

Press release first quarter 2014 (1Q14) financial results

This press release contains a summary of informations published in the First quarter interim financial report 2014 issued today at 5:45pm (CET) – see www.bpost.be/ir

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

bpost records solid results in the first quarter

Operational results grew solidly as the continued growth in parcels activities and lower than anticipated costs more than compensated the domestic mail volume decline that was in line with expectations. Management confirms its outlook for the year.

Highlights 1Q14

- **Total operating income (revenues) increased** by € 8.6 millions (of which 6.5 millions was organic growth) to reach € 626.7 millions in the first quarter. Scope effects relate to recent acquisitions and amount to € 2.1 millions.
- **The Domestic Mail volume decline of -4.6% was below the -5.0% planning assumption** for 2014.
- **Continuing good performance in parcels** with an organic revenue growth of € 15.8 millions. Domestic parcels volumes up by +5.6% on an underlying basis, slightly short of expectations. The quarter was negatively impacted by the loss of one customer which costs 1% in growth. International parcels growing strongly (€ 14.5 millions), with growth in the US and in our lanes from and to China.
- **Other sources of revenues** are back to modest growth.
- **Costs were lower than expected** with a further organic operating expenses reduction of € 6.7 millions and an average FTE reduction of 1,037 FTE for 1Q14 versus the same quarter of last year.
- **EBITDA margin for the quarter improving to 27.6%** (+1.8 percentage points versus 1Q13) to reach € 173.0 millions (+ € 13.3 millions versus 1Q13) on a normalized basis; EBIT came in at € 152.0 millions for the quarter (+ € 13.1 millions versus 1Q13).
- **Belgian GAAP net profit** of the parent company amounts € 87.3 millions for the quarter (improvement of € 17.2 millions versus last year). Excluding the exceptional tax charge that impacted 1Q13 (€ 7.6 millions), BGAAP net profit grew by 12.4%.
- **Ongoing negotiations with unions regarding the collective labor agreement (2014-2015) progressing well.**
- **Outlook confirmed.**

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Key figures^{1,2}

1Q14, EUR millions					
	Reported		Normalized ¹		
	2013	2014	2013	2014	% change
Total operating income (revenues)	632.7	626.7	618.1	626.7	1.4%
Operating expenses	458.4	453.7	458.4	453.7	1.0%
EBITDA	174.3	173.0	159.7	173.0	8.3%
Margin (%)	27.5%	27.6%	25.8%	27.6%	
EBIT	153.5	152.0	138.9	152.0	9.4%
Margin (%)	24.3%	24.3%	22.5%	24.3%	
Profit before tax	154.4	153.6	139.8	153.6	9.9%
Income tax expense	55.0	54.7	55.0	54.7	
Net profit	99.4	98.9	84.8	98.9	16.6%
FCF²	169.3	367.4	258.2	367.6	42.4%
bpost S.A./N.V. net profit (BGAAP)	70.1	87.3	70.1	87.3	24.5%

Revenues

Group revenues grew organically by € 6.5 millions in the first quarter and were also positively impacted by small scope changes for € 2.1 millions. Total revenues increased by 1.4% to € 626.7 millions driven by (i) the good performance of parcels; (ii) domestic mail price increases; (iii) a slight growth in other sources of revenues; more than compensating (iv) the decline in domestic mail volume. The compensation for SGEI under the 5th management contract is, as announced, in line with last year.

Domestic Mail

The domestic mail volumes decreased by 4.6% in the first quarter. This figure is the result of a slightly higher volume decline in transactional mail (-5.3% in the first quarter of this year compared to -3.7% for FY13) mainly driven by registered mail. Press volumes stabilized and advertising mail volumes

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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showed a good recovery (-2.7% in the quarter versus -7.3% for FY13 on an underlying basis) confirming the improvement already observed in the last quarter of 2013. The overall decline is well within the planning assumption of -5.0% of the management's outlook. This volume decline impacted domestic mail revenues by € -15.8 millions which was partly compensated by the announced price increases applied at the start of the year (€ +7.5 millions).

