2014

Half year financial report

This report constitutes regulated information as defined in the Royal Decree of 14 November 2007.

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1 Overview of Key Figures

NORMALIZED In million EUR	Year-to-date 2014	Year-to-date 2013	Change %	2nd quarter 2014	2nd quarter 2013	Change %
Total Operating Income (Revenues) [1]	1,240.2	1,221.1	1.6%	613.5	603.0	1.7%
Profit from operating activities (EBIT) [2]	294.4	267.8	9.9%	142.3	128.9	10.5%
Profit for the year (EAT) [3]	192.1	166.9	15.1%	93.2	82.1	13.5%
Operating free cash flow [4]	363.6	238.9	52.2%	(4.0)	(19.2)	-79.3%

REPORTED In million EUR	Year-to-date 2014	Year-to-date 2013	Change %	2nd quarter 2014	2nd quarter 2013	Change %
Total Operating income (Revenues)	1,240.2	1,235.7	0.4%	613.5	603.0	1.7%
Profit from operating activities (EBIT)	294.4	282.4	4.3%	142.3	128.9	10.5%
Profit for the year (consolidated - IFRS)	192.1	181.5	5.8%	93.2	82.1	13.5%
bpost NV-SA net profit (unconsolidated - Belgian GAAP)	171.5	130.7	31.2%	84.2	60.5	39.0%
Operating Free cash flow [5]	363.4	115.8	213.8%	(4.0)	(53.4)	-92.5%
Net Debt / (Net Cash), at 30 June [6]	(684.3)	(537.9)	27.2%	(684.3)	(537.9)	27.2%
Basic earnings per share [7], in EUR	0.95	0.90	5.6%	0.46	0.41	12.2%
Number of FTE and interim (average)	25,201	26,220	-3.9%	25,259	26,259	-3.8%

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

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

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

(4) *Normalized operating free cash flow for the period represents operating free cash flow for the period excluding the impact of non-recurring items and is not audited.*

(5) *Operating free cash flow represents net cash from operating activities less net cash used in investing activities.*

(6) *Net debt/(net Cash) represents interest and non-interest bearing loans less cash and cash equivalents.*

(7) *Earnings per share are calculated based on the number of shares after the stock split, which was approved at the Extraordinary Shareholders' Meeting on May 27, 2013 and resulted in a total of 200,000,944 shares.*

For further details on reconciliation of normalized and reported key figures, please refer to section "Reconciliation of Reported to Normalized Financial Metrics" of this document.

2 Highlights

- **Total operating income (revenues)** came in at 613.5 million EUR for the quarter, a slight increase by 8.1 million EUR on an organic basis. This brings the organic growth of the first six months of 2014 to 1.2% versus last year.

- The **domestic mail volume** decline amounted to -3.6% on a reported basis, taking into account the positive impact on volume from elections. On an underlying basis (i.e. excluding the positive impact of elections) the decline for the quarter was -5.1%, showing a worsening of trends observed in transactional mail in the first quarter. This brings the **decline to -4.9% year-to-date.**

- The growth **in parcels amounted to 9.1 million EUR on an organic basis**, with an underlying volume growth of 4.7% in domestic parcels. International parcels continued to grow strongly albeit a bit less than in the first quarter of 2014 in particular due to a **slow down of growth of shipments to China.**

- **Other sources of revenues** performed well with an **organic growth of 5.0 million EUR** for the quarter.

- **Costs continued to be under control with an organic decrease of € 3.6m for the quarter or even 11.3 million EUR excluding transport costs.** The opposite effects of the reduction of 1,061 FTE versus the same quarter of last year and of the salary increases agreed upon in the collective labour agreement, resulted in a decrease of payroll and interim costs by 4.5 million EUR for the quarter. Transport costs grew by 7.7 million EUR mainly due to the growth of our international activities.

- **EBITDA margin for the quarter improved to 26.7%** (+1.5 percentage points versus the same quarter of last year) to reach 163.6 million EUR. For the first half of the year, EBITDA reached 336.6 million EUR (+25.2 million EUR versus the first half year of 2013).

- For the full year 2014, we expect to report **revenues in line with last year. Operating results for the second half** of the year should be **in line with last year's. Domestic mail volume declines** could reach **up to -5.5%** for the year and **growth in domestic parcels** should be **at least in line with** the evolution observed in the **first half**.

3 Key events for the second quarter 2014

The management of bpost and the social partners unanimously approved in the joint committee a new collective agreement for 2014-2015.

As in the previous collective agreement, arrangements have been made for the possible payment of a non-recurring bonus linked to the results in 2014-2015. A series of measures have also been agreed to improve the remuneration of the auxiliary postmen, in particular with regard to meal vouchers and the end-of-year bonus. The results of the second quarter are impacted by this new collective labor agreement.

4 Changes in Corporate Governance

Following the appointment of Mr. Koen Van Gerven as the new CEO of bpost, his former position as Mail and Retail Solutions Director and member of bpost's Management Committee became vacant.

Upon unanimous recommendation of the Remuneration and Nomination Committee, the Board of Directors has appointed Marc Huybrechts as Mail and Retail Solutions Director and member of bpost's Management Committee. He will take up his new duties on September 1, 2014.

Peter Somers, member of the Group Executive Management, and responsible for the operational unit Parcels & International left bpost on July 31, 2014. Kurt Pierloot, responsible for Mail Services Operations, will temporarily lead the international activities. The parcels division will report directly to the CEO.

5 Financial Review

5.1 Interim Consolidated Income Statement

The following table presents bpost's financial results for the first half and the second quarter of 2014 and 2013:

In million EUR	Year-to-date			2nd quarter		
	2014	2013	Change %	2014	2013	Change %
Turnover	1,231.7	1,214.1	1.5%	609.2	600.4	1.5%
Other operating income	8.5	21.6	-60.6%	4.2	2.5	66.4%
Total operating income	**1,240.2**	**1,235.7**	**0.4%**	**613.5**	**603.0**	**1.7%**
Materials cost	(15.1)	(15.3)	-1.2%	(7.1)	(7.5)	-5.8%
Services and other goods	(292.4)	(291.4)	0.3%	(146.4)	(141.7)	3.3%
Payroll costs	(595.3)	(606.8)	-1.9%	(294.3)	(300.4)	-2.0%
Other operating expenses	(0.8)	3.9	-120.8%	(2.1)	(1.7)	24.6%
Depreciation, amortization	(42.2)	(43.6)	-3.3%	(21.2)	(22.9)	-7.2%
Total operating expenses	**(945.8)**	**(953.3)**	**-0.8%**	**(471.1)**	**(474.1)**	**-0.6%**
Profit from operating activities (EBIT)	**294.4**	**282.4**	**4.3%**	**142.3**	**128.9**	**10.5%**
Financial income	2.1	1.2	73.5%	0.9	0.4	123.6%
Financial cost	(13.7)	(5.0)	174.7%	(10.4)	(2.6)	308.0%
Share of profit of associates	6.3	12.2	-48.3%	2.7	9.7	-72.2%
Profit before tax	**289.0**	**290.7**	**-0.6%**	**135.5**	**136.4**	**-0.7%**
Income tax expense	(97.0)	(109.3)	-11.3%	(42.3)	(54.3)	-22.0%
Profit for the period	**192.1**	**181.5**	**5.8%**	**93.2**	**82.1**	**13.5%**

Total operating income (revenues)

The following table presents a breakdown of bpost's total operating income by product for the six months of the year and the second quarter of 2014 and 2013:

In million EUR	Year-to-date			2nd quarter		
	2014	2013	Change %	2014	2013	Change %
Domestic Mail	771.9	788.6	-2.1%	385.1	393.5	-2.1%
Transactional Mail	474.7	489.2	-3.0%	235.8	244.9	-3.7%
Advertising Mail	141.6	141.5	0.1%	71.4	70.1	1.9%
Press	155.6	157.9	-1.5%	77.9	78.6	-0.9%
Parcels	144.2	115.6	24.7%	70.8	59.7	18.6%
Additional sources of revenue and retail network	306.0	314.0	-2.5%	151.3	146.7	3.1%
Value-added services	48.7	42.9	13.5%	24.1	20.6	17.0%
International Mail	99.9	98.7	1.2%	49.6	46.6	6.4%
Banking and Financial products	104.4	104.6	-0.2%	52.0	52.6	-1.1%
Other	53.1	67.8	-21.7%	25.6	27.0	-5.2%
Corporate (Reconciling category)	18.1	17.4	4.0%	6.3	3.1	103.2%
Total	**1,240.2**	**1,235.7**	**0.4%**	**613.5**	**603.0**	**1.7%**

Total operating income increased by 10.5 million EUR, or 1.7%, to 613.5 million EUR in the second quarter of 2014, from 603.0 million EUR in the same period of 2013.

