bpost closes the third quarter with results on track with the 2019 outlook

Third quarter 2019 highlights

"bpost group on track in transforming into a global e-commerce logistics and parcels player whereas remaining an efficient mail operator in Belgium" **says Koen Van Gerven, CEO bpost group**

- **3Q19 in line with our expectations, on track for 2019 outlook**
- **Group operating income** +0.9% compared with the same period last year and at EUR 881.5m
- **Group reported EBIT at EUR 34.3m. Normalized EBIT at EUR 38.3m** (margin of 4.3%)
- **Mail & Retail**
    - Total operating income at EUR 486.0m (-1.6%) as mail volume decline was partly compensated by pricing.
    - Underlying mail volume decline at -7.8% driven mostly by Transactional mail due to e-substitution.
    - Reported EBIT at EUR 38.5m. Normalized EBIT at EUR 38.4m (7.9% margin), down by 26.4% from mail volume decline and wage drift.
- **Parcels & Logistics Europe & Asia**
    - Total operating income +6.1% in comparison with the same period last year at EUR 198.3m with Parcels BeNe up 18.8% and organic growth in E-commerce logistics.
    - bpost continues to grow as operational partner of choice leading to strong Parcels BeNe volume growth at +20.3% resulting from e-commerce growth and good volume development at the Dutch subsidiary Dynalogic.
    - Reported EBIT at EUR 9.7m. Normalized EBIT at EUR 10.4m (5.2% margin). Solid EBIT margin improvement thanks to the run-off of non-performing businesses and EUR 1.7m DynaGroup earn-out reversal.
- **Parcels & Logistics North America**
    - As anticipated, total operating income at EUR 241.4m (-0.1%) impacted by Radial customer churn and repricing compensated by new business and a positive FX evolution.
    - Reported EBIT at EUR -8.6m, normalized EBIT at EUR -5.3m (-2.2% margin) mainly impacted by top-line development in line with expectations.
- Today, Jean-Paul Van Avermaet was appointed bpost group CEO to succeed Koen Van Gerven whose mandate ends on February 26, 2020. The Board of Directors also approved the following internal appointments effective as of December 1, 2019. Luc Cloet will become Director Mail & Retail and was already member of the Group Executive Committee. Kathleen Van Beveren will join the Group Executive Committee as Director Parcels & Logistics Europe & Asia. Henri de Romrée will succeed Pierre Winand as Director Parcels & Logistics North America and was already member of the Group Executive Committee. Please refer to our press release on management changes for more details.

CEO quote

Koen Van Gerven, CEO, commented: *"We are more than ever focused on implementing our strategy to remain an efficient provider of mail while growing in the promising e-commerce logistics space in Europe and North-America. These third quarter results demonstrate that we are on track, they are in line with our expectations and provide us comfort towards achieving our full-year guidance. The positive development in Parcels & Logistics Europe & Asia was supported by strong parcels volume growth in our home base, Belgium and the Netherlands, and by organic growth in e-commerce logistics. In North America, we continued our commercial progress but are, as anticipated, still impacted by prior client churn and repricing of 2018. As foreseen, Mail & Retail is still under pressure from e-substitution and wage drift. We are making good progress on concretizing our alternating distribution model that will be implemented as of March next year. In light of the structural mail volume decline driven by changing customer needs, we need to adapt the way we operate to stay* *relevant in the future. This can only be done through the strong daily commitment of all our employees, whom I'd like to thank warmly for their hard work."*

Outlook for 2019

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

More specifically for our 4 business units:

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

Parcels & Logistics Europe & Asia:
- We expect to record mid-single-digit percentage growth in total operating income.
- Normalized EBIT margin is expected to be towards the high-end of the 6-8% range.

Parcels & Logistics North America:
- Total operating income is expected to decline by a low single-digit percentage, mainly explained by the full-year impact of the 2018 client churn and repricing at Radial.
- Parcels & Logistics North America is expected to be slightly below break-even at normalized EBIT level, driven by higher commercial success than anticipated at Radial which advanced onboarding costs for new clients from 2020 to this year.
- Radial is however on track for the 2022 guidance as presented at the Capital Markets Day.

Corporate:
- Normalized EBIT expected to be high single-digit negative driven by lower building sales and higher project-related costs.

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

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Key figures[1]

3rd quarter (in million EUR)

	Reported		Normalized		
	2018	**2019**	**2018**	**2019**	**% Δ**
Total operating income	873.7	881.5	873.7	880.9	0.8%
Operating expenses (excl. D&A)	794.8	783.0	794.8	783.0	-1.5%
EBITDA	**78.9**	**98.5**	**78.9**	**97.9**	**24.0%**
Depreciation and amortization	38.3	64.2	32.2	59.6	
EBIT	**40.6**	**34.3**	**46.7**	**38.3**	**-18.1%**
Margin (%)	*4.7%*	*3.9%*	*5.3%*	*4.3%*	
Profit before tax	**39.9**	**27.1**	**46.0**	**31.1**	**-32.4%**
Income tax expense	12.7	13.8	13.4	14.0	
Net profit	**27.2**	**13.4**	**32.6**	**17.0**	**-47.7%**
FCF	**(53.3)**	**(15.8)**	**(45.7)**	**(9.7)**	**78.7%**
bpost SA/NV net profit (BGAAP)	**29.3**	**18.0**	**29.3**	**18.0**	**-38.5%**
Net Debt/ (Net cash) at 30 September[2]	**354.1**	**751.3**	**354.1**	**751.3**	

Year-to-date (in million EUR)

	Reported		Normalized		
	2018	**2019**	**2018**	**2019**	**% Δ**
Total operating income	2,718.6	2,724.0	2,718.6	2,723.4	0.2%
Operating expenses (excl. D&A)	2,353.9	2,312.7	2,353.9	2,312.7	-1.8%
EBITDA	**364.7**	**411.3**	**364.7**	**410.7**	**12.6%**
Depreciation and amortization	115.1	184.7	97.4	169.1	
EBIT	**249.6**	**226.6**	**267.3**	**241.6**	**-9.6%**
Margin (%)	*9.2%*	*8.3%*	*9.8%*	*8.9%*	
Profit before tax	**240.5**	**201.3**	**258.3**	**216.3**	**-16.2%**
Income tax expense	81.5	74.4	83.2	75.6	
Net profit	**159.1**	**126.9**	**175.1**	**140.7**	**-19.6%**
FCF	**19.4**	**174.9**	**45.6**	**204.2**	**-**
bpost SA/NV net profit (BGAAP)	**184.2**	**118.2**	**184.2**	**118.2**	**-35.8%**
Net Debt/ (Net cash) at 30 September[2]	**354.1**	**751.3**	**354.1**	**751.3**	

[1] Normalized figures are not audited.
[2] Impact initial application IFRS 16 caused net debt to increase by EUR 428.4m.

Group overview

Third quarter 2019

Compared to last year, **total external operating income** increased by EUR 7.8m to EUR 881.5m, or EUR 7.2m excluding the normalized gain on the sale of Alvadis. This increase was mainly driven by Parcels & Logistics Eurasia (EUR +18.9m, mainly organic volume growth of 20.3% of Parcels BeNe and the favorable evolution of a contingent consideration of EUR +1.7m) and a slight increase in Parcels & Logistics North America (EUR +1.3m, driven by the favorable exchange rate). These effects were partially offset by Domestic Mail volume decline (EUR -12.0m overall Mail & Retail) and lower revenues within Corporate (EUR -0.5m).

Operating expenses including normalized depreciation and amortization increased by EUR 15.6m, as a result **normalized EBIT** decreased by EUR 8.4m compared to last year.

The initial application of IFRS 16 had a positive impact of EUR 27.5m on **EBITDA** compared to last year.

Net financial result decreased by EUR 6.3m mainly due to the increase of non-cash financial charges related to IAS 19 employee benefits as a result of the decrease in discount rates and the first application of IFRS16.

Normalized income tax expense slightly increased by EUR 0.7m compared to last year.

Normalized IFRS group net profit stood at EUR 17.0m. **Belgian GAAP net profit** of the parent company amounted to EUR 18.0m.

First nine months of 2019

Compared to last year **total external operating income** slightly increased by EUR 5.4m to EUR 2,724.0m, or EUR 4.8m excluding the normalized gain on the sale of Alvadis. This increase was mainly driven by Parcels & Logistics Eurasia (EUR +44.9m, mainly driven by organic volume growth of Parcels BeNe) and Corporate (EUR +18.5m) due to the sale of the Centre Monnaie building. These effects were almost completely offset by the Domestic Mail volume decline (EUR -35.4m total decrease for Mail & Retail) and the anticipated decrease of Parcels & Logistics North America (EUR -22.6m).

Operating expenses including normalized depreciation and amortization increased by EUR 30.5m, mainly driven last year's reversal of a provision (EUR -14.9m) within Corporate. As the revenue increase was outpaced by the cost increase, **normalized EBIT** decreased by EUR 25.7m or 9.6% compared to last year.

The initial application of IFRS 16 had a positive impact of EUR 77.7m on **EBITDA** compared to last year.

Net financial result decreased by EUR 19.0m mainly due to the increase of non-cash financial charges related to IAS 19 employee benefits as a result of the decrease in discount rates, the interests on the loans and the bond and the first application of IFRS16.