Parcels

Parcels revenues grew significantly in the first quarter from € 55.9 millions to € 73.4 millions, of which € 15.8 millions was organic growth (+28.4%), driven mainly by growth in international parcels. At the same time the domestic parcels volumes grew by 5.6% on an underlying basis. The reported volume growth of domestic parcels amounted to 4.4% as it was affected by phasing effects in accounting of revenues that will reverse in the second quarter. The loss of a contract with a sizeable customer also affected volumes by an estimated 1 percentage point of growth in the first quarter. Revenues in the quarter also include the effect of the acquisition of three small bolt-on duty clearance and fulfillment businesses to support the international parcels activities. The acquired businesses contributed to parcels revenues with € 1.7 millions in the quarter.

Other sources of revenues

Revenues of the other activities of bpost are back to growth with € 1.5 millions of organic growth. Although they have been affected by lower one-off settlements relating to the past year of € 3.2 millions, underlying sales in international mail improved. Value Added Services in particular grew by € 2.2 millions driven by existing and new solutions whilst Banking and Finance activities were slightly positive versus last year (+ € 0.4 million) mainly due to good results of prepaid credit cards.

Productivity and cost efficiency

Productivity improvement initiatives delivered an average decrease of 1,037 FTE in the first quarter of 2014 compared to the same quarter of last year driving payroll and interim costs savings of € 8.3 millions. Efforts on the others cost lines brought an additional reduction in SG&A costs of € 2.9 millions (excluding interim costs). On the negative side, the first quarter was affected for a total of € 4.4 millions by among others (i) a lower increase of the VAT deductibility compared to last year and (ii) by local taxes. In 2013, the impact of the local taxes for the first 9 months of the year had been accounted for in the third quarter which affects the comparison between the first quarter of this year and last year's. Overall the costs were € 6.7 millions lower quarter on quarter.

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Collective labour agreement negotiations

Recently, after preparatory discussion with the unions, management made a proposal of collective labour agreement for the period 2014-2015. The unions' national representatives are presenting the proposal to their local representatives with a view to gain their agreement. This is an important and positive step towards reaching a final agreement.

Outlook confirmed

Given the results of the first quarter and the phasing of the evolution of the costs, management reiterates its outlook for the year and is confident to be able to at least maintain operating results (EBITDA and EBIT) on a normalized basis provided mail volumes remain within the planning assumption of -5.0% decline for the year. Parcels growth should be above 2013 performance. Taking the planning of the productivity improvement initiatives into account, this year's reduction is expected to be at the low end of the 800-1200 FTE reference range. No material exceptional cash outflows are expected during the year and net capex is expected at € 90 millions.

Koen Van Gerven, CEO declared : *"2014 started solidly with all elements of our strategy developing in the right direction. With mail volumes declines in line with our expectations, the continuing growth of our parcels activities and the good results of our productivity and cost efficiency initiatives translated into strong results. I'm pleased to see that our strategy continues to deliver results. We are encouragead to work further to confirm and improve this year's first results. We also worked closely with our unions and were able to make good progress towards the finalization of a new collective labour agreement for the period 2014-2015."*

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Main figures from the First quarter interim financial report 2014

Profit & Loss Statement

In million EUR	Three months ended 31 March		
	2014	2013	Change %
Turnover	622.4	613.6	1.4%
Other operating income	4.3	19.1	-77.6%
Total operating income	626.7	632.7	-0.9%
Materials cost	(8.0)	(7.8)	3.2%
Services and other goods	(146.0)	(149.8)	-2.5%
Payroll costs	(301.0)	(306.4)	-1.8%
Other operating expenses	1.3	5.6	-76.8%
Depreciation, amortization	(20.9)	(20.7)	1.0%
Total operating expenses	(474.7)	(479.1)	-0.9%
Profit from operating activities (EBIT)	152.0	153.5	-1.0%
Financial income	1.2	0.8	48.8%
Financial cost	(3.3)	(2.4)	34.2%
Share of profit of associates	3.6	2.5	44.1%
Profit before tax	153.6	154.4	-0.5%
Income tax expense	(54.7)	(55.0)	-0.6%
Profit for the period	98.9	99.4	-0.5%
Attributable to:			
Owners of the Parent	98.4	99.0	-0.5%
Non-controlling interests	0.5	0.4	18.2%

