on the continuity of its universal postal service missions and its other national and international mail and parcels services while showing the utmost concern for the health and safety of its employees and customers.

The operational implications on bpost group were the following so far:

- The closure of non-essential retail from March 13 until May 10, 2020 in Belgium, negatively impacted mail volumes, especially Advertising mail which recorded underlying volume decline at -36.2% over March through May 2020. Transactional mail was to a lesser extent hurt from general economic disruption. The impact mainly related to smaller administrative volumes from big senders and small and medium-sized enterprises (SMEs), and registered letters. Underlying volume decline in Transactional mail over March through May 2020 stood at -16.7%. In both Advertising and Transactional Mail, there is a visible recovery in mail volumes as of June.
- Ubiway retail stores, being located mostly in travel environments, saw a large impact on footfall, as well as a partial closure.
- The worldwide COVID-19 crisis created a shift to online shopping. This had a positive impact on most parcel & E-commerce activities. The exceptional circumstances of the lockdown have also had a significant impact on bpost group's international service offering with the dispatch of letters and parcels to China being suspended since February 15, 2020 and to destinations outside Europe since March 19, 2020. In May, bpost group started to resume shipments to several major destinations outside Europe (i.e. the US, Canada, Brazil, Russia and China). As from end of August, more than 60 international destinations outside the European Union were up and running including destinations in Asia, Europe and America. As of October, letters and parcels can be shipped from Belgium to 159 international destinations. This accounts for 95% of the shipments to all destinations to which bpost group ships directly (without transit), including member states of the European Union.

To limit the negative impact of COVID-19 on its results, bpost group has put targeted cost containment actions in place particularly in discretionary spending. bpost group is monitoring the evolution of COVID-19 and will continue to assess further impacts going forward. The main elements impacting the consolidated financial statements are mentioned hereunder:

3.1 Going concern and associated liquidity measures

The General Meeting of Shareholders held on May 13, 2020 decided to distribute a gross dividend per share on the results of full year 2019 of EUR 0.62. Since an interim dividend of EUR 0.62 gross per share was already paid on December 9, 2019, no further dividend on the results of full year 2019 was paid. Furthermore the Board will recommend to the Annual Shareholders' Meeting not to grant a dividend on the results of full year 2020 to shareholders. In the present exceptional circumstances, the Board wants to prioritize the strength of bpost group's balance sheet, cash reserves and capacity to invest on the long-term. In addition, early May the initial capex budget of EUR 200.0m was reduced to a maximum of EUR 150.0m.

Insights in the financing structure and the liquidity are disclosed in note 19 "financial assets and financial liabilities". At the end of September cash and cash equivalents amounted to EUR 856.1m, furthermore bpost has 2 undrawn revolving credit facilities for a total amount of EUR 375.0m and out of the external funding EUR 819.6m is long-term debt. Based upon the above and the net cash movement in the first nine months (cash inflow 200.0m), bpost considers it has sufficient resources to continue operations for the next 12 months. Furthermore Standard & Poor Global Ratings reaffirmed the long- and short-term credit rating at A/A-1, with a stable outlook.

3.2 Goodwill

At reporting date, bpost group assessed if there was any indication of impairment and performed impairment testing of the goodwill as defined by IAS 36, which led to no impairment charges being recorded as of September 30, 2020.

COVID-19 and the lockdown had a positive impact on the economic performance of the CGU's (cash generating units) Parcels BeNe, E-commerce logistics North America and E-commerce logistics Europe and Asia, due to increasing revenue only partly offset by increasing operational expenses. The performance of Proximity and convenience retail network and International mail was negatively impacted by COVID-19, the lock down and the travel ban. Given the current uncertainty, the different scenarios, incorporating assumptions on the main key parameters, tested during previous interim reporting, were reviewed. In all scenarios, the recoverable amount remained higher than the carrying amount.

As in the annual impairment testing the recoverable amounts are based on the value in use with the EBITDA as the key assumption, EBITDA from the business plans and budget covering a period of 4 year used during year-end impairment testing were updated to incorporate the different scenarios. For the terminal value, management deemed the growth rate (Proximity and convenience retail network 0% and International mail 0%) still appropriate for the CGU's tested.

Management assessed if the discount rate (WACC), as applied during the annual impairment testing for the different cash generating units, increased and the likelihood that this increase would materially impact the value in use. Although differences are noticed in the different components of the discount rate, globally they are below the discount rates applied during the annual impairment testing except for the discount rate of the CGU's Parcels BeNe and E-commerce logistics Europe and Asia but without material impact on the value in use.

