# bpost: first quarter 2015 results

## First quarter 2015 highlights

- **Operating income (revenues)** at EUR 616.6m, **down 1.6%**, benefited from strong performance in parcels but was impacted by the soft start in domestic mail and the lower SGEI compensation.
- **Domestic mail volume decline at -5.3%** (-4.4% for FY14) due to weakness in advertising mail sales and ongoing e-substitution.
- **Domestic parcel volumes up 10.2%** (+7% for FY14) supported by excellent growth from e-tailers and good performance in C2C. As anticipated, revenue growth of 6.1% was impacted by a negative price/mix effect of -3.7% mainly due to a mix effect relating to the strong growth of e-tailers benefiting from lower prices.
- **International parcels** grew solidly by EUR 10.2m, driven by continued growth from our core business (lanes from the US and China EUR + 11.6m), while shipments to China declined (EUR -2.0m).
- Turnover from **Additional sources of revenues** decreased driven by the margin-accretive curtailment of the very low margin UK and US international mail wholesales.
- Stringent cost control leading to **EUR 11.9m cost savings** (excluding transport) and an average FTE reduction of 681.
- In line with guidance, **EBITDA was stable versus last year**, as a result of mail volume decline in the -5 to -6% range, more than offset by growth in parcels and cost control, allowing to absorb the reduction in SGEI compensation.
- **Net profit of bpost SA/NV under BGAAP stable** versus last year at EUR 87.3m.
- **Outlook maintained**

**Pierre Winand**, CFO and member of the Executive Committee since 2006, decided to leave bpost as from July 1st 2015 to pursue a new challenge outside the company. Françoise Masai, Chairperson of the Board of Directors and Koen Van Gerven, CEO, express their sincere appreciation of Pierre's great contribution to bpost's development, and wish him all the best in his next career step.
The Remuneration and Nomination Committee launched the process for his replacement. Starting July, 1st Koen Van Gerven, CEO, will take up the CFO tasks and responsibilities to guarantee a smooth and flawless transition until the appointment of the new CFO.

## CEO quote

Koen Van Gerven, CEO, commented: *"I am very pleased with the strong performance in parcels and the excellent results we delivered on our cost savings plans over the first quarter. Both effects allowed us to fully absorb the reduction in compensation received from the Belgian State for SGEI and led to a stable EBITDA for the quarter, despite the sharper decline of the domestic mail volumes. This quarter's performance has proven once again that our strategy is bearing fruits and that bpost is well prepared to face the headwinds in 2015. This is in line with our outlook for the year and we re-iterate it. Finally I would like to thank Pierre Winand, who has decided to take up a challenge outside bpost. During the nine years he has served at bpost, all of his colleagues and myself have appreciated Pierre's great professional talents and his dedication to the successful transformation of bpost."*

# Outlook

- After a very strong 2014 which allowed us to report historically high numbers, we will be facing some headwind in 2015:
  - We expect mail volumes to remain under substantial pressure from e-substitution. As a consequence we plan for mail a volume decline of over -5%. This has been confirmed by a relatively soft start of the year in mail.
  - The compensation for the SGEI's (management contract) will be EUR 16.5m lower than in 2014 as the government has decided to reduce the compensation above and beyond the already lower contractual cap.
  - Parcels to China (milk powder) are no longer growing and could be declining.
  - The planned productivity improvements as per the Vision 2020 planning are at the very low end of our 800 to 1,200 FTE/year range.
- On the positive side, we still expect mid single digit growth in domestic parcels in spite of the intensification of competition. We also expect continued growth in the US and Asia parcels segment.
- On balance, our ambition is to hold our recurring EBIT(DA) at the high level achieved in 2014 thanks to the partial effects of the Alpha plan and a continued focus on costs. Reported EBIT will be affected by the Alpha restructuring cost. Our ambition is to achieve the same level of dividend payment.
- Cash generation should follow normal seasonality and net capex is expected at around EUR 90m. Working capital will be negatively affected by the favorable phasing on terminal dues payment in 2014 and tax payments relating to 2013.

# Key figures

| | Reported | | |
|---|---|---|---|
| | **1Q14** | **1Q15** | **% change** |
| Total operating income (revenues) | 626.7 | 616.6 | -1.6% |
| Operating expenses | 453.7 | 443.9 | -2.2% |
| **EBITDA** | **173.0** | **172.7** | **-0.2%** |
| *Margin (%)* | *27.6%* | *28.0%* | |
| **EBIT** | **152.0** | **151.6** | **-0.3%** |
| *Margin (%)* | *24.3%* | *24.6%* | |
| **Profit before tax** | **153.6** | **149.0** | **-3.0%** |
| Income tax expense | 54.7 | 52.4 | |
| **Net profit** | **98.9** | **96.6** | **-2.4%** |
| **FCF** | **367.4** | **298.1** | **-18.9%** |
| **bpost S.A./N.V. net profit (BGAAP)** | **87.3** | **87.3** | **0.1%** |
| **Net Debt/ (Net cash), at 31 March** | **(728.1)** | **(785.1)** | **7.3%** |