Changes in scope, caused by the integration of the newly acquired companies Ecom, Starbase, Gout International and BEurope Consultancy, contributed positively to the operating income for 2.4 million EUR during the second quarter of 2014.

Excluding these elements, total operating income (revenues) showed an organic growth of 8.1 million EUR, driven by the solid performance of Parcels and good performance in International Mail and Value added services compensating the volume decline in Domestic mail.

Revenues from ***Domestic mail*** decreased by 8.4 million EUR, or 2.1%, from 393.5 million EUR in the second quarter of 2013 to 385.1 million EUR in the second quarter of 2014. The occurrence of elections had a positive impact of 4.6 million EUR in the second quarter of 2014, impacting respectively transactional mail and advertising mail by 0.7 million EUR and 3.9 million EUR. The organic evolution is mainly driven by the 5.1% volume decline, or 17.8 million EUR, partially compensated by the net improvement in price and mix, amounting to 4.8 million EUR. The price increase is negatively impacted by promotions and mixes in products as customers switch to cheaper products or reduce the weight of their mailings to reduce costs. Transactional mail's worsening trend continued as customers seek to reduce mail consumption with some large senders implementing more aggressive measures. Advertising mail remained soft along with the advertising market this quarter as the underlying volume evolution amounted to -3.6%.

Parcels continued their strong performance and realized a 11.1 million EUR, or 18.6%, increase in revenues. The integration of new companies in the perimeter of the group contributed 2.0 million EUR to this increase. Organic growth (9.1 million EUR) is driven by:

- the good performance of the International Parcels (contribution of 7.7 million EUR to the increase), thanks to the increase in parcels volumes generated from the US (4.1 million EUR). The remaining balance of the growth was mainly generated by the parcels activities from China (2.2 million EUR, mainly e-tailers exporting to Europe) and to China (0.9 million EUR, mainly milk powder).
- An underlying Domestic Parcels volumes growth of 4.7 %. A small slow down in growth is recorded due to the decline in C2C and catalog sales companies, combined with a general small slow down of volume growth by our customers. The reported volume growth of domestic parcels amounted to 6.0% whilst the underlying volume figure was affected by the reversal of phasing effects in accounting of revenues between the first and second quarter of 2013. Besides this, a positive price/mix effect of 0.6 % was realized.
- slightly compensated by a decline of Special logistic activities (1.0 million EUR) as a consequence of a result of stopping the activities in distribution & warehousing.

Total operating income from the ***additional sources of revenues and retail network*** increased by 4.6 million EUR, or 3.1%. Excluding the impact of the change in scope and a transfer from another reporting line, revenue increased by 5.0 million EUR. Despite the lower amount of favorable settlements with foreign operators of previous years' terminal dues (2.0 million EUR) revenue attributable to International Mail grew by 3.1 million EUR. This growth includes an elections impact of 0.4 million EUR. Value added services showed an organic growth of 2.3 million EUR thanks to European License Plates, Car Registration Cards, digital printing of magazines and SEPA activities.

Total operating income attributable to ***Corporate*** rose by 3.2 million EUR to 6.3 million EUR in the second quarter of 2014 mainly due to disposal of buildings combined with revenue recognition and a transfer last year to additional sources of revenues related to custom services.

Over the **first six months of 2014** total operating income amounted to 1,240.2 million EUR, an increase of 4.5 million EUR. Excluding the gain on the disposal of selected activities of Certipost which generated non recurring revenues amounting to 14.6 million EUR during the first quarter of 2013 and scope changes (4.5 million EUR), total operating income increased by 14.6 million EUR. Growth in organic parcels revenues (24.9 million EUR) and organic Value-added services revenues (4.6 million EUR) more than compensated revenue losses in Domestic Mail.

Operating expenses

In the second quarter of 2014 operating expenses, including depreciation and amortization, decreased overall by 3.0 million EUR from 474.1 million EUR in 2013 to 471.1 million EUR in 2014, or 0.6%. Excluding the changes in scope (net increase in costs of 2.3 million EUR due to the acquisition of 4 new subsidiaries), the operating expenses fell by 5.3 million EUR, or 1.1% compared to the same period of the last year. This decrease is mainly due to the drop of payroll and interim costs by 4.5 million EUR as well the depreciation and amortization charges decline of 1.7 million EUR. This impact is partly offset by an increase on other operating charges (0.4 million EUR) and services and other goods (excluding interim) by 1.3 million EUR.

In the first half of 2014 operating expenses, including depreciation, amortization and impairment charges, amounting to 945.8 million EUR (vs. 953.3 million EUR for 2013), showed a decrease of 7.5 million EUR or 0.8% compared to last year. Excluding the changes in scope (net increase in costs of 4.4 million EUR due to the acquisition of 4 new subsidiaries), the operating expenses decreased by 11.9 million EUR or 1.2%. This decrease is mainly reflected in payroll and interim costs (12.8 million EUR), as well as in services and other goods (1.6 million EUR – interims excluded) partially offset by the other operating expenses (4.6 million EUR). Underlying depreciation and amortization charges decreased by 1.5 million EUR.

Material costs

Material costs, which include the cost of raw materials, consumables and goods for resale, decreased by 0.2 million EUR, or 1.2%, to 15.1 million EUR **for the first half of 2014**. **In the second quarter** the material costs decreased by 0.4 million EUR translating into a 5.8% decline in comparison with the same period of 2013.

Services and other goods

The following table presents a breakdown of the cost of services and other goods for the six months of the year and the second quarter of 2014 and 2013:

	Year-to-date			2nd quarter		
In million EUR	2014	2013	Change %	2014	2013	Change %
Rent and rental costs	34.3	34.3	0.0%	17.2	17.3	-0.7%
Maintenance and repairs	36.0	34.4	4.6%	17.9	16.8	6.6%
Energy delivery	19.2	21.1	-9.0%	9.0	9.8	-8.2%
Other goods	9.6	9.6	0.5%	4.6	4.7	-2.1%
Postal and telecom costs	2.7	3.3	-17.3%	1.1	1.6	-31.2%
Insurance costs	6.4	7.7	-16.9%	3.0	3.8	-20.2%
Transport costs	99.0	83.4	18.7%	48.4	39.6	22.2%
Publicity and advertising	6.4	9.5	-32.8%	3.1	4.9	-35.9%
Consultancy	5.2	8.4	-38.2%	3.4	4.1	-16.0%
Interim employees	15.0	15.5	-2.9%	9.3	7.3	27.0%
Third party remuneration, fees	49.3	55.6	-11.3%	24.5	27.2	-10.1%
Other services	9.2	8.5	7.5%	4.9	4.5	7.2%
Total	**292.4**	**291.4**	**0.3%**	**146.4**	**141.7**	**3.3%**

In the second quarter of 2014 services and other goods, excluding interim costs[1] showed an increase by 2.7 million EUR from 134.4 million EUR to 137.1 million EUR, or by 2%. Excluding the impact of the changes in scope (1.5 million EUR, mainly transport costs due to the acquisition of 4 new subsidiaries) the costs for goods and services, excluding interims, increased by 1.3 million EUR.

