bpost: first quarter 2017 results

First quarter 2017 highlights

- **Operating income (revenues)** at EUR 764.0m (+26.4%) driven by excellent Parcels growth and acquisitions and supported by resilient Domestic Mail.
- **Resilient Domestic Mail underlying volume trend at -4.7%** (-5.0% for FY16) driven by strong and positive Advertising Mail volume trend.
- **Excellent Domestic Parcels performance with volume up +24.5%** (+17.1% for FY16), driven by e-commerce and C2C. Price/mix effect of -3.4%, fully mix related.
- **International Parcels up EUR 11.4m** driven by positive contribution from acquisitions and increase in flows from China and the US. Continued volume loss to China.
- **Additional Sources of Revenues** (up EUR 117.1m), driven by the acquisition of Ubiway.
- **Organic cost evolution on track.** Operational expenditure influenced by acquisitions for EUR +153.0m. Increase in transport cost in line with positive international business evolution.
- **EBITDA up EUR 1.1m** at EUR 176.9m fully in line with our guidance.
- **Net profit of bpost SA/NV under BGAAP up EUR 4.3m** at EUR 94.3m.
- **2017 outlook maintained.**

CEO quote

Koen Van Gerven, CEO, commented: *"I'm very happy the first quarter shows a good start of the year, with an outstanding Parcels performance both domestically as well as internationally. Domestic parcels volumes are up +24.5% which is again a new record for the company. Domestic mail volume proved to be resilient especially against the very strong first quarter of last year. Our results were furthermore influenced by the integration of new acquisitions, which provide additional potential for EBITDA growth in the future. Bottom line, we did better than last year by EUR 1.1m on EBITDA, fully in line with our guidance. We will appeal the Regulator's decision for 2017 regarding the stamp price and we are working on our 2018 price increase. With all of this I'm confident that the company will again deliver on what we have promised, so I confirm our outlook for the year 2017."*

Outlook for 2017 maintained

We expect revenues to grow driven by:

- a **double digit volume growth** in **Domestic Parcels,** with a price/mix effect of around -3%.
- **continued growth in International Parcels** supported by acquisitions.
- growing Ubiway retail revenues.
- partly offset by an underlying Domestic Mail **volume decline between 5 and 6%** and in turn partly compensated by an **average Domestic Mail price increase of 1.5%**. The second quarter of 2017 will count 2 working days less, the third quarter 1 less on franking machines and 2 less on stamps and the fourth quarter 1 less on franking machines and 1 more on stamps compared to the same quarters of 2016.

On the cost side, we expect an increase driven by:

- increase in transport cost reflecting growth in International Parcels
- integration of acquired businesses
- salary indexation expected as of July 2017
- partly compensated by continued productivity improvements and optimized FTE mix and
- continued cost optimization.

This results in our ambition to have a **recurring EBITDA and dividend for 2017 at the same levels as 2016.** We confirm our long term ambition of at least EUR 620.0m EBITDA by 2020

Gross **capex** is expected to be around **EUR 90.0m** mainly related to further Vision 2020 investments. On top of that, Ubiway capex will amount to a maximum of **EUR 10.0m**.

Key figures

	Reported		
	1Q16	**1Q17**	**% Δ**
Total operating income (revenues)	604.5	764.0	26.4%
Operating expenses	428.7	587.1	37.0%
EBITDA	**175.9**	**176.9**	**0.6%**
Margin (%)	*29.1%*	*23.2%*	
EBIT	**153.9**	**154.2**	**0.2%**
Margin (%)	*25.5%*	*20.2%*	
Profit before tax	**149.3**	**150.3**	**0.7%**
Income tax expense	53.4	54.2	
Net profit	**95.9**	**96.1**	**0.2%**
FCF	**245.9**	**166.2**	**-32.4%**
bpost S.A./N.V. net profit (BGAAP)	**90.0**	**94.3**	**4.8%**
Net Debt/ (Net cash), at 31 March	**(792.2)**	**(659.1)**	**-16.8%**

