

Press release Half year 2014 financial results

This press release contains a summary of informations published in the Half year 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 reports 2014 half-year results

Operational results grew solidly driven by continued growth in parcels and other sources of revenues, which together with the positive impact on volumes from elections and continued cost containment compensated the decline in domestic mail. Taking the latest observed trends into account, operating results for the second half of the year should be in line with last year's.

Highlights 2Q14

- **Total operating income (revenues)** came in at EUR 613.5m for the quarter, a slight increase by EUR 8.1m on an organic basis. This brings the organic growth of 1H14 to 1.2% versus last year.
- The **domestic mail volume** decline amounted to -3.6% on a reported basis, taking into account the positive impact on volume from elections. On an underlying basis (i.e. excluding the positive impact of elections) the decline for the quarter was -5.1%, showing a worsening of trends observed in transactional mail in the first quarter. This brings the **decline to -4.9% year-to-date**.
- The **growth in parcels amounted to EUR 9.1m on an organic basis**, with an underlying volume growth of 4.7% in domestic parcels. International parcels continued to grow strongly albeit a bit less than in 1Q14 in particular due to a **slow down of growth of shipments to China**.
- **Other sources of revenues** performed well with an **organic growth of EUR 5.0m** for the quarter.
- **Costs continued to be under control with an organic decrease of EUR 3.6m for the quarter or even EUR 11.3m excluding transport costs**. The opposite effects of the reduction of 1,061 FTE versus the same quarter of last year and of the salary increases agreed upon in the collective labour agreement, resulted in a decrease of payroll and interim costs by EUR 4.5m for the quarter. Transport costs grew by EUR 7.7m mainly due to the growth of our international activities.
- **EBITDA margin for the quarter improved to 26.7%** (+1.5 percentage points versus the same quarter of last year) to reach EUR 163.6m. For the first half of the year, EBITDA reached EUR 336.6m (EUR +25.2m versus 1H13).
- For the full year 2014, we expect to report **revenues in line with last year**. **Operating results for the second half** of the year should be **in line with last year's**. **Domestic mail volume declines** could reach **up to -5.5%** for the year and **growth in domestic parcels** should be **at least in line with** the evolution observed in the **first half**.

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Key figures^{1,2}

| 2Q14, EUR m | | | | | |
|---|--------------|--------------|-------------------------|--------------|---------------|
| | Reported | | Normalized ¹ | | |
| | 2013 | 2014 | 2013 | 2014 | % change |
| Total operating income (revenues) | 603.0 | 613.5 | 603.0 | 613.5 | 1.7% |
| Operating expenses | 451.2 | 449.9 | 451.2 | 449.9 | 0.3% |
| EBITDA | 151.8 | 163.6 | 151.8 | 163.6 | 7.8% |
| Margin (%) | 25.2% | 26.7% | 25.2% | 26.7% | |
| EBIT | 128.9 | 142.3 | 128.9 | 142.3 | 10.5% |
| Margin (%) | 21.4% | 23.2% | 21.4% | 23.2% | |
| Profit before tax | 136.4 | 135.5 | 136.4 | 135.5 | -0.7% |
| Income tax expense | 54.3 | 42.3 | 54.3 | 42.3 | |
| Net profit | 82.1 | 93.2 | 82.1 | 93.2 | 13.5% |
| FCF² | -53.4 | -4.0 | -19.2 | -4.0 | -79.3% |
| bpost S.A./N.V. net profit (BGAAP) | 60.5 | 84.2 | 60.5 | 84.2 | 39.0% |

Revenues

Group revenues increased by EUR 10.5m (+1.7%) to EUR 613.5m for the second quarter of 2014. Organic growth amounted to EUR 8.1m. The revenue growth was mainly driven by a solid performance in Parcels and Other sources of revenues more than compensating the decline in domestic mail revenues.

For the first half of 2014, group revenues stood at EUR 1,240.2m, up 0.4%, of which EUR 14.6m was organic growth (+1.2%).

