bpost: first quarter 2016 results

First quarter 2016 highlights

- **Operating income (revenues)** at EUR 604.5m (-2.0%) driven by resilient Domestic Mail performance and Parcels growth offset by anticipated lower SGEI compensation.
- **Improved Domestic Mail underlying volume trend at -4.0%** (-5.0% for FY15) driven by Advertising Mail.
- **Outstanding Domestic Parcels performance with volume up +14.6%** (+12.6% for FY15), driven by e-commerce and C2C. Price/mix effect of -4.6%, fully mix related.
- **Slow-down of International Parcels (up EUR 0.5m)**, mainly due to flows from US which are hampered by strong USD. Continued growth to and from China.
- **Additional Sources of Revenues** mainly affected by the curtailment of international mail in part compensated by continued growth in solutions.
- **Cost savings (EUR -15.2m)** on track and delivered on all cost items. Average **underlying FTE reduction of 734** for the quarter (excluding 379 additional FTEs and interims for higher parcels and solutions volumes, Deltamedia integration, new subsidiaries and absorption of holidays).
- **EBITDA up EUR 3.2m** at EUR 175.9m thereby fully absorbing the reduced SGEI compensation.
- **Net profit of bpost SA/NV under BGAAP up € 2.6m** at EUR 90.0m.
- **Outlook maintained**

CEO quote

Koen Van Gerven, CEO, commented: *"The results of the first quarter demonstrate the resilience of our business model. We were able to fully absorb the reduced SGEI compensation on our profitability, which we could even increase thanks to our focused cost approach. Domestic mail volumes held up well driven by the positive evolution of advertising mail as a result of our new selling approach which is bearing fruits. I am also particularly pleased with the excellent performance within domestic parcels as well as the continued growth of our new solutions. Therefore, I am confident that we will be able to face the future challenges of 2016 and re-iterate the outlook of stable EBITDA and dividend for the full year."*

Outlook for 2016

The outlook for 2016 excludes the impact of the acquisition of the Belgian activities of Lagardère Travel Retail.

On the revenues side:

- We expect underlying Domestic Mail **volume decline between 5 and 6%**. The second quarter of 2016 will count 2 working days more, the third quarter will count 1 day less (except for stamps which will count the same number of days) and fourth quarter of 2016 will count 1 day less compared to the same quarter of 2015.
- The **compensation for the SGEI** (Management Contract and press concessions) will be **EUR 26.8m lower** than in 2015 to amount to EUR 261.0m in 2016 excluding inflation and volume impact.
- We expect a **double digit volume growth** in **Domestic Parcels** and **continued growth** in flows from the US in **International Parcels**, but at a slower pace mainly due to strong US dollar.

On the cost side:

- We expect productivity improvements at the low end of our 800 to 1,200 FTE/year range, excluding the impact of the Deltamedia integration.

- We will have a strong focus on all cost items and factor cost will benefit from levers such as the abolishment of Saturday compensation and the tax shift.

This will result in **recurring EBITDA and dividend for 2016 at the same high levels as 2015.**

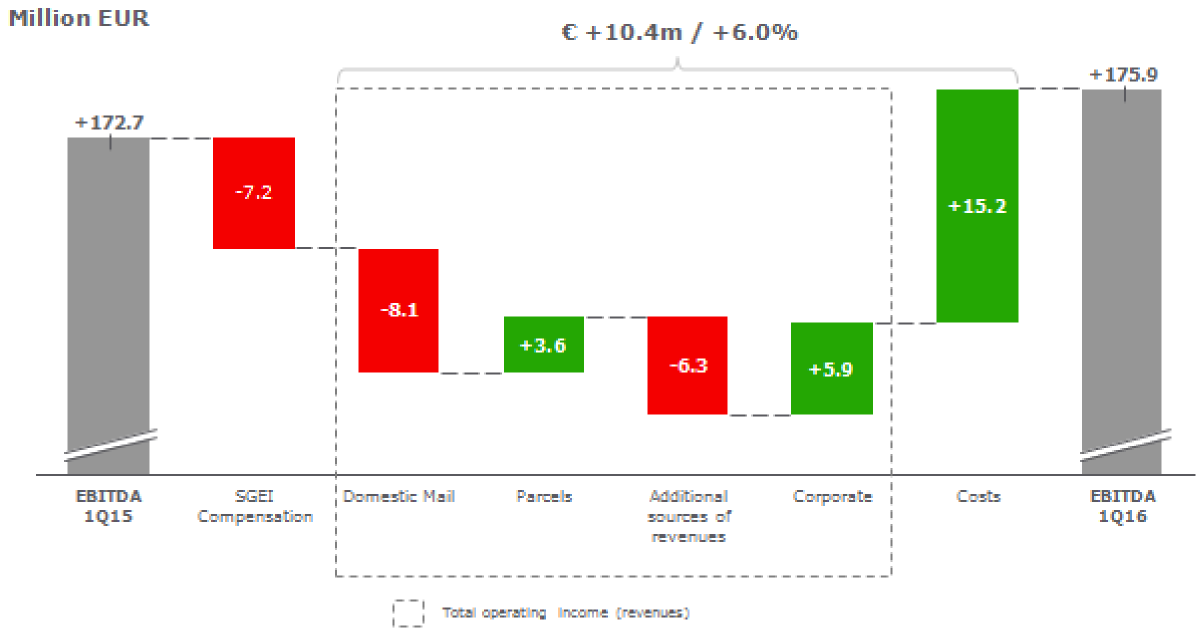
Cash generation from operating activities will be negatively impacted by lower SGEI compensation and changed payment terms (EUR -36.8m), the Alpha pay-outs and a settlement on terminal dues with another postal operator. Gross **capex** is expected to be around **EUR 80.0m**.