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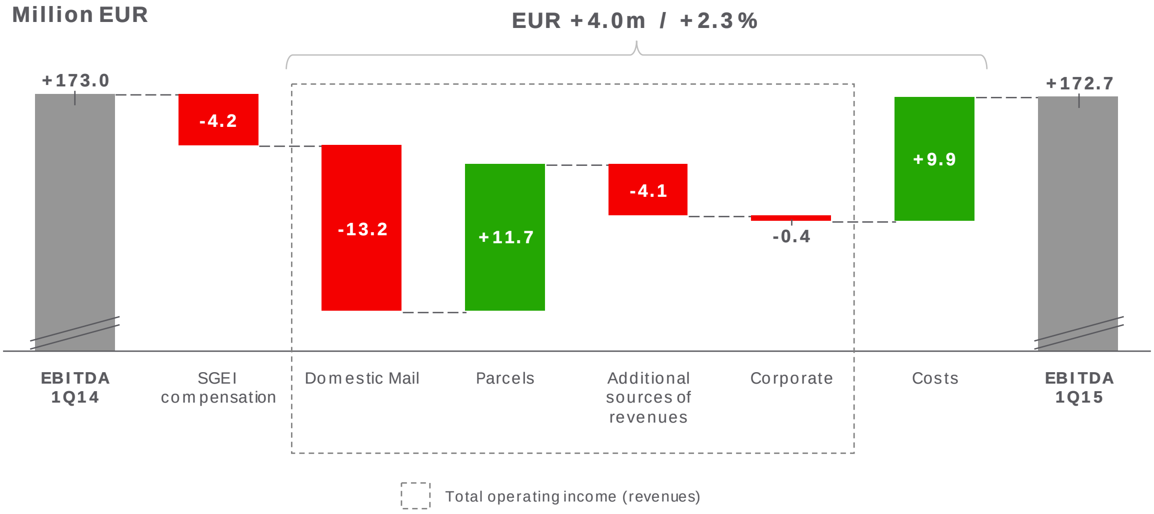
# First quarter 2015 - Income Statement




**Total operating income** decreased by EUR 10.1m (-1.6%), to EUR 616.6m of which EUR 4.2m is due to the lower compensation for SGEI. The decrease of the latter was due to the lower contractual cap, along with the decision of the Government to further reduce the compensation. Excluding the lower compensation for SGEI, total operating income decreased by EUR 6.0m. The increase of Parcels (EUR +11.7m) and the price increases in Domestic Mail (EUR +4.7m) almost compensated the volume decrease of Domestic Mail (EUR -17.9m). The lower revenues relating to Additional sources of revenue (EUR -4.1m) were mainly the result of the curtailment of very low margin UK and US wholesales activities to optimize profitability.

Costs decreased by EUR 9.9m or 2.2%, mainly driven by lower payroll and interim costs compensating the total operating income loss and leading to **EBITDA** and **EBIT** in line with last year.

**Income Tax** expense slightly decreased compared to last year, with effective tax rate standing at 35.2%.

**IFRS group net profit** stood at EUR 96.6m. **Belgian GAAP net profit** of the parent company amounted to EUR 87.3m, stable versus last year.

# Total operating income: group overview

## First quarter 2015

Following a correction of the allocation of cash sales (stamps and franking machines) to products as of January 1, 2015 some revenues are shifting from Domestic parcels to Transactional mail. Furthermore, some intercompany eliminations mainly relating to international activities previously reported in Other revenues are now being reported under their corresponding product lines. Taking into account these changes, the 2014 figures at the level of the product lines have been made comparable to reflect these changes. The comparable figures are shown under the heading "comparable". The variances mentioned hereafter compare the 2015 figures with the 2014 comparable figures.

| In million EUR | 1Q14 | Reclassi-fications | 1Q14 Comparable | SGEI | Organic | 1Q15 | % Org | underlying vol. % Δ |
|---|---|---|---|---|---|---|---|---|
| **Domestic mail** | **386.8** | **0.6** | **387.5** | **-3.0** | **-13.2** | **371.3** | **-3.4%** | **-5.3%** |
| Transactional mail | 238.9 | 0.9 | 239.7 | | -7.1 | 232.6 | -3.0% | -5.3% |
| Advertising mail | 70.2 | -0.2 | 70.0 | | -5.3 | 64.7 | -7.5% | -5.9% |
| Press | 77.7 | - | 77.7 | -3.0 | -0.7 | 74.0 | -0.9% | -3.1% |
| **Parcels** | **73.4** | **-1.8** | **71.6** | **-** | **11.7** | **83.2** | **16.3%** | **+23.7%** |
| Domestic parcels | 38.2 | -1.0 | 37.2 | | 2.3 | 39.5 | 6.1% | +10.2% |
| International parcels | 31.5 | -0.5 | 31.0 | | 10.2 | 41.2 | 33.1% | |
| Special logistics | 3.7 | -0.3 | 3.4 | | -0.8 | 2.6 | -24.8% | |
| **Additional sources of revenues** | **154.7** | **1.2** | **155.9** | **-1.1** | **-4.1** | **150.6** | **-2.6%** | |
| International mail | 50.2 | -0.9 | 49.4 | | -4.1 | 45.3 | -8.3% | |
| Value added services | 24.6 | -0.9 | 23.8 | | 0.6 | 24.3 | 2.4% | |
| Banking and financial products | 52.4 | -0.1 | 52.3 | -0.1 | -0.5 | 51.7 | -1.0% | |
| Other | 27.4 | 3.0 | 30.4 | -1.0 | -0.1 | 29.4 | -0.2% | |
| **Corporate** | **11.8** | **-** | **11.8** | | **-0.4** | **11.4** | **-3.1%** | |
| **TOTAL** | **626.7** | **-** | **626.7** | **-4.2** | **-6.0** | **616.6** | **-1.0%** | |

Excluding the lower compensation for SGEI, **total operating income** decreased by EUR 6.0m or 1.0%.