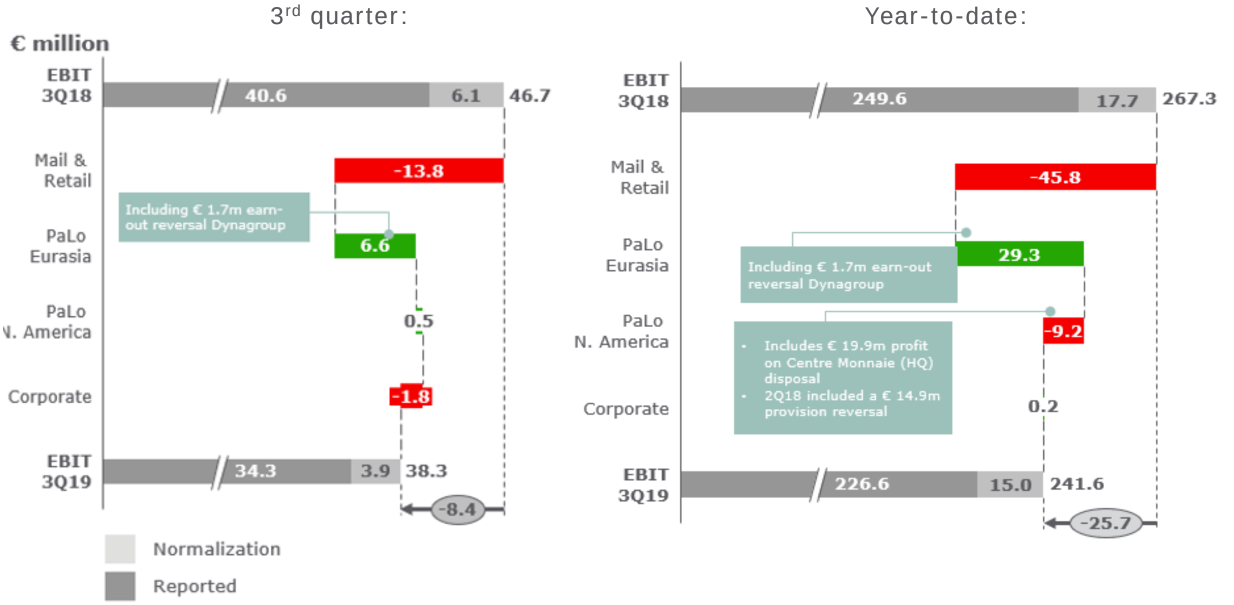
Normalized income tax expense decreased by EUR 7.6m compared to last year mainly due to the lower profit before tax.

Normalized IFRS group net profit stood at EUR 140.7m. **Belgian GAAP net profit** of the parent company amounted to EUR 118.2m.

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

In million EUR (Normalized)	Year-to-date			3rd quarter		
	Total operating income	EBIT	Margin (%)	Total operating income	EBIT	Margin (%)
Mail & Retail	1,534.3	205.9	13.4%	485.4	38.4	7.9%
Parcels & Logistics Europe & Asia	596.5	51.9	8.7%	198.3	10.4	5.2%
Parcels & Logistics North America	708.9	(13.7)	-1.9%	241.4	(5.3)	-2.2%
Corporate	291.8	(2.5)	-0.9%	90.8	(5.2)	-5.7%
Eliminations	(408.2)			(134.9)		
Group	**2,723.4**	**241.6**	**8.9%**	**880.9**	**38.3**	**4.3%**

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



Business Unit performance: Mail & Retail

Mail & Retail	Year-to-date			3rd quarter		
In million EUR	2018	2019	Change %	2018	2019	Change %
External operating income	**1,445.7**	**1,410.3**	**-2.4%**	**456.5**	**444.5**	**-2.6%**
Transactional mail	571.3	551.7	-3.4%	172.7	169.0	-2.2%
Advertising mail	178.6	171.9	-3.7%	55.1	50.8	-7.7%
Press	261.2	255.7	-2.1%	84.0	81.3	-3.2%
Proximity and convenience retail network	356.8	352.7	-1.1%	119.0	117.4	-1.3%
Value added services	77.8	78.3	0.6%	25.7	25.9	0.9%
Intersegment operating income	116.1	124.6	7.4%	37.4	41.6	11.2%
TOTAL OPERATING INCOME	**1,561.8**	**1,534.9**	**-1.7%**	**493.8**	**486.0**	**-1.6%**
Operating expenses	1.279.4	1.267.8	-0.9%	431.7	426.9	-1.1%
EBITDA	**282.3**	**267.1**	**-5.4%**	**62.2**	**59.1**	**-4.9%**
Depreciation, amortization	32.6	63.0	92.9%	10.6	20.7	94.3%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**249.7**	**204.2**	**-18.2%**	**51.5**	**38.5**	**-25.4%**
Margin (%)	*16.0%*	*13.3%*		*10.4%*	*7.9%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**251.6**	**205.9**	**-18.2%**	**52.2**	**38.4**	**-26.4%**
Margin (%)	*16.1%*	*13.4%*		*10.6%*	*7.9%*	
CAPEX	24.4	19.3	-21%	7.8	9.3	19%
Average FTE & Interims	22,102	22,329	1.0%	22,741	23,070	1.4%

Third quarter 2019

External operating income in the third quarter 2019 amounted to EUR 444.5m and showed a decrease of EUR 12.0m or 2.6% compared to the same period of 2018.

Revenues from **Domestic Mail** (i.e. Transactional, Advertising and Press combined) decreased by EUR 10.6m to EUR 301.2m. Underlying volume[3] decline amounted to -7.8%. Transactional mail noted an underlying volume decline of -9.2% with the same trend as previous quarters: continued e-substitution by big senders and SMEs as well as digitization of C2B communication through smartphone apps. Advertising mail realized an underlying volume[3] decrease of -6.5% for the quarter, explained by the positive development in Unaddressed resulting from dedicated sales efforts and phasing effects between quarters negatively impacting Direct Mail in the third quarter. Press volume[3] decreased on an underlying basis by -3.4% benefiting from an easier comparison base. Overall we see a continuation of the e-substitution trend.
Total Domestic Mail volume decline impacted revenues by EUR -20.4m, elections in 3Q18 by EUR-2.1m, these only partly compensated by the net improvement in price and mix amounting to EUR 10.7m and the working days impact (EUR 1.2m).

[3] New scope as January 1, 2019 based on the business unit structure includes press revenue from Ubiway press distribution and excludes outbound. Operating income 2018 is restated but not all comparable KPI's for 2018 (quarterly and YTD) are available.

Mail & Retail Evolution underlying Mail volumes	Year-to-date 2019	3rd quarter 2019
Domestic mail	**-8.8%**	**-7.8%**
Transactional mail	-9.9%	-9.2%
Advertising mail	-6.6%	-6.5%
Press	-6.7%	-3.4%

Proximity and convenience retail network slightly decreased by EUR 1.6m to EUR 117.4m. This decrease was mainly driven by the deconsolidation of Alvadis (EUR -1.8m) as of September 2019.

Value added services amounted to EUR 25.9m and showed a slight increase of EUR 0.2m versus last year driven by fines management partly offset by lower revenues from other solutions.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 10.5m and depreciation and amortization increased by EUR 10.2m.

Reported EBIT amounted to EUR 38.5m with a margin of 7.9% and showed a decrease of EUR 13.1m compared to the same period of 2018. **Normalized EBIT** amounted to EUR 38.4m with a margin of 7.9% and showed a decrease of EUR 13.8m compared to previous year. The decrease of the reported EBIT was mainly driven by lower total operating income (EUR -7.8m) and higher total operating expenses (including D&A, EUR -5.3m). The increase of total operating expenses (including D&A) was mainly driven by higher payroll resulting from the 2019-2020 CLA and salary indexation despite a favourable evolution of the FTE mix. Deconsolidation of Alvadis had a neutral impact on EBIT.

First nine months of 2019

External operating income decreased by EUR 35.4m, or 2.4%, from EUR 1,445.7m in 2018 to EUR 1,410.3m in the same period of 2019.

Revenues from **Domestic Mail** (i.e. Transactional, Advertising and Press combined) amounted to EUR 979.3m in 2019, an organic decline of EUR 31.8m versus last year, due to an underlying volume decline of EUR 77.2m (-8.8%) and working day impacts (EUR -0.4m), partly compensated by the net impact of elections (EUR +1.6m) and a price/mix improvement of EUR +44.3m due to the 9 months price increase for the small user baskets as from January 1, 2019 versus 7 month in the first 9 months of 2018 with a price increase as from March 1, 2018.

Proximity and convenience retail network and **Value added services** combined amounted to EUR 431.0m, a decrease of EUR 3.6m, mainly due to the lower revenue of banking and finance due to lower commissions from bpost bank on saving and current accounts as a result of the low interest environment, the decline of bpost retail revenue and the deconsolidation of Alvadis, partly compensated by the increase of Ubiway Retail revenues.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 31.5m and depreciation and amortization increased by EUR 30.1m.

Reported EBIT and **normalized EBIT** showed a decrease of respectively EUR 45.5m and EUR 45.8m. The decrease of the reported EBIT is due to lower total operating income (EUR -26.8m) and a net increase of the operating expenses (including D&A, EUR -18.7m), mainly driven by increased payroll and interim costs.

Business Unit performance: Parcels & Logistics Europe & Asia

Parcels & Logistics Europe & Asia	Year-to-date			3rd quarter		
In million EUR	2018	2019	Change %	2018	2019	Change %
External operating income	**538.3**	**583.3**	**8.3%**	**176.1**	**195.1**	**10.8%**
Parcels BeNe	239.6	272.8	13.9%	79.4	94.4	18.8%
E-commerce logistics	87.4	92.5	5.8%	28.7	32.3	12.4%
Cross-border	211.3	218.0	3.2%	67.9	68.4	0.7%
Intersegment operating income	21.6	13.2	-38.7%	10.7	3.2	-69.8%
TOTAL OPERATING INCOME	**559.9**	**596.5**	**6.5%**	**186.8**	**198.3**	**6.1%**
Operating expenses	530.6	531.9	0.2%	180.8	183.5	1.5%
EBITDA	**29.4**	**64.7**	**-**	**6.0**	**14.8**	**-**
Depreciation, amortization	12.1	16.3	35.1%	4.7	5.1	9.3%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**17.3**	**48.3**	**-**	**1.3**	**9.7**	**-**
Margin (%)	*3.1%*	*8.1%*		*0.7%*	*4.9%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**22.7**	**51.9**	**-**	**3.7**	**10.4**	**-**
Margin (%)	*4.1%*	*8.7%*		*2.0%*	*5.2%*	
CAPEX	3.3	8.8	-	1.4	3.1	-
Average FTE & Interims	3,012	3,171	5.3%	3,170	3,230	1.9%

Third quarter 2019

External operating income in the third quarter 2019 amounted to EUR 195.1m and showed an increase of EUR 18.9m or 10.8% compared to the same period of 2018.

