bpost: first quarter 2019 results

First quarter 2019 highlights

- **1Q19 in line with expectations, on track for 2019 outlook**
- **Group operating income** at EUR 906.8m (-1.1%)
- **Group normalized EBIT at EUR 95.8m**, representing an EBIT margin of 10.6%
- **Mail & Retail**
    - Total operating income at € 527.5m (-1.8%) driven by vigorous mail volume decline
    - Underlying mail volume decline at -9.2% mainly driven by Transactional and Press
    - Normalized EBIT at EUR 92.6m (17.6% EBIT margin) mainly impacted by mail volume decline and wage drift
- **Parcels & Logistics Europe & Asia**
    - Total operating income at € 196.8m (+8.0%) driven by Parcel BeNe up 11.1%
    - Parcel BeNe volume growth at +16.9% driven by e-commerce
    - Normalized EBIT at EUR 18.0m (9.1% EBIT margin): solid margin improvement with volume growth only partly offset by higher costs
- **Parcels & Logistics North America**
    - As anticipated, total operating income at € 228.5m (-5.2%) mainly impacted by Radial customer churn and repricing
    - Normalized EBIT at EUR -7.8m (-3.4% EBIT margin) mainly impacted by client churn & repricing in line with expectations

CEO quote

Koen Van Gerven, CEO, commented: *“Thanks to the efforts of all our teams, both in Belgium and in the other countries where we operate, our first quarter 2019 group results are overall in line with expectations laid down in our full year guidance. We continued to make good progress on our transformation towards a reference e-commerce logistics operator, with nearly half of our revenues being generated by Parcels & Logistics. Parcels volume and revenue development in our Belgium-Netherlands home region continued to be strong. Parcels & Logistics North America was impacted, as anticipated, by the fallout of Radial’s 2018 client churn and repricing despite stringent cost control. Mail & Retail’s volume decline was more pronounced than anticipated, and was only partly compensated by price increases. These developments emphasize the importance of the modified distribution model to align rapidly changing consumer needs with operational challenges. With the first quarter in line with expectations, I can reconfirm that we are on track to realize our full year guidance of normalized EBIT above EUR 300m and I thank all bpost’s employees for their hard work.”*

“Finally, I’m glad to announce that we completed our search for the position of CFO. On May 20, Leen Geirnaerdt, until recently CFO of Recruit Global Staffing following the combination with USG People, will join bpost’s Group Executive Committee as Group CFO. She has a solid tenure as CFO and brings the experience of an industry that went through important transformations over the last decade. I’m looking forward to our successful collaboration. I’d also like to thank Baudouin de Hepcée for ensuring in an excellent manner the continuity of this important position over the past couple of months.”

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 -7%, partly offset by an average price increase of +4.4%.
- EBIT margin of Mail & Retail is expected to range between 11% and 13%.

Parcels & Logistics Europe & Asia:

- We expect to record high single-digit percentage growth in total operating income, of which mid-teens for Parcels Belgium-Netherlands.
- EBIT margin of Parcels & Logistics Europe & Asia is expected to range between 6% and 8%.

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. Radial is however on track for the 2022 guidance as presented at the Capital Markets Day.
- Parcels & Logistics North America is expected to break-even at EBIT level.

Corporate:

- Expected to be neutral at EBIT level.

Gross capex is expected to be around EUR 150.0m.

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Key figures[1]

1st quarter (million EUR)

	Reported		Normalized		
	2018	**2019**	**2018**	**2019**	**% Δ**
Total operating income	916.5	906.8	916.5	906.8	-1.1%
Operating expenses (excl. D&A)	773.3	755.7	773.3	755.7	-2.3%
EBITDA	**143.2**	**151.1**	**143.2**	**151.1**	**5.5%**
EBIT	**106.0**	**90.4**	**112.3**	**95.8**	**-14.7%**
Margin (%)	*11.6%*	*10.0%*	*12.3%*	*10.6%*	
Profit before tax	**99.4**	**81.5**	**105.7**	**86.9**	**-17.8%**
Income tax expense	35.6	31.3	36.1	31.8	
Net profit	**63.7**	**50.2**	**69.6**	**55.1**	**-20.7%**
FCF	**151.3**	**186.1**	**171.0**	**195.4**	**+14.2%**
bpost S.A./N.V. net profit (BGAAP)	**72.3**	**60.1**	**72.3**	**60.1**	**-16.7%**
Net Debt/ (Net cash) at 31 March[2]	**145.7**	**613.1**	**145.7**	**613.1**	

[1] Normalized figures are not audited.
[2] Impact initial application IFRS 16 caused net debt to increase by EUR 425.5m.

First quarter - Group overview

Compared to last year, **total operating income** decreased by EUR -9.7m to EUR 906.8m end of March 2019. This decrease was mainly driven by the volume decrease of Domestic Mail (EUR -7.6m overall Domestic Mail, whereas total decrease for Mail & Retail amounted to EUR -9.4m) and the anticipated decrease of Parcels & Logistics North America (EUR-12.7m), partially compensated by the increase of Parcels & Logistics Eurasia (EUR 14.5m), mainly driven by organic volume growth of 16.9% of Parcels BeNe.

Operating expenses including depreciation and amortization increased by EUR -6.9m driven by increased services and other goods, payroll and interim costs. As a result, **normalized EBIT** decreased by EUR -16.5m or 14.7% compared to last year. The initial application of IFRS 16 had a positive impact of EUR 25.5m on **EBITDA** compared to last year.

Net financial result decreased by EUR -4.6m mainly due to the interests on the loans and the bond.