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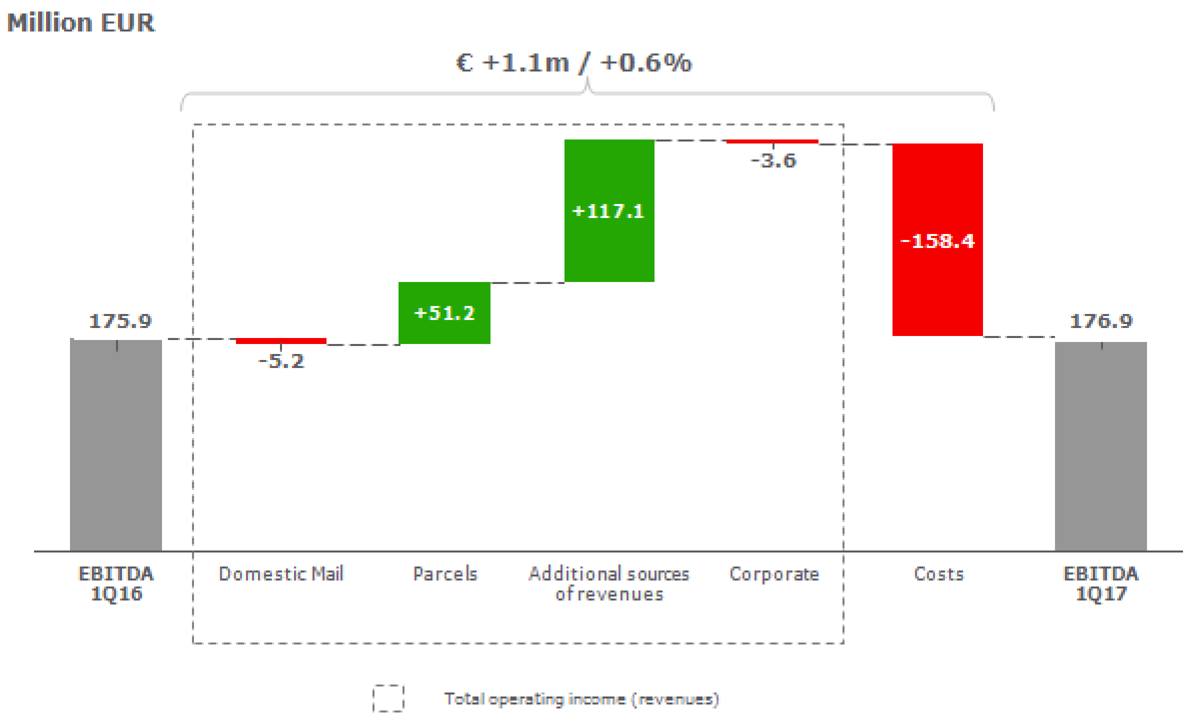
First quarter 2017 - Income Statement



Total operating income increased by EUR 159.5m or 26.4%, to EUR 764.0m. The increase of Parcels (EUR +51.2m) was driven by the Domestic Parcels volume growth, the good performance in International Parcels and the integration of DynaGroup in Logistic Solutions. Furthermore price increases in Domestic Mail contributed EUR +3.6m, two additional working days for Domestic Mail EUR +2.6m and the Additional sources of revenues EUR +117.1m, mainly due to the integration of Ubiway. All these effects were partially offset by the volume decrease of Domestic Mail (EUR -11.3m) and the total operating income attributable to Corporate (EUR -3.6m).

The costs increased by EUR 158.4m or 37.0%, mainly due to the consolidation of the new subsidiaries. This increase was more than compensated by the increase of the total operating income, leading to **EBITDA** and **EBIT** improvement of respectively 0.6% and 0.2%.

Income Tax expense slightly increased compared to last year, with effective tax rate standing at 36.1%.

IFRS group net profit stood at EUR 96.1m. **Belgian GAAP net profit** of the parent company amounted to EUR 94.3m, an increase of EUR 4.3m or +4.8% versus last year.

Total operating income: group overview

First quarter 2017

Following last years' acquisitions resulting in an expansion of products and services, the revenue portfolio of the bpost Group has been updated to better reflect the different activities. As of January 1, 2017 parcels solutions and fulfillment services have been transferred to the Logistic Solutions portfolio (previously called Special Logistics), whereas the Kariboo activities of Ubiway and the customs activities have been transferred to Domestic Parcels. These portfolios were previously registered under Additional sources of revenues, more specifically under Value added services and Other. The Asian packet products have been aligned and are now all reported within the International Parcels portfolio instead of International Mail. Finally the press and convenience distribution activities of Ubiway have been transferred from Other to a newly created product category Distribution.

Taking into account these changes, the 2016 figures at the level of the product portfolios have been made comparable to reflect these changes. The comparable figures are shown under the heading "comparable". The variances mentioned hereafter compare the 2017 figures with the 2016 comparable figures.

In million EUR	1Q16	Reclassi-fications	1Q16 Comparable	Δ	1Q17	% Δ	underlying vol. % Δ
Domestic mail	**361.7**	**0.0**	**361.7**	**(5.2)**	**356.5**	**-1.4%**	**-4.7%**
Transactional mail	223.7		223.7	(9.6)	214.2	-4.3%	-7.0%
Advertising mail	65.1		65.1	2.2	67.4	3.4%	+2.3%
Press	72.9		72.9	2.2	75.0	3.0%	-3.1%
Parcels	**86.8**	**1.6**	**88.4**	**51.2**	**139.6**	**57.9%**	
Domestic parcels	43.1	0.8	43.9	8.5	52.4	19.4%	+24.5%
International parcels	41.7	0.2	41.9	11.4	53.3	27.3%	
Logistic Solutions	2.1	0.6	2.6	31.3	34.0	-	
Additional sources of revenues	**138.6**	**(1.6)**	**137.0**	**117.1**	**254.1**	**85.5%**	
International mail	39.3	(0.2)	39.2	2.9	42.1	7.5%	
Value added services	25.8	(0.3)	25.5	0.5	26.0	2.0%	
Banking and financial products	48.5		48.5	(2.0)	46.6	-4.1%	
Distribution				68.7	68.7	-	
Retail & Other	24.9	(1.1)	23.8	46.9	70.7	197.1%	
Corporate	**17.4**		**17.4**	**(3.6)**	**13.7**	**-21.0%**	
TOTAL	**604.5**	**(0.0)**	**604.5**	**159.5**	**764.0**	**26.4%**	

Total operating income increased by EUR 159.5m, or 26.4%, from EUR 604.5m in the first quarter of 2016 to EUR 764.0m in the same period of 2017.