Parcels BeNe increased by EUR 14.9m to EUR 94.4m driven by the consistent organic volume[4] growth of parcels of 20.3% (former Domestic Parcels combined with DynaLogic volumes). This increase was driven by e-commerce, good volume development at Dynalogic and the positive effect of the reversal of the contingent consideration of DynaLogic (EUR +1.7m). Price increases were more than offset by mix effect leading to a negative price/mix, fully mix-driven.

Parcels & Logistics Europe & Asia	Year-to-date 2019	3rd quarter 2019
Evolution Parcels BeNe volume	18.3%	20.3%

E-commerce logistics in the third quarter 2019 amounted to EUR 32.3m, an increase of EUR 3.6m compared to the same period of 2018 mainly driven by the organic growth of Active Ants and Radial Europe with new clients wins.

Cross-border increased by EUR 0.5m to EUR 68.4m driven by higher inbound revenues (better price/mix), additional sales volumes in the UK offset by lower revenues from Asia and the rest of Europe.

4 New scope as of January 1, 2019 based on the business unit structure. Parcels BeNe volumes include former domestic parcels and DynaLogic volumes. Operating income 2018 is restated but not all comparable KPI's for 2018 (quarterly and YTD) are available.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 2.2m and normalized depreciation and amortization increased by EUR 2.1m.

Reported EBIT in the third quarter 2019 amounted to EUR 9.7m and showed an increase of EUR 8.3m compared to the same period of 2018. **Normalized EBIT** in the third quarter 2019 amounted to EUR 10.4m and showed an increase of EUR 6.6m compared to the same period of 2018. The reported EBIT increase was mainly driven by higher total operating income (EUR +11.5m, including a positive evolution of the contingent consideration for DynaGroup of EUR +1.7m), slightly offset by higher total operating expenses (including D&A, EUR -3.1m). Operating expenses increased far less than operating income as a result of the run-off of non-performing businesses and lower transport costs partly related to the cross-border mix.

First nine months of 2019

External operating income increased by EUR 44.9m, or 8.3%, from EUR 538.3m in 2018 to EUR 583.3m in the same period of 2019.

Parcels BeNe amounted to EUR 272.8m in 2019, an increase of EUR 33.2m versus last year, mainly driven by an organic parcels volume growth of 18.3%, the positive effect of the reversal of the contingent consideration for DynaLogic (EUR +1.7m) and positive volume development at DynaLogic.

E-commerce logistics amounted to EUR 92.5m, an increase of EUR 5.1m, mainly driven by the integration of Active Ants as from April 1st 2018, along with the organic growth of Active Ants partly offset by the decline of revenue at DynaFix.

Cross-border increased by EUR 6.7m to EUR 218.0m. This growth was mainly driven by additional sales in the UK and phasing of settlements on terminal dues, partly offset by lower parcels revenues from rest of Europe.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 6.4m and depreciation and amortization increased by EUR 6.2m.

Reported EBIT and **normalized EBIT** showed an increase of respectively EUR 31.0m and EUR 29.2m. The reported EBIT increase was mainly due to the increase of the total operating income (EUR +36.6m, including the favourable evolution on contingent considerations) partially offset by the limited increase of the operating expenses (including D&A, EUR -5.5m) due to growth operating leverage, the run-off of non-performing business, phasing of settlements on terminal dues positively impacting transport costs and finally cost phasing towards the fourth quarter of 2019.

Business Unit performance: Parcels & Logistics North America

Parcels & Logistics North America	Year-to-date			3rd quarter		
In million EUR	2018	2019	Change %	2018	2019	Change %
External operating income	**727.6**	**705.0**	**-3.1%**	**238.5**	**239.9**	**0.6%**
E-commerce logistics	663.8	638.6	-3.8%	217.1	218.4	0.6%
International mail	63.8	66.4	4.2%	21.4	21.4	-0.1%
Intersegment operating income	6.0	4.0	-34.1%	3.1	1.5	-51.5%
TOTAL OPERATING INCOME	**733.6**	**708.9**	**-3.4%**	**241.7**	**241.4**	**-0.1%**
Operating expenses	712.4	678.9	-4.7%	239.1	229.7	-3.9%
EBITDA	**21.3**	**30.1**	**41.4%**	**2.5**	**11.6**	**362.8 %**
Depreciation, amortization	36.0	53.5	48.5%	11.3	20.2	78.4%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**(14.7)**	**(23.4)**	**-**	**(8.8)**	**(8.6)**	**-**
Margin (%)	*-2.0%*	*-3.3%*		*-3.7%*	*-3.6%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**(4.4)**	**(13.7)**	**-**	**(5.8)**	**(5.3)**	**-**
Margin (%)	*-0.6%*	*-1.9%*		*-2.4%*	*-2.2%*	
CAPEX	16.4	35.3	-	6.8	22.7	-
Average FTE & Interims	8,134	7,131	-12.3%	7,946	7,059	-11.2%

Third quarter 2019

External operating income in the third quarter 2019 amounted to EUR 239.9m and showed a slight increase of EUR 1.3m, driven by new business and the increase of the USD (-3.8% at constant exchange rate[5]) compared to the same period of 2018.

E-commerce logistics slightly increased by EUR 1.3m to EUR 218.4m (-3.7% at constant exchange rate). Not taking into account the favourable evolution of the USD, operating income decreased - as anticipated – new business did not yet compensate the continued impact of the full year 2018 client churn and repricing at Radial North America.

Radial North America (*)	Year-to-date		3rd quarter	
In million USD (Normalized)	2018	2019	2018	2019
Total operating income	655.4	581.7	207.9	195.3
EBITDA	8.9	10.5	(2.0)	5.1
Profit from operating activities (EBIT)	(24.1)	(31.3)	(15.2)	(11.2)

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

International mail is in line with last year and amounted to EUR 21.4m.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 7.7m and normalized depreciation and amortization increased by EUR 8.1m.

Reported EBIT in the third quarter 2019 amounted to EUR -8.6m with a margin of -3.6% and showed a slight increase of EUR +0.2m compared to the same period of 2018. **Normalized EBIT** in the third quarter 2019 amounted to EUR -5.3m and showed an increase of EUR 0.5m, compared to the same

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

period of 2018. The slight increase of the reported EBIT despite the increase of USD (-5.4% at constant exchange rate) was mainly driven by the lower operating expenses (including D&A, EUR +0.5m), partly offset by the decrease of the total operating income (EUR -0.3m). The decrease of the expenses was mainly driven by 9% improvement in fulfilment labour productivity, lower payroll and medical expenses and reduced PT&F chargebacks at Radial.

First nine months of 2019

External operating income decreased by EUR 22.6m, or 3.1% (-8.7% at constant exchange rate), from EUR 727.6m in 2018 to EUR 705.0m in the same period of 2019.

E-commerce logistics amounted to EUR 638.6m in 2019, a decrease by EUR 25.3m versus last year, mainly driven lower Radial North America revenues due to continued impact of the full year 2018 client churn and repricing.

International mail amounted to EUR 66.4m, an increase of EUR 2.7m mainly driven by the timing of the acquisition of IMEX and M.A.I.L. in January 2018.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 21.5m and depreciation and amortization increased by EUR 21.0m.

Reported EBIT and **normalized EBIT** showed a decrease of respectively EUR 8.7m and EUR 9.2m due to decrease of the total operating income (EUR -24.7m) partly compensated by the net decrease of reported total operating expenses (including D&A, EUR +16.0m on a reported basis).

Business Unit performance: Corporate

Corporate	Year-to-date			3rd quarter		
In million EUR	2018	2019	Change %	2018	2019	Change %
External operating income	**7.0**	**25.4**	**265.7 %**	**2.7**	**2.2**	**-18.1%**
Intersegment operating income	270.5	266.4	-1.5%	85.9	88.6	3.2%
TOTAL OPERATING INCOME	**277.5**	**291.8**	**5.2%**	**88.5**	**90.8**	**2.6%**
Operating expenses	245.8	242.3	-1.4%	80.2	77.8	-3.1%
EBITDA	**31.7**	**49.5**	**56.1%**	**8.3**	**13.0**	**57.5%**
Depreciation, amortization	34.4	52.0	51.3%	11.7	18.2	55.9%
PROFIT FROM OPERATING ACTIVITIES (EBIT Reported)	**(2.7)**	**(2.5)**	**-**	**(3.4)**	**(5.2)**	**-**
Margin (%)	*-1.0%*	*-0.9%*		*-3.8%*	*-5.7%*	
PROFIT FROM OPERATING ACTIVITIES (EBIT Normalized)	**(2.7)**	**(2.5)**	**-**	**(3.4)**	**(5.2)**	**-**
Margin (%)	*-1.0%*	*-0.9%*		*-3.8%*	*-5.7%*	
CAPEX	22.2	25.6	15%	10.8	12.4	15%
Average FTE & Interims	1,732	1,628	-6.0%	1,666	1,617	-2.9%

Third quarter 2019

External operating income in the third quarter 2019 slightly decreased by EUR 0.5m to EUR 2.2m.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 7.2m and normalized depreciation and amortization increased by EUR 7.4m.

Reported EBIT and **normalized EBIT** showed a decrease of EUR 1.8m due to an increase in project-related costs.

First nine months of 2019

External operating income increased by EUR 18.5m compared to last year due to the sale of the Centre Monnaie building, on which the gain amounted to EUR 19.9m.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 20.2m and normalized depreciation and amortization increased by EUR 20.4m.

The gain on the sale of the Centre Monnaie building was mainly offset by last year's reversal of a provision (EUR -14.9m), hence **reported EBIT** and **normalized EBIT** showed an increase of EUR 0.2m.

Cash flow statement

	Year-to-date		3rd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
Net cash from operating activities	138.1	206.7	(30.2)	31.8
Net cash used in investing activities	(118.7)	(31.8)	(23.1)	(47.5)
Net cash from financing activities	49.6	(151.7)	106.4	(46.8)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**69.0**	**23.2**	**53.1**	**(62.5)**
Free cash flow	**19.4**	**174.9**	**(53.3)**	**(15.8)**

Third quarter 2019

In the third quarter 2019, the net cash flow decreased compared to the same period last year by EUR 115.6m to EUR -62.5m.