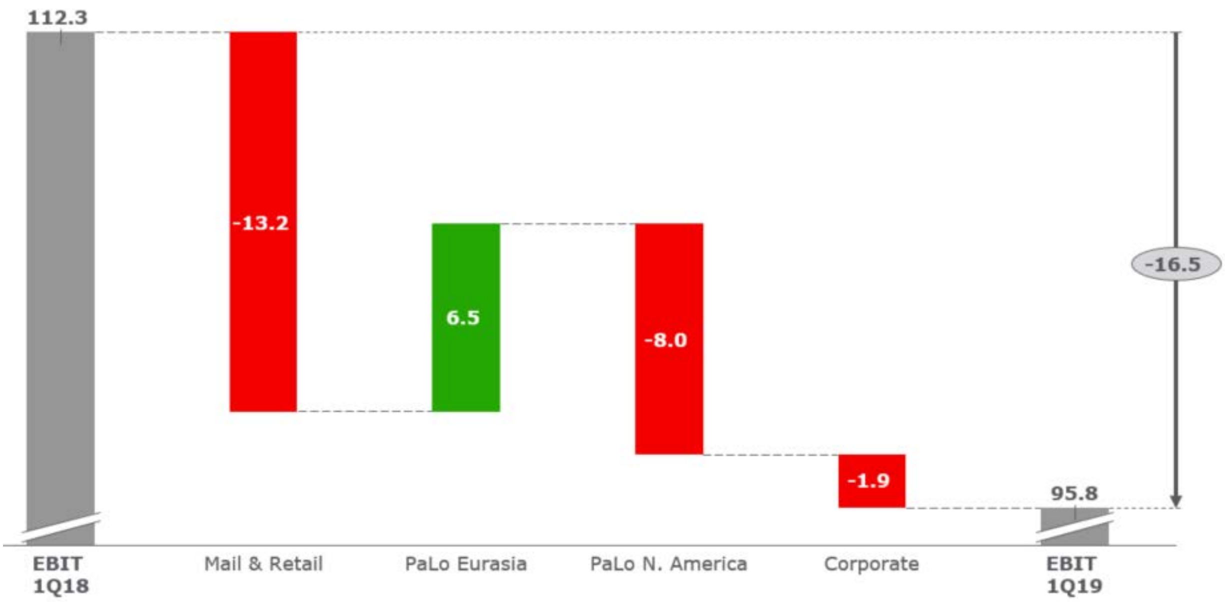
Normalized income tax expense decreased compared to last year mainly due to the lower profit before tax.

Normalized IFRS group net profit stood at EUR 55.1m. **Belgian GAAP net profit** of the parent company amounted to EUR 60.1m.

Contribution of the different business units amounted to:

In million EUR (Normalized)	M&R	PaLo Eurasia	PaLo N. America	Corporate	Eliminations	Group
Total Operating Income	527.5	196.8	228.5	86.2	(132.3)	906.8
Profit from operating activities (EBIT)	92.6	18.0	(7.8)	(7.0)		95.8
Margin (%)	*17.6%*	*9.1%*	*-3.4%*	*-8.1%*		*10.6%*

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



Business Unit performance: Mail & Retail

Mail & Retail	1st quarter		
In million EUR (Normalized)	2018	2019	Change %
External operating income	**497.2**	**486.5**	**-2.2%**
Transactional mail	199.6	195.4	-2.1%
Advertising mail	63.4	60.9	-4.0%
Press	88.7	87.9	-0.9%
Proximity and convenience retail network	119.9	117.0	-2.5%
Value added services	25.5	25.3	-0.8%
Intersegment operating income	39.7	41.1	3.4%
TOTAL OPERATING INCOME	**536.9**	**527.5**	**-1.8%**
Operating expenses	422.6	414.1	-2.0%
EBITDA	**114.3**	**113.4**	**-0.8%**
Depreciation, amortization	8.5	20.8	-
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**105.8**	**92.6**	**-12.5%**
Margin (%)	*19.7%*	*17.6%*	
CAPEX	5.1	3.6	
Average FTE & Interims	21,767	21,882	

External operating income in the first quarter 2019 amounted to EUR 486.5m and showed a decrease of EUR -10.7m or -2.2% compared to the same period of 2018.

Revenues from **Domestic Mail** (i.e. Transactional, Advertising and Press combined) decreased by EUR -7.6m to EUR 344.2m. Underlying volume[3] decline amounted to -9.2%. Transactional mail, with an underlying volume decline of -9.8%, was impacted by an increased push towards digital mainly in the banking, telco and utilities sectors. At the receivers' side, we observed higher acceptance of e-documents as well as to a smaller extent volume losses at SMEs driven by digitization. Advertising mail realized an underlying volume[3] decrease of -7.6% for the quarter. Growth realized from smaller accounts and the increase of unaddressed was more than offset by lower volumes from large customers. Press volume[3] decreased on an underlying basis by -8.7% driven by e-substitution and rationalization mainly in periodicals.

Total Domestic mail volume decline impacted revenues by EUR -28.8m along with 1 working day less (EUR -1.4m), this decrease was only partly compensated by the net improvement in price and mix amounting to EUR 22.6m due to the 3 months price increase for the small user baskets as from January 1, 2019 versus 1 month in the first quarter of 2018 with a price increase as from March 1, 2018.

Mail & Retail	1st quarter
Evolution underlying Mail volumes	2019
Domestic mail	**-9.2%**
Transactional mail	-9.8%
Advertising mail	-7.6%
Press	-8.7%

[3] New scope 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 1st quarter 2018 are available.

Proximity and convenience retail network decreased by EUR -2.9m to EUR 117.0m. This decrease was mainly driven by the lower revenue of Banking and finance due to lower commissions from bpost bank on saving and current accounts due to the low interest environment and the decline of bpost retail revenue, partly compensated by the increase of Ubiway Retail revenues.

Value added services in the first quarter 2019 amounted to EUR 25.3m and showed a slight decrease of EUR -0.2m. The increase driven by the traffic fines managed on behalf of the Belgian State was offset by the lower revenue from document management and e-ID services due to the phase-out of the current e-ID activities provided by Certipost.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 10.8m and normalized depreciation and amortization increased by EUR -10.2m.

