Press release fourth quarter (4Q) 2013 trading update

Regulated Information as defined in the Royal Decree of 14 November 2007.

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bpost recorded a strong profit performance in 2013

The last quarter confirmed expectations in terms of mail volume decline. Parcels volumes grew solidly over 2013 supported by the progression of e-commerce in Belgium. bpost benefited from an even stronger growth in domestic parcels volumes during the Christmas season. Finally, productivity improvements kept delivering ahead of expectations.

Highlights

- **Total operating income[1] (revenues) slightly growing**
  - 4Q-13 : € 640.9 millions (€ +3.8 m, +0.6%)
  - FY13 : € 2,428.6 millions (€ +12.9 m, +0.5%)
- **EBITDA[1]**
  - 4Q-13 : € 121.6 millions (€ +15.0 m, +14.1%)
  - FY13 : € 536.9 millions (€ +34.9 m, +7.0%)
- **EBIT[1]**
  - 4Q-13 : € 86.8 millions (€ +14.0 m, +19.2%)
  - FY13 : € 436.1 millions (€ +32.0 m, +7.9%)
- **Net profit**
  - 4Q-13[1] : € 52.7 millions (€ +23.1 m, +78.0%)
  - FY13[1] : € 273.3 millions (€ +45.6 m, +20.0%)
  - FY13 reported : € 287.9 millions (€ +113.7m, +65.3%)
- **Underlying Domestic Mail volume decline at -4.1% for 4Q-13, slightly above the level observed in 2Q-13 and 3Q-13**. This brings the **full year volume decline at -4.2%** in line with expectations.
- **Sustained growth of parcels** with an organic revenue growth of € 13.8 m. Domestic parcels volumes up by +8.0% (versus +6.4% in 1H-13 and +7.7% in 3Q-13). Volumes were especially strong during the Christmas season, with a volume growth in domestic parcels of +12.9% for December.
- **Costs discipline and productivity improvement programs delivered ahead of expectations.** Including some favourable movements in provisions, a further organic operating expenses reduction of € -20.7 m was recorded in 4Q-13. The productivity improvement resulted in a saving of 1,082 FTE (-3.9%) on average FY13.
- **Belgian GAAP net profit of the parent company amounts € 72.7 millions in 4Q-13** (€ +4.2 millions versus 4Q-12 normalized) **and € 248.2 millions for the year** (improvement of € 8.8 millions versus last year on a normalized basis) in spite of an non-recurring corporate tax charge of €17.6 millions.
- **Proposed total dividend of € 1.13** gross per share (composed of an interim dividend of € 0.93 already paid and a proposed final dividend of € 0.20).

[1] Normalized figures; those are neither audited nor have been subject to a limited review; all variances are expressed versus the same period of 2012.

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Key figures[1,2]

4Q-13, EUR millions	Reported		Normalized[1]		
	2012	**2013**	**2012**	**2013**	**% change**
Total operating income (revenues)	637.1	640.9	637.1	640.9	0.6%
Operating expenses	632.7	519.4	530.5	519.4	2.1%
EBITDA	**4.4**	**121.6**	**106.6**	**121.6**	**14.1%**
Margin (%)	*0.7%*	*19.0%*	*16.7%*	*19.0%*	
EBIT	**-29.4**	**86.8**	**72.8**	**86.8**	**19.2%**
Margin (%)	*-4.6%*	*13.5%*	*11.4%*	*13.5%*	
Profit before tax	**-56.1**	**85.5**	**46.1**	**85.5**	**85.5%**
Income tax expense	-18.2	32.8	16.6	32.8	
Net profit	**-37.9**	**52.7**	**29.6**	**52.7**	**78.0%**
FCF[2]	**-26.4**	**12.6**	**-24.2**	**12.5**	**151.7%**
bpost S.A./N.V. net profit (BGAAP)	**1.0**	**72.7**	**68.5**	**72.7**	**6.1%**

FY-13, EUR millions	Reported		Normalized[1]		
	2012	**2013**	**2012**	**2013**	**% change**
Total operating income (revenues)	2,415.7	2,443.2	2,415.7	2,428.6	0.5%
Operating expenses	1,994.8	1,891.7	1,913.7	1,891.7	1.1%
EBITDA	**420.9**	**551.4**	**502.0**	**536.9**	**7.0%**
Margin (%)	*17.4%*	*22.6%*	*20.8%*	*22.1%*	
EBIT	**323.0**	**450.7**	**404.1**	**436.1**	**7.9%**
Margin (%)	*13.4%*	*18.4%*	*16.7%*	*18.0%*	
Profit before tax	**272.7**	**456.8**	**353.7**	**442.2**	**25.0%**
Income tax expense	98.5	168.9	126.0	168.9	
Net profit	**174.2**	**287.9**	**227.7**	**273.3**	**20.0%**
FCF[2]	**-16.8**	**125.9**	**284.1**	**249.0**	**-12.4%**
bpost S.A./N.V. net profit (BGAAP)	**171.9**	**248.2**	**239.4**	**248.2**	**3.7%**

1 Normalized figures are neither audited nor have been subject to a limited review

2 Operating free cash flow = cash flow from operating activities + cash flow from investing activities

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Revenues

Group revenues grew slightly in the fourth quarter (+0.6% to € 640.9m) while still being impacted by the lower compensation for SGEI's[1] as the result of the application of the 5th management contract with the Belgian State (€ -7.7m versus 4Q-12, i.e. 40% of the full year impact of € 19.1m). On an organic basis, excluding the SGEI impact and scope changes, revenues remained stable in the fourth quarter driven by (i) the volume decline in Domestic Mail and by (ii) the solid performance of parcels, especially during the Christmas season. For the full year 2013, the revenues grew by € 12.9 millions to € 2,428.6 millions on a normalized basis while being stable versus last year on an organic basis, in line with the expectations of management.