Free cash flow amounted to EUR -15.8m and was EUR 37.5m higher than last year.

Cash flow from operating activities compared to the same period last year increased by EUR 61.9m to EUR 31.8m while the impact of the IFRS 16 initial application amounted to EUR +37.7m. Lower tax prepayment (EUR +44.0m) explained by lower profit before taxes and the timing of the prepayments contributed to this increase, partially offset by lower operating results.

Investing activities resulted in a cash outflow of EUR 47.5m in the third quarter 2019, compared to a cash outflow of EUR 23.1m for the same period last year. The evolution was mainly due to higher cash outflows related to acquisitions of subsidiaries and contingent considerations (EUR -7.3m) and higher capital expenditure (EUR -20.7m, primarily investments in new fulfilment centres in Parcels & Logistics North America), partially compensated by the cash received related to the sale of Alvadis (EUR +5.9m).

In 2019 the cash outflow relating to **financing activities** amounted to EUR -46.8m, mainly related to payments of lease liabilities (out of which EUR 37.7m resulting from IFRS 16 application) and the payment of interests on the bond (EUR 8.1m).

First nine months of 2019

In the first nine months of 2019, the net cash flow decreased compared to the same period last year by EUR 45.8m to EUR 23.2m.

Free cash flow amounted to EUR 174.9m and was EUR 155.4m higher than last year.

Cash flow from operating activities compared to the same period last year increased by EUR 68.6m to EUR 206.7m, mainly explained by the impact of the IFRS 16 initial application (EUR +86.8m) and lower tax prepayments (EUR +53.0m), partially offset by lower operating results.

Investing activities resulted in a cash outflow of EUR 31.8m in the first nine months of 2019, compared to a cash outflow of EUR 118.7m for the same period last year. The evolution was mainly due to lower cash outflows related to acquisition of subsidiaries (EUR +53.5m) with main investments occurring in the first half 2018, the higher proceeds from sale of buildings (+EUR 50.0m which is primarily explained by the sale of the Centre Monnaie building in the first half 2019) and the sale of Alvadis (+EUR 5.9m), partially offset by higher capital expenditures (EUR -22.6m).

The cash outflow relating to **financing activities** amounted to EUR -151.7m compared to 49.6m last year, mainly related to payments of lease liabilities from IFRS 16 application amounted to EUR 86.8m.

Key events during the third quarter

On August 19, 2019 Koen Van Gerven has decided not to be a candidate for a renewed mandate as bpost group Chief Executive Officer

Koen Van Gerven, bpost group CEO has informed the Board of Directors of his decision not to be a candidate for the renewal of his group CEO mandate. His current mandate ends on February 26, 2020. Koen Van Gerven joined bpost in 2006 as Director Retail & Financial Services. He was Chairman of the Board of bpost bank before his appointment as CIO in 2009. Moreover, he was part of the team that prepared the successful IPO of the company in June 2013. In February 2014, he was appointed to the role of bpost group CEO. Koen Van Gerven will continue to lead the group until the end of his current mandate.

In October 2019 Pierre Winand announced his departure from bpost

Pierre Winand, who leads the P&L North America BU, will leave the bpost group at the end of 2019 for family reasons. Pierre joined bpost in 2006 as Chief Financial Officer. In this role, he successfully contributed to bpost's transformation and played a key role in bpost's initial public offer on Euronext Brussels in June 2013. In 2017, Pierre became Head of Parcels and Logistics North America. He is also CEO of Radial, the largest US subsidiary.

New stamp tariffs from January 1, 2020

On January 1, 2020 bpost will adjust its stamp tariffs. In line with previous years, tariffs across all domestic mail products in 2020 will rise by around 5.1% on average. For domestic mail sent within Belgium there is a distinction between Prior and Non Prior. The Non Prior stamp will cost EUR 0.98 apiece per 10 or EUR 1.01 for a single stamp. The Prior stamp will cost EUR 1.18 apiece per 10 or EUR 1.21 for a single stamp. The tariff for a standardized item to an address within Europe will be EUR 1.61 apiece and EUR 1.55 when at least five stamps are purchased. For items to an address outside Europe, the international tariff will be EUR 1.83 apiece and EUR 1.77 when at least five stamps are purchased.

Financial calendar

07.11.19 (10.00 CET)	Analyst Conference Call
02.12.19 (17.45 CET)	Interim dividend 2019 announcement
05.12.19	Ex-dividend date (interim dividend)
06.12.19	Record date (interim dividend)
09.12.19	Payment date of the interim dividend
16.02.20	Start of quiet period ahead of FY2019 results
17.03.20 (17.45 CET)	Announcement annual results FY2019
18.03.20 (10.00 CET)	Analyst Conference Call
04.04.20	Start of quiet period ahead of Q1/2020 results
04.05.20 (17.45 CET)	Announcement Q1/2020 results
05.05.20 (10.00 CET)	Analyst Conference Call
13.05.20	Ordinary General Meeting of Shareholders
18.05.20	Ex-dividend date
19.05.20	Record date
20.05.20	Payment date of the dividend
05.07.20	Start of quiet period ahead of Q2/2020 results
04.08.20 (17.45 CET)	Announcement Q2/2020 and half-year results
05.08.20 (10.00 CET)	Analyst Conference Call
04.10.20	Start of quiet period ahead of Q3/2020 results
03.11.20 (17.45 CET)	Announcement Q3/2020 results
04.11.20 (10.00 CET)	Analyst Conference Call
01.12.20 (17.45 CET)	Interim dividend 2020 announcement
03.12.20	Ex-dividend date (interim dividend)
04.12.20	Record date (interim dividend)
07.12.20	Payment date of the interim dividend

Unaudited Interim Condensed Consolidated Financial Statements[6]

Interim Condensed Consolidated Income Statement (unaudited)

In million EUR	NOTES	Year-to-date 30 September 2018	Year-to-date 30 September 2019	3rd quarter 2018	3rd quarter 2019
Revenue	6	2,696.2	2,678.3	865.5	871.0
Other operating income		22.4	45.7	8.3	10.6
TOTAL OPERATING INCOME		**2,718.6**	**2,724.0**	**873.7**	**881.5**
Material costs		(187.9)	(183.5)	(63.5)	(62.7)
Services and other goods	7	(1,055.7)	(1,004.0)	(350.8)	(343.9)
Payroll costs		(1,102.6)	(1,110.9)	(371.2)	(368.2)
Other operating expenses		(7.6)	(14.4)	(9.3)	(8.2)
Depreciation, amortization		(115.1)	(184.7)	(38.3)	(64.2)
TOTAL OPERATING EXPENSES		**(2,469.0)**	**(2,497.5)**	**(833.1)**	**(847.2)**
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**249.6**	**226.6**	**40.6**	**34.3**
Financial income		4.7	5.2	1.3	3.1
Financial costs		(20.4)	(39.9)	(7.3)	(15.5)
Share of profit of associates		6.6	9.5	5.3	5.2
PROFIT BEFORE TAX		**240.5**	**201.3**	**39.9**	**27.1**
Income tax expense		(81.5)	(74.4)	(12.7)	(13.8)
PROFIT OF THE PERIOD		**159.1**	**126.9**	**27.2**	**13.4**
Attribuable to:					
Owners of the Parent		160.0	126.5	26.9	13.0
Non-controlling interests		(1.0)	0.3	0.3	0.3

EARNINGS PER SHARE

In EUR	Year-to-date 30 September 2018	Year-to-date 30 September 2019	3rd quarter 2018	3rd quarter 2019
►basic, profit for the year attributable to ordinary equity holders of the parent	0.80	0.63	0.13	0.07
►diluted, profit for the year attributable to ordinary equity holders of the parent	0.80	0.63	0.13	0.07

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

In accordance with IAS 33, diluted earnings per share amounts have to be calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

Interim Condensed Consolidated Statement of Other Comprehensive Income (unaudited)

	Year-to-date 30 September		3rd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
PROFIT FOR THE YEAR	**159.1**	**126.9**	**27.2**	**13.4**
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Change of other comprehensive income of associates	(20.7)	(12.1)	(7.6)	(4.8)
Net gain/(loss) on hedge of a net investment	(4.1)	(6.4)	(0.7)	(5.7)
Net gain/(loss) on cash flow hedges	(14.4)	1.3	(0.3)	0.4
Exchange differences on translation of foreign operations	22.6	46.8	4.6	33.6
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(16.6)**	**29.6**	**(4.0)**	**23.6**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Remeasurement gain (losses) on defined benefit plans	0.5	1.0	0.0	0.0
NET OTHER COMPREHENSIVE INCOME/(LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**0.5**	**1.0**	**0.0**	**0.0**
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(16.1)**	**30.6**	**(4.0)**	**23.6**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**143.0**	**157.5**	**23.3**	**37.0**
Attributable to:				
Owners of the Parent	144.0	157.2	22.9	36.7
Non-controlling interest	(1.0)	0.3	0.3	0.3

Interim Condensed Consolidated Statement of Financial Position (unaudited)