Normalized EBIT in the first quarter 2019 amounted to EUR 92.6m with a margin of 17.6% and showed a net decrease of EUR -13.2m compared to the same period of 2018. The decrease of the EBIT was mainly driven by a decrease of the total operating income (EUR -9.4m) and slightly higher total operating expenses (including D&A) (EUR -3.8m), mainly driven by increased depreciation and amortization (EUR -2.1m excluding impact of IFRS 16) and higher payroll and interim costs resulting from the 2019-2020 CLA and the salary indexation, only partly compensated by a favourable evolution of the FTE mix.

Business Unit performance: Parcels & Logistics Europe & Asia

Parcels & Logistics Europe & Asia	1st quarter		
In million EUR (Normalized)	2018	2019	Change %
External operating income	**177.5**	**191.7**	**8.0%**
Parcels BeNe	78.7	87.4	11.1%
E-commerce logistics	28.1	30.8	9.7%
Cross-border	70.7	73.5	4.0%
Intersegment operating income	4.8	5.1	5.4%
TOTAL OPERATING INCOME	**182.3**	**196.8**	**8.0%**
Operating expenses	168.9	174.8	3.5%
EBITDA	**13.4**	**22.0**	**64.5%**
Depreciation, amortization	2.0	4.1	-
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**11.4**	**18.0**	**57.2%**
Margin (%)	*6.3%*	*9.1%*	
CAPEX	0.3	3.0	
Average FTE & Interims	2,880	3,096	

External operating income in the first quarter 2019 amounted to EUR 191.7m and showed an increase of EUR 14.2m or +8.0% compared to the same period of 2018.

Parcels BeNe increased by EUR 8.7m to EUR 87.4m driven by the consistent organic volume[4] growth of parcels of 16.9% (former Domestic Parcels combined with DynaLogic volumes). This increase was driven by e-commerce growth partly offset by declining C2C sales. Price increases were more than offset by mix effect leading to a negative price/mix.

4 New scope 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 1st quarter 2018 are available.

Parcels & Logistics Europe & Asia	1st quarter 2019
Parcels volume growth	+16.9%

E-commerce logistics in the first quarter 2019 amounted to EUR 30.8m, an increase of EUR 2.7m compared to the same period of 2018 mainly driven by the integration of Active Ants as from April 1st, 2018 partly offset by the decline of revenue of DynaFix.

Cross-border increased by EUR 2.8m to EUR 73.5m driven by higher parcels revenues from the UK partly offset by lower parcels revenues from Asia and rest of Europe.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 2.1m and normalized depreciation and amortization increased by EUR -1.9m.

Normalized EBIT in the first quarter 2019 rose by EUR 6.5m and amounted to EUR 18.0m with a margin of 9.1%, driven by total operating income (EUR 14.5m) partially offset by increased total operating expenses (including D&A) (EUR -8.0m) driven by the parcels volume growth, higher transport costs and the integration of Active Ants for 3 months (not included in the first quarter of 2018).

Business Unit performance: Parcels & Logistics North America

Parcels & Logistics North America	1st quarter		
In million EUR (Normalized)	2018	2019	Change %
External operating income	**240.0**	**227.2**	**-5.3%**
E-commerce logistics	220.6	204.5	-7.3%
International mail	19.4	22.7	17.0%
Intersegment operating income	1.2	1.4	14.4%
TOTAL OPERATING INCOME	**241.2**	**228.5**	**-5.2%**
Operating expenses	231.8	222.7	-3.9%
EBITDA	**9.4**	**5.9**	**-37.4%**
Depreciation, amortization	9.1	13.7	49.4%
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**0.2**	**(7.8)**	
Margin (%)	*0.1%*	*-3.4%*	
CAPEX	5.0	4.3	
Average FTE & Interims	8,418	7,349	

External operating income in the first quarter 2019 amounted to EUR 227.2m and showed a decrease of EUR -12.8m or -5.3% including a positive currency effect of EUR 16.7m compared to the same period of 2018.

E-commerce logistics decreased by EUR -16.1m to EUR 204.5m, mainly explained by the decrease of Radial North America due to continued impact of the full year 2018 client churn and repricing partially compensated by an increase of cross-border parcels driven by customer expansion and new services.

Radial North America In million USD (Normalized)	1st quarter 2018	2019
Revenue	225.7	187.2
EBITDA	5.9	(1.9)
Profit from operating activities (EBIT)	(4.6)	(15.2)

International mail increased by EUR 3.3m and amounted to EUR 22.7m 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 6.1m and normalized depreciation and amortization increased by EUR -5.7m.

Normalized EBIT in the first quarter 2019 amounted to EUR -7.8m with a margin of -3.4% and showed a net decrease of EUR -8.0m compared to the same period of 2018. The decrease of the EBIT was mainly driven by the decrease of the total operating income (EUR -12.6) partly offset by slightly lower total operating expenses (including D&A and excluding FX) (EUR 4.6m), mainly driven by lower fixed costs primarily at the level of payroll and medical expenses, improved productivity in fulfilment and reduced chargebacks in Payment, Tax & Fraud (PT&F).

Business Unit performance: Corporate

Corporate In million EUR (Normalized)	1st quarter 2018	2019	Change %
External operating income	**1.8**	**1.5**	**-19.6%**
Intersegment operating income	92.7	84.7	-8.6%
TOTAL OPERATING INCOME	**94.6**	**86.2**	**-8.8%**
Operating expenses	88.5	76.4	-13.6%
EBITDA	**6.1**	**9.8**	**60.0%**
Depreciation, amortization	11.2	16.7	49.3%
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**(5.1)**	**(7.0)**	**-36.4%**
Margin (%)	*-5.4%*	*-8.1%*	
CAPEX	4.0	4.7	
Average FTE & Interims	1,765	1,639	

External operating income in the first quarter 2019 amounted to EUR 1.5m and was in line with last year.

Due to **the initial application of IFRS 16** rent and rental costs decreased by EUR 6.6m and normalized depreciation and amortization increased by EUR -6.3m.