Maintenance and repairs costs have increased in the second quarter by 1.1 million EUR (6.6%). This effect was caused by the increase in maintenance costs of vehicles due to the fact that the average age of the vans is increasing. These negative impacts have been partly compensated by lower building-related costs.

Energy delivery costs showed a positive evolution and decreased by 0.9 million EUR in the second quarter of 2014 in comparison with the same period of 2013. This improvement is mainly due to the positive price evolution of fuel costs.

[1] *Interim costs are analyzed together with payroll costs, as they are a better performance indicator of human capital utilization. In certain cases of natural attrition, personnel is replaced by interims to anticipate reorganizations and productivity improvement programs.*

Transport costs in the second quarter of 2014 amounted to 48.4 million EUR, or 22.2% (8.8 million EUR) higher than the same period in 2013. This is due to the increase in international activities, the consolidation of newly acquired subsidiaries for 1.0 million EUR and lower favorable settlements of previous years' terminal dues in second quarter of 2014 for 1.2 million EUR compared to second quarter of 2013.

Publicity and advertisement costs dropped from 4.9 million EUR to 3.1 million EUR (down 1.8 million EUR) in the second quarter of 2014.

Cost monitoring programs have resulted in the decline of ***consultancy fees*** by 0.7 million EUR, from 4.1 in 2013 to 3.4 million EUR in 2014 for the second quarter.

Third party remuneration costs decreased by 2.8 million EUR, or 10%, in the second quarter of 2014 in comparison with the respective period of 2013. This decrease related to lower utilization of external IT experts developing and implementing software applications.

In the first half of 2014 services and other goods (excluding interim costs) have slightly increased by 1.4 million EUR from 276.0 million EUR to 277.4 million EUR, or by 0.5%. Excluding the impact of the scope changes (3.0 million EUR, mainly transport costs due to the acquisition of 4 new subsidiaries) the services and other goods cost declined by 1.6 million EUR.

In the first six months of 2014 all the cost categories evolved in the same direction as in the second quarter for identical reasons.

Payroll and interims costs

Payroll and interims costs in the **second quarter** of 2014 amounted to 303.6 million EUR and showed a net decrease of 4.1 million EUR (payroll costs decreased by 6.0 million EUR and interims costs increased by 2.0 million EUR), or 1.3 % compared to the same period of 2013. This decrease is mainly driven by a net decrease in own personnel and interims of 1,000 FTE.

Changes of scope relating to the consolidation of newly acquired subsidiaries in 2014 had an impact of 0.5 million EUR in the second quarter 2014, representing 52 FTE and 9 interims. Excluding the impact of the changes in scope, payroll costs showed an underlying reduction of 4.5 million EUR or 1.5% in the second quarter and a net decrease in own personnel and interims of 1,061 FTE.

The year-on-year decrease in payroll costs and interim costs, before scope change, is primarily due to the reduction in the average work force (FTE and interim) by 1061 FTE, compared to the second quarter of 2013, which generated savings of 12.7 million EUR. This quarter, the decrease of 1,184 FTE in own personnel is partially compensated by an increase of 123 FTE of interims. The majority of units contributed to the reduction in headcount. Reorganizations and productivity programs in the postal value chain activities (distribution, transport, collect) and in post offices continued to be implemented alongside the optimization of support activities such as ICT, Human Resources, Cleaning and Facility Management.

The recruitment of auxiliary postmen on lower salaries created a positive mix effect in second quarter of 0.8 million EUR. This was offset by a more intense use of interims (1.0 million EUR).

These positive effects were partially offset on one hand by a price impact of 5.0 million EUR, mainly driven by merit increases, promotions, small increases in other premiums and the impact of the new CLA (2.3 million EUR) as well as by higher accruals for the 5% profit share (1.3 million EUR), in turn due to the higher results.

In the first half of 2014, payroll and interims costs decreased by 12.0 million EUR, or 1.9%, to 610.3 million EUR from 622.3 million EUR for the first half of 2013. Changes of scope had an impact of 0.9 million EUR. Excluding the impact of the changes in scope, payroll costs showed an underlying reduction of 12.8 million EUR or 2.1%.

The savings for the first six months of 2014, before scope change, are mainly driven by the reduction in the average headcount work force (FTE and interim) by 1,070 FTE and by a positive mix effect resulting from the recruitment of auxiliary postmen, partially offset by a negative price impact and by higher accruals for the 5% profitshare.

Other operating expenses

Other operating expenses increased by 0.4 million EUR in the **second quarter** of 2014. The positive evolution in provisions (2.3 million EUR) is offset by increases of real estate and local taxes (1.5 million EUR) and higher provisions for bad debts (1.1 million EUR).

Other operating expenses increased by 4.7 million EUR in the **first half of 2014**. The YTD evolution is mainly due to a lower increase of recoverable VAT (3.0 million EUR). Percentage of recoverable VAT increased from 11% to 13% in 2014, while, in 2013, it increased from 5% to 11%. Besides this, the positive evolution in provisions (0.7 million EUR) is offset by increases of real estate and local taxes (2.9 million EUR).

Depreciation and amortization

Depreciation and amortization decreased respectively by 1.7 million EUR and 1.4 million EUR during the second quarter and the first half of 2014.

EBIT

Profit from operating activities (EBIT) significantly increased by 13.5 million EUR, or 10.5%, to 142.3 million EUR in the **second quarter** of 2014, from 128.9 million EUR in the same period of 2013. This increase is driven by the revenue growth both in parcels and other sources of revenues along with continued cost savings. These elements more than compensate the underlying volume decline of 5.1% in Domestic Mail.

Excluding the non-recurring item, i.e. the gain on the disposal of selected activities of Certipost (14.6 million EUR) in 2013, the same elements mainly explain the increase of EBIT of 26.6 million EUR **in the first half of 2014** compared to the first six months of 2013 , or 9.9% higher than last year.

Net financial costs

Total net financial costs for the **second quarter** increased by 7.3 million EUR to (9.5) million EUR. This variation is mainly explained by the increase of IAS 19 related financial cost due to the decrease in discount rates.

In the first half of 2014, net financial costs increased by 7.8 million EUR to (11.6) million EUR. This evolution is mainly explained by the increase of the financial charges related to employee benefits IAS 19 due to the decrease in the discount rates partially offset by higher financial income (impact of 0.9 million EUR).

Share of results of associates

The share of results of associates relates entirely to bpost bank.

The share of results of associates decreased respectively by 7.0 million EUR and 5.9 million EUR during the second quarter of 2014 and the first six months of 2014. This decrease is mainly due to the financial revenue during the second quarter of 2013 generated by an arbitrage in the bond portfolio.

Income tax expense

During the **second quarter** of 2014, income tax expense decreased by 12.0 million EUR. bpost's effective tax rate decreased from 39.8% in the second quarter of 2013 to 31.2% in the second quarter of 2014. This decrease is mainly the result of the payout of untaxed reserves of 30.3 million EUR which generated a tax charge of 10.3 million EUR in 2013.

The income tax expense decreased by 12.3 million EUR to 97.0 million EUR **in the first half of 2014**. bpost' effective tax rate decreased from 37.6% for the first six months of 2013 to 33.6% for the first six months of 2014. Taken into account the normalization in 2013 of 14.6 million EUR corresponding to the gain on the disposal of selected activities of Certipost with 0% effective tax rate[2], effective tax rate for June 2013 amounts to 39.6%. This higher effective tax rate compared to 2014 is primarily the result of the transfer of 21.3 million EUR from tax free reserves to distributable

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[2] *Certipost had tax losses carried forward on which no deferred tax asset was recorded*

results and the payout of untaxed reserves of 30.3 million EUR. These transactions created an additional income tax charge of 17.6 million EUR.