In million EUR	NOTES	As of 31 December 2018	As of 30 September 2019
Assets			
Non-current assets			
Property, plant and equipment	8	708.0	1,110.3
Intangible assets	9	874.9	907.1
Investments in associates	10	251.2	248.6
Investment properties		18.7	5.0
Deferred tax assets		31.5	21.2
Trade and other receivables		11.2	17.8
		1,895.7	**2,310.1**
Current assets			
Inventories		36.9	36.8
Income tax receivable		5.7	8.6
Trade and other receivables	11	712.0	548.8
Cash and cash equivalents	12	680.1	713.1
		1,434.7	**1,307.3**
Assets held for sale		14.7	2.4
TOTAL ASSETS		**3,345.1**	**3,619.9**
Equity and liabilities			
Issued capital		364.0	364.0
Reserves		271.4	261.7
Foreign currency translation		12.7	53.1
Retained earnings		51.6	126.9
Equity attributable to equity holders of the Parent		**699.7**	**805.7**
Equity attributable to non-controlling interests		2.5	1.5
TOTAL EQUITY		**702.3**	**807.2**
Non-current liabilities			
Interest-bearing loans and borrowings	13	849.1	1,183.2
Employee benefits	14	308.4	315.3
Trade and other payables		17.5	17.8
Provisions		22.6	19.8
Deferred tax liabilities		7.3	7.4
		1,204.8	**1,543.5**
Current liabilities			
Interest-bearing loans and borrowings	15	175.7	277.2
Bank overdrafts		0.0	3.9
Provisions		16.8	15.1
Income tax payable		21.4	3.4
Derivative instruments	17	0.8	1.1
Trade and other payables	16	1,212.5	968.4
		1,427.3	**1,269.1**
Liabilities directly associated with assets held for sale		10.8	0.0
TOTAL LIABILITIES		**2,642.9**	**2,812.6**
TOTAL EQUITY AND LIABILITIES		**3,345.1**	**3,619.9**

Interim Condensed Consolidated Statement of Changes in Equity (unaudited)

In million EUR	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
	AUTHORIZED & ISSUED CAPITAL	TREASURY SHARES	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
AS PER 1 JANUARY 2018	**364.0**	**(0.0)**	**310.1**	**(11.5)**	**110.9**	**773.5**	**4.3**	**777.8**
Impact of IFRS 9 on bpost bank			(59.9)			(59.9)		(59.9)
AS PER 1 JANUARY 2018 (Restated)	**364.0**	**(0.0)**	**250.2**	**(11.5)**	**110.9**	**713.6**	**4.3**	**717.9**
Profit for the year 2018					160.0	160.0	(1.0)	159.1
Other comprehensive income			76.3	18.6	(110.9)	(16.1)		(16.1)
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**76.3**	**18.6**	**49.1**	**144.0**	**(1.0)**	**143.0**
Dividends (Pay-out)			(50.0)		0.0	(50.0)	0.0	(50.0)
Other			(2.0)		(1.0)	(2.9)	2.4	(0.6)
AS OF 30 SEPTEMBER 2018	**364.0**	**(0.0)**	**274.5**	**7.1**	**159.1**	**804.7**	**5.7**	**810.3**
AS PER 1 JANUARY 2019	**364.0**	**(0.0)**	**271.4**	**12.7**	**51.6**	**699.7**	**2.5**	**702.3**
Profit for the year 2019					126.5	126.5	0.3	126.9
Other comprehensive income			41.9	40.4	(51.6)	30.6		30.6
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**41.9**	**40.4**	**74.9**	**157.2**	**0.3**	**157.5**
Dividends (Pay-out)			(50.0)		0.0	(50.0)	0.0	(50.0)
Other			(1.6)		0.3	(1.2)	(1.3)	(2.6)
AS OF 30 SEPTEMBER 2019	**364.0**	**(0.0)**	**261.7**	**53.1**	**126.9**	**805.7**	**1.5**	**807.2**

Equity increased by EUR 105.0m, or 14.9%, to EUR 807.2m as of September 30, 2019 from EUR 702.3m as of December 31, 2018. The realized profit (EUR 126.9m), the exchange differences on translation of foreign operations (EUR 40.4m), the effective part of a cash-flow hedge entered into to hedge the cash flow risk of the bond (EUR 1.3m) and the remeasurement gains on post-employment benefits (EUR 1.0m) were partially offset amongst others by the fair value adjustment in respect of bpost bank's bond portfolio (EUR 12.1m) and the payment of a dividend (EUR 50.0m). The cash-flow hedge reserve will be reclassified to profit or loss over the 8 years after the issuance date of the bond.

Interim Condensed Consolidated Statement of Cash Flows (unaudited)

	Year-to-date		3rd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
Operating activities				
Profit before tax	240.5	201.3	39.9	27.1
Depreciation and amortization	115.1	184.7	38.3	64.2
Impairment on bad debts	7.5	2.6	2.1	1.6
Gain on sale of property, plant and equipment	(3.9)	(21.6)	(2.6)	(1.0)
Other non-cash items	9.4	15.8	6.0	5.1
Change in employee benefit obligations	4.9	8.4	(2.0)	3.7
Share of profit of associates	(6.6)	(9.5)	(5.3)	(5.2)
Dividend received	0.0	0.0	0.0	0.0
Income tax paid	(120.5)	(68.5)	(53.3)	(9.9)
Income tax paid on previous years	(11.8)	(13.8)	0.0	0.0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	**234.5**	**299.5**	**23.1**	**85.6**
Decrease/(increase) in trade and other receivables	151.3	92.6	74.1	(78.3)
Decrease/(increase) in inventories	0.6	1.7	1.1	(2.3)
Increase/(decrease) in trade and other payables	(206.5)	(152.6)	(120.1)	34.2
Increase/(decrease) in collected proceeds due to clients	(26.1)	(29.3)	(7.5)	(6.0)
Increase/(decrease) in provisions	(15.7)	(5.1)	(0.8)	(1.4)
NET CASH FROM OPERATING ACTIVITIES	**138.1**	**206.7**	**(30.2)**	**31.8**
Investing activities				
Proceeds from sale of property, plant and equipment	9.1	59.2	3.8	1.5
Disposal of subsidiaries, net of cash disposed of	0.0	5.9	0.0	5.9
Acquisition of property, plant and equipment	(52.4)	(65.1)	(18.2)	(35.1)
Acquisition of intangible assets	(14.5)	(23.9)	(8.7)	(12.5)
Acquisition of other investments	0.5	0.0	0.0	(0.0)
Acquisition of subsidiaries, net of cash acquired	(61.4)	(7.8)	0.0	(7.3)
NET CASH USED IN INVESTING ACTIVITIES	**(118.7)**	**(31.8)**	**(23.1)**	**(47.5)**
Financing activities				
Proceeds borrowings and lease liabilities	828.9	578.9	828.9	243.6
Payments related to borrowings and lease liabilities	(707.5)	(680.6)	(701.0)	(290.4)
Payments for derivative instruments	(21.5)	0.0	(21.5)	0.0
Transactions with minorities	(0.3)	(0.0)	0.0	0.0
Dividends paid	(50.0)	(50.0)	0.0	0.0
NET CASH FROM FINANCING ACTIVITIES	**49.6**	**(151.7)**	**106.4**	**(46.8)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**69.0**	**23.2**	**53.1**	**(62.5)**
NET FOREIGN EXCHANGE DIFFERENCE	**5.6**	**6.0**	**(1.1)**	**9.7**
Cash and cash equivalent less bank overdraft as of 1st January	466.0	680.1		
Cash and cash equivalent less bank overdraft as of 30 September	540.6	709.3		
MOVEMENTS BETWEEN 1ST JANUARY AND 30 SEPTEMBER	**74.6**	**29.1**		

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

1. Corporate Information

The interim condensed consolidated financial statements of bpost for the first nine months ended September 30, 2019 were authorized for issue in accordance with a resolution of the Board of Directors on November 6, 2019.

Business activities

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

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

Legal status

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

2. Basis of preparation and accounting policies

Basis of preparation

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

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

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

Significant accounting policies

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

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

Apart from **IFRS 16 –** Leases, the following new standards and amendments, entered into force as from January 1, 2019, do not have any effect on the presentation, the financial performance or position of bpost:

- **IFRIC Interpretation 23 –** Uncertainty over Income Tax Treatments
- **IFRS 9 – Amendments** – Prepayment Features with Negative Compensation
- **IAS 28 – Amendments –** Long-term Interests in Associates and Joint Ventures
- **IAS 19 – Amendments –** Plan Amendment, Curtailment or Settlement
- **Annual Improvements Cycles (2015-2017)**

As of January 1, 2019, IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where bpost is the lessor.

bpost adopted IFRS 16 using the modified retrospective method with calculation at the date of initial application from January 1, 2019, hence prior year figures will not be adjusted. At the commencement date bpost elected to use:

- the recognition exemptions for lease contracts for which the underlying asset is of low value ("low-value assets").
- the practical expedient and (i) applied IFRS 16 to contracts that were previously identified as leases under IAS 17 and IFRIC 4 and (ii) did not apply IFRS 16 to contracts that were not previously identifies as containing lease under IAS 17 and IFRIC 4.

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

In million EUR	January 1, 2019
Assets	
Right-of-use assets	434.6
Commitments relating to leases previously classified as finance leases	(16.8)
Total assets	**417.8**
Liabilities	
Non-current Interest-bearing loans and borrowings	353.9
Non-current liabilities relating to leases previously classified as finance leases	(16.7)
Current Interest-bearing loans and borrowings	82.2
Current liabilities relating to leases previously classified as finance leases	(1.6)
Total liabilities	**417.8**

Nature of the effect of adoption of IFRS 16

- bpost has lease contracts mainly for buildings (warehouses and post offices) and vehicles. Before the adoption of IFRS 16, bpost classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.
- bpost did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from January 1, 2019.
- bpost recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets.

Based on the foregoing, as at January 1, 2019, right-of-use assets of EUR 434.6m are recognised and presented separately in the statement of financial position, this includes the lease assets recognised previously under finance leases of EUR 16.8m.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

In million EUR	
Operating lease commitments as at 31 December 2018	**461.3**
Weighted average incremental borrowing rate as at 1 January 2019	2.1%
Discounted operating lease commitments at 1 January 2019	**417.8**
Add:	
Commitments relating to leases previously classified as finance leases	18.3
Liabilities	
Non-current Interest-bearing loans and borrowings	337.2
Current Interest-bearing loans and borrowings	80.7
Add:	
Liabilities relating to leases previously classified as finance leases	18.3
Total liabilities	**436.1**

Summary of new accounting policies

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

Until 31 December 2018, a lease was defined as an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, when the lease transferred substantially all the risks and rewards incident to ownership to the lessee, the contract was regarded as financial lease and was recognized as an asset and a liability at amounts equal to the present value of the minimum lease payments (= sum of capital and interest portions included in the lease payments) or, if lower, the fair value of the leased assets. Conversely, when the contract did not transfer substantially all the risks and rewards incidental to the ownership to bpost, the lease was considered as operating lease and rentals paid under the contract were recognized as an expense in the income statement.