Revenues from **Domestic mail** decreased by EUR 5.2m to EUR 356.5m. Reported and underlying (corrected for 2 more working days) volume decline amounted to respectively -3.9% and -4.7% (vs. -5.0% full year 2016 underlying volume decline). This is a very good performance against a tough comparable base with a strong first quarter last year at -4.0% underlying volumes. This quarter's volumes were driven by a positive trend in advertising. Transactional mail, with a reported and underlying volume decline of respectively -6.0% and -7.0% (vs. -5.9% full year 2016 underlying volume decline) continued to be impacted by a shift towards cheaper products and e-substitution.

Advertising mail realized a reported and underlying volume increase of respectively 2.7% and 2.3% for the quarter driven by the focus on growth segments, some specific campaigns, a phasing effect from the last quarter of 2016 towards the first quarter of 2017 for the overall advertising mail spend due to the timing of the Christmas holiday and a positive impact from the timing of Easter. Press volume slightly decreased on a reported and underlying basis by -3.1% compared to -2.8% underlying decrease for 2016, mainly due to periodicals.
Total mail volume decline impacted revenues by EUR -11.3m and was partially compensated by the impact of 2 more working days amounting to EUR 2.6m and the net improvement in price and mix amounting to EUR 3.6m, which was lower than last year due to the regulatory decision on small user basket pricing.

Parcels increased by EUR 51.2m due to the continued growth in Domestic Parcels (EUR 8.5m) and International Parcels (EUR 11.4m). Furthermore Logistic Solutions increased by EUR 31.3m due to the integration of DynaGroup. Domestic Parcels noted the strongest quarterly volume growth ever at +24.5%. E-commerce and the continued growth in C2C parcels (online offering) remained the main drivers. Price increases were fully offset by the evolution of the client and product mix, resulting in a negative price mix effect of -3.4% which continued to impact revenue evolution. Growth in International Parcels was driven by the positive contribution from acquisitions and the increase of volumes from Asia and the US, partially offset by the continued volume loss to China.

Total operating income from **Additional sources of revenues** increased by EUR 117.1m to reach EUR 254.1m. The integration of Ubiway resulted in an increase of Retail and Other as well as the newly created Distribution product category. International Mail (EUR 2.9m) showed a positive evolution as a result of increased business mail volumes. Value Added Services (EUR 0.5m) supported the overall increase, partially offset by the lower revenues for Banking and financial products (EUR -2.0m).

Revenues from **Corporate** decreased by EUR 3.6m, mainly due to the lower proceeds from sales of buildings and the impact of revenue recognition.

Operating expenses

First quarter 2017

In million EUR	1Q16	1Q17	% Δ
Payroll & interim costs	287.8	307.5	6.8%
FTE	*24,108*	*25,694*	*1,586*
SG&A (excl. interim and transport costs)	83.4	101.0	21.1%
Transport costs	50.4	71.9	42.6%
Other costs	7.0	106.7	-
TOTAL OPERATING EXPENSES	**428.7**	**587.1**	***37.0%***

Total operating expenses amounted to EUR 587.1m and increased by 37.0% or EUR 158.4m. Excluding the consolidation of the new subsidiaries (EUR 153.0m) and the last year's positive impact of the increase of the recoverable VAT (EUR 4.0m), the operating expenses increased by EUR 1.4m or 0.3%. Furthermore the organic increase in transport costs of EUR 5.4m was entirely due to the growth in the international activities.

Payroll and interims costs in the first quarter of 2017 amounted to EUR 307.5m and showed a net increase of EUR 19.7m compared to the same period of 2016 and was mainly driven by the impact of the new subsidiaries (EUR 22.7m).

The reported average year-on-year staff showed an increase of 1,586 FTE and interims, generating extra costs of EUR 20.9m, explained by the integration of FTE and interims of the new subsidiaries.

The recruitment of auxiliary postmen created a positive mix effect of EUR 2.8m. Additionally, a lower number of management functions due to a hiring freeze and reorganization, created a positive mix effect of EUR 1.0m.

The indexation of salaries combined with the impacts of the CLA and the merit increases, partially compensated by the impact of the tax shift, led to a negative price impact EUR 3.7m.

SG&A excluding transport costs and interims increased by EUR 17.6m mainly explained by the consolidation of the new subsidiaries (EUR 16.9m). Not taking into account the scope change, mainly rent and rental costs, maintenance costs and energy costs increased, almost compensated by the decrease of consultancy costs and third party remuneration.

Transport costs amounted to EUR 71.9m, EUR 21.5m higher compared to previous year (or 42.6%) mainly due to the scope change impact (EUR 16.1m), lower favourable settlements in previous year's terminal dues and the positive evolution of international activities.

The increase in **other costs** (EUR 99.7m) was mainly due to the integration of the new subsidiaries (EUR 97.4m). Furthermore 2016 benefited from the increase of the recoverable VAT (EUR 4.0, from 14% in 2015 to 18.79% in 2016).

Cash flow statement

First quarter 2017

In the first quarter of 2017, bpost generated EUR 165.9m cash, a EUR 77.9m decrease compared to the same period last year.

Free cash flow (EUR 166.2m) was EUR 79.7m lower than last year.

Cash flow from operating activities resulted in a cash inflow of EUR 255.6m (EUR 281.1m in the first quarter of 2016). Cash generation from operating activities had been positively impacted by the lower income tax paid relating to previous years (EUR +5.9m) and the lower Alpha pay-outs (EUR +10.9m) in the first quarter of 2017 compared to the same period last year. Excluding these elements, results of operating activities increased by EUR 0.6m in line with EBITDA evolution while working capital evolution deteriorated by EUR 42.8m mainly due to a negative phasing for Social Security and suppliers.