Similar worst case sensitivity testing analysis for the impairment testing (long term growth rate -1%, discount rate +0,5% and EBITDA margin -1% sensitivity testing) left sufficient headroom for the two CGU's tested.

3.3 Investments in associates and joint-ventures

COVID-19 had a negative impact on the net result of bpost bank. Beside the decrease in activities, 3.035 clients requested moratoria whereby the payment of the monthly instalments on their mortgage loans was suspended until the end of October 2020 (this deadline may be extended by two months) and for which bpost bank recognized a financial loss (impact after taxes at 50%) EUR 0.4m corresponding to the difference of the NPV of the contracts before and after the moratorium. Furthermore bpost bank made two additional provisions linked to a default risk due to COVID-19, EUR 0.4m (impact after taxes at 50%) due to a deterioration of macroeconomic conditions (higher unemployment and lower housing prices) and EUR 0.3m (impact after taxes at 50%) linked to an increase of probability of default of loans that are currently in moratorium for credit payments.

3.4 Expected credit loss

bpost recognizes an allowance for expected credit losses on all of its trade receivables based on the lifetime expected credit losses (ECL) model. In order to calculate the ECL rates, bpost uses a provision matrix based on adapted historical default rates per ageing category. Given the difficulty to assess the impact of COVID-19 on the ECL rates, bpost has made use of a post-model overlay based on customer credit rating provided by an external credit rating agency. This led to an additional provision for bad debt of EUR 3.6m in 2020.

4. 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 SGEIs. These consist among others of the maintenance of an extensive retail network and services such as the payment of pensions at home 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. The Belgian State decided to award the contracts for distribution of newspapers and periodicals to bpost after a public consultation of the market. The compensation for SGEIs 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 cost base 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 and 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.

5. Change in scope of consolidation

Creation of Active Ants International BV

On April 1st, 2020 Active Ants International BV was established in order to further expand the fulfilment business across Europe. bpost holds 75% of the shares for which bpost paid an amount of EUR 7.5m. Next to that the agreement foresees a call and put structure for the remaining shares (25%). The variable exercise price of the put has been recognized as a financial liability for a discounted amount of EUR 17.5m (corresponding to the maximum amount). Changes to the financial liability will be recognized in the income statement. Given the put option, the company was consolidated within the Parcels & Logistics Europe & Asia operating segment using the full-integration method.

6. Business Combinations

Acquisition of Freight4U Logistics BV

On April 3rd, 2020 bpost acquired 100% of shares of the company Freight 4U Logistics BV. Freight 4U Logistics is a ground handler based in Brussels airport area with services including freight breakdown, sorting and processing of freight, import and export customs activities and freight forwarding. Revenues in 2019 amounted to EUR 2.8m. bpost paid an amount of EUR 0.2m for the acquisition of the shares of Freight 4U. In addition, the agreement foresees a contingent consideration based on the average EBITDA over the financial years 2021-2022, 2022-2023 or 2023-2024 which can amount up to EUR 0.8m maximum and for which no liability was foreseen. Transaction costs were expensed and are included in the operating expenses in 2020. The company was consolidated within the Parcels & Logistics Europe & Asia operating segment using the full-integration method as from April 2020.

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	0.1
Property, plant and equipment	0.1
Current Assets	0.5
Trade and other receivables	0.5
Cash and cash equivalents	0.0
Non-Current Liabilities	0.0
Current Liabilities	(0.5)
Interest bearing loans and borrowings	(0.2)
Trade and other payables	(0.3)
FAIR VALUE OF NET ASSETS ACQUIRED	0.0
Goodwill arising on acquisition	0.2
PURCHASE CONSIDERATION TRANSFERRED	0.2
of which:	
- Cash paid	0.2
- Contingent consideration	0.0

Analysis of cash flows on acquisition	In million EUR
Net cash acquired with the subsidiary	0.0
Cash paid	(0.2)
NET CASH OUTFLOW	(0.2)

The fair value of the current and non-current trade receivables amounted to EUR 0.5m and it is expected that the full contractual amounts can be collected.

In 2020 Freight 4U contributed to EUR 0.3m of revenue and EUR -0.1m to profit before tax from continuing operations of the group.

The resulting goodwill of EUR 0.2m derives from future growth and expected synergies within the cross-border activities. None of the goodwill is expected to be deductible for income tax purposes.