Revenues from **Domestic mail** decreased by EUR 13.2m (-3.4%) to EUR 371.3m. Underlying and reported volume decline came in at -5.3%, which was higher than the full year 2014 underlying decline of -4.4%. Including the impact of a requalification of Advertising to Administrative mail, the reported volume decline for Transactional and Advertising mail respectively amounted to -5.0% and -6.9%. Transactional mail, with underlying volume decline (i.e. excluding the requalification) at -5.3% continued to suffer from e-substitution and a general trend towards reducing postal spend. Advertising mail volumes were weak this quarter, with an underlying volume evolution (i.e. excluding the requalification) amounting to -5.9% compared to -3.0% for full year 2014. Addressed direct mail revenues showed a weak performance, mainly due to the catalogue sellers and customers in the banking and telecom sectors. Press volume declines (-3.1%) were in line with previous quarters. Total mail volume declines impacted revenues by EUR -17.9m, partially compensated by the net improvement in price and mix in line with the announced policy, amounting to EUR 4.7m.

**Parcels** performed strongly, with organic growth at EUR 11.7m. Volume growth in Domestic parcels came in at 10.2% versus 7.0% for full year 2014. This increase was due to the excellent growth of e-tailing customers, alongside the recovery of the C2C parcels in the first quarter thanks to the new product offering. As for the previous quarter, revenues evolution was impacted by a negative price mix effect (-3.7%), explained by the faster growth of large e-tailers with high volumes and better prices than the smaller customers. International parcels grew by EUR 10.2m, mainly driven by the increased traffic on lanes from the US and China (EUR +11.6m, helped by a favorable exchange rate impact of EUR +4.5m), partially offset by the volume decline of shipments to China (EUR -2.0m).

Total operating income from **Additional sources of revenues** decreased organically by EUR 4.1m to reach EUR 150.6m. This decrease was mainly due to the decrease of International Mail (EUR -4.1m), driven by the curtailment of the very low margin UK and US wholesale business (EUR -4.3m) and the lower amounts of favorable settlements with foreign operators of previous years' terminal dues (EUR -0.8m), partially offset by the favorable exchange rate impact (EUR +1.6m). Revenues for Value Added Services (EUR +0.6m) increased while Banking and Financial Services revenues decreased as growth in prepaid credit cards and Western Union sales were more than offset by lower commission from bpost bank and less transactions managed on behalf of the Belgian State (EUR -0.5m).

Revenues from **Corporate** slightly decreased by EUR 0.4m to EUR 11.4m.

# Operating expenses

## First quarter 2015

| **In million EUR** | **1Q14** | **1Q15** | **Change %** |
|---|---|---|---|
| Payroll & interim costs | 306.7 | 294.4 | *-4.0%* |
| *FTE* | *25,144* | *24,463* | *-681* |
| SG&A (excl. interim and transport costs) | 89.6 | 86.6 | *-3.4%* |
| Transport costs | 50.7 | 52.7 | *4.0%* |
| Other costs | 6.7 | 10.2 | *51.4%* |
| **TOTAL OPERATING EXPENSES** | **453.7** | **443.9** | ***-2.2%*** |

**Total operating expenses** amounted to EUR 443.9m and decreased by 2.2% or EUR 9.9m. This decrease was driven by the decrease of the payroll and interim costs (EUR -12.3m), alongside the decrease in services and other goods excluding interim and transport costs (EUR -3.1m). This decrease was partially offset by higher transport costs (EUR +2.0m) and other costs (EUR +3.5m).

**Payroll and interims costs** in the first quarter of 2015 amounted to EUR 294.4m and showed a net decrease of EUR 12.3m compared to the same period of 2014.

The decrease in payroll and interim costs was primarily due to productivity improvement programs in the mail and parcels distribution network (Vision 2020) and in post offices resulting in a year-on-year reduction in the average work force (FTE and interim) by 681 FTE, compared to the first quarter of 2014, generating savings of EUR 7.9m.

The recruitment of auxiliary postmen created a positive mix effect of EUR 1.8m. Additionally, a lower number of non baremic contractuals due to the Alpha project and the related hiring freeze created an additional positive mix effect (EUR 1.1m).

A negative price effect impacted costs by EUR 1.1m, stemming from the impact of the merit increases, the CLA signed in the second quarter of 2014 and higher one-offs restructuring charges, partially compensated by lower prices for interims. Finally, the cost of employee benefits evolved positively (down EUR 1.6m).

**SG&A excluding interim and transport costs** decreased by EUR 3.1m, all costs decreased except for third party remuneration and fees (due to temporary resources for projects) and other services.

**Transport costs** amounted to EUR 52.7m, EUR 2.0m higher compared to previous year, impacted by exchange rates (EUR +4.2m), and lower favorable settlements of previous years' terminal dues (EUR +0.5m). Taking into account the net growth of international parcels and the curtailment of international mail wholesale activities and the aforementioned effects, transport costs decreased by EUR 2.7m.

The increase in **other costs** (EUR +3.5m) is mainly a result of the less favorable evolution of provisions (EUR +2.3m) and the lower increase of the recoverable VAT (EUR +1.2m): percentage of recoverable VAT increased from 11% in 2013 to 13% in 2014 and 14% in 2015.

# Cash flow statement

## First quarter 2015

In the first quarter of 2015, bpost generated EUR 297.9m cash, a decrease by EUR 68.9m compared to the same period last year.

**Free cash flow** (EUR 298.1m) was EUR 69.3m lower than last year.

**Cash flow from operating activities** resulted in a cash inflow of EUR 306.6m, EUR 78.0m less than the same period last year. The results of operating activities remained almost stable but EUR 42.0m income taxes relating to the 2013 results were paid in the first quarter of 2015. Besides this, working capital deteriorated by EUR 36.2m.

The negative evolution in working capital was mainly influenced by last year's earlier reception of two settlements with postal operators (EUR 25.1m) and a lower SGEI remuneration received in the first quarter of 2015 (EUR 9.5m).