Domestic Mail

The second quarter of 2014 was impacted by additional mail volumes from the EU, federal and regional elections in Belgium. Elections contributed EUR 4.6m in revenues over the quarter (and EUR 0.4m in International Mail), limiting second quarter mail volume decline to -3.6%. Elections impacted advertising mail by EUR +3.9m and transactional mail by EUR +0.7m. On an underlying basis, domestic mail volume decline came in at -5.1%. Transactional mail's worsening trend

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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continued, with underlying volume decline at -5.9%, as customers seek to reduce mail consumption with some large senders implementing more aggressive measures. Advertising mail volumes declined by -3.6%, a better level than the evolution last year, while it remains soft along with the advertising market. Press volumes held up well with the decrease limited to -2.9% for the quarter, in line with the full year 2013 evolution and the first quarter of 2014. Overall, domestic mail revenues were down EUR 8.4m to EUR 385.1m, stemming from underlying volume declines (EUR -17.8m of revenues), partly compensated by EUR +4.8m of price increases. Price increases were in line with our policy but impacted by some adverse product mix effects as customers are shifting to cheaper products or are reducing the weight of their mail.

For the first half of 2014 domestic mail revenues amounted to EUR 771.9m, a EUR 16.7m decline vs. last year, due to an underlying volume evolution of -4.9% (-4.1% including elections), partly compensated by price increases and election revenues.

Parcels

In the second quarter Parcels revenues continued to develop well to attain EUR 70.8m, up EUR 11.1m (+18.6%), of which EUR 9.1m was organic growth. The strong revenue uplift was mainly driven by international parcels (EUR +7.7m organic), benefitting from solid US and China flows into Europe. Domestic parcel revenues were up 6.6%, driven by an underlying volume increase of +4.7% for the second quarter and a slight improvement of the average prices. The reported domestic parcels volume growth stood at +6.0%, with the difference between reported and underlying explained by the reversal of the revenue phasing between the first and second quarter of last year, as previously announced. The three small bolt-on acquisitions from the first quarter of 2014 contributed EUR 2.0m to the second quarter parcels revenues.

For the first half of 2014 Parcels revenues attained EUR 144.2m, driven by international parcels and +5.2% volume growth in domestic parcels.

Other sources of revenues

Other sources of revenues improved by EUR 4.6m (EUR +5.0 on an organic basis) with second quarter revenues of EUR 151.3m. On an organic basis, international mail increased by EUR 3.1m, despite EUR 2.0m lower one-off settlements received in the second quarter of 2014 compared to the same period last year. Value added services revenues increased by EUR 2.3m, while Banking & Financial products revenues decreased by EUR 0.6m, mainly due to lower service fees (based on a cost plus formula) paid by bpost bank stemming from lower cost of operations as a result of efficiency programs.

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For the first half of 2014 additional sources of revenues stood at EUR 306.0m, up EUR 6.6m and nearly fully organic growth.

Productivity and cost efficiency

The further implementation of cost and productivity initiatives resulted in total costs of EUR 449.9m, thanks to a further organic reduction of costs of EUR 3.6m. The latter was mainly driven by a reduction of 1,061 FTE for the second quarter compared to the same period last year, good for EUR 4.5m of payroll and interim cost savings. The cost savings relative to the FTE reduction were partly offset by an unfavourable mix effect due to a higher usage of interim workers and salary increases due among others to the impact of the new collective labour agreement. SG&A excluding transport costs decreased by EUR 6.5m over the quarter thanks to strict cost control while transport cost increased by EUR 7.7m due to the growth in international activities and less favourable settlements of past year terminal dues (EUR -1.2m).

For the first half of 2014 costs stood at EUR 903.6m, a EUR 6.0m saving compared to the first half of 2013, of which EUR 10.4m were organic cost savings. Total workforce decreased by 1,070 FTE excluding scope, driving EUR 12.8m organic payroll and interim cost savings. SG&A decreased by EUR 1.6m, partly offset by a EUR 4.0m increase in other costs resulting from lower VAT deductibility and higher real estate and other taxes.

Outlook

- Revenues should be stable or slightly above last year.
 - Domestic mail volume decline has been worsening in the second quarter and could therefore reach up to -5.5% for the full year.
 - In domestic parcels, we no longer expect to exceed the 2013 growth of 7.1% but should still achieve a full year growth higher than the one achieved in the first half (+5.2%).
 - International parcels growth is expected to be in line with the first half of the year for routes into Europe. Traffic to China is expected to decline in the second half.
- Taking the phasing of the productivity improvement initiatives into account, the FTE reduction for 2014 is still expected to be at the low end of the reference range of 800 to 1,200 FTE/year.
- We are confident to be able to report operating results (EBITDA and EBIT) in line with last year for the second half of the year and consequently to keep the advance booked in the first half.
- As a result, the level of the dividend should be higher than last year.