Key figures

	Reported		
	1Q15	1Q16	% Δ
Total operating income (revenues)	616.6	604.5	-2.0%
Operating expenses	443.9	428.7	-3.4%
EBITDA	**172.7**	**175.9**	**1.8%**
Margin (%)	*28.0%*	*29.1%*	
EBIT	**151.6**	**153.9**	**1.5%**
Margin (%)	*24.6%*	*25.5%*	
Profit before tax	**149.0**	**149.3**	**0.2%**
Income tax expense	52.4	53.4	
Net profit	**96.6**	**95.9**	**-0.7%**
FCF	**298.1**	**245.9**	**-17.5%**
bpost S.A./N.V. net profit (BGAAP)	**87.3**	**90.0**	**3.0%**
Net Debt/ (Net cash), at 31 March	**(785.1)**	**(792.2)**	**0.9%**

For more information:
Baudouin de Hepcée T. +32 2 276 2228 (media and IR)
Saskia Dheedene T. +32 2 276 7643 (IR only)
corporate.bpost.be/investors
investor.relations@bpost.be

First quarter 2016 - Income Statement



Total operating income decreased by EUR 12.1m (-2.0%), to EUR 604.5m of which EUR 7.2m is due to the lower compensation for SGEI, in line with the conditions applicable of January 1, 2016 for the 6th management contract and the press concessions. The increase of Parcels (EUR +3.6m) and the price increases in Domestic Mail (EUR +5.5m) could not compensate the volume decrease of Domestic Mail (EUR -13.1m), the impact of 1 less working day for stamps (EUR -0.6m) and the lower revenues relating to Additional sources of revenue (EUR -6.3m). Total operating income attributable to Corporate increased by EUR 5.9m mainly due to higher proceeds of sales of buildings.

Costs decreased by EUR 15.2m or 3.4%, mainly driven by lower payroll and interim costs compensating the total operating income loss and leading to **EBITDA** and **EBIT** improvement of respectively 1.8% and 1.5%.

Income Tax expense slightly increased compared to last year, with effective tax rate standing at 35.8%.

IFRS group net profit stood at EUR 95.9m. **Belgian GAAP net profit** of the parent company amounted to EUR 90.0m, an increase of EUR 2.6m or 3.0% versus last year.

Total operating income: group overview

First quarter 2016

In million EUR	1Q15	SGEI	Organic	1Q16	% Org	underlying vol. % Δ
Domestic mail	**371.3**	**-1.4**	**-8.1**	**361.7**	**-2.2%**	**-4.0%**
Transactional mail	232.6		-8.8	223.7	-3.8%	-5.3%
Advertising mail	64.7		0.4	65.1	0.6%	+0.1%
Press	74.0	-1.4	0.3	72.9	0.4%	-2.6%
Parcels	**83.2**	**-**	**3.6**	**86.8**	**4.3%**	
Domestic parcels	39.5		3.6	43.1	9.1%	+14.6%
International parcels	41.2		0.5	41.7	1.2%	
Special logistics	2.6		-0.5	2.1	-19.0%	
Additional sources of revenues	**150.6**	**-5.8**	**-6.3**	**138.6**	**-4.2%**	
International mail	45.3		-5.9	39.3	-13.1%	
Value added services	24.3		1.5	25.8	6.2%	
Banking and financial products	51.7	-3.0	-0.2	48.5	-0.4%	
Other	29.4	-2.8	-1.7	24.9	-5.7%	
Corporate	**11.4**		**5.9**	**17.4**	**51.9%**	
TOTAL	**616.6**	**-7.2**	**-4.9**	**604.5**	**-0.8%**	

Excluding the lower compensation for SGEI and for the press concessions, **total operating income** decreased by EUR 4.9m or 0.8%.