**Investing activities** generated a cash outflow of EUR 8.5m in the first quarter of 2015 compared to an outflow of EUR 17.3m EUR for the same period last year. This decrease was due to lower cash outflows related to the subsidiaries as last year bpost acquired new subsidiaries for a total amount of EUR 8.7m. Higher proceeds from the sale of property, plant and equipment were almost entirely offset by higher capital expenditures.

The cash outflow relating to **financing activities** amounted to EUR 0.2m, a decrease by EUR 0.4m compared to last year.

# Key events during the first quarter

### bpost bank acquires Krefima on April 2, 2015

After having developed a complete offer in the area of daily banking transactions, savings and investments, bpost bank continues to expand its lending activities. By the continued expansion of its lending activities bpost bank wants to meet the needs of their customers and wants to reinforce their loyalty. bpost bank wants to achieve this throughout the increased sales of loans via the network of postal offices and at the same time throughout strategic initiatives such as the take-over of Krefima. Krefima is the most important independent lender via brokers in Belgium.

# Financial calendar

| | |
|---|---|
| **07.05.15 (10:00 CET)** | Analyst Conference Call |
| **13.05.15** | Ordinary General Meeting of Shareholders |
| **18.05.15** | Ex-dividend date |
| **19.05.15** | Record date |
| **20.05.15** | Payment date of the dividend |
| **07.07.15** | Start of quiet period ahead of 2Q15 results |
| **06.08.15 (17:45 CET)** | Announcement 2Q15 and half-year results |
| **07.08.15 (10:00 CET)** | Analyst Conference Call |
| **06.10.15** | Start of quiet period ahead of 3Q15 results |
| **05.11.15 (17:45 CET)** | Announcement 3Q15 results |
| **06.11.15 (10:00 CET)** | Analyst Conference Call |
| **03.12.15 (17:45 CET)** | Financial results first 10 months of 2015 |
| **08.12.15** | Ex-dividend date (interim dividend) |
| **09.12.15** | Record date (interim dividend) |
| **10.12.15** | Payment date of the interim dividend |

# Unaudited Interim Condensed Consolidated Financial Statements[1]

## Interim Consolidated Income Statement (unaudited)

| In million EUR | NOTES | Year-to-date 2015 | 2014 |
|---|---|---|---|
| Turnover | 5 | 612.6 | 622.4 |
| Other operating income | | 3.9 | 4.3 |
| **TOTAL OPERATING INCOME** | | **616.6** | **626.7** |
| Materials cost | | (7.3) | (8.0) |
| Services and other goods | 6 | (146.0) | (146.0) |
| Payroll costs | | (287.6) | (301.0) |
| Other operating expenses | | (2.8) | 1.3 |
| Depreciation, amortization | | (21.1) | (20.9) |
| **TOTAL OPERATING EXPENSES** | | **(465.0)** | **(474.7)** |
| **PROFIT FROM OPERATING ACTIVITIES (EBIT)** | | **151.6** | **152.0** |
| Financial income | | 1.3 | 1.2 |
| Financial cost | | (3.1) | (3.3) |
| Share of profit of associates | | (0.8) | 3.6 |
| **PROFIT BEFORE TAX** | | **149.0** | **153.6** |
| Income tax expense | | (52.4) | (54.7) |
| **PROFIT OF THE PERIOD** | | **96.6** | **98.9** |
| Attributable to: | | | |
| Owners of the Parent | | 95.7 | 98.4 |
| Non-controlling interests | | 0.8 | 0.5 |

**EARNINGS PER SHARE**

| In EUR | Year-to-date 2015 | 2014 |
|---|---|---|
| ►basic, profit for the year attributable to ordinary equity holders of the parent | 0.48 | 0.49 |
| ►diluted, profit for the year attributable to ordinary equity holders of the parent | 0.48 | 0.49 |

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.

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

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

# Interim Consolidated Statement of Comprehensive Income (unaudited)

| In million EUR | As of 31 March 2015 | As of 31 March 2014 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **96.6** | **98.9** |
| | | |
| **OTHER COMPREHENSIVE INCOME** | | |
| | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):* | | |
| | | |
| Exchange differences on translation of foreign operations | 0.8 | 0.0 |
| | | |
| **NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS** | **0.8** | 0.0 |
| | | |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):* | | |
| | | |
| Fair value for financial assets available for sale by associates | 8.3 | 29.4 |
| *(Loss)gain on available for sale financial assets* | 12.6 | 44.6 |
| *Income tax effect* | (4.3) | (15.2) |
| | | |
| **NET OTHER COMPREHENSIVE INCOME/(LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS** | **8.3** | **29.4** |
| | | |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX** | **9.1** | **29.4** |
| | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **105.7** | **128.3** |
| | | |
| Attributable to: | | |
| Owners of the Parent | 104.8 | 127.8 |
| Non-controlling interest | 0.8 | 0.5 |