Normalized EBIT in the first quarter 2019 amounted to EUR -7.0m and showed a net decrease of EUR -1.9m compared to the same period of 2018. The decrease of the EBIT was due to the unfavourable evolution of some provisions and local, real estate & other taxes compared to last year.

Cash flow statement

First quarter 2019

	1st quarter		Change
In million EUR	2018	2019	%
NET CASH FROM OPERATING ACTIVITIES	229.9	202.2	-12.0%
NET CASH USED IN INVESTING ACTIVITIES	(78.6)	(16.1)	-
NET CASH FROM FINANCING ACTIVITIES	(3.9)	(44.2)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	147.4	141.9	-3.7%

In the first quarter 2019, the net cash flow decreased compared to the same period last year by EUR 5.4m to EUR 141.9m.

Free cash flow amounted to EUR 186.1m and was EUR 34.8m higher than last year.

Cash flow from operating activities decreased by EUR 27.7m to EUR 202.2m while the impact of the IFRS 16 initial application amounted to EUR +24.7m. Excluding this transfer to financing activities and excluding collected proceeds due to Radial's clients (EUR +10.5m) operating results declined by EUR 21.9m together with a negative evolution of the change in working capital (EUR -41.0m). The latter is primarily explained by an unfavourable working capital evolution at Radial.

Investing activities resulted in a cash outflow of EUR 16.1m in the first quarter 2019, or a decrease by EUR 62.5m compared to the same period last year. The evolution was mainly due to lower cash outflows related to acquisition of subsidiaries (EUR +63.9m) with main investments occurring in the first quarter of 2018 partially offset by higher capital expenditures (EUR -1.2m).

The cash outflow relating to **financing activities** amounted to EUR 44.2m, or a EUR 40.2m rise compared to the same period last year. The increase was mainly explained by net outflows related to commercial papers, payments of lease liabilities (out of which EUR -24.7m therefore IFRS 16 application) and interests on term loans.

Key events during the first quarter

On January 23, 2019 bpost and the city of Brussels reached an agreement on the sale of Centre Monnaie building

bpost and the City of Brussels signed an agreement on the sale of the office section of the Centre Monnaie. The agreement relates to the whole office building of both bpost and the City of Brussels, as well as the corresponding parking spaces. From 2021 the central services will be located in the Multi Tower, which is opposite Centre Monnaie. This will be a fully renovated, ecological building with a lot of facilities. Total cash proceeds for bpost from the sale are EUR 55.7m, while the gain on disposal is EUR 19.9m. Both figures will be included in the normalized financial statements of the second quarter of 2019.

On January 24, 2019 the composition of bpost's executive committee altered

Kurt Pierloot, who headed up bpost's Mail and Retail activities, announced his desire to give his career a new direction. For the past 15 years he played an important role in the transformation of the company. Henri de Romrée, then bpost CFO, took up Kurt Pierloot's role. Baudouin de Hepcée replaced Henri de Romrée as CFO ad interim.

On February 12, 2019 the bpost Antwerp sorting center roof was covered with 10,000m² of ENGIE solar panels

Federal minister Philippe De Backer, Flemish energy minister Lydia Peeters, bpost CEO Koen Van Gerven and ENGIE Fabricom CEO Mark Dirckx officially inaugurated the solar panel system on the roof of bpost's sorting center in Antwerp. It is the fourth sorting center to run on solar energy. With these initiatives bpost aims to retain its title of "world's greenest postal operator".

On February 15, 2019 bpost opened Belgium's most eco-friendly distribution center in Mons

Minister of state Elio Di Rupo and bpost CEO Koen Van Gerven officially inaugurated the first green bpost distribution center in Mons. The optimally insulated building is equipped with solar panels and distribution of letters and parcels in Mons will be done by electric vehicles. These innovations enable bpost to achieve significantly better energy performances at the Mons distribution center, with electricity consumption cut by 18% and gas consumption by 55% compared with average consumption at the other distribution centers.

On March 15, 2019 bpost sold Alvadis, one company of the Ubiway group

Ubiway, of which Alvadis is a member, signed an agreement with Conway for the sale of Alvadis. Conway is an international company active in the same industry. The completion of the transaction is still pending the approval of the Belgian Competition Authority (ABC). The agreement covers all activities of Alvadis.

On March 22, 2019 the Council of Ministers approved the terms and conditions applicable to bpost for the delivery of the universal service

The federal government approved the terms and conditions applicable to bpost for the delivery the universal service until December 31, 2023. This concerns the obligation of proposing certain basic services in Belgium, such as collection, sorting, transport and distribution of letters up to 2 kg and parcels up to 10 kg. Moreover, the agreement indicates that bpost can also establish a distinction between priority and non-priority mail. The government confirms that supported by this differentiated offer, bpost can continue to guarantee delivery, absorb moments of unexpected peaks, control costs and enable faster delivery time for packages.

Financial calendar

03.05.19 (10.00 CET)	Analyst Conference Call
08.05.19	Ordinary General Meeting of Shareholders
13.05.19	Ex-dividend date
14.05.19	Record date
15.05.19	Payment date of the dividend
08.07.19	Start of quiet period ahead of Q2/2019 results
07.08.19 (17.45 CET)	Announcement Q2/2019 and half-year results
08.08.19 (10.00 CET)	Analyst Conference Call
07.10.19	Start of quiet period ahead of Q3/2019 results
06.11.19 (17.45 CET)	Announcement Q3/2019 results
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

Unaudited Interim Condensed Consolidated Financial Statements[5]

Preliminary note: In the third quarter of 2018 the purchase price allocation of Radial had been finalized, this resulted in some fair value corrections in previous quarters of 2018. As a consequence, this led to some restatements compared to the 2018 figures reported in first and second quarter of 2018 within the segment Parcels & Logistics North America and Parcels & Logistics Europe & Asia. Compared to the figures reported last year total operating income is EUR 0.3m higher, operating costs (excluding depreciation) are EUR 2.7m lower and depreciation are EUR 1.8m higher hence profit for the period ending March 31, 2018 is EUR 1.3m higher than reported last year for the same period.