Revenues from **Domestic mail** decreased by EUR 8.1m to EUR 361.7m. Underlying (corrected for 1 less working day in stamps) and reported volume decline came in at respectively -4.0% and -4.2%, which was significantly better than the full year 2015 underlying decline of -5.0%. On the one hand transactional mail, with a reported and underlying volume decline at respectively -5.6% and -5.3% (vs. -5.3% full year 2015 underlying volume decline) continued to suffer from e-substitution without a notable acceleration and a shift towards cheaper products (less registered mail). On the other hand advertising mail continued its improved performance noted already in the third and fourth quarter of 2015 and even realized a volume increase of 0.1%. Addressed direct mail revenues showed a good performance in the focus sectors thanks our new selling approach, alongside a strong quarter in unaddressed mail. Furthermore press volume decrease was in line with last year (-2.6% reported and underlying volume decrease compared to -2.8% for 2015), mainly driven by periodicals. Total mail volume declines impacted revenues by EUR -13.1m and the impact of 1 less working day for stamps amounted to EUR -0.6m, which were partially compensated by the net improvement in price and mix in line with the announced policy, amounting to EUR 5.5m.

Organic growth in **Parcels** amounted to EUR 3.6m or 4.3%. We recorded the strongest quarterly volume growth ever at 14.6% (compared to +12.6% for full year 2015). This increase was driven by e-commerce and the continued growth in C2C parcels (online offering). Revenue evolution continued to be impacted by a negative price mix effect (-4.6%), explained by the evolution of the client and product mix. Growth of International parcels slowed down (EUR +0.5m), mainly due to lower traffic on lanes from the US (EUR -1.5m), which are hampered by the impact of the strong US dollar. This was among others offset by increased milk powder to China (EUR +1.2m).

Total operating income from **Additional sources of revenues** decreased organically by EUR 6.3m to reach EUR 138.6m. This decrease was mainly due to the decrease of International Mail (EUR 5.9m), mainly the result of the churn of some customers driven by bpost's consequent execution of price strategy not to grant price discounts in order to safeguard reasonable profit margins. Value Added Services continued to register growth.

Revenues from **Corporate** increased by EUR 5.9m to EUR 17.4m, mainly due to higher gains of sales of buildings.

Operating expenses

First quarter 2016

In million EUR	1Q15	1Q16	% Org
Payroll & interim costs	294.4	287.8	*-2.3%*
FTE	*24,463*	*24,108*	*-355*
SG&A (excl. interim and transport costs)	86.6	83.4	*-3.6%*
Transport costs	52.7	50.4	*-4.2%*
Other costs	10.2	7.0	*-31.4%*
TOTAL OPERATING EXPENSES	**443.9**	**428.7**	***-3.4%***

Total operating expenses amounted to EUR 428.7m and decreased by 3.4% or EUR 15.2m. All costs decreased; payroll and interim costs (EUR -6.7m), SG&A excluding interim and transport costs (EUR -3.1m), transport costs (EUR -2.2m) and other costs (EUR -3.2m).

Payroll and interims costs in the first quarter of 2016 amounted to EUR 287.8m and showed a net decrease of EUR 6.7m compared to the same period of 2015.

The decrease in payroll and interim costs was primarily driven by productivity improvements in our network and the contribution of Alpha which together led to a reported average year-on-year reduction of 355 FTE and interims generating savings of EUR 5.2m. This decrease was on the lower side of the historical rate, as the figure included FTE and interims of the new subsidiaries, the internalization of newspaper delivery (=Deltamedia) and additional workforce on the one hand to absorb growth of parcels volumes and solutions and on the other hand to absorb holidays (due to earlier timing of Easter). The total impact of the above mentioned items amounted to 379 FTE and interims. Therefore, the underlying average reduction in FTE and interims is 734 for the quarter.

The recruitment of auxiliary postmen created a positive mix effect of EUR 2.2m. Additionally, a lower number of management functions due to a hiring freeze and reorganization, created a positive mix effect of EUR 2.6m.

A negative price effect impacted costs by EUR 3.1m, stemming from the impact of the merit increases and some phasing elements.

Finally, costs associated with the employee benefits remain stable (up EUR 0.1m).

SG&A excluding interim and transport costs decreased by EUR 3.1m, all costs decreased except consultancy and rent and rental costs.

Transport costs amounted to EUR 50.4m, EUR 2.2m lower compared to previous year (or 4.2%), in line with the revenue evolution of the international activities.

The decrease in **other costs** (EUR -3.2m) is mainly a result of the higher increase of the recoverable VAT (EUR -3.0m): percentage of recoverable VAT increased from 13% in 2014 to 14% in 2015 and 18.79% in 2016.

Cash flow statement

First quarter 2016

In the first quarter of 2016, bpost generated EUR 243.9m cash, a EUR 54.0m decrease compared to the same period last year.