Investing activities generated a cash outflow of EUR 89.3m in the first quarter of 2017 compared to an outflow of EUR 35.1m EUR for the same period last year mainly as a consequence of lower proceeds from sale of buildings (EUR -1.2m) and the cash outflows related to acquisitions which are EUR 52.4m higher than last year: DynaGroup acquisition (EUR -50.2m), purchase of the remaining shares of Landmark Global (EUR -31.7m in 2017 vs. EUR -20.7m in 2016) and the earn-out for FDM in Australia in 2017 offset by acquisition cash outflow in 2016 (net amount of EUR 8.6m).

The cash outflow relating to **financing activities** decreased by EUR 1.8m compared to last year as a dividend was paid to minority interests in the first quarter of 2016 (EUR -2.0m).

Key events during the first quarter

Stamp tariffs remain unchanged in 2017

On March 30, 2017 bpost took note of the Belgian postal regulator's "BIPT" decision not to approve the proposed stamp tariff increase for 2017. This means that the stamp tariffs remain unchanged this year.

bpost regrets this decision and is of the opinion that it is contrary to Belgian and European Union law. Furthermore, the decision-making process is clearly not in line with the European "better regulation" directives. The company is therefore examining this decision in detail and will take all possible legal steps to fight it.

Although the stamp tariff increase was rejected, bpost increased its tariffs for other domestic postal products on January 1, 2017. As a result, tariffs across all domestic mail products rose by around 1.5% on average for 2017.

Financial calendar

04.05.17 (10.00 CET)	Analyst Conference Call
10.05.17	Ordinary General Meeting of Shareholders
15.05.17	Ex-dividend date
16.05.17	Record date
17.05.17	Payment date of the dividend
08.07.17	Start of quiet period ahead of Q2/2017 results
07.08.17 (17.45 CET)	Announcement Q2/2017 and half-year results
08.08.17 (10.00 CET)	Analyst Conference Call
09.10.17	Start of quiet period ahead of Q3/2017 results
08.11.17 (17.45 CET)	Announcement Q3/2017 results
09.11.17 (10.00 CET)	Analyst Conference Call
04.12.17 (17.45 CET)	Interim dividend 2017 announcement
07.12.17	Ex-dividend date (interim dividend)
08.12.17	Record date (interim dividend)
11.12.17	Payment date of the interim dividend

Unaudited Interim Condensed Consolidated Financial Statements[1]

Interim Consolidated Income Statement (unaudited)

In million EUR	NOTES	Year-to-date 2016	2017
Turnover	6	595.6	753.2
Other operating income		8.9	10.9
TOTAL OPERATING INCOME		**604.5**	**764.0**
Materials cost		(6.9)	(104.1)
Services and other goods	7	(144.2)	(187.1)
Payroll costs		(277.5)	(293.3)
Other operating expenses		(0.1)	(2.6)
Depreciation, amortization		(21.9)	(22.8)
TOTAL OPERATING EXPENSES		**(450.6)**	**(609.9)**
PROFIT FROM OPERATING ACTIVITIES (EBIT)		**153.9**	**154.2**
Financial income		0.7	1.4
Financial cost		(2.5)	(2.9)
Share of profit of associates		(2.8)	(2.4)
PROFIT BEFORE TAX		**149.3**	**150.3**
Income tax expense		(53.4)	(54.2)
PROFIT OF THE PERIOD		**95.9**	**96.1**
Attributable to:			
Owners of the Parent		95.6	95.8
Non-controlling interests		0.3	0.2

EARNINGS PER SHARE

In EUR	Year-to-date 2016	2017
►basic, profit for the year attributable to ordinary equity holders of the parent	0.48	0.48
►diluted, profit for the year attributable to ordinary equity holders of the parent	0.48	0.48

In accordance with IAS 33, diluted earnings per share amounts have to be calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. In case of bpost, no effects of dilution affect the net profit attributable to ordinary equity holders and the weighted average number of ordinary shares.

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

Interim Consolidated Statement of Comprehensive Income (unaudited)

In million EUR	As of 31 March 2016	As of 31 March 2017
PROFIT FOR THE YEAR	**95.9**	**96.1**
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	0.7	(0.3)
NET OTHER COMPREHENSIVE INCOME / (LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	0.7	(0.3)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Fair value for financial assets available for sale by associates	17.8	(23.6)
(Loss)gain on available for sale financial assets	26.9	(35.8)
Income tax effect	(9.2)	12.2
NET OTHER COMPREHENSIVE INCOME / (LOSS) NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	**17.8**	**(23.6)**
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	**18.5**	**(24.0)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**114.4**	**72.1**
Attributable to:		
Owners of the Parent	114.1	71.9
Non-controlling interest	0.3	0.2

Interim Consolidated Statement of Financial Position (unaudited)