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

- Right-of-use assets:

The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- Lease liabilities

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. To be noted that unrecoverable VAT is not included in lease payments and is still recognized in the income statement. The lease payments also include the exercise price of a purchase option when it is reasonably certain that bpost will exercise the option. Similarly, lease term and lease payments can include the effect of penalties for terminating a lease, if the lease term reflects bpost exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, bpost uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Leases of low-value assets

Applied the low-value asset lease expense exemptions to leases with value under 5.000 EUR mainly for ICT items as printers.

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

- Used an incremental borrowing rate for buildings based on currency, economic environment and duration. For fleet and other leases, the discount rate is the rate implicit in the lease if available otherwise same methodology as buildings.
- bpost determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

In million EUR	Year-to-date 2019
Assets	
Lands and buildings	396.6
Plant and machinery	3.8
Motor vehicles	44.5
Other equipment	0.3
Total	**445.2**
Liabilities	
Non-current Lease liabilities	342.7
Current Lease liabilities	103.5
Total	**446.1**

Standards and Interpretations not yet applied by bpost

The following new IFRS Standards and IFRIC Interpretations, issued but not yet effective or which are yet to become mandatory, have not been applied by bpost for the preparation of its interim condensed consolidated financial statements.

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

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

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

3. Seasonality of Operations

bpost revenue and earnings are affected by several seasonal fluctuations.

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

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

4. Business Combinations

Alvadis

On August 30, 2019 – after approval from the Belgian Competition Authority – Ubiway finalised the share purchase agreement with Conway for the sale of Alvadis, a company of the Ubiway group. Alvadis has been deconsolidated end of August 30, 2019. At the time of the startup of the sales process (in December 2018), Alvadis had been transferred to assets held for sale. The sales price amounted to EUR 5.9m, the gain on disposal amounted to EUR 0.6m and was recognized throughout other operating income.

Acquisition of Anthill BV

In March 2018 bpost acquired 63.6% of the shares of the Dutch company Anthill BV, which holds 100% of the shares in Active Ants BV. Active Ants provides e-fulfilment and transport services to companies active in e-commerce. Active Ants provides storage services, pick & pack and shipments of products. Anthill solely functions as a holding company. bpost paid an amount of EUR 4.3m for 50% of the shares and performed a capital increase of EUR 3.0m to obtain an additional 13.6% of the shares. Next to that, the agreement foresees a contingent consideration based upon the 2018 EBITDA which can amount up to EUR 0.8m and a call and put structure for the remaining shares (36.4%). The variable exercise price of the put (based upon EBITDA) has been recognized as a financial liability for an amount of EUR 4.5m, changes of the financial liability will be booked in the profit and loss statement. Given the put option the company was consolidated using the full-integration method as from March 2018 (with first figures consolidated as of April 1st, 2018 and 4 months included in the fourth quarter of 2018) within the PaLo Eurasia operating segment, consequently the business combination is presented as if bpost obtained a 100% interest in Anthill BV. Transaction costs were expensed and are included in the operating expenses in 2018.

The calculated goodwill is presented as follows:

Fair value of the assets acquired and liabilities assumed in the acquired entity	In million EUR
Non-Current Assets	**8.8**
Property, plant and equipment	4.5
Intangible assets	4.3
Current Assets	**5.3**
Inventories	0.1
Trade and other receivables	1.9
Cash and cash equivalents	3.3
Non-Current Liabilities	**(2.1)**
Interest-bearing loans and borrowings	(1.1)
Deferred tax liabilities	(1.0)
Current Liabilities	**(5.8)**
Interest bearing loans and borrowings	(3.6)
Trade and other payables	(2.1)
FAIR VALUE OF NET ASSETS ACQUIRED	**6.1**
Goodwill arising on acquisition	6.4
PURCHASE CONSIDERATION TRANSFERRED	**12.5**
of which:	
- Cash paid	7.3
- Contingent consideration	5.2

Analysis of cash flows on acquisition	In million EUR
Net cash acquired with the subsidiary	3.3
Cash paid	(7.3)
NET CASH OUTFLOW	**(4.0)**

The fair value of the current and non-current trade receivables amounted to EUR 1.9m and it is expected that the full contractual amounts can be collected.

The adjustment to fair value following the purchase price allocation consisted of the recognition of intangible assets: customer relationships (useful life 18 year), tradename (useful life 10 year) and internally developed technology (useful life 5 year), respectively for an amount of EUR 2.0m, EUR 0.6m and EUR 1.4m.

In the first nine months of 2019 Active Ants and Anthill contributed EUR 14.2m of revenue and EUR 0.9m to profit before tax from continuing operations of the Group. In 2018 Active Ants and Anthill contributed EUR 12.9m of revenue and EUR 0.6m to profit before tax from continuing operations of the Group.

The resulting goodwill of EUR 6.4m derives from future growth and expected synergies within the fulfillment activities given the differentiated technology of Active Ants. None of the goodwill is expected to be deductible for income tax purposes.

Contingent consideration for Apple Express

In March 2019, Apple Express Courier, ltd paid CAD 0.8m (EUR 0.5m) in execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill nor on the result of the year. The remaining contingent consideration, payable in 2019, is capped at CAD 0.8m (amongst others based upon financial results).

Contingent consideration for Dyna Group

In July 2019, bpost paid EUR 3.8m in connection with the execution of the contingent consideration agreement. The fair value of the contingent consideration was recognized as a liability. The payment had no impact on the originally calculated goodwill. The difference between the cash paid and the outstanding liability amounted to EUR 1.7m and was recognized in the income statement under other operating income.

Acquisition of Vector Invest BV

In September 2019 Active Ants acquired 100% of the shares of the Dutch holding company Vector Invest BV, which holds 100% of the shares of AtoZ Global BV, Multi-Channel Services Fulfilment BV and Multi-Channel Services Fulfilment BVBA. The group is active in the national and international distribution of packages or multi-channel services fulfilment, consisting of product storing, picking, packing, organization of transport activities, returns handling and shipping. Active Ants paid an amount of EUR 3.6m for the shares. Next to that, the agreement foresees a contingent consideration based upon the 2019 and 2020 revenues which can amount to maximum EUR 1.9m and a contingent consideration based upon the 2021 EBITDA which can amount to maximum EUR 0.4m. Transaction costs were expensed and are included in the operating expenses. The company will be consolidated within the Parcels & Logistics Europe & Asia operating segment using the full-integration method as from October 2019. The fair value of assets acquired and liabilities assumed at acquisition date could not be assessed yet. Consequently, the determination of the carrying amount of the acquired entity and the purchase price allocation of the acquisition are still under review.

5. Operating Segments

The Board of Directors of bpost announced May 2nd, 2018 the transformation of bpost's internal structure to prepare the company for the future with an effective date of January 1, 2019 which had an impact on how resources are allocated and performance is assessed. As bpost identifies its CEO as the chief operating decision maker (CODM), the operating segments are based on the information provided to the CEO under this new structure.

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

The business unit Mail & Retail ("M&R") oversees the commercial activities related to Transactional, Advertising mail and Press and the operational activities of collecting, transporting, sorting and distributing of addressed and non-addressed mail, printed documents, newspapers and periodicals in Belgium and offers these operational activities for parcels to other business units of bpost. Furthermore M&R offers Value added services including document management and related activities and offers proximity and convenience retail through its retail network in Belgium composed out of post offices, postal point and the Ubiway Retail network of different branded shops. It also sells banking and financial products, as part of the Proximity and convenience retail network, under an agency agreement with bpost bank and AG Insurance. The business unit also carries out Services of General Economic Interest on behalf of the Belgian State (SGEI).

The business unit Parcels & Logistics Europe & Asia ("PaLo Eurasia") oversees the commercial and operational activities related to last-mile delivery and express delivery in BeNe, e-commerce logistics (fulfillment, handling, distribution and return management) and cross-border (inbound, outbound and import services) for parcels in Europe & Asia and for international mail worldwide. The business unit runs several operations centers across Europe including a sorting center (NBx) and several Parcel hubs. DynaGroup, Radial and Landmark Global entities in Europe & Asia are part of this business unit.

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

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

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

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

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

bpost computes its profit from operating activities (EBIT) at the segment and is measured consistently with the financial statement's accounting guidelines (IFRS). Assets and liabilities are not reported per segment to the CODM.

The following tables present an overview of the segment results, the comparative information has been restated based on the new structure:

	M&R		PaLo Eurasia		PaLo N. Ame		Corporate		Eliminations		Group	
In million EUR	**3Q18**	**3Q19**	**3Q18**	**3Q19**	**3Q18**	**3Q19**	**3Q18**	**3Q19**	**3Q18**	**3Q19**	**3Q18**	**3Q19**
External operating income	**456.5**	**444.5**	**176.1**	**195.1**	**238.5**	**239.9**	**2.7**	**2.2**	**-**	**-**	**873.7**	**881.5**
Intersegment operating income	37.4	41.6	10.7	3.2	3.1	1.5	85.9	88.6	(137.1)	(134.9)	-	-
TOTAL OPERATING INCOME	**493.8**	**486.0**	**186.8**	**198.3**	**241.7**	**241.4**	**88.5**	**90.8**	**(137.1)**	**(134.9)**	**873.7**	**881.5**
Operating expenses	431.7	426.9	180.8	183.5	239.1	229.7	80.2	77.8	(137.1)	(134.9)	794.8	783.0
Depreciation, amortization	10.6	20.7	4.7	5.1	11.3	20.2	11.7	18.2	-	-	38.3	64.2
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**51.5**	**38.5**	**1.3**	**9.7**	**(8.8)**	**(8.6)**	**(3.4)**	**(5.2)**	**-**	**-**	**40.6**	**34.4**
Share of profit of associates											5.3	5.2
Financial results											(6.1)	(12.4)
Income tax expenses											(12.7)	(13.8)
PROFIT OF THE PERIOD (EAT)	**51.5**	**38.5**	**1.3**	**9.7**	**(8.8)**	**(8.6)**	**(3.4)**	**(5.2)**	**(0.0)**	**(0.0)**	**27.2**	**13.4**