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- 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 to be lower than EUR 90m.

Koen Van Gerven, CEO declared: *"While we have witnessed worsening trends in domestic mail during the second quarter, our operating results again prove that our business model is resilient and continues to deliver. Our cost savings plans are well on track and deliver as planned. The development of our parcels activities has been slower than we expected but delivered a solid and healthy growth. We work relentlessly to develop our parcels business and aim to improve the growth figures reported in the first half of the year. I'm convinced that our efforts in new activities will be able to compensate for the evolution of our mail business."*

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Main figures from the Half year interim financial report 2014

Profit & Loss Statement

| In EUR million | Year-to-date | | | 2nd quarter | | |
|--|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2014 | 2013 | Change % | 2014 | 2013 | Change % |
| Turnover | 1,231.7 | 1,214.1 | 1.5% | 609.2 | 600.4 | 1.5% |
| Other operating income | 8.5 | 21.6 | -60.6% | 4.2 | 2.5 | 66.4% |
| Total operating income | 1,240.2 | 1,235.7 | 0.4% | 613.5 | 603.0 | 1.7% |
| Materials cost | (15.1) | (15.3) | -1.2% | (7.1) | (7.5) | -5.8% |
| Services and other goods | (292.4) | (291.4) | 0.3% | (146.4) | (141.7) | 3.3% |
| Payroll costs | (595.3) | (606.8) | -1.9% | (294.3) | (300.4) | -2.0% |
| Other operating expenses | (0.8) | 3.9 | -120.8% | (2.1) | (1.7) | 24.6% |
| Depreciation, amortization | (42.2) | (43.6) | -3.3% | (21.2) | (22.9) | -7.2% |
| Total operating expenses | (945.8) | (953.3) | -0.8% | (471.1) | (474.1) | -0.6% |
| Profit from operating activities (EBIT) | 294.4 | 282.4 | 4.3% | 142.3 | 128.9 | 10.5% |
| Financial income | 2.1 | 1.2 | 73.5% | 0.9 | 0.4 | 123.6% |
| Financial cost | (13.7) | (5.0) | 174.7% | (10.4) | (2.6) | 308.0% |
| Share of profit of associates | 6.3 | 12.2 | -48.3% | 2.7 | 9.7 | -72.2% |
| Profit before tax | 289.0 | 290.7 | -0.6% | 135.5 | 136.4 | -0.7% |
| Income tax expense | (97.0) | (109.3) | -11.3% | (42.3) | (54.3) | -22.0% |
| Profit for the period | 192.1 | 181.5 | 5.8% | 93.2 | 82.1 | 13.5% |

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Balance Sheet

| | As of 30 June 2014 | As of 31 December 2013 |
|--|-----------------------|---------------------------|
| In EUR million | | |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 558.7 | 570.3 |
| Intangible assets | 92.1 | 89.0 |
| Investments in associates | 406.2 | 341.3 |
| Investment properties | 9.5 | 10.3 |
| Deferred tax assets | 56.0 | 58.3 |
| Trade and other receivables | 2.3 | 2.2 |
| | 1,124.8 | 1,071.3 |
| Current assets | | |
| Assets held for sale | 0.6 | 0.1 |
| Inventories | 9.9 | 9.2 |
| Income tax receivable | 0.9 | 0.1 |
| Trade and other receivables | 287.2 | 400.2 |
| Cash and cash equivalents | 770.5 | 448.2 |
| | 1,069.1 | 857.8 |
| Total assets | 2,194.0 | 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 | 231.5 | 111.0 |
| Retained earnings | 192.1 | 101.9 |
| | 787.6 | 576.9 |
| Non-controlling interests | 0.0 | 0.0 |
| Total equity | 787.6 | 576.9 |
| Non-current liabilities | | |
| Interest-bearing loans and borrowings | 75.4 | 75.6 |
| Employee benefits | 345.5 | 345.1 |
| Trade and other payables | 75.9 | 79.7 |
| Provisions | 39.8 | 40.2 |
| Deferred tax liabilities | 1.4 | 1.4 |
| | 538.0 | 542.0 |
| Current liabilities | | |
| Interest-bearing loans and borrowings | 10.3 | 11.3 |