5.2 Interim Consolidated Statement of Financial Position

In accordance with IAS 34, the statement of the financial position as at June 30, 2014 is compared with the situation as at December 31, 2013.

Assets

Property, plant and equipment

In the first half of 2014 property, plant and equipment decreased by 11.6 million EUR, or 2%, to 558.7 million EUR as of June 30, 2014. The decrease was due to depreciation and impairment of 35.5 million EUR for the first six months of 2014, transfers to assets held for sale of 1.5 million EUR partially offset by capital expenditures of 24.5 million EUR and transfers from investment property of 0.7 million EUR.

Intangible assets

Intangible assets increased by 3.1 million EUR, or 3.5%, to 92.1 million EUR as of June 30, 2014, mainly due to the goodwill increase (4.9 million EUR), related to the acquisition of the new subsidiaries Gout International BV, BEurope Consultancy BV, Ecom Ltd and Starbase Global Logistics Inc.

Investments in associates

Investments in associates increased by 64.9 million EUR, or 19.0%, to 406.2 million EUR as of June 30, 2014, reflecting the Company's share of bpost bank's profit for the first half year of 2014 in the amount of 6.3 million EUR and the increase in the unrealized gain on the bond portfolio in the amount of 58.6 million EUR, reflecting an average decrease of the underlying yield curve by 44 basis points (bps). As of June 30, 2014, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of 215.1 million EUR, which represented 53.0% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but rather are recognized directly in equity in other comprehensive income.

Current trade and other receivables

Current trade and other receivables decreased by 113.0 million EUR, or 28.2%, to 287.2 million EUR as of June 30, 2014. The decrease was mainly driven by the settlement of the SGEI receivable for the last quarter of 2013 and the settlement of Terminal Dues from other postal operators.

Cash and cash equivalents

Cash and cash equivalents increased by 322.3 million EUR, or 71.9%, to 770.5 million EUR as of June 30, 2014. This increase is mainly due to the normalized free cash flow (363.6 million EUR), partially offset by payment of a 40.0 million EUR dividend during the second quarter.

Equity and Liabilities

Equity

Equity increased by 210.7 million EUR, or 36.5%, to 787.6 million EUR as of June 30, 2014 from 576.9 million EUR as of December 31, 2013. The increase was mainly due to the realized profit of 192.1 million EUR and the fair value adjustment in respect of bpost bank's bond portfolio amounting to 58.6 million EUR, partially offset by the payment of a dividend of 40.0 million EUR.

Employee benefits

In million EUR	As of 30 June 2014	As of 31 December 2013
Post-employment benefits	(78.3)	(78.2)
Long-term employee benefits	(117.8)	(116.1)
Termination benefits	(11.2)	(15.4)
Other long-term benefits	(138.2)	(135.4)
Total	**(345.5)**	**(345.1)**

Employee benefits increased by 0.4 million EUR, or 0.1%, to 345.5 million EUR as of June 30, 2014. The increase mainly reflects:

- The payment of benefits for an amount of 22.2 million EUR, which included 5.6 million EUR for the payment of early retirement and part-time work benefits.
- Operational actuarial gains (3.8 million EUR), mainly linked to the Workers Compensation Accidents benefit.
- Additional service costs (12.4 million EUR) and interest costs (4.4 million EUR)
- Financial actuarial losses of 7.4 million EUR caused by changes in the discount rates.
- An actuarial loss of 2.3 million EUR related to post-employment benefits, recognized through Other Comprehensive Income.

Non-current trade and other payables

Non-current trade and other payables decreased by 3.8 million EUR, or 4.7%, to 75.9 million EUR as of June 30, 2014. On the one hand the non-current trade payables increased by 2.1 million EUR due to the contingent consideration arrangements related to the acquisition of Gout International BV and BEurope Consultancy BV. On the other hand an amount of 5.8 million EUR, corresponding to the contingent consideration arrangement for the acquisition of Landmark payable within one year, was transferred to the current trade and other payables.

Income tax payable

Income tax payable increased by 94.9 million EUR, to 136.6 million EUR as of June 30, 2014 and is mainly explained by the accrued income taxes.

Current trade and other payables

Current trade and other payables decreased by 31.5 million EUR, or 4.3%, to 703.2 million EUR as of June 30, 2014. This decrease was primarily due to the decline of the trade payables by 45.0 million EUR and the decrease in social security payables by 63.5 million EUR, partially offset by the advance payment from the Belgian State in respect of the SGEI remuneration in the amount of 69.6 million EUR. The decrease of the social security payables is mainly caused by a timing difference as 2013 full year social accruals (holiday pay, bonuses,…) have been paid during the first half of 2014.

5.3 Interim Consolidated Statement of Cash Flows

In the **second quarter** of 2014, the net cash outflow decreased compared to the same period last year by 204.0 million EUR to 44.5 million EUR. Normalized free cash flow[3] for the second quarter (-4.0 million EUR) was 15.2 million EUR better than last year.

The net cash inflow in the **first half of 2014** amounts to 322.2 million EUR (30 June 2013: outflow of 79.4 million EUR). Normalized free cash flow was 124.7 million EUR better than last year due to both a better cash flow from operating activities and a better cash flow from investing activities.

Cash flow from operating activities

Normalized cash flow from operating activities in the **second quarter** 2014 was 7.2 million EUR higher compared to the same period last year. The improved result of operating activities (10.5 million EUR) was partially offset by a slight cash utilization in working capital (-3.3 million EUR) as the phasing effect in VAT receivables at the end of the first quarter was reversed as anticipated.

For the **first half of 2014**, cash flow from operating activities[4] resulted in a cash inflow of 396.7 million EUR, which is 229.9 million EUR more than the same period last year. Last year, cash flow from operating activities was influenced by an exceptional repayment of alleged SGEI overcompensation (123.1 million EUR). Normalized for this payment, cash flow from operating activities improved by 106.8 million EUR. Cash flow from operating activities before working capital improved by 30.4 million EUR. Working capital generated 76.4 million EUR additional cash. Evolution in working capital is influenced by the payment last year related to the competition claim fine (37.4 million EUR). Almost all elements of working capital show a positive evolution (39.0 million EUR).

Cash flow from investing activities

Investing activities generated a cash outflow of 15.8 million for the **second quarter** compared to an outflow of 23.8 million EUR for the same period last year. This variance is mainly due to lower acquisitions for property, plant, equipment and intangible assets (2.1 million EUR) and higher proceeds from sale of property, plant and equipment (2.1 million EUR). In June last year, bpost purchased the remaining 20% shares of MSI (4.0 million EUR).

Investing activities generated a cash outflow of 33.1 million EUR for the **first half of 2014** compared to an outflow of 51.0 million EUR for the same period last year. This variance is mainly due to lower cash outflows related to the subsidiaries (17.5 million EUR). Last year, bpost participated in the capital increase of bpost bank (37.5 million EUR) and purchased the remaining 20% shares of MSI (4.0 million EUR), but received cash from the disposal of certain activities of Certipost (15.1 million EUR). This year, bpost acquired new subsidiaries for a total amount of 8.7 million EUR. The remaining variance is due to higher acquisitions for property, plant, equipment and intangible assets (1.3 million EUR) compensated by higher proceeds from sale of property, plant and equipment (1.7 million EUR).

Cash flow from financing activities

Cash flow from financing activities represents a cash-out of 40.5 million EUR in the **second quarter** of 2014 and is mainly related to dividends paid (40.0 million EUR). This is a decrease of 154.6 million EUR compared to the same period last year as 2013 figures were mainly impacted by the capital decrease of 144.5 million EUR and the 53.5 million EUR exceptional dividends paid.

The evolution of the cash flow from activities for the first half of 2014 are mainly explained by the same elements, which explain the second quarter variations.