Interim Condensed Consolidated Income Statement (unaudited)

		Year-to-date 31 March	
In million EUR	**NOTES**	**2018**	**2019**
Revenue	6	910.1	899.1
Other operating income		6.4	7.8
TOTAL OPERATING INCOME		**916.5**	**906.8**
Material cost		(62.1)	(58.6)
Services and other goods	7	(330.5)	(325.0)
Payroll costs		(364.7)	(371.0)
Other operating expenses		(16.0)	(1.2)
Depreciation, amortization		(37.2)	(60.7)
TOTAL OPERATING EXPENSES		**(810.5)**	**(816.5)**
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**106.0**	**90.4**
Financial income		2.2	1.4
Financial costs		(5.1)	(8.9)
Share of profit of associates		(3.8)	(1.4)
PROFIT BEFORE Tax		**99.4**	**81.5**
Income tax expense		(35.6)	(31.3)
PROFIT OF THE PERIOD		**63.7**	**50.2**
Attributable to:			
Owners of the Parent		64.0	50.2
Non-controlling interests		(0.2)	(0.1)

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

EARNINGS PER SHARE

	Year-to-date 31 March	
In EUR	2018	2019
►basic, profit for the year attributable to ordinary equity holders of the parent	0.32	0.25
►diluted, profit for the year attributable to ordinary equity holders of the parent	0.32	0.25

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	
In million EUR	**2018**	**2019**
PROFIT FOR THE YEAR	**63.7**	**50.2**
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	(8.3)	(3.3)
Net gain/(loss) on hedge of a net investment	3.2	(2.4)
Net gain/(loss) on cash flow hedges	0.0	0.4
Exchange differences on translation of foreign operations	(19.3)	23.3
NET OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(16.2)**	**21.4**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Remeasurement gain (losses) on defined benefit plans	0.0	0.0
NET OTHER COMPREHENSIVE INCOME/(LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**(8.3)**	**(3.3)**
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(24.5)**	**18.1**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**39.2**	**68.3**
Attributable to:		
Owners of the Parent	39.5	68.3
Non-controlling interest	(0.2)	(0.1)

Interim Condensed Consolidated Statement of Financial Position (unaudited)

In million EUR	NOTES	As of 31 December 2018	As of 31 March 2019
Assets			
Non-current assets			
Property, plant and equipment	8	708.0	1,099.4
Intangible assets	9	874.9	891.0
Investments in associates	10	251.2	246.5
Investment properties		18.7	5.4
Deferred tax assets		31.5	30.5
Trade and other receivables		11.2	11.6
		1,895.7	**2,284.4**
Current assets			
Inventories		36.9	35.3
Income tax receivable		5.7	5.7
Trade and other receivables	11	712.0	547.3
Cash and cash equivalents	12	680.1	830.3
		1,434.7	**1,418.6**
Assets held for sale	13	14.7	42.8
TOTAL ASSETS		**3,345.1**	**3,745.9**
Equity and liabilities			
Issued capital		364.0	364.0
Reserves		271.4	315.5
Foreign currency translation		12.7	33.6
Retained earnings		51.6	50.2
Equity attributable to equity holders of the Parent		**699.7**	**763.3**
Equity attributable to non-controlling interests		2.5	2.7
TOTAL EQUITY		**702.3**	**766.0**
Non-current liabilities			
Interest-bearing loans and borrowings	14	849.1	1,191.0
Employee benefits	15	308.4	307.3
Trade and other payables		17.5	21.2
Provisions		22.6	21.8
Deferred tax liabilities		7.3	8.0
		1,204.8	**1,549.4**
Current liabilities			
Interest-bearing loans and borrowings	16	175.7	246.3
Bank overdrafts		0.0	5.9
Provisions		16.8	15.6
Income tax payable		21.4	36.6
Derivative instruments	18	0.8	0.7
Trade and other payables	17	1,212.5	1,120.1
		1,427.3	**1,425.2**
Liabilities directly associated with assets held for sale	13	10.8	5.3
TOTAL LIABILITIES		**2,642.9**	**2,979.9**
TOTAL EQUITY AND LIABILITIES		**3,345.1**	**3,745.9**

Interim Condensed Consolidated Statement of Changes in Equity (unaudited)

In million EUR	AUTHORIZED & ISSUED CAPITAL	TREASURY SHARES	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
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					64.0	64.0	(0.2)	63.7
Other comprehensive income			102.6	(16.1)	(110.9)	(24.5)		(24.5)
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**102.6**	**(16.1)**	**(47.0)**	**39.5**	**(0.2)**	**39.3**
Dividends (Pay-out)						0.0		0.0
Other			1.1		(0.2)	0.9	(2.3)	(1.4)
AS OF 31 MARCH 2018	**364.0**	**(0.0)**	**353.9**	**(27.6)**	**63.7**	**754.0**	**1.8**	**755.8**
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					50.2	50.2	(0.1)	50.2
Other comprehensive income			48.8	20.9	(51.6)	18.1		18.1
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**48.8**	**20.9**	**(1.4)**	**68.3**	**(0.1)**	**68.3**
Dividends (Pay-out)					0.0	0.0	0.0	0.0
Other			(4.7)		(0.1)	(4.8)	0.2	(4.6)
AS OF 31 MARCH 2019	**364.0**	**(0.0)**	**315.5**	**33.6**	**50.2**	**763.3**	**2.7**	**766.0**