Contingent consideration for Anthill BV

In June 2020, bpost paid an amount of EUR 3.0m for 11.4% of the shares of Anthill in execution of the call option foreseen in the agreement of 2018. 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.

Furthermore in June 2020, the agreement of March 2018 has been amended and the variable exercise price of the put for the remaining shares of Anthill BV (25.0%) has been reassessed, the total discounted outstanding liability amounts to the maximum amount of EUR 13.3m. The increase of the contingent liability (EUR 3.9m) was recognized in the financial costs in the second quarter.

Purchase Price Allocation for AtoZ Global BV and MCS Fulfilment BV

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

Fair value of the assets acquired and liabilities assumed in the acquired entities	In million EUR
Non-Current Assets	0.9
Property, plant and equipment	0.3
Intangible assets	0.7
Current Assets	1.5
Trade and other receivables	1.0
Cash and cash equivalents	0.5
Non-Current Liabilities	(0.1)
Deferred tax liabilities	(0.1)
Current Liabilities	(0.9)
Trade and other payables	(0.9)
FAIR VALUE OF NET ASSETS ACQUIRED	1.4
Goodwill arising on acquisition	4.0
PURCHASE CONSIDERATION TRANSFERRED	5.4
of which:	
- Cash paid	3.6
- Contingent consideration	1.8

Analysis of cash flows on acquisition	In million EUR
Net cash acquired with the subsidiary	0.5
Cash paid in 2019	(3.6)
NET CASH OUTFLOW	(3.1)

The fair value of the current and non-current trade receivables amounted to EUR 1.0m 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 customer relationships (useful life 5 year) for an amount of EUR 0.7m.

In 2020 AtoZ and MCS contributed to EUR 8.8m of revenue and EUR 0.9m to profit before tax from continuing operations of the group. In 2019 AtoZ and MCS contributed EUR 2.7m of revenue and EUR 0.3m to profit before tax from continuing operations of the group.

The resulting goodwill of EUR 4.0m derives from future growth and expected synergies within the fulfilment activities. None of the goodwill is expected to be deductible for income tax purposes.

7. Operating Segment

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

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

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

The business unit also carries out SGEI on behalf of the Belgian State.

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

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

The business unit runs several operations centers across Europe including, fulfilment and sorting centers and several Parcel hubs.

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

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

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

As bpost identifies its CEO as the chief operating decision maker ("CODM"), the operating segments are based on the information provided to the CEO. bpost computes its profit from operating activities (EBIT) at the segment level and is measured consistently with the financial statements' accounting guidelines (IFRS). Assets and liabilities are not reported per segment to the CODM.

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

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

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

The following tables present an overview of the segment results:

Year-to-date	M&R		PaLo Eurasia		PaLo N. Am.		Corporate		Eliminations		Group	
In million EUR	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External operating income	1,410.3	1,279.6	583.3	762.1	705.0	906.7	25.4	11.8	0.0	0.0	2,724.0	2,960.2
Intersegment operating income	124.6	152.3	13.2	9.5	4.0	4.4	266.4	262.1	(408.2)	(428.2)	(0.0)	0.0
TOTAL OPERATING INCOME	1,534.9	1,431.8	596.5	771.5	708.9	911.1	291.8	273.9	(408.2)	(428.2)	2,724.0	2,960.2
Operating expenses	1,267.8	1,230.9	531.9	678.2	678.9	838.3	242.3	235.2	(408.2)	(428.2)	2,312.7	2,554.5
Depreciation, amortization	63.0	65.7	16.3	16.5	53.5	63.7	52.0	53.4			184.7	199.3
PROFIT FROM OPERATING ACTIVITIES (EBIT)	204.2	135.2	48.3	76.8	(23.4)	9.1	(2.5)	(14.7)	0.0	0.0	226.6	206.4
Share of profit of associates and joint ventures											9.5	13.7
Financial results											(34.7)	(29.9)
Income tax expenses											(74.4)	(54.3)
PROFIT OF THE PERIOD (EAT)	204.2	135.2	48.3	76.8	(23.4)	9.1	(2.5)	(14.7)	0.0	0.0	126.9	135.9