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[3] *For further details on reconciliation of normalized and reported key figures, please refer to section "Reconciliation of Reported to Normalized Financial Metrics" of this document*

[4] *Excluding evolution of deposits received from third parties of 0.2 million EUR*

5.4 Reconciliation of Reported to Normalized Financial Metrics

bpost also analyzes the performance of its activities on a normalized basis or before non-recurring items. Non-recurring items represent significant income or expense items that due to their non-recurring character are excluded from internal reporting and performance analyses. bpost strives to use a consistent approach when determining if an income or expense item is recurring or 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 20 million EUR 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

OPERATING INCOME	Year-to-date			2nd quarter		
In million EUR	2014	2013	Change %	2014	2013	Change %
Total operating income	1,240.2	1,235.7	0.4%	613.5	603.0	1.7%
Disposal of selected activities of Certipost (1)		(14.6)				
Normalized total operating income	**1,240.2**	**1,221.1**	**1.6%**	**613.5**	**603.0**	**1.7%**

OPERATING EXPENSES	Year-to-date			2nd quarter		
In million EUR	2014	2013	Change %	2014	2013	Change %
Total operating excluding depreciation, amortization	(903.6)	(909.6)	-0.7%	(449.9)	(451.2)	-0.3%
Normalized total operating expenses excluding depreciation, amortization	**(903.6)**	**(909.6)**	**-0.7%**	**(449.9)**	**(451.2)**	**-0.3%**

EBITDA	Year-to-date			2nd quarter		
In million EUR	2014	2013	Change %	2014	2013	Change %
EBITDA	336.6	326.0	3.2%	163.6	151.8	7.8%
Disposal of selected activities of Certipost (1)		(14.6)				
Normalized EBITDA	**336.6**	**311.4**	**8.1%**	**163.6**	**151.8**	**7.8%**

EBIT	Year-to-date			2nd quarter		
In million EUR	2014	2013	Change %	2014	2013	Change %
Profit from operating activities (EBIT)	294.4	282.4	4.3%	142.3	128.9	10.5%
Disposal of selected activities of Certipost (1)		(14.6)				
Normalized profit from operating activities (EBIT)	**294.4**	**267.8**	**9.9%**	**142.3**	**128.9**	**10.5%**

PROFIT FOR THE YEAR (EAT)	Year-to-date			2nd quarter		
In million EUR	2014	2013	Change %	2014	2013	Change %
Profit for the year	192.1	181.5	5.8%	93.2	82.1	13.5%
Disposal of selected activities of Certipost [1]		(14.6)				
Normalized profit of the year	**192.1**	**166.9**	**15.1%**	**93.2**	**82.1**	**13.5%**

[1] In October 2012, the Company reached an agreement with the Finnish group Basware on the sale of the electronic document exchange activities of Certipost as of January 2013. Certipost continues its other activities (securing documents, digital certificates and Belgian electronic cards). The normalization of 14.6 million EUR corresponds to the gain on the disposal of the activities. This disposal did not generate a tax charge, as Certipost has tax losses carried forward on which no deferred tax asset had been recorded.

Cash Flow Statement related

	Year-to-date			2nd quarter		
In million EUR	2014	2013	Change %	2014	2013	Change %
Net Cash from operating activities	396.4	166.8	137.7%	11.8	(29.5)	-140.1%
Net Cash used in investing activities	(33.1)	(51.0)	-35.1%	(15.8)	(23.8)	-33.6%
Operating free cash flow	**363.4**	**115.8**	**213.8%**	**(4.0)**	**(53.4)**	**-92.5%**
Deposits received from third parties	0.2	0.0		0.0	0.0	
Payment relating to the decision of the European Commission [2]	0.0	123.1	-100.0%	0.0	34.2	-100.0%
Normalized operating free cash flow	**363.6**	**238.9**	**52.2%**	**(4.0)**	**(19.2)**	**-79.3%**

[2] The amount of 123.1 million EUR relates to the non-recurring payment of the alleged overcompensation for which a provision was recorded in 2012 covering the period 2011-2012. In anticipation of the amount due, the Belgian state withheld in the first quarter of 2013 an amount equal to 88.9 million EUR from the outstanding balance of state compensation due in respect of 2012 under the Fourth Management Contract. The balance due in the amount of 34.2 million EUR was paid in June 2013.

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

In million EUR	Year-to-date			2nd quarter		
	2014	2013	Change %	2014	2013	Change %
IFRS Consolidated Net Profit	**192.1**	**181.5**	**5.8%**	**93.2**	**82.1**	**13.5%**
Results of subsidiaries and deconsolidation impacts	(15.2)	(32.8)	-53.7%	(8.9)	(13.5)	-34.1%
Differences in depreciation and impairments	(4.4)	(4.1)	6.4%	(2.2)	(1.9)	10.9%
Differences in recognition of provisions	(5.3)	(6.5)	-18.3%	(2.1)	(3.8)	-43.4%
Effects of IAS19	0.7	(19.2)	-103.5%	2.5	(6.9)	-135.9%
Deferred taxes	4.3	10.9	-60.4%	1.3	4.8	-73.6%
Other	(0.8)	0.9	-187.6%	0.5	(0.2)	-307.6%
Belgian GAAP unconsolidated net profit	**171.5**	**130.7**	**31.2%**	**84.2**	**60.5**	**39.0%**

The Company'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.:

- Eliminating the impact of the disposal of selected activities of Certipost for which a gain was realized in 2013,
- 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 the Company (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		2nd quarter	
	2014	2013	2014	2013
Disposal of selected activities of Certipost		(14.6)		
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(4.6)	(2.6)	(2.8)	(1.1)
Profit of the international subsidiaries (local GAAP)	(3.9)	(2.8)	(2.6)	(2.5)
Share of profit of bpost bank (local GAAP)	(5.9)	(12.0)	(2.6)	(9.6)
Other deconsolidation impacts	(0.7)	(0.8)	(1.0)	(0.4)
Total	**(15.2)**	**(32.8)**	**(8.9)**	**(13.5)**

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 the Company'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;

- The evolution in the second quarter of IAS 19 is mainly explained by the increase of the financial charges related to employee benefits, which is due to the decrease in the discount rates. Besides this, the year-over-year evolution is also explained by the plans for early retirement and partial career interruption launched end 2012, for which the first quarter 2013 subscription rate was higher compared to the first quarter of the current year and for which full impact was already accounted for under IFRS in the fourth quarter 2012.

- Deferred taxes are not an accounting concept under Belgian GAAP, but are recorded under IFRS.

6 Outlook

- **Revenues should be stable or slightly above** last year.
  - **Domestic mail volume** decline has been worsening in the second quarter and could therefore reach **up to -5.5% for the full year**.
  - **In domestic parcels**, we no longer expect to exceed the 2013 growth of 7.1% but should still achieve a **full year growth higher than the one achieved in the first half (+5.2%)**.
  - **International parcels growth** is expected to be **in line with the first half of the year for routes into Europe. Traffic to China** is expected **to decline in the second half**.

- Taking the phasing of the **productivity improvement initiatives** into account, the FTE reduction for 2014 is still expected to be at the low end of the reference range of 800 to 1,200 FTE/year.

- We are confident to be able to report **operating results (EBITDA and EBIT)** in line with last year for the second half of the year and consequently to keep the advance booked in the first half.

- As a result, the level of the dividend should **be higher than last year**.

- We do not anticipate any material exceptional cash outflows during the year which means that **cash generation should follow the normal seasonality. Net capex is expected to be lower than 90 million EUR**.