# Interim Consolidated Statement of Financial Position (unaudited)

| In million EUR | NOTES | As of 31 March 2015 | As of 31 December 2014 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 556.0 | 565.7 |
| Intangible assets | | 89.6 | 89.5 |
| Investments in associates | 8 | 424.0 | 416.5 |
| Investment properties | | 8.3 | 8.7 |
| Deferred tax assets | | 57.4 | 61.0 |
| Trade and other receivables | | 2.3 | 2.6 |
| | | **1,137.5** | **1,144.0** |
| **Current assets** | | | |
| Assets held for sale | | 3.3 | 2.8 |
| Inventories | | 11.4 | 12.5 |
| Income tax receivable | | 2.1 | 1.9 |
| Trade and other receivables | 9 | 314.2 | 398.3 |
| Cash and cash equivalents | 10 | 860.9 | 562.3 |
| | | **1,191.8** | **977.8** |
| **TOTAL ASSETS** | | **2,329.3** | **2,121.8** |
| **Equity and liabilities** | | | |
| **Equity attributable to equity holders of the Parent** | | | |
| Issued capital | | 364.0 | 364.0 |
| Treasury shares | | 0.0 | 0.0 |
| Reserves | | 325.2 | 229.4 |
| Foreign currency translation | | 1.4 | 0.6 |
| Retained earnings | | 96.6 | 87.5 |
| | | **787.1** | **681.4** |
| Non-controlling interests | | 0.0 | 0.0 |
| **TOTAL EQUITY** | | **787.1** | **681.4** |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | | 65.7 | 65.7 |
| Employee benefits | 11 | 364.9 | 368.6 |
| Trade and other payables | | 83.5 | 79.8 |
| Provisions | | 36.9 | 37.1 |
| Deferred tax liabilities | | 1.4 | 1.4 |
| | | **552.5** | **552.5** |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | | 9.7 | 10.0 |
| Bank overdrafts | | 0.2 | 0.3 |
| Provisions | | 28.5 | 27.7 |
| Income tax payable | 12 | 72.6 | 67.3 |
| Trade and other payables | 13 | 878.8 | 782.6 |
| | | **989.8** | **887.8** |
| **TOTAL LIABILITIES** | | **1,542.2** | **1,440.4** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,329.3** | **2,121.8** |

# Interim 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 2014** | **364.0** | **0.0** | **111.0** | **0.0** | **101.9** | **576.9** | **0.0** | **576.9** |
| Profit for the period | | | | | 98.4 | 98.4 | 0.5 | 98.9 |
| Other comprehensive income | | | 131.3 | | (101.9) | 29.4 | | 29.4 |
| **TOTAL COMPREHENSIVE INCOME** | **0.0** | **0.0** | **131.3** | **0.0** | **(3.4)** | **127.8** | **0.5** | **128.3** |
| Other | | | | | 0.5 | 0.5 | (0.5) | 0.0 |
| **AS OF 31 MARCH 2014** | **364.0** | **0.0** | **242.3** | **0.0** | **98.9** | **705.2** | **0.0** | **705.2** |
| | | | | | | | | |
| **AS PER 1 JANUARY 2015** | **364.0** | **0.0** | **229.4** | **0.6** | **87.5** | **681.4** | **0.0** | **681.4** |
| Profit for the period | | | | | 95.7 | 95.7 | 0.8 | 96.6 |
| Other comprehensive income | | | 95.8 | 0.8 | (87.5) | 9.1 | | 9.1 |
| **TOTAL COMPREHENSIVE INCOME** | **0.0** | **0.0** | **95.8** | **0.8** | **8.2** | **104.8** | **0.8** | **105.7** |
| Other | | | (0.0) | | 0.8 | 0.8 | (0.8) | (0.0) |
| **AS OF 31 MARCH 2015** | **364.0** | **0.0** | **325.2** | **1.4** | **96.6** | **787.1** | **0.0** | **787.1** |

Equity increased by EUR 105.7m, or 15.5%, to EUR 787.1m as of March 31, 2015 from EUR 681.4m as of December 31, 2014. The increase was mainly due to the realized profit of EUR 96.6m and the fair value adjustment in respect of bpost bank’s bond portfolio amounting to EUR 8.3m.

# Interim Consolidated Statement of Cash Flows (unaudited)

| In million EUR | NOTES | Year-to-date 2015 | Year-to-date 2014 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 149.0 | 153.6 |
| Depreciation and amortization | | 21.1 | 20.9 |
| Impairment on bad debts | | (0.3) | (0.1) |
| Gain on sale of property, plant and equipment | | (2.3) | (2.4) |
| Change in employee benefit obligations | | (3.7) | (1.8) |
| Share of profit of associates | | 0.8 | (3.6) |
| Dividends received | | 0.0 | 0.0 |
| Income tax paid | | (2.4) | (1.9) |
| Income tax paid on previous years | | (42.0) | 0.0 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS** | | **120.2** | **164.7** |
| Decrease/(increase) in trade and other receivables | | 84.6 | 81.1 |
| Decrease/(increase) in inventories | | 0.9 | (0.2) |
| Increase/(decrease) in trade and other payables | | 100.2 | 141.0 |
| Deposits received from third parties | | 0.0 | (0.2) |
| Increase/(decrease) in other provisions | | 0.7 | (1.6) |
| **NET CASH FROM OPERATING ACTIVITIES** | | **306.6** | **384.6** |
| **Investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 2.9 | 2.7 |
| Acquisition of property, plant and equipment | | (7.9) | (8.8) |
| Acquisition of intangible assets | | (3.5) | (2.4) |
| Acquisition of subsidiaries, net of cash acquired | | 0.0 | (8.7) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(8.5)** | **(17.3)** |
| **Financing activities** | | | |
| Payments related to borrowings and financing lease liabilities | | (0.2) | (0.6) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **(0.2)** | **(0.6)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **297.9** | **366.7** |
| **NET FOREIGN EXCHANGE DIFFERENCE** | | **0.8** | **0.0** |
| Cash and cash equivalent less bank overdraft as of 1st January | | 562.0 | 448.0 |
| Cash and cash equivalent less bank overdraft as of 31 March | | 860.6 | 814.7 |
| **MOVEMENTS BETWEEN 1ST JANUARY AND 31ST MARCH** | | **298.7** | **366.7** |

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

## 1. Corporate Information

The interim condensed consolidated financial statements of bpost for the first three months ended March 31, 2015 were authorized for issue in accordance with a resolution of the Board of Directors on May 6, 2015.