	M&R		PaLo Eurasia		PaLo N. Am.		Corporate		Eliminations		Group	
In million EUR	3Q19	3Q20	3Q19	3Q20	3Q19	3Q20	3Q19	3Q20	3Q19	3Q20	3Q19	3Q20
External operating income	444.5	414.3	195.1	259.5	239.9	294.9	2.2	4.2	0.0	0.0	881.5	972.9
Intersegment operating income	41.6	49.4	3.2	3.6	1.5	1.0	88.6	86.2	(134.9)	(140.2)	0.0	0.0
TOTAL OPERATING INCOME	486.0	463.7	198.3	263.1	241.4	295.9	90.8	90.4	(134.9)	(140.2)	881.5	972.9
Operating expenses	426.9	405.8	183.5	228.2	229.7	269.2	77.8	77.0	(134.9)	(140.2)	783.0	840.1
Depreciation, amortization	20.7	22.7	5.1	5.9	20.2	21.1	18.2	18.1			64.2	67.8
PROFIT FROM OPERATING ACTIVITIES (EBIT)	38.5	35.1	9.7	29.0	(8.6)	5.6	(5.2)	(4.7)	0.0	0.0	34.3	65.1
Share of profit of associates and joint ventures											5.2	5.7
Financial results											(12.4)	(11.5)
Income tax expenses											(13.8)	(14.8)
PROFIT OF THE PERIOD (EAT)	38.5	35.1	9.7	29.0	(8.6)	5.6	(5.2)	(4.7)	0.0	0.0	13.4	44.4

The tables presented below provide an overview of the entity-wide disclosures and also cover the IFRS15 disclosure requirements.

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.

Year-to-date	Total operating income			Revenue	
In million EUR	2019	2020	Change %	2019	2020
Mail & Retail	1,410.3	1,279.6	-9.3%	1,398.6	1,270.6
Transactional mail	551.7	532.3	-3.5%	551.5	532.0
Advertising mail	171.9	131.2	-23.7%	171.9	131.2
Press	257.7	250.6	-2.8%	252.6	245.8
Proximity and convenience retail network	350.7	288.9	-17.6%	344.9	285.2
Value added services	78.3	76.6	-2.2%	77.7	76.5
Parcels & Logistics Europe & Asia	583.3	762.1	30.7%	580.6	762.0
Parcels BeNe	272.8	379.8	39.2%	271.0	379.7
E-commerce logistics	92.5	126.5	36.7%	91.6	126.4
Cross border	218.0	255.8	17.3%	218.0	255.8
Parcels & Logistics North America	705.0	906.7	28.6%	699.1	897.3
E-commerce logistics	638.6	842.5	31.9%	632.8	833.1
International mail	66.4	64.3	-3.3%	66.3	64.2
Corporate & Supporting functions	25.4	11.8	-53.5%	0.0	0.0
TOTAL	2,724.0	2,960.2	8.7%	2,678.3	2,929.9

3rd quarter	Total operating income			Revenue	
In million EUR	2019	2020	Change %	2019	2020
Mail & Retail	444.5	414.3	-6.8%	439.9	411.5
Transactional mail	168.8	168.3	-0.3%	168.6	168.2
Advertising mail	50.8	45.9	-9.7%	50.8	45.9
Press	82.1	78.7	-4.1%	80.3	77.2
Proximity and convenience retail network	116.9	96.2	-17.7%	114.3	95.1
Value added services	25.9	25.2	-2.6%	25.8	25.2
Parcels & Logistics Europe & Asia	195.1	259.5	33.1%	192.9	259.5
Parcels BeNe	94.4	125.6	33.1%	92.7	125.6
E-commerce logistics	32.3	40.8	26.5%	31.8	40.8
Cross border	68.4	93.0	36.0%	68.4	93.0
Parcels & Logistics North America	239.9	294.9	22.9%	238.2	293.2
E-commerce logistics	218.4	273.4	25.2%	216.9	271.8
International mail	21.4	21.4	0.0%	21.3	21.4
Corporate & Supporting functions	2.2	4.2	92.9%	0.0	0.0
TOTAL	881.5	972.9	10.4%	871.0	964.1

The geographically split of total operating income (excluded intersegment operating income) and the non-current assets are 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			3rd quarter	
In million EUR	2019	2020	Change %	2019	2020
Belgium	1,800.4	1,787.8	-0.7%	550.0	586.9
Rest of Europe	200.3	227.9	13.8%	79.2	74.7
USA	689.1	870.1	26.3%	244.0	280.7
Rest of world	34.1	74.3	-	8.3	30.5
TOTAL OPERATING INCOME	2,724.0	2,960.2	8.7%	881.5	972.9

	As of 31 December	As of 30 September	
In million EUR	2019	2020	Change %
Belgium	977.2	926.8	-5.2%
Rest of Europe	180.1	195.3	8.5%
USA	874.8	851.9	-2.6%
Rest of world	46.2	42.8	-7.4%
TOTAL NON-CURRENT ASSETS	2,078.4	2,016.8	-3.0%

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.