Free cash flow (EUR 245.9m) was EUR 52.1m lower than last year.

Cash flow from operating activities resulted in a cash inflow of EUR 281.1m (EUR 306.6m in the first quarter of 2015). Cash generation from operating activities had been negatively impacted by the lower compensation and change in payment terms for SGEI (EUR -36.8m) and the Alpha pay-outs (EUR -12.0m) in the first quarter of 2016. Income tax paid was lower in the first quarter of 2016 compared to the same period last year (EUR +21.3m). Excluding these elements, results of operating activities improved by EUR 5.7m and working capital evolution slightly deteriorated (EUR -3.8m compared to the first quarter of 2015) mainly due to changes in payment terms and settlements for Social Security (EUR -5.7m).

Investing activities generated a cash outflow of EUR 35.1m in the first quarter of 2016 compared to an outflow of EUR 8.5m EUR for the same period last year. The higher proceeds from the sale of buildings (EUR +7.3m) could not compensate the higher capital expenditures (EUR -1.0m), the cash outflows for new subsidiaries for a total amount of EUR 12.2m and the purchase of the remaining shares of Landmark Global (EUR -20.7m) in the first quarter of 2016.

The cash outflow relating to **financing activities** amounted to EUR 2.1m, an increase of EUR 1.9m compared to last year as a result of the payment of a dividend to minority interests in the first quarter of 2016 (EUR -2.0m).

Key events during the first quarter

On February 5, 2016 bpost announced an agreement on the acquisition of the Belgian activities of Lagardère Travel Retail

In Belgium, Lagardère Travel Retail is active in proximity and convenience retail. With 220 selling points including brands as Press Shop and Relay, the company distributes a large variety of products and services. These services include also the distribution of newspapers with AMP to a network of around 5,345 points of sale. Kariboo is a newly built distribution network of 735 pick-up and delivery points of parcels in Belgium and gives access to online services.

This acquisition enables bpost to improve its convenience and proximity services to its customers as part of its growth and diversification strategy. The deal is subject to the approval by the competition authorities.

On March 21, 2016 bpost acquired Freight Distribution Management (FDM)

FDM is specialized in providing a personalized customer service for warehousing and distributing products in Australia. Its business consists of Third Party Logistics (3PL) Warehousing, Transport & Distribution.

This acquisition supports the international e-commerce cross-border parcels strategy of the company.

Financial calendar

03.05.16 (10.00 CET)	Analyst Conference Call
11.05.16	Ordinary General Meeting of Shareholders
17.05.16	Ex-dividend date
18.05.16	Record date
19.05.16	Payment date of the dividend
09.07.16	Start of quiet period ahead of 2Q16 results
08.08.16 (17.45 CET)	Announcement 2Q16 and half-year results
09.08.16 (10.00 CET)	Analyst Conference Call
10.10.16	Start of quiet period ahead of 3Q16 results
09.11.16 (17.45 CET)	Announcement 3Q16 results
10.11.16 (10.00 CET)	Analyst Conference Call
05.12.16 (17.45 CET)	Interim dividend 2016 announcement
08.12.16	Ex-dividend date (interim dividend)
09.12.16	Record date (interim dividend)
12.12.16	Payment date of the interim dividend

Unaudited Interim Condensed Consolidated Financial Statements[1]

Interim Consolidated Income Statement (unaudited)

		Year-to-date	
In million EUR	**NOTES**	**2015**	**2016**
Turnover	6	612.6	595.6
Other operating income		3.9	8.9
TOTAL OPERATING INCOME		**616.6**	**604.5**
Materials cost		(7.3)	(6.9)
Services and other goods	7	(146.0)	(144.2)
Payroll costs		(287.6)	(277.5)
Other operating expenses		(2.8)	(0.1)
Depreciation, amortization		(21.1)	(21.9)
TOTAL OPERATING EXPENSES		**(465.0)**	**(450.6)**
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**151.6**	**153.9**
Financial income		1.3	0.7
Financial cost		(3.1)	(2.5)
Share of profit of associates		(0.8)	(2.8)
PROFIT BEFORE TAX		**149.0**	**149.3**
Income tax expense		(52.4)	(53.4)
PROFIT OF THE PERIOD		**96.6**	**95.9**
Attributable to:			
Owners of the Parent		95.7	95.6
Non-controlling interests		0.8	0.3

EARNINGS PER SHARE

	Year-to-date	
In EUR	**2015**	**2016**
►basic, profit for the year attributable to ordinary equity holders of the parent	0.48	0.48
►diluted, profit for the year attributable to ordinary equity holders of the parent	0.48	0.48