### Business activities

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

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

### Legal status

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

## 2. Basis of 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 three months ended March 31, 2015 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, 2014.

### 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, 2014, except for the adoption of new standards and interpretations effective as from January 1, 2015.

As of January 1, 2015 bpost bank applies IFRIC 21 “levies”. This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. The application of this interpretation has mainly an impact on the seasonality of the results of bpost bank. The results of bpost bank are being reflected within the share of result of associates of the income statement of bpost.

The following table shows a comparison of the results of bpost bank for which 2014 reported figures are being made comparable with 2015 for the impact of IFRIC 21.

| | Year-to-date | | |
|---|---|---|---|
| **In million EUR** | **2015** | **2014 reported** | **2014 comparable** |
| **Share of result of associates** | **(0.8)** | **3.6** | **(0.1)** |

The following new standards and amendments, entered into force as from January 1, 2015, don't have any effect on the presentation, the financial performance or position of bpost:

- **IAS 19 – Amendment** – Employee Benefits – Defined benefit plans: Employee Contributions
- Annual improvements to IFRSs 2010-2012 Cycle
- Annual improvements to IFRSs 2011-2013 Cycle

## Standards and Interpretations not yet applied by bpost

The following new IFRS Standards and IFRIC Interpretations, endorsed 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 9** – Financial Instruments – (issued on July 2014)(*) | 1 January 2018 |
| **IFRS 14** – Regulatory Deferral Accounts (*) | 1 January 2016 |
| **IFRS 15** – Revenue from Contracts with customers (*) | 1 January 2017 |
| **IFRS 11** – Amendment – Accounting for acquisitions of interests in Joint Operations (*) | 1 January 2016 |
| **IFRS 10 – IAS 28 - Amendments** – Sale or contribution of assets between an investor and its Associate or Joint Venture (*) | 1 January 2016 |
| **IFRS 10, IFRS 12 & IAS 28 – Amendments** - Investment Entities: Applying the consolidation exception (issued on December 2014) (*) | 1 January 2016 |
| **IAS 27 – Amendments -** Equity method in Separate Financial Statements (*) | 1 January 2016 |
| **IAS 16 - IAS 38 – Amendments** – Clarification of acceptable methods of depreciation and amortisation (*) | 1 January 2016 |
| **IAS 16 – IAS 41 – Amendments -** Agriculture: Bearer plants (*) | 1 January 2016 |
| **IAS 1 – Amendments –** Disclosure Initiative (issued on December 2014) (*) | 1 January 2016 |
| **Annual improvements to IFRSs 2012-2014 Cycle (*)** | 1 January 2016 |

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

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

## 3. Seasonality of Operations

Pursuant to the 5th Management Contract, bpost is the provider of certain SGEI. These services include, among others, the operation of the retail network, the distribution of newspapers and periodicals, the distribution of electoral materials, the acceptance of cash deposits at post offices and the home delivery of state pensions and social allowances. bpost is compensated for providing these services based on a net avoided cost ("NAC") methodology.

Compensation on SGEI is equally distributed over the four quarters. During the year, calculations are made according to the Net Avoided Cost methodology to ensure the remuneration is in line with the amounts recorded. This methodology provides that compensation shall be based upon the difference in the net cost between bearing or not the provision of SGEI. The compensation for providing the SGEI is subject to a cap, which will be adjusted to the extent the Belgian consumer price index exceeds 2.2% in a given year.

## 4. Operating Segments

Following a correction of the allocation of cash sales (stamps and franking machines) to products as of January 1, 2015 some revenues are shifting from Domestic parcels to Transactional mail. Taking into account these changes, the 2014 figures have been made comparable to reflect these changes. The comparable figures are shown under the heading "comparable". The variances mentioned hereafter compare the 2015 figures with the 2014 comparable figures.

The table below presents revenue information about bpost's operating segments:

| | Year-to-date | | |
|---|---|---|---|
| **In million EUR** | **2015** | **2014 Comparable** | **2014** |
| MRS | 483.4 | 500.7 | 499.9 |
| P&I | 121.7 | 114.2 | 115.0 |
| **TOTAL OPERATING INCOME OF OPERATING SEGMENTS** | **605.1** | **614.9** | **614.9** |
| Corporate (Reconciling category) | 11.4 | 11.8 | 11.8 |
| **TOTAL OPERATING INCOME** | **616.6** | **626.7** | **626.7** |

Revenues attributable to the MRS operating segment decreased by EUR 17.3m compared to the first quarter of 2014, to EUR 483.4m, mainly due to:

- the 5.3% underlying volume decline of the Domestic mail,
- lower revenues in Philately, Retail, Banking and Financial products,
- partially compensated by price increases in Domestic Mail.

Growth of P&I revenues in the first quarter amounted to EUR 7.5m. The decrease of International mail (EUR 4.1m), mainly as a result of the curtailment of very low margin UK and US wholesales activities to optimize profitability, is more than compensated by the increase of the Parcels product portfolio. The latter increased by EUR 11.6m and is favorably influenced by

- the performance of International Parcels, driven by the solid growth in the lanes from the US and China, supported by a positive foreign exchange rate impact,
- the remaining balance is explained by the growth in Domestic Parcels, driven by e-commerce evolution (10.2% for the first quarter of 2015 vs. 7.0% for the full year of 2014).

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

Excluding the compensation received to provide the services as described in the Management Contract (see note 5), no single external customer exceeded 10% of bpost's operating income.