8. Revenue

	Year-to-date		3rd quarter	
In million EUR	2019	2020	2019	2020
Revenue excluding the SGEI remuneration	2,475.4	2,730.5	805.0	901.6
SGEI remuneration	202.9	199.4	66.0	62.5
TOTAL	2,678.3	2,929.9	871.0	964.1

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

9. Services and other goods

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

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
Rent and rental costs	40.1	52.1	30.0%	12.5	18.4	46.6%
Maintenance and repairs	85.2	82.1	-3.6%	27.8	26.6	-4.4%
Energy delivery	33.5	31.1	-7.1%	10.9	10.0	-9.1%
Other goods	25.2	30.3	20.2%	8.4	9.6	14.1%
Postal and telecom costs	15.2	15.2	-0.3%	5.2	4.9	-5.3%
Insurance costs	18.2	17.9	-1.8%	6.4	5.9	-7.8%
Transport costs	461.8	600.3	30.0%	158.1	195.7	23.8%
Publicity and advertising	16.7	12.8	-23.0%	5.2	3.4	-35.8%
Consultancy	27.4	16.2	-41.1%	8.2	2.9	-64.8%
Interim employees	103.2	162.9	57.9%	39.2	54.3	38.8%
Third party remuneration, fees	106.8	109.2	2.2%	38.5	36.3	-5.9%
Other services	70.7	88.4	25.1%	23.5	28.1	19.5%
TOTAL	1,004.0	1,218.5	21.4%	343.9	395.9	15.1%

Services and other goods increased by EUR 214.6m, or 21.4% to EUR 1,218.5m as of September 30, 2020. This increase was mainly explained by the increased number of interim employees (EUR 59.8m), higher transport costs (EUR 138.5m), increased costs for other goods (EUR 5.1m, mainly hand gels, disinfectants,…) and other services (EUR 17.7m, mainly due to increased payments processing fees on Radial US in line with increased volumes). The increase of these costs should be seen together with the increased revenues and result from higher volume of parcels and COVID-19.

10. Property, plant and equipment

Property, plant and equipment decreased by EUR 24.0m, or 2.1%, to EUR 1,109.6m as of September 30, 2020. The decrease was mainly explained by the depreciation for EUR 163.8m (including EUR 82.2m related to IFRS 16 right of use assets), the transfer to assets held for sale for EUR 9.4m and the evolution of the exchange rate, partially offset by capital expenditures of EUR 63.2m and right of use assets recognised for EUR 96.4m (mainly due to new warehouses for Radial, Active Ants and operational vehicles in Belgium).

11. Intangible assets

Intangible assets decreased by EUR 37.5m, or 4.2%, to EUR 860.8m as of September 30, 2020. The decrease was mainly due to the depreciation for EUR 35.4m and the evolution of the exchange rate partially offset by the capital expenditures of EUR 23.6m.

At reporting date, bpost group assessed if there was any indication of impairment and reviewed the impairment testing of the goodwill of the previous quarter, which led to no impairment charges being recorded as of September 30, 2020 as disclosed in disclosure 3.2 goodwill.

12. Investments in associates and joint-ventures

Equity accounted investees slightly decreased by EUR 0.4m, to EUR 239.1m as of September 30, 2020. bpost's share in the profit of bpost bank for EUR 13.7m was more than compensated by the decrease in the unrealized gain on the bond portfolio in the amount of EUR 14.0m recognized in other comprehensive income, due to a partial sale of the bond portfolio and the increase of the underlying yield curve by 3 basis points (bps) compared to December 31, 2019. As of September 30, 2020, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of EUR 7.6m, which represented 3.2% 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.

13. Current trade and other receivables

Current trade and other receivables decreased by EUR 122.5m to EUR 595.1m as per September 30, 2020. The decrease was mainly driven by the usual settlement of the SGEI receivable during the first quarter of the year.

In view of the high level of uncertainty in the short-term economic outlook with regard to the impact of Covid-19 on default risk of customers however, a post-model overlay was used to add an additional provision based on customer credit rating information.