Unaudited Interim Condensed Consolidated Financial Statements

7 Interim Consolidated Income Statement

In million EUR	NOTES	Year-to-date 2014	Year-to-date 2013	2nd quarter 2014	2nd quarter 2013
Turnover	12.7	1,231.7	1,214.1	609.2	600.4
Other operating income	12.8	8.5	21.6	4.2	2.5
Total operating income		**1,240.2**	**1,235.7**	**613.5**	**603.0**
Materials cost		(15.1)	(15.3)	(7.1)	(7.5)
Services and other goods		(292.4)	(291.4)	(146.4)	(141.7)
Payroll costs		(595.3)	(606.8)	(294.3)	(300.4)
Other operating expenses		(0.8)	3.9	(2.1)	(1.7)
Depreciation, amortization		(42.2)	(43.6)	(21.2)	(22.9)
Total operating expenses		**(945.8)**	**(953.3)**	**(471.1)**	**(474.1)**
Profit from operating activities (EBIT)		**294.4**	**282.4**	**142.3**	**128.9**
Financial income		2.1	1.2	0.9	0.4
Financial cost		(13.7)	(5.0)	(10.4)	(2.6)
Share of profit of associates		6.3	12.2	2.7	9.7
Profit before tax		**289.0**	**290.7**	**135.5**	**136.4**
Income tax expense		(97.0)	(109.3)	(42.3)	(54.3)
Profit for the period		**192.1**	**181.5**	**93.2**	**82.1**
Attributable to:					
Owners of the Parent		190.7	180.2	92.2	81.2
Non-controlling interests		1.4	1.3	0.9	0.9

In May 2013, the shareholders' meeting decided to split the shares. The total number of shares amounts to 200,000,944 shares post stock split (before stock split 409,838 shares). Calculated with the new number of shares, earnings per share for the first half year of and the second quarter of 2014 and 2013 are:

EARNINGS PER SHARE In EUR	Year-to-date 2014	Year-to-date 2013	2nd quarter 2014	2nd quarter 2013
►basic, profit for the first half year attributable to ordinary equity holders of the parent	0.95	0.90	0.46	0.41
►diluted, profit for the first half year attributable to ordinary equity holders of the parent	0.95	0.90	0.46	0.41

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.

8 Interim Consolidated Statement of Comprehensive Income

In million EUR	Per June 2014	Per June 2013
Profit for period	**192.1**	**181.5**
Fair value for financial assets available for sale by associates	58.6	(66.1)
(Loss)gain on available for sale financial assets	88.9	(100.2)
Income tax effect	(30.3)	34.1
Fair value of actuarial results on defined benefit plans	(0.2)	7.4
Actuarial (losses)/gains on defined benefit plans	(2.3)	10.1
Income tax effect	2.1	(2.7)
Non-controlling interests	0.0	0.0
Other comprehensive income for the year, net of tax (*)	**58.3**	**(58.7)**
Total comprehensive income for the year, net of tax	**250.4**	**122.7**
Attributable to:		
Owners of the Parent	249.0	121.4
Non-controlling interest	1.4	1.3

* Net other comprehensive income is not being reclassified to profit or loss in subsequent periods.

Impact of the currency translation adjustment is immaterial.

9 Interim Consolidated Statement of Financial Position

In million EUR	NOTES	As of 30 June 2014	As of 31 December 2013
Assets			
Non-current assets			
Property, plant and equipment		558.7	570.3
Intangible assets		92.1	89.0
Investments in associates		406.2	341.3
Investment properties		9.5	10.3
Deferred tax assets		56.0	58.3
Trade and other receivables		2.3	2.2
		1,124.8	**1,071.3**
Current assets			
Assets held for sale		0.6	0.1
Inventories		9.9	9.2
Income tax receivable		0.9	0.1
Trade and other receivables		287.2	400.2
Cash and cash equivalents		770.5	448.2
		1,069.1	**857.8**
Total assets		**2,194.0**	**1,929.2**
Equity and liabilities			
Equity attributable to equity holders of the Parent			
Issued capital		364.0	364.0
Treasury shares		0.0	0.0
Reserves		231.5	111.0
Retained earnings		192.1	101.9
		787.6	**576.9**
Non-controlling interests		0.0	0.0
Total equity		**787.6**	**576.9**
Non-current liabilities			
Interest-bearing loans and borrowings		75.4	75.6
Employee benefits		345.5	345.1
Trade and other payables		75.9	79.7
Provisions		39.8	40.2
Deferred tax liabilities		1.4	1.4
		538.0	**542.0**
Current liabilities			
Interest-bearing loans and borrowings		10.3	11.3
Bank overdrafts		0.3	0.2
Provisions		18.0	22.4
Income tax payable		136.6	41.7
Trade and other payables		703.2	734.7
		868.4	**810.3**
Total liabilities		**1,406.4**	**1,352.3**
Total Equity and liabilities		**2,194.0**	**1,929.2**

10 Interim Consolidated Statement of Changes in Equity

In million EUR	Attributable to equity holders of the parent: Authorized & issued capital	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
As per 1 January 2013 *	**508.5**	**0.0**	**214.6**	**3.7**	**726.8**	**0.0**	**726.8**
Profit for the period				180.2	180.2	1.3	181.5
Other comprehensive income			(55.0)	(3.7)	(58.7)		(58.7)
Total comprehensive income	**0.0**	**0.0**	**(55.0)**	**176.4**	**121.4**	**1.3**	**122.7**
Capital Decrease	(144.5)				(144.5)		(144.5)
Dividends (Pay-out)			(53.5)		(53.5)	(0.1)	(53.6)
Other			11.6	1.3	12.9	(1.2)	11.7
At 30 June 2013	**364.0**	**0.0**	**117.7**	**181.5**	**663.1**	**0.0**	**663.1**

* Due to the restatement for IAS19R, other reserves decreased by 10.9 million EUR.

In million EUR	Attributable to equity holders of the parent: Authorized & issued capital	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
As per 1 January 2014	**364.0**	**0.0**	**111.0**	**101.9**	**576.9**	**0.0**	**576.9**
Profit for the period				190.7	190.7	1.4	192.1
Other comprehensive income			160.2	(101.9)	58.3		58.3
Total comprehensive income	**0.0**	**0.0**	**160.2**	**88.8**	**249.0**	**1.4**	**250.4**
Dividends (Pay-out)			(40.0)		(40.0)	0.0	(40.0)
Other			0.3	1.4	1.7	(1.4)	0.3
At 30 June 2014	**364.0**	**0.0**	**231.5**	**192.1**	**787.6**	**0.0**	**787.6**