In million EUR	NOTES	As of 31 December 2016	As of 31 March 2017
Assets			
Non-current assets			
Property, plant and equipment	8	561.6	556.9
Intangible assets	9	224.4	332.5
Investments in associates	10	373.7	347.7
Investment properties		6.2	6.0
Deferred tax assets		48.2	46.4
Trade and other receivables		2.8	2.7
		1,216.8	**1,292.1**
Current assets			
Assets held for sale		1.5	0.2
Investment securities		12.0	12.0
Inventories		36.7	39.5
Income tax receivable		2.6	2.6
Trade and other receivables	11	481.8	397.0
Cash and cash equivalents	12	538.9	705.0
		1,073.5	**1,156.3**
TOTAL ASSETS		**2,290.3**	**2,448.4**
Equity and liabilities			
Equity attributable to equity holders of the Parent			
Issued capital		364.0	364.0
Treasury shares		0.0	0.0
Reserves		274.2	385.4
Foreign currency translation		2.5	2.2
Retained earnings		135.5	96.1
		776.3	**847.7**
Non-controlling interests		3.1	2.2
TOTAL EQUITY		**779.3**	**849.9**
Non-current liabilities			
Interest-bearing loans and borrowings		47.7	47.7
Employee benefits	13	356.7	355.7
Trade and other payables	14	40.3	72.7
Provisions		31.6	31.2
Deferred tax liabilities		1.1	1.1
		477.3	**508.5**
Current liabilities			
Interest-bearing loans and borrowings		10.3	10.0
Bank overdrafts		0.0	0.0
Provisions		27.1	24.8
Income tax payable	15	31.4	66.3
Trade and other payables	16	964.8	988.9
		1,033.6	**1,090.1**
TOTAL LIABILITIES		**1,511.0**	**1,598.5**
TOTAL EQUITY AND LIABILITIES		**2,290.3**	**2,448.4**

Interim Consolidated Statement of Changes in Equity (unaudited)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
In million EUR	AUTHORIZED & ISSUED CAPITAL	TREASURY SHARES	OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
AS PER 1 JANUARY 2016	**364.0**	**(0.0)**	**230.9**	**0.6**	**99.3**	**694.8**	**0.0**	**694.8**
Profit for the year 2016					95.6	95.6	0.3	95.9
Other comprehensive income			117.0	0.7	(99.3)	18.5		18.5
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**117.0**	**0.7**	**(3.7)**	**114.1**	**0.3**	**114.4**
Dividends (Pay-out)			0.0		0.0	0.0	(2.0)	(2.0)
Other			(2.2)		0.3	(2.0)	1.7	(0.2)
AS OF 31 MARCH 2016	**364.0**	**(0.0)**	**345.7**	**1.3**	**95.9**	**806.9**	**0.0**	**806.9**
AS PER 1 JANUARY 2017	**364.0**	**(0.0)**	**274.2**	**2.5**	**135.5**	**776.3**	**3.1**	**779.3**
Profit for the year 2017					95.8	95.8	0.2	96.1
Other comprehensive income			111.9	(0.3)	(135.5)	(24.0)		(24.0)
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**111.9**	**(0.3)**	**(39.7)**	**71.9**	**0.2**	**72.1**
Dividends (Pay-out)			0.0		0.0	0.0	0.0	0.0
Other			(0.7)		0.2	(0.5)	(1.1)	(1.5)
AS OF 31 MARCH 2017	**364.0**	**(0.0)**	**385.4**	**2.2**	**96.1**	**847.7**	**2.2**	**849.9**

Equity increased by EUR 70.5m, or 9.1%, to EUR 849.9m as of March 31, 2017 from EUR 779.3m as of December 31, 2016. The increase was mainly due to the realized profit of EUR 96.1m, partially offset by the fair value adjustment in respect of bpost bank's bond portfolio amounting to EUR 23.6m.

Interim Consolidated Statement of Cash Flows (unaudited)

	Year-to-date	
In million EUR	**2016**	**2017**
Operating activities		
Profit before tax	149.3	150.3
Depreciation and amortization	21.9	22.8
Impairment on bad debts	0.4	0.3
Gain on sale of property, plant and equipment	(7.3)	(5.9)
Gain on earn-out assessment/purchase shares	0.0	(0.3)
Change in employee benefit obligations	(2.5)	(1.0)
Share of profit of associates	2.8	2.4
Income tax paid	(2.2)	(3.5)
Income tax paid on previous years	(20.9)	(15.0)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS	**141.5**	**150.1**
Decrease/(increase) in trade and other receivables	82.3	105.3
Decrease/(increase) in inventories	0.5	1.5
Increase/(decrease) in trade and other payables	57.5	1.5
Deposits received from third parties	0.0	0.0
Increase/(decrease) in provisions	(0.7)	(2.8)
NET CASH FROM OPERATING ACTIVITIES	**281.1**	**255.6**
Investing activities		
Proceeds from sale of property, plant and equipment	10.2	9.0
Acquisition of property, plant and equipment	(9.7)	(8.8)
Acquisition of intangible assets	(2.7)	(4.1)
Acquisition of other investments	(0.0)	(0.0)
Acquisition of subsidiaries, net of cash acquired	(33.0)	(85.4)
NET CASH USED IN INVESTING ACTIVITIES	**(35.1)**	**(89.3)**
Financing activities		
Payments related to borrowings and financing lease liabilities	(0.1)	(0.3)
Dividends paid to minority interests	(2.0)	0.0
NET CASH FROM FINANCING ACTIVITIES	**(2.1)**	**(0.3)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**243.9**	**165.9**
NET FOREIGN EXCHANGE DIFFERENCE	**(1.2)**	**0.1**
Cash and cash equivalent less bank overdraft as of 1st January	615.5	538.9
Cash and cash equivalent less bank overdraft as of 31 March	858.1	705.0
MOVEMENTS BETWEEN 1ST JANUARY AND 31 MARCH	**242.6**	**166.0**

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, 2017 were authorized for issue in accordance with a resolution of the Board of Directors on May 3, 2017.