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

| | Year-to-date | |
|---|---|---|
| **In million EUR** | **2015** | **2014** |
| Belgium | 532.4 | 548.8 |
| Rest of the World | 84.2 | 77.9 |
| **TOTAL OPERATING INCOME** | **616.6** | **626.7** |

The following tables present EBIT and EAT information about bpost's operating segments for the period ended March 31, 2015 and 2014:

| | Year-to-date | | |
|---|---|---|---|
| **In million EUR** | **2015** | **2014 Comparable** | **2014** |
| MRS | 140.5 | 142.9 | 142.3 |
| P&I | 17.4 | 10.5 | 11.1 |
| **TOTAL EBIT OF OPERATING SEGMENTS** | **157.8** | **153.4** | **153.4** |
| Corporate (Reconciling category) | (6.3) | (1.4) | (1.4) |
| **TOTAL EBIT** | **151.6** | **152.0** | **152.0** |

In the first quarter of 2015, EBIT of the MRS operating segment decreased by EUR 2.4m to EUR 140.5m. The price increases, productivity improvements and costs reduction could not compensate the volume decline.

EBIT attributable to the P&I operating segment improved by EUR 6.9m from EUR 10.5m to EUR 17.4m in the first quarter of 2015 mainly thanks to performance improvements in the domestic and international parcels product lines combined with a better performance of the P&I subsidiaries and last year's start up project costs of Shop and Deliver ("Combo").

| | Year-to-date | | |
|---|---|---|---|
| **In million EUR** | **2015** | **2014 Comparable** | **2014** |
| MRS | 140.5 | 142.9 | 142.3 |
| P&I | 17.4 | 10.5 | 11.1 |
| **TOTAL EAT OF OPERATING SEGMENTS** | **157.8** | **153.4** | **153.4** |
| Corporate (Reconciling category) | (61.3) | (54.5) | (54.5) |
| **TOTAL EAT** | **96.6** | **98.9** | **98.9** |

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

The following table provides detailed information on the reconciling category “Corporate”:

| In million EUR | Year-to-date 2015 | 2014 Comparable | 2014 |
|---|---|---|---|
| **OPERATING INCOME** | **11.4** | **11.8** | **11.8** |
| Central departments (Finance, Legal, Internal Audit, CEO, ...) | (16.0) | (14.5) | (14.5) |
| Other reconciliation items | (1.7) | 1.3 | 1.3 |
| **OPERATING EXPENSES** | **(17.7)** | **(13.2)** | **(13.2)** |
| **EBIT CORPORATE (RECONCILING CATEGORY)** | **(6.3)** | **(1.4)** | **(1.4)** |
| Share of profit of associates | (0.8) | 3.6 | 3.6 |
| Financial Results | (1.8) | (2.1) | (2.1) |
| Income Tax expense | (52.4) | (54.7) | (54.7) |
| **EAT CORPORATE (RECONCILING CATEGORY)** | **(61.3)** | **(54.5)** | **(54.5)** |

Profit from operating activities (EBIT) attributable to the Corporate reconciliation category decreased by EUR 4.9m to negative EUR 6.3m EUR for the first quarter of 2015 from negative EUR 1.4m for the first quarter of 2014. This deterioration is mainly driven by not allocated payroll costs (EUR 2.2m) and cost increases in the central departments (EUR 1.5m) due to some projects.

Assets and liabilities are not reported per segment in the company.

## 5. Turnover

| In million EUR | Year-to-date 2015 | 2014 |
|---|---|---|
| Turnover excluding the SGEI compensation | 540.7 | 546.3 |
| SGEI compensation | 71.9 | 76.1 |
| **TOTAL** | **612.6** | **622.4** |

## 6. Operating expenses

| In million EUR | 2015 | Year-to-date 2014 | Change % |
|---|---|---|---|
| Rent and rental costs | 16.2 | 17.1 | -5.4% |
| Maintenance and repairs | 18.1 | 18.2 | -0.4% |
| Energy delivery | 9.6 | 10.2 | -6.7% |
| Other goods | 4.3 | 5.0 | -12.9% |
| Postal and telecom costs | 1.5 | 1.6 | -7.9% |
| Insurance costs | 2.4 | 3.3 | -27.8% |
| Transport costs | 52.7 | 50.7 | 4.0% |
| Publicity and advertising | 2.4 | 3.3 | -25.7% |

| | | | |
|---|---|---|---|
| Consultancy | 1.6 | 1.8 | -7.5% |
| Interim employees | 6.8 | 5.7 | 18.7% |
| Third party remuneration, fees | 25.9 | 24.8 | 4.1% |
| Other services | 4.6 | 4.3 | 6.8% |
| **TOTAL** | **146.0** | **146.0** | **0.0%** |

## 7. Property, plant and equipment

In the first quarter of 2015 property, plant and equipment decreased by EUR 9.7m, or 1.7%, to EUR 556.0m as of March 31, 2015. The decrease was mainly due to depreciation and impairment of EUR 17.2m, transfers to assets held for sale of EUR 1.0m partially offset by capital expenditures of EUR 7.9m.

## 8. Investments in associates

Investments in associates increased by EUR 7.5m, or 1.8%, to EUR 424.0m as of March 31, 2015. This increase is due to the increase in the unrealized gain on the bond portfolio in the amount of EUR 8.3m, reflecting an average decrease of the underlying yield curve by 13 basis points (bps), partially offset by bpost's share of bpost bank's loss for the first three months of 2015 in the amount of EUR 0.8m. As of March 31, 2015, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of EUR 236.4m, which represented 55.7% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but are rather recognized directly in equity in other comprehensive income.

## 9. Current trade and other receivables

Current trade and other receivables decreased by EUR 84.1m, or 21.1%, to EUR 314.2m as of March 31, 2015. The decrease was mainly driven by the usual settlement of the SGEI receivable for the last quarter of 2014.