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 2016
PROFIT FOR THE YEAR	**96.6**	**95.9**
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	0.7
NET OTHER COMPREHENSIVE INCOME / (LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**0.8**	0.7
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	17.8
(Loss)gain on available for sale financial assets	12.6	26.9
Income tax effect	(4.3)	(9.2)
NET OTHER COMPREHENSIVE INCOME / (LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**8.3**	**17.8**
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	**9.1**	**18.5**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**105.7**	**114.4**
Attributable to:		
Owners of the Parent	104.8	114.1
Non-controlling interest	0.8	0.3

Interim Consolidated Statement of Financial Position (unaudited)

In million EUR	NOTES	As of 31 December 2015	As of 31 March 2016
Assets			
Non-current assets			
Property, plant and equipment	8	548.5	539.3
Intangible assets	9	89.6	104.4
Investments in associates	10	375.0	390.0
Investment properties		6.5	6.5
Deferred tax assets		47.2	45.5
Trade and other receivables		2.3	2.1
		1,069.2	**1,087.7**
Current assets			
Assets held for sale		3.1	0.6
Inventories		11.1	10.6
Income tax receivable		1.7	1.7
Trade and other receivables	11	411.2	326.2
Cash and cash equivalents	12	615.7	858.3
		1,042.8	**1,197.3**
TOTAL ASSETS		**2,112.0**	**2,285.0**
Equity and liabilities			
Equity attributable to equity holders of the Parent			
Issued capital		364.0	364.0
Treasury shares		0.0	0.0
Reserves		230.9	345.7
Foreign currency translation		0.6	1.3
Retained earnings		99.3	95.9
		694.8	**806.9**
Non-controlling interests		(0.0)	0.0
TOTAL EQUITY		**694.8**	**806.9**
Non-current liabilities			
Interest-bearing loans and borrowings		56.2	56.3
Employee benefits	13	346.2	343.7
Trade and other payables	14	61.7	22.6
Provisions		29.2	29.8
Deferred tax liabilities		1.3	1.3
		494.7	**453.7**
Current liabilities			
Interest-bearing loans and borrowings		9.6	9.4
Bank overdrafts		0.2	0.2
Provisions		35.0	33.7
Income tax payable	15	39.4	68.4
Trade and other payables	16	838.3	912.7
		922.5	**1,024.4**
TOTAL LIABILITIES		**1,417.2**	**1,478.1**
TOTAL EQUITY AND LIABILITIES		**2,112.0**	**2,285.0**

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 2015	**364.0**	**0.0**	**229.4**	**0.6**	**87.5**	**681.4**	**0.0**	**681.4**
Profit for the year 2015					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**
Dividends (Pay-out)			0.0		0.0	0.0	0.0	0.0
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**
AS PER 1 JANUARY 2016	**364.0**	**(0.0)**	**230.9**	**0.6**	**99.3**	**694.8**	**0.0**	**694.8**
Profit for the year 2016					95.6	95.6	0.3	95.9
Other comprehensive income			117.0	0.7	(99.3)	18.5		18.5
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**117.0**	**0.7**	**(3.7)**	**114.1**	**0.3**	**114.4**
Dividends (Pay-out)			0.0		0.0	0.0	(2.0)	(2.0)
Other			(2.2)		0.3	(2.0)	1.7	(0.2)
AS OF 31 MARCH 2016	**364.0**	**(0.0)**	**345.7**	**1.3**	**95.9**	**806.9**	**0.0**	**806.9**

Equity increased by EUR 112.2m, or 16.1%, to EUR 806.9m as of March 31, 2016 from EUR 694.8m as of December 31, 2015. The increase was mainly due to the realized profit of EUR 95.9m and the fair value adjustment in respect of bpost bank's bond portfolio amounting to EUR 17.8m.

Interim Consolidated Statement of Cash Flows (unaudited)

	Year-to-date	
In million EUR	**2015**	**2016**
Operating activities		
Profit before tax	149.0	149.3
Depreciation and amortization	21.1	21.9
Impairment on bad debts	(0.3)	0.4
Gain on sale of property, plant and equipment	(2.3)	(7.3)
Change in employee benefit obligations	(3.7)	(2.5)
Share of profit of associates	0.8	2.8
Income tax paid	(2.4)	(2.2)
Income tax paid on previous years	(42.0)	(20.9)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	**120.2**	**141.5**
Decrease/(increase) in trade and other receivables	84.6	82.3
Decrease/(increase) in inventories	0.9	0.5
Increase/(decrease) in trade and other payables	100.2	57.5
Deposits received from third parties	0.0	0.0
Increase/(decrease) in provisions	0.7	(0.7)
NET CASH FROM OPERATING ACTIVITIES	**306.6**	**281.1**
Investing activities		
Proceeds from sale of property, plant and equipment	2.9	10.2
Acquisition of property, plant and equipment	(7.9)	(9.7)
Acquisition of intangible assets	(3.5)	(2.7)
Acquisition of other investments	0.0	(0.0)
Acquisition of subsidiaries, net of cash acquired	0.0	(33.0)
NET CASH USED IN INVESTING ACTIVITIES	**(8.5)**	**(35.1)**
Financing activities		
Payments related to borrowings and financing lease liabilities	(0.2)	(0.1)
Dividends paid to minority interests	0.0	(2.0)
NET CASH FROM FINANCING ACTIVITIES	**(0.2)**	**(2.1)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**297.9**	**243.9**
NET FOREIGN EXCHANGE DIFFERENCE	**0.8**	**(1.2)**
Cash and cash equivalent less bank overdraft as of 1st January	562.0	615.5
Cash and cash equivalent less bank overdraft as of 31 March	860.6	858.1
MOVEMENTS BETWEEN 1ST JANUARY AND 31 MARCH	**298.7**	**242.6**