14. Cash and cash equivalents

Cash and cash equivalents increased by EUR 185.9m to EUR 856.1m as of September 30, 2020, this increase was due to the free cash flow (EUR 298.3m), partially offset by the cash flow related to financing activities (EUR 98.2m).

15. Non-current trade and other payables

Non-current trade and other payables increased by EUR 16.8m to EUR 44.5m mainly due to the recognition of the contingent liability for the remaining shares of Active Ants International BV. Active Ants International BV has been established in April 2020 and bpost holds 75% of the shares. For the remaining 25% of the shares a call and put structure is foreseen, the variable exercise price of the put has been recognized as a financial liability for a discounted amount of EUR 17.5m (corresponding to the maximum amount). Changes to the financial liability will be recognized in the income statement.

16. Employee benefits

In million EUR	As of 31 December 2019	As of 30 September 2020
Post-employment benefits	(29.4)	(27.1)
Other long-term benefits	(282.2)	(276.8)
Termination benefits	(9.0)	(7.2)
TOTAL	(320.6)	(311.2)

Employee benefits decreased by EUR 9.4m, or 2.9%, to EUR 311.2m as of September 30, 2020. The decrease mainly reflects:

- The payment of benefits for an amount of EUR 24.9m,
- Operational actuarial gains for an amount of EUR 0.6m,
- Financial actuarial gains of EUR 0.6m caused by changes in the discount rates,
- A remeasurement gain on defined benefit plans of EUR 1.2m (before tax), recognized trough other comprehensive income; partially offset by,
- Service costs for EUR 16.6m and interest costs for EUR 1.4m.

17. Income tax payable

Income tax payable increased by EUR 35.7m to EUR 42.9m mainly due to lower advance tax payment by bpost NV/SA.

18. Current trade and other payables

Current trade and other payables decreased by EUR 120.2m to EUR 1,130.6m as of September 30, 2020 due to the decrease of trade payables by EUR 84.5m and social payables by EUR 35.7m. The decrease of the trade payables was mainly explained by the cost containment actions (amongst other lower project costs at Corporate) in 2020, partially compensated by the positive impact of extended payment terms in COVID-19 period. The decrease of the social payables was mainly caused by the timing difference as 2019 full year social accruals (holiday pay, bonuses,...) have been paid during the first half of 2020.

19. Financial assets and financial liabilities

The following table provides the fair value measurement hierarchy of bpost's financial assets and financial liabilities per September 30, 2020:

In million EUR As at 30 September 2020	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	39.3	0.0	39.3	0.0
Investments securities	0.0	0.0	0.0	0.0
Current				
Financial assets	1,451.1	0.0	1,451.1	0.0
Total financial assets	1,490.4	0.0	1,490.4	0.0
Financial liabilities measured at amortized cost (except for derivatives):				
Non-Current				
Long-term bond	643.4	680.4	0.0	0.0
Financial liabilities	579.6	0.0	579.6	0.0
Current				
Derivatives instruments - forex swap	0.0	0.0	0.0	0.0
Derivatives instruments - forex forward	0.7	0.0	0.7	0.0
Financial liabilities	1,405.7	0.0	1,405.7	0.0
Total financial liabilities	2,629.4	680.4	1,986.0	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.

At the end of the third quarter 2020 the main financial liabilities consisted of:
- EUR 650m bond. The 8-year bond has been issued in July 2018 with a coupon of 1.25%.
- USD 185m unsecured term loan (floating interest rate). This loan started on July 3, 2018 with a maturity of 3 years with two possible extensions of one year each.
- EUR 27.3m EIB (European Investment Bank) loan which has an yearly reimbursement of EUR 9.1m.
- Outstanding commercial paper issued by bpost amounted to EUR 165.1m. The maturity of the different commercial papers ranges between 1 to 6 months.
- The outstanding balance of liabilities related to leases amounted to 459.5 million EUR.

bpost has two undrawn revolving credit facilities for a total amount of EUR 375.0m. The syndicated facility amounts to EUR 300.0m, which expires in October 2022, has been extended in 2019 to October 2024 whereas the bilateral facility of EUR 75.0m, which expires in June 2023, has been extended in 2020 to June 2025 and allows for EUR and USD drawdowns. The interest rate of EUR 300.0m revolving credit facility changes according to bpost's sustainability rating as determined by an external party.

20. Derivative financial instruments and hedging

Derivative instruments

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

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 in order to hedge the interest rate risk on the contemplated issuance of a long-term bond to refinance the acquisition bridge loan entered into in November 2017 for the acquisition of Radial.
In July 2018, bpost issued a 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 2020 a net amount of EUR 1.4m has been reclassified to the income statement.