Year-to-date	M&R		PaLo Eurasia		PaLo N. Ame		Corporate		Eliminations		Group	
In million EUR	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
External operating income	**1,445.7**	**1,410.3**	**538.3**	**583.3**	**727.6**	**705.0**	**7.0**	**25.4**	**-**	**-**	**2,718.6**	**2,724.0**
Intersegment operating income	116.1	124.6	21.6	13.2	6.0	4.0	270.5	266.4	(414.2)	(408.2)	-	-
TOTAL OPERATING INCOME	**1,561.8**	**1,534.9**	**559.9**	**596.5**	**733.6**	**708.9**	**277.5**	**291.8**	**(414.2)**	**(408.2)**	**2,718.6**	**2,724.0**
Operating expenses	1,279.4	1,267.8	530.6	531.9	712.4	678.9	245.8	242.3	(414.2)	(408.2)	2,353.9	2,312.7
Depreciation, amortization	32.6	63.0	12.1	16.3	36.0	53.5	34.4	52.0	-	-	115.1	184.7
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**249.7**	**204.2**	**17.3**	**48.3**	**(14.7)**	**(23.4)**	**(2.7)**	**(2.5)**	**-**	**-**	**249.6**	**226.6**
Share of profit of associates											6.6	9.5
Financial results											(15.7)	(34.7)
Income tax expenses											(81.5)	(74.4)
PROFIT OF THE PERIOD (EAT)	**249.7**	**204.2**	**17.3**	**48.3**	**(14.7)**	**(23.4)**	**(2.7)**	**(2.5)**	**0.0**	**0.0**	**159.1**	**126.9**

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

The total operating income (excluding intersegment operating income), Revenue and Other Operating income, is measured on the same basis as the financial statement's accounting guidelines (IFRS) and business unit performance. Other operating income is allocated to several line items, but mainly to Corporate & Supporting functions as this line item only represents other operating income.

	Year-to-date			3rd quarter	
In million EUR	2018	2019	Change %	2018	2019
Mail & Retail	**1,445.7**	**1,410.3**	**-2.4%**	**456.5**	**444.5**
Transactional mail	571.3	551.7	-3.4%	172.7	169.0
Advertising mail	178.6	171.9	-3.7%	55.1	50.8
Press	261.2	255.7	-2.1%	84.0	81.3
Proximity and convenience retail network	356.8	352.7	-1.1%	119.0	117.4
Value added services	77.8	78.3	0.6%	25.7	25.9
Parcels & Logistics Europe & Asia	**538.3**	**583.3**	**8.3%**	**176.1**	**195.1**
Parcels BeNe	239.6	272.8	13.9%	79.4	94.4
E-commerce logistics	87.4	92.5	5.8%	28.7	32.3
Cross border	211.3	218.0	3.2%	67.9	68.4
Parcels & Logistics North America	**727.6**	**705.0**	**-3.1%**	**238.5**	**239.9**
E-commerce logistics	663.8	638.6	-3.8%	217.1	218.4
International mail	63.8	66.4	4.2%	21.4	21.4
Corporate & Supporting functions	**7.0**	**25.4**		**2.7**	**2.2**
TOTAL	**2,718.6**	**2,724.0**	**0.2%**	**873.7**	**881.5**

The geographically split of Total operating income (excluded intersegment operating income) and the non-current assets are attributed to Belgium, rest of Europe, United States of America and the rest of the world. The allocation per geographical location is based on the location of the entity generating the income or holding the net asset. Other operating income is allocated to several line items.

	Year-to-date			3rd quarter	
In million EUR	2018	2019	Change %	2018	2019
Belgium	1,791.8	1.800.4	0.5%	567.7	550.0
Rest of Europe	181.0	200.3	10.7%	62.9	79.2
USA	716.0	689.1	-3.8%	237.8	244.0
Rest of world	29.7	34.1	14.9%	5.3	8.3
TOTAL OPERATING INCOME	**2,718.6**	**2,724.0**	**0.2%**	**873.7**	**881.5**

	As of 31 December	As of 30 September	
In million EUR	2018	2019	Change %
Belgium	703.4	920.3	30.8%
Rest of Europe	143.2	165.5	15.6%
USA	735.1	907.2	23.4%
Rest of world	31.2	47.3	51.6%
TOTAL NON-CURRENT ASSETS	**1,612.9**	**2,040.3**	**26.5%**

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

Excluding the compensation received from the Belgian federal government to provide the services as described in the management contract and press concessions, included in the Mail and Retail segment, no single external customer exceeded 10% of bpost's operating income.

6. Revenue

	Year-to-date 30 September		3rd quarter	
In million EUR	2018	2019	2018	2019
Revenue excluding the SGEI remuneration	2,494.1	2,475.4	798.1	805.0
SGEI remuneration	202.1	202.9	67.4	66.0
TOTAL	**2,696.2**	**2,678.3**	**865.5**	**871.0**

7. Services and other goods

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

	Year-to-date 30 September			3rd quarter		
In million EUR	**2018**	**2019**	**Change %**	**2018**	**2019**	**Change %**
Rent and rental costs	109.7	40.1	-63.4%	36.5	12.5	-65.7%
Maintenance and repairs	79.2	85.2	7.5%	25.2	27.8	10.5%
Energy delivery	33.5	33.5	0.1%	11.2	10.9	-2.4%
Other goods	25.7	25.2	-1.9%	9.2	8.4	-8.6%
Postal and telecom costs	14.7	15.2	3.5%	4.8	5.2	7.8%
Insurance costs	15.1	18.2	20.6%	4.9	6.4	30.4%
Transport costs	466.0	461.8	-0.9%	156.5	158.1	1.0%
Publicity and advertising	16.8	16.7	-0.6%	5.1	5.2	2.0%
Consultancy	15.6	27.4	76.5%	2.3	8.2	-
Interim employees	108.6	103.2	-5.0%	36.8	39.2	6.3%
Third party remuneration, fees	104.0	106.8	2.7%	37.5	38.5	2.9%
Other services	66.9	70.7	5.6%	20.8	23.5	12.9%
TOTAL	**1,055.7**	**1,004.0**	**-4.9%**	**350.8**	**343.9**	**-2.0%**

For the nine first months of 2019, services and other goods showed a decrease by EUR 51.8m mainly due to a decrease of rent and rental costs by EUR 69.6m. The decrease of the rent and rental expenses was mainly explained by the initial application of IFRS 16. In line with IFRS 16 costs switched from rent and rental costs for EUR 79.6m to depreciation for EUR 77.7m and financial costs EUR 7.1m. The leases within the scope are mainly buildings (warehouses and sales points) and vehicles.

8. Property, plant and equipment

Property, plant and equipment increased by EUR 402.3m, or 56.8%, to EUR 1,110.3m as of September 30, 2019. The increase was mainly explained by: the right of use assets recognised for EUR 417.8m per January 1, 2019 given the initial application of IFRS 16, capital expenditures of EUR 65.1m, right of use asset recognised for EUR 82.3m as of September 30, 2019 and the evolution of the exchange rate, partially offset by depreciation for EUR 153.8m (including EUR 77.7m related to IFRS 16 right of use assets) and transfers to investment property and to assets held for sale (main impact was the sale of the Centre Monnaie building that was transferred to assets held for sale in the first quarter and sold in the second quarter with total cash proceeds of EUR 56.1m and a gain of EUR 19.9m). The assets of IFRS 16 are mainly leases related to buildings and vehicles.

9. Intangible assets

Intangible assets increased by EUR 32.2m, or 3.7%, to EUR 907.1m as of September 30, 2019. The increase was mainly due to the capital expenditures of EUR 23.9m, the finalisation of the purchase price allocation of Anthill BV (increase of EUR 5.5m mainly due to the recognition of intangible assets) and the evolution of the exchange rate, partially offset by the depreciation for EUR 32.5m.

10. Investments in associates

Investments in associates slightly decreased by EUR 2.6m, to EUR 248.6m as of September 30, 2019. The increase of bpost's share in the gain of bpost bank for EUR 9.5m was more than compensated by the decrease in the unrealized gain on the bond portfolio in the amount of EUR 12.1m recognized in other comprehensive income, reflecting a decrease of the underlying yield curve by 3 basis points (bps) compared to December 31, 2018. As of September 30, 2019, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of EUR 26.7m, which represented 10.7% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but are rather recognized directly in equity in other comprehensive income.

11. Current trade and other receivables

Current trade and other receivables decreased by EUR 163.2m to EUR 548.8m as of September 30, 2019. The decrease was mainly driven by the usual settlement of the SGEI receivable during the first quarter of the year and by the peak sales of year-end.

12. Cash and cash equivalents

Cash and cash equivalents increased by EUR 33.0m to EUR 713.1m as of September 30, 2019. The sale of the Centre Monnaie building was offset by the payment of EUR 50.0m dividend.

13. Non-Current Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings increased by EUR 334.2m to EUR 1,183.2m mainly due to the initial application of IFRS 16.

14. Employee benefits

In million EUR	As of 31 December 2018	As of 30 September 2019
Post-employment benefits	(32.8)	(30.2)
Long-term employee benefits	(113.5)	(118.6)
Termination benefits	(8.5)	(9.1)
Other long-term benefits	(153.5)	(157.3)
TOTAL	**(308.4)**	**(315.3)**

Employee benefits increased by EUR 6.9m, or 2.3%, to EUR 315.3m as of September 30, 2019. The increase mainly reflects:

- The payment of benefits for an amount of EUR 22.2m.
- Operational actuarial gains for an amount of EUR 1.3m.
- Service cost (EUR 17.2m) and interest cost (EUR 3.0m).
- Financial actuarial losses of EUR 11.7m caused by changes in the discount rates.

- A remeasurement gain on defined benefit plans of EUR 1.5m (before tax), recognized through other comprehensive income.