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, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on May 2, 2016.

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, 2016 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, 2015.

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, 2015, except for the adoption of new standards and interpretations effective as from January 1, 2016.

The following new standards and amendments, entered into force as from January 1, 2016, don't have any effect on the presentation, the financial performance or position of bpost:

- IAS 27 – Amendments – Equity method in Separate Financial Statements
- IAS 1 – Amendments – Disclosure Initiative
- Annual improvements to IFRSs 2012-2014 Cycle
- IAS 16 - IAS 38 – Amendments – Clarification of acceptable methods of depreciation and amortisation
- IFRS 11 – Amendment – Accounting for acquisitions of interests in Joint Operations

- IAS 16 – IAS 41 – Amendments - Agriculture: Bearer plants

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 (*)	1 January 2018
IFRS 14 – Regulatory Deferral Accounts (*)	1 January 2016
IFRS 15 – Revenue from Contracts with customers (*)	1 January 2018
IFRS 16 – Leases (*)	1 January 2019
IFRS 10 – IAS 28 - Amendment – Sale or contribution of assets between an investor and its Associate or Joint Venture (*)	Deferred indefinitely
IFRS 10, IFRS 12 & IAS 28 - Amendments – Investment Entities: Applying the consolidation exception (*)	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 6th management contract, bpost is the provider of certain SGEI. These consist among others of the maintenance of an extensive retail network and services such as the payment at home of pensions and the execution of financial postal services. In accordance with the Belgian State's commitment to the European Commission, the delivery of newspapers and periodicals is no longer part of the management contract. For the latter the Belgian State decided to award the contract of distribution of newspapers and periodicals after a public consultation of the market to bpost.

The compensation on SGEI is based on a net avoided cost ("NAC") methodology and is being equally distributed over the four quarters. This methodology provides that compensation shall be based upon the difference in the net cost between bearing or not the provision of SGEI. The remuneration for the delivery of newspapers and periodicals consists of a flat amount (equally distributed over the four quarters) and a variable fee based upon the distributed volumes. This remuneration is subject to an ex-post calculation based upon the evolution of the costs basis of bpost. During the year calculations are made for the SGEI and the distribution of newspapers and periodicals to ensure the remuneration is in line with the amounts recorded.

4. Business combinations

Additional consideration Landmark

In January 2016 bpost NV-SA acquired an additional 24.5% of Landmark Global Inc. and Landmark Trade Services, LTD., to reach a total of 75.5% shares for a price of USD 22.5m USD (EUR 20.7m).

Additional consideration Success Partners Europe Sp z o.o

In January 2016, bpost NV-SA paid USD 0.2m (EUR 0.2m) in execution of the contingent consideration agreement and based upon the 2015 performance of SPE. The fair value of the contingent consideration was recognized as a financial liability. The payment has no impact on the original calculated goodwill.

Acquisitions of the three months ended March 31, 2016

On March 21, 2016 bpost NV-SA purchased 100% of the shares both of Freight Distribution Management Systems PTY Ltd and FDM Warehousing PTY Ltd, two Sydney-based Australian companies.

These FDM entities are specialized in providing a personalized customer service for warehousing and distributing products in Australia. FDM's business consists of Third Party Logistics (3PL) Warehousing, Transport & Distribution.

The purchase price for the 100% shares was AUD 21.9m (EUR 14.4m), and is subject to an adjustment based on the net cash and net working capital on the date of the closing. In addition, the agreement provides for a contingent consideration arrangement (so-called earn-out). The accounting treatment and the purchase price allocation of the acquisition are still under review and will be fully disclosed by the end of the year.

5. Operating Segments

As of January 1, 2016 the prepaid parcels have been transferred from MRS to P&I, hence all parcels are being registered within P&I. Taking into account these changes, the 2015 figures have been made comparable to reflect these changes. The comparable figures are shown under the heading "comparable". The variances mentioned hereafter compare the 2016 figures with the 2015 comparable figures.