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| | | |
|-------------------------------------|----------------|----------------|
| Bank overdrafts | 0.3 | 0.2 |
| Provisions | 18.0 | 22.4 |
| Income tax payable | 136.6 | 41.7 |
| Trade and other payables | 703.2 | 734.7 |
| | 868.4 | 810.3 |
| Total liabilities | 1,406.4 | 1,352.3 |
| Total Equity and liabilities | 2,194.0 | 1,929.2 |

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Cash Flow Statement

| In EUR million | Year-to-date | | 2nd quarter | |
|---|---------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating activities | | | | |
| Profit before tax | 289.0 | 290.7 | 135.5 | 136.4 |
| Depreciation and amortization | 42.2 | 43.6 | 21.2 | 22.9 |
| Impairment on bad debts | 1.1 | (0.2) | 1.3 | 0.2 |
| Gain on sale of property, plant and equipment | (4.7) | (3.0) | (2.3) | (0.6) |
| Gain on sale of Certipost activities | 0.0 | (14.6) | 0.0 | 0.0 |
| Change in employee benefit obligations | (1.9) | (18.5) | (0.1) | (10.7) |
| Share of profit of associates | (6.3) | (12.2) | (2.7) | (9.7) |
| Income tax paid | (3.6) | (1.1) | (1.7) | (0.2) |
| Cash flow from operating activities before changes in working capital and provisions | 315.8 | 284.8 | 151.2 | 138.3 |
| Decrease/(increase) in trade and other receivables | 89.0 | 68.3 | 8.0 | (2.1) |
| Decrease/(increase) in inventories | (0.3) | (0.4) | (0.1) | (0.2) |
| Increase/(decrease) in trade and other payables | (3.1) | (58.7) | (144.0) | (130.6) |
| Deposits received from third parties | (0.2) | 0.0 | (0.0) | 0.0 |
| Repayment of SGEI overcompensation | 0.0 | (123.1) | 0.0 | (34.2) |
| Increase/(decrease) in other provisions | (4.9) | (4.1) | (3.2) | (0.8) |
| Net Cash from operating activities | 396.4 | 166.8 | 11.8 | (29.5) |
| Investing activities | | | | |
| Proceeds from sale of property, plant and equipment | 5.7 | 4.0 | 3.0 | 0.9 |
| Disposal of subsidiaries, net of cash disposed of | 0.0 | 15.1 | 0.0 | 0.0 |
| Acquisition of property, plant and equipment | (24.5) | (21.9) | (15.7) | (15.5) |
| Acquisition of intangible assets | (5.6) | (6.9) | (3.2) | (5.5) |
| Acquisition of subsidiaries, net of cash acquired | (8.7) | (3.7) | 0.0 | (3.7) |
| Capital increase bpost bank | 0.0 | (37.5) | 0.0 | 0.0 |
| Net cash used in investing activities | (33.1) | (51.0) | (15.8) | (23.8) |
| Financing activities | | | | |
| Payments related to borrowings and financing lease liabilities | (1.2) | 2.9 | (0.5) | 2.9 |
| Capital decrease | 0.0 | (144.5) | 0.0 | (144.5) |

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| | | | | |
|--|---------------|----------------|---------------|----------------|
| Dividends paid | (40.0) | 0.0 | (40.0) | 0.0 |
| Exceptional dividend | 0.0 | (53.5) | 0.0 | (53.5) |
| Dividends paid to minority interests | 0.0 | (0.1) | 0.0 | 0.0 |
| Net Cash from financing activities | (41.2) | (195.2) | (40.5) | (195.1) |
| Net increase in cash and cash equivalents | 322.2 | (79.4) | (44.5) | (248.5) |
| Cash and cash equivalent less bank overdraft as of 1st January | 448.0 | 712.8 | | |
| Cash and cash equivalent less bank overdraft as of 30th June | 770.2 | 633.4 | | |
| Movements between 1st January and 30th June | 322.2 | (79.4) | | |

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Financial calendar 2014

| | |
|-----------------------------------|---|
| 03.11 (after market close) | Announcement 3Q14 |
| 04.11 (11:00am CET) | Analyst Conference Call 3Q14 |
| 04.12 (after market close) | Financial results first 10 months of 2014 |
| 08.12 | Ex-dividend date (interim dividend) |
| 10.12 | Payment date of the interim dividend |

Additional information

The Half year 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