Equity increased by EUR 63.7m, or 9.1%, to EUR 766.0m as of March 31, 2019 from EUR 702.3m as of December 31, 2018. The realized profit (EUR 50.2m), the exchange differences on translation of foreign operations (EUR 20.9m) and the effective part of a cash-flow hedge entered into to hedge the cash flow risk of the bond (EUR 0.4m) were offset amongst others by the fair value adjustment in respect of bpost bank's bond portfolio for an amount of EUR 3.3m. 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	
In million EUR	**2018**	**2019**
Operating activities		
Profit before tax	99.4	81.5
Depreciation and amortization	37.2	60.7
Impairment on bad debts	4.1	0.7
Gain on sale of property, plant and equipment	(0.2)	(0.1)
Other non-cash items	0.7	5.2
Change in employee benefit obligations	(0.6)	(1.0)
Share of profit of associates	3.8	1.4
Dividend received	0.0	0.0
Income tax paid	(3.1)	(2.9)
Income tax paid on previous years	(11.8)	(13.8)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	**129.4**	**131.7**
Decrease/(increase) in trade and other receivables	181.8	160.3
Decrease/(increase) in inventories	1.4	2.8
Increase/(decrease) in trade and other payables	(60.3)	(81.2)
Increase/(decrease) in collected proceeds due to clients	(19.8)	(9.3)
Increase/(decrease) in provisions	(2.7)	(2.1)
NET CASH FROM OPERATING ACTIVITIES	**229.9**	**202.2**
Investing activities		
Proceeds from sale of property, plant and equipment	0.3	0.1
Acquisition of property, plant and equipment	(12.4)	(9.4)
Acquisition of intangible assets	(2.6)	(6.3)
Acquisition of other investments	0.5	0.0
Acquisition of subsidiaries, net of cash acquired	(64.4)	(0.5)
NET CASH USED IN INVESTING ACTIVITIES	**(78.6)**	**(16.1)**
Financing activities		
Proceeds borrowings and lease liabilities	0.0	170.2
Payments related to borrowings and lease liabilities	(3.6)	(214.3)
Payments for derivative instruments		
Transactions with minorities	(0.3)	
Dividends paid		
NET CASH FROM FINANCING ACTIVITIES	**(3.9)**	**(44.2)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**147.4**	**141.9**
NET FOREIGN EXCHANGE DIFFERENCE	**(1.6)**	**2.3**
Cash and cash equivalent less bank overdraft as of 1st January	466.0	680.1
Cash and cash equivalent less bank overdraft as of 31 March	611.8	824.4
MOVEMENTS BETWEEN 1ST JANUARY AND 31 MARCH	**145.7**	**144.2**

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

1. Corporate Information

The interim condensed consolidated financial statements of bpost for the first three months ended March 31, 2019 were authorized for issue in accordance with a resolution of the Board of Directors on May 2, 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 three months ended March 31, 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, 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	
Assets	
Right-of-use assets	434.6
Property, plant and equipment	(16.8)
Total assets	**417.8**
Liabilities	
Non-current Interest-bearing loans and borrowings	337.2
Current Interest-bearing loans and borrowings	80.7
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 that were reclassified from property, plant and equipment.

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	353.8
Current Interest-bearing loans and borrowings	82.3
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 recognised and lease payments made at or before the commencement date less any lease incentives received. The recognised 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 recognised 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 recognised 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 March 31, 2019:

In million EUR	Year-to-date 2019
Assets	
Lands and buildings	385.3
Plant and machinery	4.4
Motor vehicles	49.5
Other equipment	0.5
Total	**439.7**
Liabilities	
Non-current Lease liabilities	355.8
Current Lease liabilities	87.0
Total	**442.8**

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
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 March 15, 2019 Ubiway, a subsidiary of bpost, signed a share purchase agreement with Conway for the sale of Alvadis, a company of the Ubiway group. At the time of the startup of the sales process (in December 2018) Alvadis had been transferred to assets held for sale, Alvadis will be deconsolidated at the time of the completion of the transaction i.e. once the approval of the Belgian Competition Authority is obtained.

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 quarter of 2019 Active Ants and Anthill contributed EUR 4.2m of revenue and EUR 0.3m 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. None of the goodwill is expected to be deductible for income tax purposes.

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:

Year-to-date	M&R		PaLo Eurasia		PaLo N. Ame		Corporate		Eliminations		Group	
In million EUR	**1Q18**	**1Q19**	**1Q18**	**1Q19**	**1Q18**	**1Q19**	**1Q18**	**1Q19**	**1Q18**	**1Q19**	**1Q18**	**1Q19**
External operating income	**497.2**	**486.5**	**177.5**	**191.7**	**240.0**	**227.2**	**1.8**	**1.5**	**0.0**	**0.0**	**916.5**	**906.8**
Intersegment operating income	39.7	41.1	4.8	5.1	1.2	1.4	92.7	84.7	(138.5)	(132.3)	0.0	0.0
TOTAL OPERATING INCOME	**536.9**	**527.5**	**182.3**	**196.8**	**241.2**	**228.5**	**94.6**	**86.2**	**(138.5)**	**(132.3)**	**916.5**	**906.8**
Operating expenses	422.6	414.1	168.9	174.8	231.8	222.7	88.5	76.4	(138.5)	(132.3)	773.3	755.7
Depreciation, amortization	9.2	21.4	3.3	5.7	13.4	16.9	11.2	16.7	0.0	0.0	37.1	60.7
PROFIT FROM OPERATING ACTIVITIES (EBIT)	**105.1**	**92.1**	**10.1**	**16.3**	**(4.1)**	**(11.0)**	**(5.1)**	**(7.0)**	**0.0**	**0.0**	**106.0**	**90.4**
Share of profit of associates											(3.8)	(1.4)
Financial results											(2.9)	(7.5)
Income tax expenses											(35.6)	(31.3)
PROFIT OF THE PERIOD (EAT)											**63.7**	**50.2**

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

The total (external) operating income is measured on the same basis as the financial statement's accounting guidelines (IFRS) and business unit performance.