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

	Year-to-date		
In million EUR	**2015**	**2015 Comparable**	**2016**
MRS	483.4	475.0	459.0
P&I	121.7	130.1	128.2
TOTAL OPERATING INCOME OF OPERATING SEGMENTS	**605.1**	**605.1**	**587.2**
Corporate (Reconciling category)	11.4	11.4	17.4
TOTAL OPERATING INCOME	**616.6**	**616.6**	**604.5**

Revenues attributable to the MRS operating segment decreased by EUR 16.0m compared to the first quarter of 2015, to EUR 459.0m, mainly due to:

- the lower remuneration for SGEI and for the press concessions,
- the 4.0% underlying volume decline of the Domestic mail,
- lower revenues in Philately, Retail, Banking and Financial products,
- partially compensated by price increases in Domestic Mail.

P&I revenues decreased in the first quarter of 2016 to EUR 128.2m. The decrease of International mail (EUR 5.9m), mainly the result of bpost's consequent execution of pricing strategy in order to safeguard reasonable profit margins, was not compensated by the increase of the Parcels product portfolio. The latter increased by EUR 3.6m, mainly driven by a good performance in Domestic Parcels.

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 6), 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**	**2016**
Belgium	532.4	520.2
Rest of the World	84.2	84.3
TOTAL OPERATING INCOME	**616.6**	**604.5**

The following tables present EBIT and EAT information about bpost's operating segments for the period ended March 31, 2016 and 2015:

In million EUR	Year-to-date 2015	2015 Comparable	2016
MRS	140.5	134.9	135.3
P&I	17.4	23.0	20.8
TOTAL EBIT OF OPERATING SEGMENTS	**157.8**	**157.8**	**156.1**
Corporate (Reconciling category)	(6.3)	(6.3)	(2.2)
TOTAL EBIT	**151.6**	**151.6**	**153.9**

In the first quarter of 2016, EBIT of the MRS operating segment increased by EUR 0.4m to EUR 135.3m. The lower compensation for SGEI and for the press concessions and the volume decline were compensated by the price increases, productivity improvements and other cost reductions.

EBIT attributable to the P&I operating segment decreased by EUR 2.2m from EUR 23.0m to EUR 20.8m in the first quarter of 2016 as the revenue decrease could not be offset by cost decreases, among others 2016 includes start up costs related to City Depot.

In million EUR	Year-to-date 2015	2015 Comparable	2016
MRS	140.5	134.9	135.3
P&I	17.4	23.0	20.8
TOTAL EAT OF OPERATING SEGMENTS	**157.8**	**157.8**	**156.1**
Corporate (Reconciling category)	(61.3)	(61.3)	(60.2)
TOTAL EAT	**96.6**	**96.6**	**95.9**

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	2015	2016
OPERATING INCOME	**11.4**	**17.4**
Central departments (Finance, Legal, Internal Audit, CEO, ...)	(16.0)	(14.9)
Other reconciliation items	(1.7)	(4.6)
OPERATING EXPENSES	**(17.7)**	**(19.5)**
EBIT CORPORATE (RECONCILING CATEGORY)	**(6.3)**	**(2.2)**
Share of profit of associates	(0.8)	(2.8)
Financial Results	(1.8)	(1.8)
Income Tax expense	(52.4)	(53.4)
EAT CORPORATE (RECONCILING CATEGORY)	**(61.3)**	**(60.2)**

Profit from operating activities (EBIT) attributable to the Corporate reconciliation category increased by EUR 4.1m to negative EUR 2.2m in the first quarter of 2016 from negative EUR 6.3m in the first quarter of 2015. This improvement is mainly driven by the sale of buildings and cost savings in the central departments due to some projects.

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

6. Turnover

In million EUR	Year-to-date 2015	2016
Turnover excluding the SGEI compensation	540.7	530.9
SGEI compensation	71.9	64.7
TOTAL	**612.6**	**595.6**

7. Operating expenses

In million EUR	Year-to-date 2015	2016	Change %
Rent and rental costs	16.2	16.5	2.1%
Maintenance and repairs	18.1	16.9	-6.7%
Energy delivery	9.6	8.3	-13.3%
Other goods	4.3	4.5	4.0%
Postal and telecom costs	1.5	1.4	-3.8%
Insurance costs	2.4	2.3	-3.6%
Transport costs	52.7	50.4	-4.2%
Publicity and advertising	2.4	1.6	-34.3%
Consultancy	1.6	3.1	89.8%
Interim employees	6.8	10.3	51.5%
Third party remuneration, fees	25.9	24.5	-5.2%
Other services	4.6	4.3	-6.8%
TOTAL	**146.0**	**144.2**	**-1.3%**

8. Property, plant and equipment

In the first quarter of 2016 property, plant and equipment decreased by EUR 9.2m, or 1.7%, to EUR 539.3m as of March 31, 2016. The decrease was mainly due to depreciation and impairment of EUR 18.6m partially offset by the capital expenditures of EUR 9.7m.