15. Current interest-bearing loans and borrowings

Current interest-bearing loans and borrowings increased by EUR 101.5m to EUR 277.2m mainly due to the initial application of IFRS 16.

16. Current trade and other payables

Current trade and other payables decreased by EUR 244.2m to EUR 968.4m as of September 30, 2019. This decrease was due to the decrease of the trade payables by EUR 145.5m, other payables by EUR 69.1m and the social payables by EUR 29.6m. The decrease of the trade payables was mainly a phasing element given the peak season at year end. The decrease of the social payables was mainly caused by the timing difference as 2018 full year social accruals (holiday pay, bonuses,…) have been paid during the first half of 2019.

17. Financial assets and financial liabilities

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

In million EUR As of 30 September 2019	Carrying amount	Fair value categorized : Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobser-vable input (Level 3)
Financial assets measured at amortized cost				
Non-Current				
Financial assets	17.8	0.0	17.8	0.0
Current				
Financial assets	1,262.0	0.0	1,262.0	0.0
Total financial assets	**1,279.8**	**0.0**	**1,279.8**	**0.0**
Financial liabilities measured at amortized cost (except for derivatives)				
Non-Current				
Long-term bond	642.2	684.1	0.0	0.0
Financial liabilities	558.9	0.0	558.9	0.0
Current				
Derivative instruments - forex swap	0.2	0.0	0.2	0.0
Derivative instruments - cross currency swap	0.0	0.0	0.0	0.0
Derivative instruments - forex forward	0.9	0.0	0.9	0.0
Financial liabilities	1,249.4	0.0	1,249.4	0.0
Total financial liabilities	**2,451.6**	**684.1**	**1,809.4**	**0.0**

The fair value of the non-current and current financial assets measured at amortised cost and the non-current and current financial liabilities measured at amortised cost, approximate their carrying amounts. As they are not measured at fair value in the statement of financial position their fair value should not be disclosed.
During the period there was no transfer between fair value hierarchy levels and there were no changes in the valuation techniques and inputs applied.

18. Derivative financial instruments and hedging

Derivative instruments

bpost uses foreign exchange forward contracts and foreign exchange swap contracts to manage some of its exposures in foreign currencies. Those contracts have been underwritten to hedge the exchange rate risks linked to the intercompany loans granted by bpost to its subsidiaries. At the end of the third quarter 2019 bpost had three foreign exchange swaps and four foreign exchange forwards outstanding.

Interest Rate Swap

In February 2018, bpost entered into a forward starting Interest Rate Swap with a 10-year maturity and a nominal amount of EUR 600.0m. The transaction was contracted to hedge the interest rate risk on the contemplated issuance of a long-term bond to refinance the acquisition bridge loan entered into in November 2017 for the acquisition of Radial.
In July 2018, bpost issued a EUR 650.0m 8-year bond. At that time, the interest rate swap was unwound and settled via a payment of EUR 21.5m split between an effective part EUR 20.0m and an ineffective part EUR 1.5m. The ineffective part was booked in the income statement. The effective part of the cash-flow hedge (EUR 20.0m) has been recognized in other comprehensive income (amount net of tax is EUR 14.8m) as cash-flow hedge reserve. This cash-flow hedge is reclassified to profit or loss during the same periods as the long-term bonds' cash-flows will affect profit or loss over 8 years as from its issuance date. In 2019 an amount of EUR 1.3m has been reclassified to the profit and loss statement.

Net investment hedge

In 2018 bpost entered into a USD term loan, with a maturity of 3 years with two possible extensions of one year each. bpost with EUR as its functional currency along with the issuance of the bond, borrowed USD to refinance the 2017 acquisition of Radial Holdings, LP. bpost borrowed a part in USD to mitigate the risk on foreign exchange rate differences on the foreign operations, hence bpost performed a net investment hedge. Consequently, the effective portion of changes in the fair value of the hedging instrument, is recognized in other comprehensive income. The notional amount of the hedging amounted to USD 143.0m, whereas the carrying amount converted into Euro amounted to EUR 131.3m. At September 30, 2019 the net loss on the revaluation of the USD loan recognized in other comprehensive income and accumulated in the foreign currency translation reserve amounted to EUR 6.4m. There was no ineffectiveness in 2019.

19. Contingent Liabilities and Contingent Assets

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

20. Events After the Reporting Period

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

Alternative Performance Measures (unaudited)

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

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

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

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

Definitions

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

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

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

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

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

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

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

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

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

Reconciliation of Reported to Normalized Financial Metrics

OPERATING INCOME

	Year-to-date 30 September			3rd quarter		
In million EUR	**2018**	**2019**	**Change %**	**2018**	**2019**	**Change %**
Total operating income	2,718.6	2,724.0	0.2%	873.7	881.5	0.9%
Gain on the sale of Alvadis (1)	0.0	(0.6)		0.0	(0.6)	
NORMALIZED TOTAL OPERATING INCOME	**2,718.6**	**2,723.4**	**0.2%**	**873.7**	**880.9**	**0.8%**

OPERATING EXPENSES

	Year-to-date 30 September			3rd quarter		
In million EUR	**2018**	**2019**	**Change %**	**2018**	**2019**	**Change %**
Total operating excluding depreciation, amortization	(2,353.9)	(2,312.7)	-1.8%	(794.8)	(783.0)	-1.5%
NORMALIZED TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION	**(2,353.9)**	**(2,312.7)**	**-1.8%**	**(794.8)**	**(783.0)**	**-1.5%**

EBITDA

	Year-to-date 30 September			3rd quarter		
In million EUR	**2018**	**2019**	**Change %**	**2018**	**2019**	**Change %**
EBITDA	364.7	411.3	12.8%	78.9	98.5	24.8%
Gain on the sale of Alvadis (1)	0.0	(0.6)		0.0	(0.6)	
NORMALIZED EBITDA	**364.7**	**410.7**	**12.6%**	**78.9**	**97.9**	**24.0%**

EBIT

In million EUR	Year-to-date 30 September 2018	2019	Change %	3rd quarter 2018	2019	Change %
Profit from operating activities (EBIT)	249.6	226.6	-9.2%	40.6	34.3	-15.5%
Gain on the sale of Alvadis (1)	0.0	(0.6)		0.0	(0.6)	
Non-cash impact of purchase price allocation (PPA) (2)	17.7	15.7	-11.6%	6.1	4.6	-24.4%
NORMALIZED PROFIT FROM OPERATING ACTIVITIES (EBIT)	**267.3**	**241.6**	**-9.6%**	**46.7**	**38.3**	**-18.1%**

PROFIT FOR THE YEAR (EAT)

In million EUR	Year-to-date 30 September 2018	2019	Change %	3rd quarter 2018	2019	Change %
Profit for the year	159.1	126.9	-20.2%	27.2	13.4	-50.9%
Gain on the sale of Alvadis (1)	0.0	(0.6)		0.0	(0.6)	
Non-cash impact of purchase price allocation (PPA) (2)	16.0	14.5	-9.5%	5.3	4.3	-19.3%
NORMALIZED PROFIT OF THE YEAR	**175.1**	**140.7**	**-19.6%**	**32.6**	**17.0**	**-47.7%**

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

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

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

In million EUR	Year-to-date 30 September 2018	2019	Change %	3rd quarter 2018	2019	Change %
Net Cash from operating activities	138.1	206.7	49.7%	(30.2)	31.8	-
Net Cash used in investing activities	(118.7)	(31.8)	73.2%	(23.1)	(47.5)	-
FREE CASH FLOW	**19.4**	**174.9**	**-**	**(53.3)**	**(15.8)**	**70.4%**
Collected proceeds due to clients	26.1	29.3	12.3%	7.5	6.0	-19.7%
NORMALIZED FREE CASH FLOW	**45.6**	**204.2**	**-**	**(45.7)**	**(9.7)**	**78.7%**

From IFRS Consolidated Net Profit to Belgian GAAP Unconsolidated Net Profit

	Year-to-date 30 September			3rd quarter		
In million EUR	**2018**	**2019**	**Change %**	**2018**	**2019**	**Change %**
IFRS Consolidated Net Profit	**159.1**	**126.9**	**-19.0%**	**27.2**	**13.4**	**-43.5%**
Results of subsidiaries and deconsolidation impacts	1.1	2.2	95.6%	7.1	3.2	-54.6%
Other deconsolidation impacts	7.7	(6.6)	-186.5%	(3.2)	(1.9)	-41.3%
Differences in depreciation and impairments	2.5	(28.1)	-	1.2	1.4	1.6%
Differences in recognition of provisions	(1.1)	(1.0)	-8.8%	(0.4)	(0.5)	25.8%
Effects of IAS19	(4.9)	2.5	-152.0%	(6.7)	1.8	-127.2%
Effects of IFRS 16	0.0	6.4	-	0.0	2.9	-
Depreciation intangibles assets PPA	17.7	15.7	-11.6%	6.1	4.6	-24.4%
Deferred taxes	1.0	8.2	740.3%	1.7	1.9	12.1%
Other	1.0	(8.0)	-	(3.8)	(8.8)	134.6%
Belgian GAAP unconsolidated net profit available for appropriation	**184.2**	**118.2**	**-35.8%**	**29.3**	**18.0**	**-38.5%**
Transfer to/(from) untaxed reserves	-	35.6		-	-	
Belgian GAAP unconsolidated net profit for the period	**184.2**	**153.8**	**-16.5%**	**29.3**	**18.0**	**-38.5%**

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

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

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

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

	Year-to-date 30 September		3rd quarter	
In million EUR	**2018**	**2019**	**2018**	**2019**
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(6.1)	(16.4)	(1.1)	(6.0)
Profit of the international subsidiaries (local GAAP)	16.6	27.7	11.4	12.0
Share of results of associates (local GAAP)	(9.4)	(9.2)	(3.3)	(2.8)
Other deconsolidation impacts	7.7	(6.6)	(3.2)	(1.9)
TOTAL	**8.8**	**(4.5)**	**3.9**	**1.3**

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

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

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

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

Statement of legal representatives

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

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

Forward Looking Statements

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

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

Glossary

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