Business activities

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

bpost, through its subsidiaries and business units, also sells a range of other products and services, including postal, parcels, banking and financial products, express delivery services, 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 is a limited-liability company under public law of Belgium. bpost has its registered office at the Muntcentrum-Centre Monnaie, 1000 Brussels.

2. Basis of preparation and accounting policies

Basis of preparation

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

The interim condensed consolidated financial statements for the three months ended March 31, 2017 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, 2016.

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, 2016, except for the adoption of new standards and interpretations effective as from January 1, 2017.

The following new standards and amendments, entered into force as from January 1, 2017, don't have any effect on the presentation, the financial performance or position of bpost:

- **IAS 7 – Amendments** – Disclosure Initiative
- **IAS 12 – Amendments** – Recognition of Deferred Tax Assets for Unrealised Losses

Standards and Interpretations not yet applied by bpost

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

Standard or interpretation	Effective for in reporting periods starting on or after
IFRS 9 - Financial Instruments (*)	1 January 2018
IFRS 15 – Revenue from Contracts with customers (*)	1 January 2018
IFRS 16 – Leases (*)	1 January 2019
IFRS 2 – Amendments – Classification and Measurement of Share-based Payment Transactions	1 January 2018
IAS 40 – Amendments – Transfers of Investment Property (*)	1 January 2018
IFRS 4 – Amendments – Applying IFRS 9 Financial instruments with IFRS 4 (*)	1 January 2018

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

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

3. Seasonality of Operations

Pursuant to the 6th management contract, bpost is the provider of certain SGEI. These consist among others of the maintenance of an extensive retail network and services such as the payment at home of pensions and the execution of financial postal services. In accordance with the Belgian State's commitment to the European Commission, the delivery of newspapers and periodicals is no longer part of the management contract. For the latter the Belgian State decided to award the contract of distribution of newspapers and periodicals after a public consultation of the market to bpost.

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

4. Business combinations

Additional consideration Landmark

In March 2017 bpost NV-SA acquired the remaining 24.5% of Landmark Global Inc. and Landmark Trade Services, LTD., to reach a total of 100% shares for a price of USD 33.7m USD (EUR 31.7m).

Acquisitions of the three months ended March 31, 2017

On December 12, 2016 bpost and DynaGroup joined forces and combined their logistical expertise as bpost SA-NV purchased 100% of the shares of DynaGroup BV. DynaGroup offers a large range of logistical services and software in the Benelux. The goal of the acquisition is to strengthen bpost's parcel division with new complementary logistical knowhow. Considering that bpost has obtained control over DynaGroup in January 2017, DynaGroup was consolidated within the P&I operating segment using the full-integration method as from January 2017.

As the fair value of the assets and liabilities at acquisition date cannot be assessed yet, the determination of the carrying amount of the acquired entity and the final purchase price allocation of the acquisition are still under review and will be fully disclosed by the end of 2017. In accordance with the purchase agreement, bpost paid in 2017 EUR 51.0m as initial purchase price for 100% of the shares. In addition, the agreement includes a contingent consideration arrangement and foresees an additional remuneration based upon the EBITDA achieved in 2017 and 2018. Based on the last forecast, the fair value of the contingent consideration is recognized for an amount of EUR 69.0m as a liability.

5. Operating Segments

As of January 1, 2017 some product lines related to solutions have been transferred from MRS to P&I. Taking into account these changes, the 2016 figures have been made comparable to reflect these changes. The comparable figures are shown under the heading "comparable". The variances mentioned hereafter compare the 2017 figures with the 2016 comparable figures.

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

	Year-to-date		
In million EUR	**2016**	**2016 Comparable**	**2017**
MRS	459.0	458.0	566.3
P&I	128.2	129.2	184.0
TOTAL OPERATING INCOME OF OPERATING SEGMENTS	**587.2**	**587.2**	**750.3**
Corporate (Reconciling category)	17.4	17.4	13.7
TOTAL OPERATING INCOME	**604.5**	**604.5**	**764.0**

Revenues attributable to the MRS operating segment increased by EUR 108.3m compared to the first quarter of 2016, to EUR 566.3m. This increase is mainly due to the integration of Ubiway and the net improvement in price and mix of Domestic Mail, partially offset by the 4.7% underlying volume decline of Domestic Mail.

P&I revenues increased in the first quarter of 2017 by EUR 54.8m to EUR 184.0m. The increase was mainly due to the increase of Domestic Parcels, which noted the strongest quarterly volume growth ever at +24.5% driven by e-commerce and the continued growth in C2C parcels, along with International Parcels (revenue growth from Asia and US) and the integration of DynaGroup.

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

Excluding the compensation received to provide the services as described in the management contract and press concessions (see note 6), no single external customer exceeded 10% of bpost's operating income.