9. Intangible assets

Intangible assets increased by EUR 14.8m in the first quarter of 2016, or 16.5%, to EUR 104.4m as of March 31, 2016. The increase was mainly due to the capital expenditures of EUR 2.7m, the goodwill resulting of the acquisition of FDM for EUR 15.4m, partially offset by depreciation and impairment of EUR 3.3m.

10. Investments in associates

Investments in associates increased by EUR 15.0m, or 4.0%, to EUR 390.0m as of March 31, 2016. This increase is due to the increase in the unrealized gain on the bond portfolio in the amount of EUR 17.8m, reflecting an average decrease of the underlying yield curve by 19 basis points (bps), partially offset by bpost's share of bpost bank's loss for the first three months of 2016 in the amount of EUR 2.8m. As of March 31, 2016, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of EUR 196.7m, which represented 50.4% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but are rather recognized directly in equity in other comprehensive income.

11. Current trade and other receivables

Current trade and other receivables decreased by EUR 85.1m, or 20.7%, to EUR 326.2m as of March 31, 2016. The decrease was mainly driven by the usual settlement of the SGEI receivable for the last quarter of 2015.

12. Cash and cash equivalents

Cash and cash equivalents increased by EUR 242.6m, or 39.4%, to EUR 858.3m. This increase is mainly due to the normalized free cash flow (EUR 245.9m). This cash flow contains the payment of EUR 253.7m for the SGEI compensation during the first quarter of 2016.

13. Employee benefits

In million EUR	As of 31 March 2016	As of 31 December 2015
Post-employment benefits	(77.0)	(77.7)
Long-term employee benefits	(109.1)	(108.9)
Termination benefits	(10.7)	(11.6)
Other long-term benefits	(146.9)	(148.1)
Total	**(343.7)**	**(346.2)**

Employee benefits decreased by EUR 2.5m, or 0.7%, to EUR 343.7m as of March 31, 2016. The decrease mainly reflects:

- The payment of benefits for an amount of EUR 9.4m, which included EUR 1.4m for the payment of early retirement and part-time work benefits.
- Additional service costs (EUR 5.5m) and interest costs (EUR 1.4m)

14. Non-current trade and other payables

Non-current trade and other payables decreased by EUR 39.1m, to EUR 22.6m as of March 2016 mainly due to the transfer of the acquisition of the remaining 24.5% of the shares of Landmark from long term to short term, partially offset by the earn outs relating to the acquisition of FDM.

15. Income tax payable

Income tax payable increased by EUR 29.0m, to EUR 68.4m as of March 31, 2016 and is mainly explained by the accrued income taxes partially offset by the income taxes related to the 2014 results which were paid in the first quarter of 2016.

16. Current trade and other payables

Current trade and other payables increased by EUR 74.4m, or 8.9%, to EUR 912.7m as of March 31, 2016. This increase is due to the increase of the other payables by EUR 130.4m, partially offset by the decrease of the trade payables and the social payables respectively by EUR 34.7m and EUR 21.4m. The increase of the other payables is mainly due to the advance payment received from the Belgian State in respect of the SGEI compensation (EUR 110.8m) as well as the transfer from long term to short term for the acquisition of the remaining shares of Landmark, partially offset by the payment of 24.5% of the shares of Landmark during 2016.

17. Contingent Liabilities and Contingent Assets

As of March 31, 2016, bpost had 6,062 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.

18. 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 2016 and 2015 no non-recurring income statement related items were identified.

Cash Flow Statement related

During the first quarter of 2016 and 2015 no non-recurring cash flow statement related items were identified.

From IFRS Consolidated Net Profit to Belgian GAAP Unconsolidated Net Profit

In million EUR	Year-to-date 2015	2016	Change %
IFRS Consolidated Net Profit	**96.6**	**95.9**	**-0.7%**
Results of subsidiaries and deconsolidation impacts	(8.7)	(10.2)	17.8%
Differences in depreciation and impairments	(2.7)	(0.3)	-88.4%
Differences in recognition of provisions	(0.7)	(0.3)	-60.5%
Effects of IAS19	(5.2)	(2.9)	-43.8%
Deferred taxes	3.7	1.7	-54.4%
Other	4.4	6.2	41.5%
Belgian GAAP unconsolidated net profit	**87.3**	**90.0**	**3.0%**

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	2016
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(2.7)	(3.1)
Profit of the international subsidiaries (local GAAP)	(2.2)	(2.1)
Share of profit of bpost bank (local GAAP)	(3.6)	(3.1)
Other deconsolidation impacts	(0.3)	(2.0)
Total	**(8.7)**	**(10.2)**

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 Koen Beeckmans, 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