Net investment hedge

In 2018 bpost entered into a USD term loan, with a maturity of 3 years with two possible extensions of one year each. To refinance the 2017 acquisition of Radial Holdings, LP, bpost, with EUR as its functional currency, borrowed along with the issuance of the bond in USD to mitigate the risk on foreign exchange rate differences on the foreign operations. Hence bpost performed a net investment hedge. Consequently, the effective portion of changes in the fair value of the hedging instrument is recognized in other comprehensive income. The notional amount of the hedging amounted to USD 143.0m, whereas the carrying amount converted into Euro amounted to EUR 122.1m. At September 30, 2020 the net profit on the revaluation of the USD loan recognized in other comprehensive income and accumulated in the foreign currency translation reserve amounted to EUR 5.2m. There was no ineffectiveness in 2020.

21. Contingent liabilities and Contingent assets

The contingent liabilities and contingent assets are materially unchanged from those described in the note 6.30 of bpost's annual financial statements as at December 31, 2019. This interim financial report should be read in conjunction with bpost's annual financial statements as at December 31, 2019.

22. Events after the reporting period

On the evening of October 15th, 2020, Radial North America experienced a ransomware attack impacting some of its US operations. Once it became apparent that the ransomware attack could cause significant financial and technical damage, Radial shut down its systems voluntarily so as to bring them back up safely. The shutdown prevented that harm from happening, but also stopped normal fulfilment activities from taking place whereas payment processing systems were not impacted. Since then, the information technology and security teams have been working relentlessly but safely towards recovery and reopening of systems, sites and services. Whilst the attack caused a disruption of business at Radial North America, Radial has managed to regain sufficient functionality to allow it to restart fulfilment operations at all of its locations. To mitigate the impact of any degradation to its level of functionality, Radial is taking additional action to ensure it can support the expected volume of the upcoming peak period. Through an in-depth analysis it was determined that this was an encryption attack meant to halt business operations, not an exfiltration attack meant to steal data. As such, there is no indication that any client or personal data has left the systems. Radial made its clients immediately aware of the situation and has been providing them with consistent updates throughout the process. As the forensic investigation is ongoing, we are unable at this point to disclose an aggregate financial impact on our business. However, bpost group can confirm that FY20 group adjusted EBIT will be at least EUR 270m, including the financial impact of the attack. Due to the second wave of the pandemic and lockdown measures taken, the visibility for the fourth quarter is however limited. We are cooperating with US law enforcement authorities and will fully support criminal action against the attackers if the criminals are identified and apprehended.

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

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

Definitions

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

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

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

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

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

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

Operating free cash flow (FCF) and Adjusted Operating free cash flow: bpost defines FCF as the sum of net cash from operating activities and net cash used in investing activities and is derived from the consolidated statement of cash flows.

Adjusted operating free cash flow is the operating free cash flow as defined excluding working capital impact of "the collected proceeds due to clients". The reconciliation is available below the definitions. In some cases, Radial performs the billing and receiving of payments on behalf of their customers. Under this arrangement, Radial routinely remits billed amounts back to the client, and performs periodical settlements with the client on amounts owed to or from Radial based on billings, fees, and amounts previously remitted. Adjusted operating free cash flows excludes the cash Radial received on behalf of their customers as Radial has no or little impact on the amount or the timing of these payments.

Evolution Parcels B2X volume: bpost defines the evolution of Parcels B2X as the difference, expressed as a percentage, of the reported volumes between the current and prior comparable period of the B2X parcels processed by bpost SA/NV.

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

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

Reconciliation of Reported to Adjusted Financial Metrics

OPERATING INCOME

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
Total operating income	2,724.0	2,960.2	8.7%	881.5	972.9	10.4%
Gain on the sale of Alvadis (1)	(0.6)	0.0		(0.6)	0.0	
ADJUSTED TOTAL OPERATING INCOME	2,723.4	2,960.2	8.7%	880.9	972.9	10.4%

OPERATING EXPENSES

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
Total operating expenses excluding depreciation, amortization	(2,312.7)	(2,554.5)	10.5%	(783.0)	(840.1)	7.3%
ADJUSTED TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION	(2,312.7)	(2,554.5)	10.5%	(783.0)	(840.1)	7.3%