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

	Year-to-date	
In million EUR	**2016**	**2017**
Belgium	520.2	627.7
Rest of the World	84.3	136.3
TOTAL OPERATING INCOME	**604.5**	**764.0**

The following tables present EBIT and EAT information about bpost's operating segments for the period ended March 31, 2017 and 2016:

	Year-to-date		
In million EUR	**2016**	**2016 Comparable**	**2017**
MRS	135.3	135.1	133.0
P&I	20.8	21.0	21.0
TOTAL EBIT OF OPERATING SEGMENTS	**156.1**	**156.1**	**154.0**
Corporate (Reconciling category)	(2.2)	(2.2)	0.2
TOTAL EBIT	**153.9**	**153.9**	**154.2**

The EBIT of the MRS operating segment decreased by EUR 2.1m to EUR 133.0m in the first quarter of 2017. The positive contribution of Ubiway could not compensate the impact of lower revenues from Domestic Mail and Banking and financial products.

EBIT attributable to the P&I operating segment remained stable in the first quarter of 2017 (EUR 21.0m). The increase of EBIT due to increased revenues was mainly offset by lower favourable settlements in previous year's terminal dues.

	Year-to-date		
In million EUR	**2016**	**2016 Comparable**	**2017**
MRS	135.3	135.1	133.0
P&I	20.8	21.0	21.0
TOTAL EAT OF OPERATING SEGMENTS	**156.1**	**156.1**	**154.0**
Corporate (Reconciling category)	(60.2)	(60.2)	(57.9)
TOTAL EAT	**95.9**	**95.9**	**96.1**

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

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

	Year-to-date	
In million EUR	**2016**	**2017**
OPERATING INCOME	**17.4**	**13.7**
Central departments (Finance, Legal, Internal Audit, CEO, ...)	(14.9)	(14.2)
Other reconciliation items	(4.6)	0.7
OPERATING EXPENSES	**(19.5)**	**(13.5)**
EBIT CORPORATE (RECONCILING CATEGORY)	**(2.2)**	**0.2**
Share of profit of associates	(2.8)	(2.4)
Financial Results	(1.8)	(1.5)
Income Tax expense	(53.4)	(54.2)
EAT CORPORATE (RECONCILING CATEGORY)	**(60.2)**	**(57.9)**

Profit from operating activities (EBIT) attributable to the Corporate reconciliation category increased by EUR 2.4m to EUR 0.2m in the first quarter of 2017 and was mainly driven by the non-recurrence of last year’s costs for strategic corporate projects.

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

6. Turnover

	Year-to-date	
In million EUR	**2016**	**2017**
Turnover excluding the SGEI compensation	530.9	685.2
SGEI compensation	64.7	67.9
TOTAL	**595.6**	**753.2**

7. Operating expenses

In million EUR	Year-to-date 2016	2017	Change %
Rent and rental costs	16.5	22.2	34.4%
Maintenance and repairs	16.9	19.6	16.0%
Energy delivery	8.3	10.7	29.8%
Other goods	4.5	4.7	4.1%
Postal and telecom costs	1.4	1.9	35.4%
Insurance costs	2.3	3.1	34.2%
Transport costs	50.4	71.9	42.6%
Publicity and advertising	1.6	2.7	70.0%
Consultancy	3.1	2.0	-36.8%
Interim employees	10.3	14.1	37.5%
Third party remuneration, fees	24.5	29.0	18.2%
Other services	4.3	5.1	19.1%
TOTAL	**144.2**	**187.1**	**29.8%**

8. Property, plant and equipment

In the first quarter of 2017 property, plant and equipment decreased by EUR 4.7m, or 0.8%, to EUR 556.9m as of March 31, 2017. The decrease was mainly due to depreciation of EUR 18.9m, transfers to assets held for sale of EUR 1.9m partially offset by the capital expenditures of EUR 8.8m and the integration of DynaGroup for EUR 6.9m.

9. Intangible assets

Intangible assets increased by EUR 108.2m in the first quarter of 2017, or 48.2%, to EUR 332.5m as of March 31, 2017. The increase was mainly due to preliminary goodwill resulting from the acquisition of DynaGroup, note that this goodwill is still provisional as the purchase price allocation is still under review.

10. Investments in associates

Investments in associates decreased by EUR 26.0m, or 7.0%, to EUR 347.7m as of March 31, 2017, reflecting bpost's share of the loss of bpost bank and Citie for EUR 2.4m. Furthermore this decrease was due to the decrease in the unrealized gain on the bond portfolio in the amount of EUR 23.6m, reflecting an average increase of the underlying yield curve by 14 basis points (bps). As of March 31, 2017, investments in associates comprised net unrealized gains in respect of the bond portfolio in the amount of EUR 143.4m, which represented 42.0% of total investments in associates. The unrealized gains were generated by the lower level of interest rates compared to the acquisition yields of the bonds. Unrealized gains are not recognized in the income statement but are rather recognized directly in equity in other comprehensive income.

11. Current trade and other receivables

Current trade and other receivables decreased by EUR 84.8m, or 17.6%, to EUR 397.0m as of March 31, 2017. The decrease was mainly driven by the usual settlement of the SGEI receivable for the last quarter of 2016.

12. Cash and cash equivalents

Cash and cash equivalents increased by EUR 166.0m, or 21.5%, to EUR 705.0m. This increase was mainly due to the normalized free cash flow (EUR 166.2m). This cash flow contains the payment of EUR 258.8m for the SGEI compensation during the first quarter of 2017 partially compensated by the payment of earn out of LGI (EUR 31.7m).