	Year-to-date		
In million EUR	**2018**	**2019**	**Change %**
Mail & Retail	**497.2**	**486.5**	**-2.2%**
Transactional mail	199.6	195.4	-2.1%
Advertising mail	63.4	60.9	-4.0%
Press	88.7	87.9	-0.9%
Proximity and convenience retail network	119.9	117.0	-2.5%
Value added services	25.5	25.3	-0.8%
Parcels & Logistics Europe & Asia	**177.5**	**191.7**	**8.0%**
Parcels BeNe	78.7	87.4	11.1%
E-commerce logistics	28.1	30.8	9.7%
Cross border	70.7	73.5	4.0%
Parcels & Logistics North America	**240.0**	**227.2**	**-5.3%**
E-commerce logistics	220.6	204.5	-7.3%
International mail	19.4	22.7	17.0%
Corporate & Supporting functions	**1.8**	**1.5**	**-19.6%**
TOTAL	**916.5**	**906.8**	**-1.1%**

The geographically split of operating income from external customers and the non-current assets are presented 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.

	Year-to-date		
In million EUR	**2018**	**2019**	**Change %**
Belgium	620.0	616.5	-0.6%
Rest of Europe	53.4	61.0	14.2%
USA	229.7	217.4	-5.4%
Rest of world	13.4	12.0	-10.7%
TOTAL OPERATING INCOME	**916.5**	**906.8**	**-1.1%**

	As of 31 December	As of 31 March	
In million EUR	**2018**	**2019**	**Change %**
Belgium	703.4	964.0	37.0%
Rest of Europe	143.2	171.3	19.7%
USA	735.1	826.8	12.5%
Rest of world	31.2	45.3	45.0%
TOTAL NON-CURRENT ASSETS	**1,612.9**	**2,007.4**	**24.5%**

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 31 March	
In million EUR	**2018**	**2019**
Revenue excluding the SGEI remuneration	842.4	829.9
SGEI remuneration	67.7	69.2
TOTAL	**910.1**	**899.1**

7. Services and other goods

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

	Year-to-date 31 March		
In million EUR	**2018**	**2019**	**Change %**
Rent and rental costs	36.0	14.5	-59.7%
Maintenance and repairs	26.7	27.8	4.3%
Energy delivery	11.2	11.6	3.7%
Other goods	7.2	7.5	4.2%
Postal and telecom costs	4.2	5.0	18.8%
Insurance costs	6.3	6.0	-5.6%
Transport costs	148.8	149.8	0.7%
Publicity and advertising	5.6	5.3	-6.9%
Consultancy	5.5	6.5	17.7%
Interim employees	36.7	32.7	-11.0%
Third party remuneration, fees	32.5	34.6	6.5%
Other services	9.8	23.8	143.9%
TOTAL	**330.5**	**325.0**	**-1.6%**

Services and other goods showed a decrease by EUR 5.4m mainly due to a decrease of rent and rental costs by EUR 21.5m, partially compensated by an increase of other services by EUR 14.1m. The increase of the latter was explained by a transfer between services and other goods and other operating expenses, whereas 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 25.5m to depreciation for EUR 24.2m and financial costs EUR 2.0m. 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 391.4m, or 55.3%, to EUR 1,099.4m as of March 31, 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 9.4m, right of use asset recognised for EUR 28.5m during the first quarter of 2019 and the evolution of the exchange rate, partially offset by depreciation for EUR 49.7m (including EUR 24.2m related to IFRS 16 right of use assets) and transfers to investment property and to assets held for sale (Centre Monnaie building). New assets of IFRS 16 are mainly leases related to buildings and vehicles.

9. Intangible assets

Intangible assets increased by EUR 16.1m, or 1.8%, to EUR 891.0m as of March 31, 2019. The increase was mainly due to the capital expenditures of EUR 6.3m, 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 11.4m.

10. Investments in associates

Investments in associates slightly decreased by EUR 4.7m, to EUR 246.5m as of March 31, 2019. This decrease was due to bpost's share of the loss of bpost bank for EUR 1.4m and the decrease in the unrealized gain on the bond portfolio in the amount of EUR 3.3m recognized in other comprehensive income, reflecting an increase of the underlying yield curve compared to December 31, 2018. As of March 31, 2019, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of EUR 35.5m, which represented 14.4% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but are rather recognized directly in equity in other comprehensive income.

11. Current trade and other receivables

Current trade and other receivables decreased by EUR 164.7m to EUR 547.3m as of March 31, 2019. The decrease was mainly driven by the usual settlement of the SGEI receivable during the first quarter of the year.

12. Cash and cash equivalents

Cash and cash equivalents increased by EUR 151.7m to EUR 831.8m as of March 31, 2019. This increase was mainly due to the free cash flow (EUR 186.1m), this cash flow contains the payment of for the SGEI compensation during the first quarter of 2019.

13. Assets held for sale

Assets held for sale increased by EUR 28.1m to EUR 42.8m mainly due to the transfer of the Centre Monnaie building from property, plant and equipment and investment properties to asset held for sale. Furthermore, in February 2019 bpost agreed to exit its participation in de Buren, which was recognised at year end under assets held for sale and liabilities directly associated with assets held for sale.

14. Non-Current Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings increased by EUR 341.9m to EUR 1,191.0m mainly due to the initial application of IFRS 16 (EUR 339.1m).

15. Employee benefits

In million EUR	As of 31 December 2018	As of 31 March 2019
Post-employment benefits	(32.8)	(32.5)
Long-term employee benefits	(113.5)	(115.1)
Termination benefits	(8.5)	(7.9)
Other long-term benefits	(153.5)	(151.9)
TOTAL	**(308.4)**	**(307.3)**

Employee benefits slightly decreased by EUR 1.0m, or 0.3%, to EUR 307.3m as of March 31, 2019. The decrease mainly reflects:

- The payment of benefits for an amount of EUR 6.9m.
- Additional service cost (EUR 5.2m) and interest cost (EUR 1.0m).

16. Current interest-bearing loans and borrowings

Current interest-bearing loans and borrowings increased by EUR 70.6m to EUR 246.3m mainly due to the initial application of IFRS 16 (EUR 86.3m). This increase was partially offset by the lower outstanding commercial paper (EUR -15.0m).