11 Interim Consolidated Statement of Cash Flows

In million EUR	NOTES	Year-to-date 2014	Year-to-date 2013	2nd quarter 2014	2nd quarter 2013
Operating activities					
Profit before tax	7	289.0	290.7	135.5	136.4
Depreciation and amortization		42.2	43.6	21.2	22.9
Impairment on bad debts		1.1	(0.2)	1.3	0.2
Gain on sale of property, plant and equipment		(4.7)	(3.0)	(2.3)	(0.6)
Gain on sale of Certipost activities		0.0	(14.6)	0.0	0.0
Change in employee benefit obligations		(1.9)	(18.5)	(0.1)	(10.7)
Share of profit of associates		(6.3)	(12.2)	(2.7)	(9.7)
Income tax paid		(3.6)	(1.1)	(1.7)	(0.2)
Cash flow from operating activities before changes in working capital and provisions		**315.8**	**284.8**	**151.2**	**138.3**
Decrease/(increase) in trade and other receivables		89.0	68.3	8.0	(2.1)
Decrease/(increase) in inventories		(0.3)	(0.4)	(0.1)	(0.2)
Increase/(decrease) in trade and other payables		(3.1)	(58.7)	(144.0)	(130.6)
Deposits received from third parties		(0.2)	0.0	(0.0)	0.0
Repayment of SGEI overcompensation		0.0	(123.1)	0.0	(34.2)
Increase/(decrease) in other provisions		(4.9)	(4.1)	(3.2)	(0.8)
Net Cash from operating activities		**396.4**	**166.8**	**11.8**	**(29.5)**
Investing activities					
Proceeds from sale of property, plant and equipment		5.7	4.0	3.0	0.9
Disposal of subsidiaries, net of cash disposed of		0.0	15.1	0.0	0.0
Acquisition of property, plant and equipment		(24.5)	(21.9)	(15.7)	(15.5)
Acquisition of intangible assets		(5.6)	(6.9)	(3.2)	(5.5)
Acquisition of subsidiaries, net of cash acquired	12.5	(8.7)	(3.7)	0.0	(3.7)
Capital increase bpost bank		0.0	(37.5)	0.0	0.0
Net cash used in investing activities		**(33.1)**	**(51.0)**	**(15.8)**	**(23.8)**
Financing activities					
Payments related to borrowings and financing lease liabilities		(1.2)	2.9	(0.5)	2.9
Capital decrease		0.0	(144.5)	0.0	(144.5)
Dividends paid		(40.0)	0.0	(40.0)	0.0
Exceptional dividend		0.0	(53.5)	0.0	(53.5)
Dividends paid to minority interests	10	0.0	(0.1)	0.0	0.0
Net Cash from financing activities		**(41.2)**	**(195.2)**	**(40.5)**	**(195.1)**
Net increase in cash and cash equivalents		**322.2**	**(79.4)**	**(44.5)**	**(248.5)**
Cash and cash equivalent less bank overdraft as of 1st January		448.0	712.8		
Cash and cash equivalent less bank overdraft as of 30th June		770.2	633.4		
Movements between 1st January and 30th June		**322.2**	**(79.4)**		

12 Notes to the Interim Condensed Consolidated Financial Statements

12.1 Corporate Information

The interim condensed consolidated financial statements of bpost for the first six months ended June 30, 2014 were authorized for issue in accordance with a resolution of the Board of Directors on August 6, 2014.

Business activities

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

bpost, through its subsidiaries and business units, also sells a range of other products and services, including postal, parcels, banking and financial products, 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.

12.2 Basis of preparation and accounting policies

Basis of preparation

These interim financial statements are subject to review by the independent auditor (see statement of limited review – note 14).

The interim condensed consolidated financial statements for the six months ended June 30, 2014 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 the bpost's annual financial statements as at December 31, 2013.

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 the bpost's annual financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations effective as from January 1, 2014.

Following new standards and amendments, entered into force as from January 1, 2014, don't have any effect on the presentation, the financial performance or position of bpost:

- **IFRS 10** – Consolidated Financial statements
- **IFRS 11** – Joint Arrangements
- **IFRS 12** – Disclosure of Interests in Other Entities
- **IFRS 10 –11 & 12** - Transition Guidance
- **IFRS 10, IFRS 12 and IAS 27** – Amendments - Investment Entities
- **IAS 27 – Amendment to IAS 27** – Separate Financial Statements

- **IAS 28 – Amendment to IAS 28** – Investments in Associates and Joint Ventures
- **IAS 32 – Financial Instruments:** Presentation – Offsetting of financial assets and financial liabilities
- **IAS 39 – Financial Instruments:** Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- **IAS 36 – Amendment to IAS 36** – Recoverable Amount Disclosures for Non-Financial Assets

Standards and Interpretations not yet applied by bpost

The following new IFRS Standards and IFRIC Interpretations, 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 – Classification and Measurement	Effective date postponed and not yet been determined
IFRS 14 – Regulatory Deferral Accounts (*)	1 January 2016
IFRS 15 – Revenue from Contracts with customers (*)	1 January 2017
IAS 19 – Amendment -Employee Benefits – Defined benefit plans: Employee Contributions (*)	1 July 2014
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
IFRS 11- Amendment – Accounting for acquisitions of interests in Joint Operations (*)	1 January 2016
Annual improvements to IFRSs 2010-2012 Cycle (*)	1 July 2014
Annual improvements to IFRSs 2011-2013 Cycle (*)	1 July 2014

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

IFRIC 21 has been endorsed by the EU in June 2014 and will be effective for the reporting periods starting on January 1, 2015 with voluntary retrospective application as at January 1, 2014. Implementation of IFRIC 21 will have mainly an impact on the seasonality of the results of bpost bank. bpost has decided to not reflect IFRIC 21 in the interim condensed consolidated financial statements ended at June 30, 2014.

Standards and Interpretations applied by bpost

As at June 30, 2014, the accounting policies of bpost are in compliance with the IAS / IFRS Standards and Interpretations SIC / IFRIC listed below:

International Financial Reporting Standards (IFRS)

- **IFRS 2** – Share-based Payment
- **IFRS 3** – Business Combinations (issued in 2004) for acquisition completed before 1 January 2010
- **IFRS 3** – Business Combinations (Revised in 2008)
- **IFRS 5** – Non-current Assets Held for Sale and Discontinued Operations
- **IFRS 7** – Financial Instruments: Disclosures
- **IFRS 8** – Operating segments
- **IFRS 10** – Consolidated Financial Statements
- **IFRS 11** – Joint Arrangements
- **IFRS 12** – Disclosure of Interests in Other Entities
- **IFRS 10 -11 & 12** – Transition Guidances

- **IFRS 13** – Fair value Measurement

International Accounting Standards (IAS)

- **IAS 1** – Presentation of Financial Statements
- **IAS 2** – Inventories
- **IAS 7** – Statement of Cash Flows
- **IAS 8** – Accounting Policies, Changes in Accounting Estimates and Errors
- **IAS 10** – Events after the Reporting Period
- **IAS 12** – Income Taxes
- **IAS 16** – Property, Plant and Equipment
- **IAS 17** – Leases
- **IAS 18** – Revenue
- **IAS 19** – Employee Benefits
- **IAS 21** – The Effects of Changes in Foreign Exchange Rates
- **IAS 23** – Borrowing costs
- **IAS 24** – Related Party Disclosures
- **IAS 27** – Consolidated and Separate Financial Statements (Revised in 2008 and 2011)
- **IAS 28** – Investments in Associates and Joint Ventures (revised in 2011)
- **IAS 32** – Financial Instruments: Presentation
- **IAS 33** – Earnings per share
- **IAS 34** – Interim Financial Reporting
- **IAS 36** – Impairment of Assets
- **IAS 37** – Provisions, Contingent Liabilities and Contingent Assets
- **IAS 38** – Intangible Assets
- **IAS 39** – Financial Instruments: Recognition and Measurement
- **IAS 40** – Investment Property

Interpretations SIC / IFRIC

- **IFRIC 1** – Changes in Existing Decommissioning, Restoration and Similar Liabilities
- **IFRIC 4** – Determining whether an Arrangement contains a Lease
- **IFRIC 10** – Interim Financial Reporting and Impairment
- **SIC 12** – Consolidation – Special Purpose Entities (effective until 31 December 2013)

The other standards currently endorsed by the EU and effective for the preparation of the 2014 interim condensed consolidated financial statements are not applicable in the context of bpost.

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

12.3 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.

12.4 Summary of Significant Accounting Policies

The accounting policies and methods of bpost are consistent with those applied in the December 31, 2013 consolidated financial statements.

12.5 Business Combinations

In June 2014, a price adjustment of 0.4 million EUR regarding the acquisition of 100% shares of **Gout International BV** and **BEurope Consultancy BV** has been calculated based on the final closing accounts of 2013 and recognized as liability. The price adjustment is expected to be paid in the third quarter of 2014.