13. Employee benefits

In million EUR	As of 31 December 2016	As of 31 March 2017
Post-employment benefits	(82.1)	(81.6)
Long-term employee benefits	(107.7)	(108.9)
Termination benefits	(4.1)	(3.5)
Other long-term benefits	(162.8)	(161.8)
TOTAL	**(356.7)**	**(355.7)**

Employee benefits decreased by EUR 1.0m, or 0.3%, to EUR 355.7m as of March 31, 2017. The decrease mainly reflects:

- The payment of benefits for an amount of EUR 7.8m, which included EUR 0.8m for the payment of early retirement and part-time work benefits.
- Additional service costs (EUR 5.7m) and interest costs (EUR 1.1m)

14. Non-current trade and other payables

Non-current trade and other payables increased by EUR 32.4m, to EUR 72.7m as of March 2017 mainly due the earn outs relating to the acquisition of DynaGroup.

15. Income tax payable

Income tax payable increased by EUR 34.9m, to EUR 66.3m as of March 31, 2017 and was mainly explained by the accrued income taxes partially offset by the income taxes related to the 2015 results which were paid in the first quarter of 2017.

16. Current trade and other payables

Current trade and other payables increased by EUR 24.2m, or 2.5%, to 988.9m as of March 31, 2017. This increase was due to the increase of the other payables and accruals by EUR 90.0m, partially offset by the decrease of the current trade payable by EUR 49.3m and social payables by EUR 16.5m. The increase of the other payables was mainly due to the advance payment received from the Belgian State in respect of the SGEI compensation (EUR 101.5m) as well as the earn outs relating to the acquisition of DynaGroup, partially offset by the payment of remaining 24.5% of the shares of Landmark during 2017.

17. Contingent Liabilities and Contingent Assets

On December 10, 2012, the Belgian Competition Authority concluded that certain aspects of bpost's pricing policy over the January 2010-July 2011 period infringed Belgian and European competition law and imposed a fine of approximately EUR 37.4m. While bpost paid the fine in 2013, it contested the Belgian Competition Authority's findings and appealed the decision before the Brussels Court of Appeal. On November 10 2016, the Brussels Court of Appeal annulled the Authority's decision and bpost may recover the EUR 37.4m fine. This constitutes a contingent asset because the Belgian Competition Authority has appealed the judgment before the Supreme Court on points of law. bpost was notified of the appeal on March 9, 2017. Given the uncertainty of the collection of this fine, bpost did not recognize the repayment of this fine, nor any interests to be recuperated.

18. Events After the Reporting Period

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

Other financial information (unaudited)

Reconciliation of Reported to Normalized Financial Metrics

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

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

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

Income Statement related

During the first quarter of 2017 and 2016 no non-recurring income statement related items were identified.

Cash Flow Statement related

During the first quarter of 2017 and 2016 no non-recurring cash flow statement related items were identified.

From IFRS Consolidated Net Profit to Belgian GAAP Unconsolidated Net Profit

In million EUR	Year-to-date 2016	2017	Change %
IFRS Consolidated Net Profit	**95.9**	**96.1**	**0.2%**
Results of subsidiaries and deconsolidation impacts	(10.2)	(7.2)	-29.9%
Differences in depreciation and impairments	(0.3)	1.0	-
Differences in recognition of provisions	(0.3)	0.2	-
Effects of IAS19	(2.9)	(3.7)	24.9%
Deferred taxes	1.7	1.7	0.0%
Other	6.2	6.2	0.8%
Belgian GAAP unconsolidated net profit	**90.0**	**94.3**	**4.8%**

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 (in the first quarter of 2017 bpost recognized a dividend of EUR 5.75m related to bpost bank).

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

In million EUR	Year-to-date 2016	2017
Profit of the Belgian fully consolidated subsidiaries (local GAAP)	(3.1)	(5.0)
Profit of the international subsidiaries (local GAAP)	(2.1)	(3.9)
Share of results of associates (local GAAP)	(3.1)	(4.1)
Other deconsolidation impacts	(2.0)	5.9
Total	**(10.2)**	**(7.2)**

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

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

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

Statement of legal representatives

The bpost Management Committee declares that to the best of its knowledge, the condensed consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS"), give a true and fair view of the assets, financial position and results of bpost and of the entities included in the consolidation.

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

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

Forward Looking Statements

The information in this document may include forward-looking statements[2], which are based on current expectations and projections of management about future events. By their nature, forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. Such factors may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of the Presentation and the Company undertakes no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

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

Glossary

- **Capex**: total amount invested in fixed assets.
- **EBIT**: Earnings Before Interests and Taxes.
- **EBITDA**: Earnings Before Interests, Taxes, Depreciation and Amortization.
- **Effective tax rate**: Income tax expense/profit before tax.
- **Net debt/(net cash)** represents interest and non-interest bearing loans less cash and cash equivalents.
- **Normalized EBITDA/EBIT/EAT/operating free cash flow:** EBITDA,EBIT/EAT/operating free cash flow excluding the non-recurring items. Non-recurring items represent significant income or expense items that due to their non-recurring character are excluded from internal reporting and performance analyses. bpost strives to use a consistent approach when determining if an income or expense item is non-recurring and if it is significant enough to be excluded from the reported figures to obtain the normalized ones. A non-recurring item is deemed to be significant if it amounts to EUR 20m or more. All profits or losses on disposal of activities are normalized whatever the amount they represent. Reversals of provisions whose addition had been normalized from income are also normalized whatever the amount they represent.
- **Operating free cash flow (FCF):** cash flow from operating activities + cash flow from investing activities.