EBITDA

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
EBITDA	411.3	405.7	-1.4%	98.5	132.8	34.8%
Gain on the sale of Alvadis (1)	(0.6)	0.0		(0.6)	0.0	
ADJUSTED EBITDA	410.7	405.7	-1.2%	97.9	132.8	35.7%

EBIT

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
Profit from operating activities (EBIT)	226.6	206.4	-8.9%	34.3	65.1	89.5%
Gain on the sale of Alvadis (1)	(0.6)	0.0		(0.6)	0.0	
Non-cash impact of purchase price allocation (PPA) (2)	15.7	13.7	-12.6%	4.6	4.4	-3.4%
ADJUSTED PROFIT FROM OPERATING ACTIVITIES (EBIT)	241.6	220.1	-8.9%	38.3	69.5	81.5%

PROFIT FOR THE YEAR (EAT)

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
Profit for the year	126.9	135.9	7.1%	13.4	44.4	
Gain on the sale of Alvadis (1)	(0.6)	0.0		(0.6)	0.0	
Non-cash impact of purchase price allocation (PPA) (2)	14.5	12.9	-10.7%	4.3	4.2	-3.3%
ADJUSTED PROFIT OF THE YEAR	140.7	148.8	5.7%	17.0	48.6	

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

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

Reconciliation of Reported free cash flow and adjusted free cash flow

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
Net Cash from operating activities	206.7	370.3	79.2%	31.8	28.4	-10.9%
Net Cash used in investing activities	(31.8)	(72.0)		(47.5)	(37.5)	-21.0%
FREE CASH FLOW	174.9	298.3	70.6%	(15.8)	(9.1)	-42.0%
Collected proceeds due to clients	(29.3)	(25.0)	-14.6%	(6.0)	(42.2)	-
ADJUSTED FREE CASH FLOW	204.2	323.3	58.3%	(9.7)	33.0	

From IFRS Consolidated Net Profit to Belgian GAAP Unconsolidated Net Profit

	Year-to-date			3rd quarter		
In million EUR	2019	2020	Change %	2019	2020	Change %
IFRS Consolidated Net Profit	126.9	135.9	7.1%	13.4	44.4	231.9%
Results of subsidiaries and deconsolidation impacts	(4.5)	(30.5)	-	1.3	(12.7)	-
Differences in depreciation and impairments	(28.1)	3.0	-	1.4	1.9	44.1%
Differences in recognition of provisions	(1.0)	0.7	-	(0.5)	0.0	-
Effects of IFRS 16	6.4	3.3	-48.4%	2.9	1.5	-48.8%
Effects of IAS19	2.5	(8.4)	-	1.8	(3.9)	-
Depreciation intangible assets PPA	15.7	13.7	-12.6%	4.6	4.4	-3.4%
Deferred taxes	8.2	(2.7)	-	1.9	(2.8)	-
Other	(8.0)	11.9	-	(8.8)	2.5	-
Belgian GAAP unconsolidated net profit available for appropriation	118.2	126.9	7.3%	18.0	35.3	96.3%

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		3rd quarter	
In million EUR	2019	2020	2019	2020
Result of the Belgian fully consolidated subsidiaries (local GAAP)	(16.4)	(12.1)	(6.0)	(2.9)
Result of the international subsidiaries (local GAAP)	27.7	(14.8)	12.0	(7.2)
Share of results of associates and joint ventures (local GAAP)	(9.2)	(15.3)	(2.8)	(2.5)
Other deconsolidation impacts	(6.6)	11.6	(1.9)	(0.2)
TOTAL	(4.5)	(30.5)	1.3	(12.7)

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

- Differences in the treatment of depreciation and impairments: Belgian GAAP allows 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.
- Recognition of provisions is subject to different criteria under Belgian GAAP and IFRS;
- IFRS requires that all future obligations to personnel be recorded as a liability under IAS 19, whereas Belgian GAAP has no such obligation. The movements in the IFRS liability are reflected on bpost's income statement under payroll costs 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 "business combinations" bpost performed the purchase price allocation (PPA) for several entities and recognized several intangible assets (brand names, know-how, customer relationships…).
- Deferred taxes require no accounting entries under Belgian GAAP but are recorded under IFRS.

Statement of legal representatives

The CEO and CFO declare that to the best of their 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[6], 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.

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

Glossary

- ADM: Alternating Distribution Model
- Capex: total amount invested in fixed assets
- CMD: Capital Markets Day
- D&A: Depreciation and amortization
- 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