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

CARRYING AMOUNT IN THE ACQUIRED ENTITY	In million EUR
Current Assets	1.5
Non-Currents Assets	0.4
Current Liabilities	0.7
Non-Current Liabilities	0.0
Net Assets	**1.2**
Fair value of the assets acquired ie 100% Net Assets	1.2
Goodwill arising on acquisition	4.3
Purchase consideration transferred	**5.5**
of which:	
- Cash paid	3.0
- Contingent consideration (incl. price adjustment not yet paid)	2.5

Analysis of cash flows on acquisition	In million EUR
Net cash acquired with the subsidiary	0.3
Cash paid	(3.0)
Net cash outflow	**(2.7)**

12.6 Operating Segments

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

	Year-to-date		2nd quarter	
In million EUR	**2014**	**2013**	**2014**	**2013**
MRS	995.4	1,022.7	495.6	502.7
P&I	226.7	195.5	111.6	97.2
Total operating income of operating segments	**1,222.1**	**1,218.2**	**607.2**	**599.9**
Corporate (Reconciling category)	18.1	17.4	6.3	3.1
Total operating income	**1,240.2**	**1,235.7**	**613.5**	**603.0**

Revenues attributable to the MRS operating segment decreased by 7.1 million EUR compared to the second quarter of 2013, to 495.6 million EUR, mainly due to:

- the 5.1% underlying volume decline of the Domestic mail,
- lower revenues in Philately, Retailer, Banking and Financial products,
- partially compensated by price increases in Domestic Mail, the impact of the elections and a rise in Value Added Services revenue (digital printing of magazines, ELP related services and SEPA activities among others).

Growth of P&I revenues in the second quarter amounts to 14.4 million EUR and is mainly attributable to the Parcels product portfolio, which increased by 11.1 million EUR and is favorably influenced by

- the take-over of Gout International BV, BEurope Consultancy BV, Ecom Global Distribution Ltd and Starbase Global Logistics Inc (impact of 2.0 million EUR on the Parcels product portfolio and of 2.4 million EUR on total operating income),
- the performance of International Parcels, driven by the solid growth in the US and the good China-related growth,
- the remaining balance is explained by the growth in Domestic Parcels, driven by e-commerce evolution.

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

Excluding the remuneration received to provide the services as described in the Management Contract (see note 12.7), no single external customer exceeds 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		2nd quarter	
In million EUR	**2014**	**2013**	**2014**	**2013**
Belgium	1,086.1	1,127.9	537.3	548.7
RoW	154.1	107.7	76.2	54.3
Total operating income	**1,240.2**	**1,235.7**	**613.5**	**603.0**

The following tables present EBIT and EAT information about bpost's operating segments for the period ended June 30, 2014 and 2013:

	Year-to-date		2nd quarter	
In million EUR	**2014**	**2013**	**2014**	**2013**
MRS	281.5	278.7	139.2	132.8
P&I	21.7	11.1	10.6	6.8
Total EBIT of operating segments	**303.2**	**289.7**	**149.8**	**139.7**
Corporate (Reconciling category)	(8.9)	(7.4)	(7.5)	(10.8)
Total EBIT	**294.4**	**282.4**	**142.3**	**128.9**

In the second quarter of 2014, EBIT of the MRS operating segment increased by 6.4 million EUR. The volume decline could be more than compensated by price increases combined with productivity improvements and costs reduction.

EBIT attributable to the P&I operating segment improved by 3.8 million EUR to 10.6 million EUR in the second quarter of 2014. The lower impact of settlements of terminal dues (3.2 million EUR) was more than compensated by increased margins combined with a better performance of the P&I subsidiaries.

	Year-to-date		2nd quarter	
In million EUR	**2014**	**2013**	**2014**	**2013**
MRS	281.5	278.7	139.2	132.8
P&I	21.7	11.1	10.6	6.8
Total EAT of operating segments	**303.2**	**289.7**	**149.8**	**139.7**
Corporate (Reconciling category)	(111.2)	(108.3)	(56.6)	(57.6)
Total EAT	**192.1**	**181.5**	**93.2**	**82.1**

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		2nd quarter	
	2014	**2013**	**2014**	**2013**
Operating Income	**18.1**	**17.4**	**6.3**	**3.1**
Central departments (Finance, Legal, Internal Audit, CEO, ...)	(29.5)	(33.0)	(15.0)	(15.6)
Other reconciliation items	2.5	8.2	1.2	1.7
Operating expenses	**(26.9)**	**(24.8)**	**(13.8)**	**(13.9)**
EBIT Corporate (Reconciling category)	**(8.9)**	**(7.4)**	**(7.5)**	**(10.8)**
Share of profit of associates	6.3	12.2	2.7	9.7
Financial Results	(11.6)	(3.8)	(9.5)	(2.2)
Income Tax expense	(97.0)	(109.3)	(42.3)	(54.3)
EAT Corporate (Reconciling category)	**(111.2)**	**(108.3)**	**(56.6)**	**(57.6)**

Profit from operating activities (EBIT) attributable to the Corporate reconciliation category improved by 3.3 million EUR to negative 7.5 million EUR for the second quarter of 2014 from negative 10.8 million EUR for the second quarter of 2013. This improvement is mainly driven by higher sales of buildings (1.7 million EUR), higher revenue recognition (0.6 million EUR) and cost reductions in the central departments (0.6 million EUR).

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

12.7 Turnover

In million EUR	Year-to-date		2nd quarter	
	2014	**2013**	**2014**	**2013**
Turnover excluding the SGEI remuneration	1,079.5	1,062.2	533.2	524.5
SGEI remuneration	152.2	151.9	76.1	75.9
Total	**1,231.7**	**1,214.1**	**609.2**	**600.4**

12.8 Other Operating Income

In million EUR	Year-to-date		2nd quarter	
	2014	**2013**	**2014**	**2013**
Gain on disposal of property, plant and equipment	4.7	3.0	2.3	0.6
Gain on disposal of activities		14.6	0.0	0.1
Rental income of investment property	0.6	0.5	0.5	0.2
Other rental income	1.0	1.0	0.4	0.6
Third party cost recovery	1.2	1.5	0.8	0.7
Other	1.0	0.9	0.4	0.3
Total	**8.5**	**21.6**	**4.2**	**2.5**

The sale of the activity of electronics document exchange of Certipost to the Finnish group Basware per January 2013 generated a cash inflow of 15.1 million EUR and a gain of 14.6 million EUR in the first quarter of 2013.

Gains on disposal of property, plant and equipment are mainly related to the sales of buildings.

12.9 Contingent Liabilities and Contingent Assets

As of June 30, 2014, bpost had 5,178 auxiliary postmen. In 2013, 45 auxiliary postmen initiated a lawsuit against the Company in the Brussels and Charleroi Labor Courts claiming equal salary and benefits by reference to baremic contractual employees performing the same work, mainly under the non-discrimination provisions set forth in Articles 10 and 11 of the Belgian Constitution. All claims and allegations are contested by bpost.

However, if the courts were to find that this principle is applicable and bpost is found to have violated it, the labor courts will most likely order bpost to increase the compensation of the auxiliary postmen to the level of relevant baremic contractual employees and it cannot be excluded that other employees could bring similar claims.

12.10 Events After the Reporting Period

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

13 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.

14 Limited review report

Report of the Joint Auditors to the shareholders of bpost SA de droit public / bpost NV van publiek recht on the review of the interim condensed consolidated financial statements as of 30 June 2014 and for the six month period then ended.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of bpost SA de droit public / bpost NV van publiek recht (the “Company”), and its subsidiaries (collectively referred to as “the Group”) as at 30 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and explanatory notes, collectively, the “Interim Condensed Consolidated Financial Statements”. These statements show a consolidated statement of financial position total of 2,194.0 million EUR and a consolidated profit for the six month period then ended of 192.1 million EUR. Management is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”) as adopted for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not give a true and fair view of the financial position of the Group as at 30 June 2014, and of its financial performance and its cash flows for the six month period then ended in accordance with IAS 34.

Diegem, 6 August 2014

The Joint Auditors

Ernst & Young Bedrijfsrevisoren BCVBA
Represented by

Eric Golenvaux
Partner

PVMD Bedrijfsrevisoren BCVBA
Represented by

Lieven Delva
Partner