Domestic Mail

The domestic mail volumes decreased by 4.8% nominally in the fourth quarter. The underlying volume decline amounted 4.1% taking into account the impact of Belgian municipal elections held in 2012 and one working day less in 4Q-13. For the full year, the underlying volume decline is at -4.2%, in line with expectations management had communicated. Although slightly above the level of the previous two quarters, management sees this as a stabilization of the volume decline. An encouraging slight improvement in advertising mail volumes was also witnessed, as the underlying advertising mail volume decline was -5.0% in the quarter (versus -7.3% in 3Q-13). It is however too early to confirm that this was the consequence of a more positive business environment. The price increase applied beginning of 2013 again contributed (€ +11.1m) to offset the impact of the volumes decline (€ -15.6m).

Parcels

Parcels revenues kept their momentum and grew to € 76.0 millions in the fourth quarter (€ +32.1 m), of which € 13.8 millions was organic growth (+31.4%). As in previous quarters, revenues in the quarter also include the effect of the acquisition of Landmark Global, which contributed to parcels revenues with € 13.7 millions on top of the organic growth in the fourth quarter. The organic growth was driven mainly by the performance in international parcels recording a growth of € 12.5 millions on an organic basis, an acceleration of the growth recorded in previous quarters. At the same time the domestic parcels volumes grew by a solid 8.0%, above the positive trends already observed in the previous quarters of the year (+6.4% in 1H-13 and +7.7% in 3Q-13). Domestic volumes growth in the month of December was particularly strong at +12.9%, reflecting the progression of e-commerce in Belgium especially during the Christmas season.

[1] Services of General Economic Interest

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Other sources of revenues

Sales in international mail are still suffering (€ -4.3 m in 4Q-13 versus last year) bringing the full year at an overall decrease of -7.7%. This is in line with the strategy to exit activities or contracts not delivering sufficient margins. In the Banking & Finance activities, the lower transformation margin and production of bpost bank impacted the commissions received (€ -2.7 millions in the fourth quarter) while other products continued to grow. The volume of prepaid credit cards sold was higher than in 2012 (115.000 cards sold in 2013 versus 100.000 sold in 2012). The "bpaid gift" card debuted successfully during the holiday season with an additional 14.000 cards sold on top of normal cards.

Productivity and cost efficiency

Productivity improvement initiatives again delivered ahead of expectations, the average number of FTE for the quarter decreased by 1,067 vs. last year generating payroll and interim costs savings of € 8.3 millions. Continuing efforts on the others cost lines bring an additional reduction in SG&A (excluding interim) costs of € 6.6 millions. Other costs were also lower than last year by € 5.8m, mainly due to positive movements on provisions. Overall, operating expenses decreased by € 20.7 millions (-3.8%) on an organic basis, which is excluding the impact on costs of the consolidation of the Landmark subsidiary and the sale of Certipost activities.

Proposed final dividend

Last December, bpost already paid an interim dividend of € 0.93 gross per share based on the net profits for the months January through October. The net profit of bpost S.A./N.V. for FY13 came in at € 248.2m (€ +8.8m versus FY12 Normalized). For the months November and December, the net profit of bpost S.A./N.V. amounted to € 47.5m. As per its communicated dividend policy, management intends to propose the payment of a final dividend of € 0.20 gross per share, bringing the total dividend based on 2013 results to € 1.13 gross per share.

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Outlook

Our plans prudently take a volume decline of Domestic Mail of 5.0% for 2014 into account. Parcels volumes growth should be above the 2013 performance. Taking the phasing of the productivity improvement initiatives into account, the FTE reduction for 2014 is expected to be at the lower end of the reference range of 800 to 1200 FTE/year. We are confident to be able to at least maintain operating results (EBITDA and EBIT) on a normalized basis. We do not anticipate any material exceptional cash outflows during the year which means that cash generation should follow the normal seasonality. Net capex is expected at around € 90m.

Johnny Thijs, CEO declared: "*In a difficult economic climate, I'm happy that the disciplined execution of our strategy again resulted in an improvement of bpost's profitability in 2013. The impact on the revenues of the mail volume decline remained moderate and was more than compensated by the growth recorded in parcels. On the other hand, our continuous productivity efforts also delivered well. The combination of those three factors again resulted in an improvement of our operating margins while recording exceptional levels of quality and a progressing customer satisfaction. I'm proud of what our people have been able to achieve over the past years and I'm confident that the organization has the right strategy and is well armed to face its future challenges.*"

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Additional information

A presentation containing some detailed information regarding this trading update is available on www.bpost.be/ir

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Disclaimer

This press release ("4Q-13 Trading Update") has been published on February, 11th after market accompanied by a presentation available on www.bpost.be/ir. This information forms regulated information as defined in the Royal Decree of 14 November 2007.

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The information in this document may include forward-looking statements[1], 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.

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

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