## 10. Cash and cash equivalents

Cash and cash equivalents increased by EUR 298.6m, or 53.1%, to EUR 860.9m compared to previous year mainly due to the normalized free cash flow (EUR 298.1m). This cash flow contains the payment of EUR 290.5m for the SGEI compensation during the first quarter of 2015.

## 11. Employee benefits

| In million EUR | As of 31 March 2015 | As of 31 December 2014 |
|---|---|---|
| Post-employment benefits | (84.5) | (85.4) |
| Long-term employee benefits | (117.9) | (118.3) |
| Termination benefits | (12.2) | (13.3) |
| Other long-term benefits | (150.4) | (151.5) |
| **Total** | **(364.9)** | **(368.6)** |

Employee benefits decreased by EUR 3.7m, or 1.0%, to EUR 364.9m as of March 31, 2015. The decrease mainly reflects:

- The payment of benefits for an amount of EUR 9.8m, which included EUR 1.2m for the payment of early retirement and part-time work benefits.
- Additional service costs (EUR 4.9m) and interest costs (EUR 1.2m)

## 12. Income tax payable

Income tax payable increased by EUR 5.3m, to EUR 72.6m as of March 31, 2015 and is mainly explained by the accrued income taxes partially offset by the income taxes related to the 2013 results which were paid in the first quarter of 2015.

## 13. Current trade and other payables

Current trade and other payables increased by EUR 96.2m, or 12.3%, to EUR 878.8m as of March 31, 2015. This increase was primarily due to the advance payment received from the Belgian State in respect of the SGEI compensation in the amount of EUR 136.0m, partially offset by decrease in trade payables by EUR 48.8m.

## 14. Contingent Liabilities and Contingent Assets

As of March 31, 2015, bpost had 5,489 auxiliary postmen. 53 auxiliary postmen have initiated a lawsuit against bpost in various labor courts claiming equal salary and benefits by reference to baremic contractual or statutory employees performing the same work. All claims and allegations are contested by bpost. Until now, no courts have upheld the claims. Various court cases are still pending at appeal levels.

If courts, especially at appeal level, were to find that the auxiliary postmen can claim equal treatment, bpost could be ordered to increase the salary and benefits of the auxiliary postmen to the level of relevant baremic contractual or statutory employees and it cannot be excluded that other employees could bring similar claims.

## 15. Events After the Reporting Period

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

# Other financial information (unaudited)

## Reconciliation of Reported to Normalized Financial Metrics

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

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

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

### Income Statement related

During the first quarter of 2015 and 2014 no non-recurring income statement related items were identified.

### Cash Flow Statement related

| | Year-to-date | | |
|---|---|---|---|
| **In million EUR** | **2015** | **2014** | **Change %** |
| Net Cash from operating activities | 306.6 | 384.6 | -20.3% |
| Net Cash used in investing activities | (8.5) | (17.3) | -50.8% |
| **OPERATING FREE CASH FLOW** | **298.1** | **367.4** | **-18.9%** |
| Deposits received from third parties | (0.0) | 0.2 | -100.0% |
| **NORMALIZED OPERATING FREE CASH FLOW** | **298.1** | **367.6** | **-18.9%** |

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

| In million EUR | Year-to-date 2015 | 2014 | Change % |
|---|---|---|---|
| **IFRS Consolidated Net Profit** | **96.6** | **98.9** | **-2.4%** |
| Results of subsidiaries and deconsolidation impacts | (8.7) | (6.3) | 38.6% |
| Differences in depreciation and impairments | (2.7) | (2.2) | 20.1% |
| Differences in recognition of provisions | (0.7) | (3.2) | -78.5% |
| Effects of IAS19 | (5.2) | (1.8) | 188.9% |
| Deferred taxes | 3.7 | 3.0 | 20.1% |
| Other | 4.4 | (1.2) | -458.0% |
| **Belgian GAAP unconsolidated net profit** | **87.3** | **87.3** | **0.1%** |

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:

| In million EUR | Year-to-date 2015 | 2014 |
|---|---|---|
| Profit of the Belgian fully consolidated subsidiaries (local GAAP) | (2.7) | (1.8) |
| Profit of the international subsidiaries (local GAAP) | (2.2) | (1.4) |
| Share of profit of bpost bank (local GAAP) | (3.6) | (3.4) |
| Other deconsolidation impacts | (0.3) | 0.3 |
| **Total** | **(8.7)** | **(6.3)** |

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

- Differences in the treatment of depreciation and impairments: Belgian GAAP allows different useful lives (and hence depreciation rates) for fixed assets from IFRS. Goodwill is amortized under Belgian GAAP while IFRS requires impairment testing for goodwill. IFRS also allows intangible assets to be recorded on the balance sheet under different conditions from Belgian GAAP;
- Recognition of provisions is subject to different criteria under Belgian GAAP and IFRS;
- IFRS requires that all future obligations to personnel be recorded as a liability under IAS 19, whereas Belgian GAAP has no such obligation. The movements in the IFRS liability are reflected on bpost's Income Statement under personnel costs or provisions, except for the impact of changes in the discount rates for the future obligations, which is recorded as a financial result;

- Deferred taxes require no accounting entries under Belgian GAAP, but are recorded under IFRS.

## Statement of legal representatives

The bpost Management Committee declares that to the best of its knowledge, the condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS"), 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 and 14 of the Royal Decree of 14 November 2007.

The bpost Management Committee is represented by Koen Van Gerven, Chief Executive Officer and Pierre Winand, Chief Financial Officer.

## Forward Looking Statements

The information in this document may include forward-looking statements[2], 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.

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

# Glossary

- **Operating free cash flow (FCF):** cash flow from operating activities + cash flow from investing activities
- **Net debt / (net cash)** represents interest and non-interest bearing loans less cash and cash equivalents