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Balance Sheet

	As of 31 March 2014	As of 31 December 2013
In million EUR		
Assets		
Non-current assets		
Property, plant and equipment	561.6	570.3
Intangible assets	92.2	89.0
Investment securities	0.0	0.0
Investments in associates	374.2	341.3
Investment properties	9.7	10.3
Deferred tax assets	55.2	58.3
Trade and other receivables	2.3	2.2
	1,095.2	1,071.3
Current assets		
Assets held for sale	0.2	0.1
Inventories	9.8	9.2
Income tax receivable	0.2	0.1
Trade and other receivables	296.4	400.2
Cash and cash equivalents	815.1	448.2
	1,121.7	857.8
Total assets	2,216.9	1,929.2
Equity and liabilities		
Equity attributable to equity holders of the Parent		
Issued capital	364.0	364.0
Treasury shares	0.0	0.0
Reserves	242.3	111.0
Retained earnings	98.9	101.9
	705.2	576.9
Non-controlling interests	0.0	(0.0)
Total equity	705.2	576.9
Non-current liabilities		
Interest-bearing loans and borrowings	75.5	75.6
Employee benefits	343.3	345.1
Trade and other payables	76.0	79.7
Provisions	39.9	40.2
Deferred tax liabilities	1.4	1.4
	536.0	542.0
Current liabilities		

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Interest-bearing loans and borrowings	10.8	11.3
Bank overdrafts	0.3	0.2
Provisions	21.2	22.4
Income tax payable	92.2	41.7
Trade and other payables	851.2	734.7
	975.7	810.3
Total liabilities	1,511.7	1,352.3
Total Equity and liabilities	2,216.9	1,929.2

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Cash Flow Statement

	Year-to-date	
	2014	2013
In million EUR		
Operating activities		
Profit before tax	153.6	154.4
Depreciation and amortization	20.9	20.7
Impairment on bad debts	(0.1)	(0.4)
Gain on sale of property, plant and equipment	(2.4)	(2.4)
Gain on sale of Certipost activities	0.0	(14.6)
Change in employee benefit obligations	(1.8)	(7.8)
Share of profit of associates	(3.6)	(2.5)
Income tax paid	(1.9)	(0.9)
Cash flow from operating activities before changes in working capital and provisions	164.7	146.5
Decrease/(increase) in trade and other receivables	81.1	70.4
Decrease/(increase) in inventories	(0.2)	(0.2)
Increase/(decrease) in trade and other payables	141.0	71.9
Deposits received from third parties	(0.2)	(0.0)
Repayment of SGEI overcompensation	0.0	(88.9)
Increase/(decrease) in provisions	(1.6)	(3.3)
Net Cash from operating activities	384.6	196.4
Investing activities		
Proceeds from sale of property, plant and equipment	2.7	3.1
Disposal of subsidiaries, net of cash disposed of	0.0	15.1
Acquisition of property, plant and equipment	(8.8)	(6.4)
Acquisition of intangible assets	(2.4)	(1.4)
Acquisition of subsidiaries, net of cash acquired	(8.7)	(37.5)
Net cash used in investing activities	(17.3)	(27.1)
Financing activities		
Payments related to borrowings and financing lease liabilities	(0.6)	(0.0)

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Dividends paid to minority interests	0.0	(0.1)
Net Cash from financing activities	(0.6)	(0.1)
Net increase in cash and cash equivalents	366.7	169.1
Cash and cash equivalent less bank overdraft as of 1st January	448.0	712.9
Cash and cash equivalent less bank overdraft as of 31st March	814.7	881.9
Movements between 1st January and 31st March	366.7	169.1

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Financial calendar 2014

14.05	Shareholders' meeting
19.05	Ex-dividend date
22.05	Payment date of the dividend
06.08 (after market close)	Announcement 2Q-14 and half-year results
07.08 (11:00am CET)	Analyst Conference Call
03.11 (after market close)	Announcement quarterly 3Q-14
04.11 (11:00am CET)	Analyst Conference Call
04.12 (after market close)	Financial results 10 first months of 2014
08.12	Ex-dividend date (interim dividend)
10.12	Payment date of the interim dividend

Additional information

The First quarter interim financial report 2014 is available on www.bpost.be/ir

Forward looking statements

The information in this document may include forward-looking statements¹, 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.

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