17. Current trade and other payables

Current trade and other payables decreased by EUR 92.4m to EUR 1,120.1m as of March 31, 2019. This decrease was due to the decrease of the trade payables by EUR 144.2m and social payables by EUR 14.7m, partially offset by increase of other payables by EUR 66.4m. The decrease of the trade payables was mainly a phasing element given the peak season at year end. The increase of the other payables was mainly due the advance payment received from the Belgian State in respect of the SGEI compensation (EUR 92.5m).

18. Financial assets and financial liabilities

The following table provides the fair value measurement hierarchy of bpost's financial assets and financial liabilities per March 31, 2019:

		Fair value categorized :		
In million EUR As of 31 March 2019	**Carrying amount**	**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	11.6		11.6	
Current				
Financial assets	1,383.3		1,383.3	
Total financial assets	**1,394.8**		**1,394.8**	
Financial liabilities measured at amortized cost (except for derivatives)				
Non-Current				
Long-term bond	641.6	658.7		
Financial liabilities	570.5		570.5	
Current				
Derivative instruments - forex swap	0.0		0.0	
Derivative instruments - cross currency swap	0.0		0.0	
Derivative instruments - forex forward	0.7		0.7	
Financial liabilities	1,408.1		1,408.1	
Total financial liabilities	**2,621.0**	**658.7**	**1,979.4**	**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.

19. 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 first quarter 2019 bpost had three foreign exchange swaps and five 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 finally issued a EUR 650.0m 8-year bond. 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 the first quarter 2019 an amount of EUR 0.4m 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 127.3m. At March 31, 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 2.4 million. There was no ineffectiveness in the first quarter 2019.

20. 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.

21. Events After the Reporting Period

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

Other financial information (unaudited)

Reconciliation of Reported to Normalized Financial Metrics

bpost also analyses the performance of its activities on a normalized basis or before 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 all non-cash Purchase Price Allocation (PPA) accounting impacts related to acquisitions. Reversals of provisions whose addition had been normalized from income are also normalized whatever the amount they represent.

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

Income Statement related

OPERATING INCOME

	Year-to-date 31 March		
In million EUR	2018	2019	Change %
Total operating income	916.5	906.8	-1.1%
NORMALIZED TOTAL OPERATING INCOME	**916.5**	**906.8**	**-1.1%**

OPERATING EXPENSES

	Year-to-date 31 March		
In million EUR	2018	2019	Change %
Total operating excluding depreciation, amortization	(773.3)	(755.7)	-2.3%
NORMALIZED TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION	**(773.3)**	**(755.7)**	**-2.3%**

EBITDA

	Year-to-date 31 March		
In million EUR	2018	2019	Change %
EBITDA	143.2	151.1	5.5%
NORMALIZED EBITDA	**143.2**	**151.1**	**5.5%**

EBIT

	Year-to-date 31 March		
In million EUR	2018	2019	Change %
Profit from operating activities (EBIT)	106.0	90.4	-14.8%
Non-cash impact of purchase price allocation (PPA) (1)	6.3	5.4	-14.2%
NORMALIZED PROFIT FROM OPERATING ACTIVITIES (EBIT)	**112.3**	**95.8**	**-14.7%**

PROFIT FOR THE YEAR (EAT)

	Year-to-date 31 March		
In million EUR	**2018**	**2019**	**Change %**
Profit for the year	63.7	50.2	-21.3%
Non-cash impact of purchase price allocation (PPA) (1)	5.8	4.9	-16.0%
NORMALIZED PROFIT OF THE YEAR	**69.6**	**55.1**	**-20.9%**

(1) 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.

Cash Flow Statement related

	Year-to-date 31 March		
In million EUR	**2018**	**2019**	**Change %**
Net Cash from operating activities	229.9	202.2	-12.0%
Net Cash used in investing activities	(78.6)	(16.1)	79.5%
FREE CASH FLOW	**151.3**	**186.1**	**23.0%**
Collected proceeds due to clients	19.8	9.3	-52.9%
NORMALIZED FREE CASH FLOW	**171.0**	**195.4**	**14.3%**

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.

From IFRS Consolidated Net Profit to Belgian GAAP Unconsolidated Net Profit

In million EUR	Year-to-date 31 March 2018	Year-to-date 31 March 2019
IFRS Consolidated Net Profit	**63.7**	**50.2**
Results of subsidiaries and deconsolidation impacts	(3.2)	3.5
Other deconsolidation impacts	0.4	(1.2)
Differences in depreciation and impairments	(0.6)	1.2
Differences in recognition of provisions	(0.8)	(0.2)
Effects of IAS19	(1.7)	(2.3)
Effects of IFRS 16	0.0	0.6
Depreciation intangibles assets PPA	6.3	5.4
Deferred taxes	0.6	0.4
Other	7.4	2.4
Belgian GAAP unconsolidated net profit	**72.3**	**60.1**

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

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

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

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

In million EUR	Year-to-date 31 March 2018	Year-to-date 31 March 2019
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(2.6)	(5.2)
Profit of the international subsidiaries (local GAAP)	2.6	11.9
Share of results of associates (local GAAP)	(3.2)	(3.1)
Other deconsolidation impacts	0.4	(1.2)
TOTAL	**(2.7)**	**2.3**

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

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

Glossary

- **Belgian GAAP**: financial reporting framework applicable in Belgium
- **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.
- **Net debt (net cash)** represents interest and non-interest-bearing loans less cash and cash equivalents (including bank overdrafts).
- **Normalized EBITDA/EBIT/EAT/operating free cash flow:** EBITDA, EBIT/EAT/operating free cash flow 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. Reversals of provisions whose addition had been normalized from income are also normalized whatever the amount they represent.
- **Operating free cash flow (FCF):** cash flow from operating activities + cash flow from investing activities.
- **PaLo Eurasia**: Parcels & Logistics Europe & Asia.
- **PaLo N. America**: Parcels & Logistics North America.
- **Underlying volume:** starts from the reported volume and includes some corrections, for example the impact of the number of working days on the sales of stamps and franking machines and mail volumes related to elections.