

Always on the

MOVE



CMD Antwerp – 15 November 2016

Welcome!



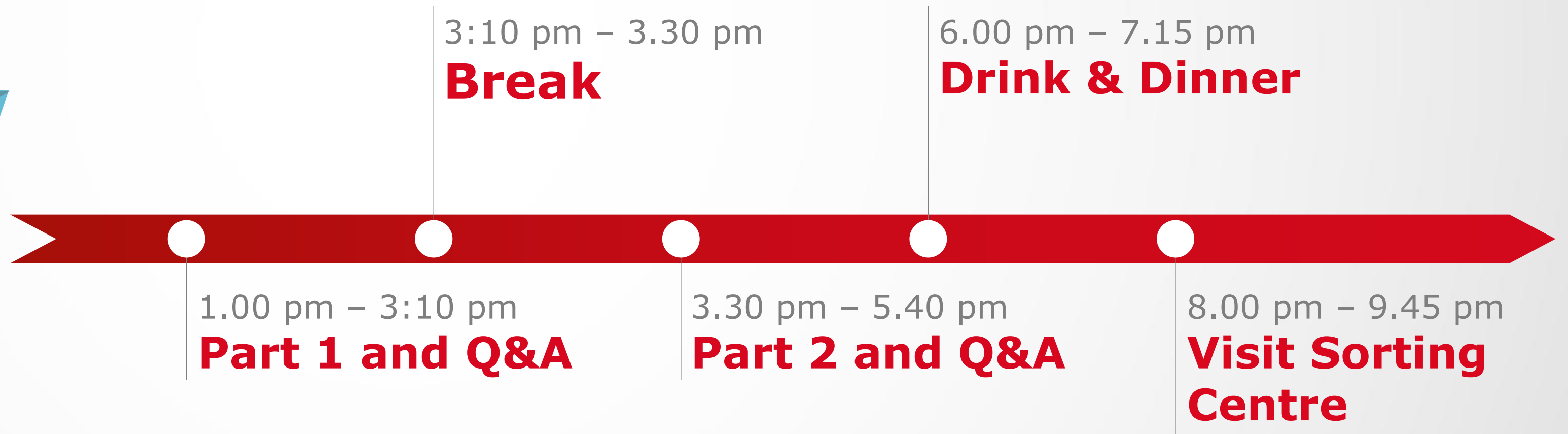
Always on the
MOVE

Koen Van Gerven

Chief Executive Officer



Agenda of today



**Please
mute your
mobile**



Always on the

MOVE



CMD Antwerp – 15 November 2016

We are a leading postal operator building on strong foundations



Leading market position in the resilient Belgian mail market with a balanced regulatory framework



Focused mail and parcels business with a proven strategy for profitable growth



Scope for **continued cost improvements**



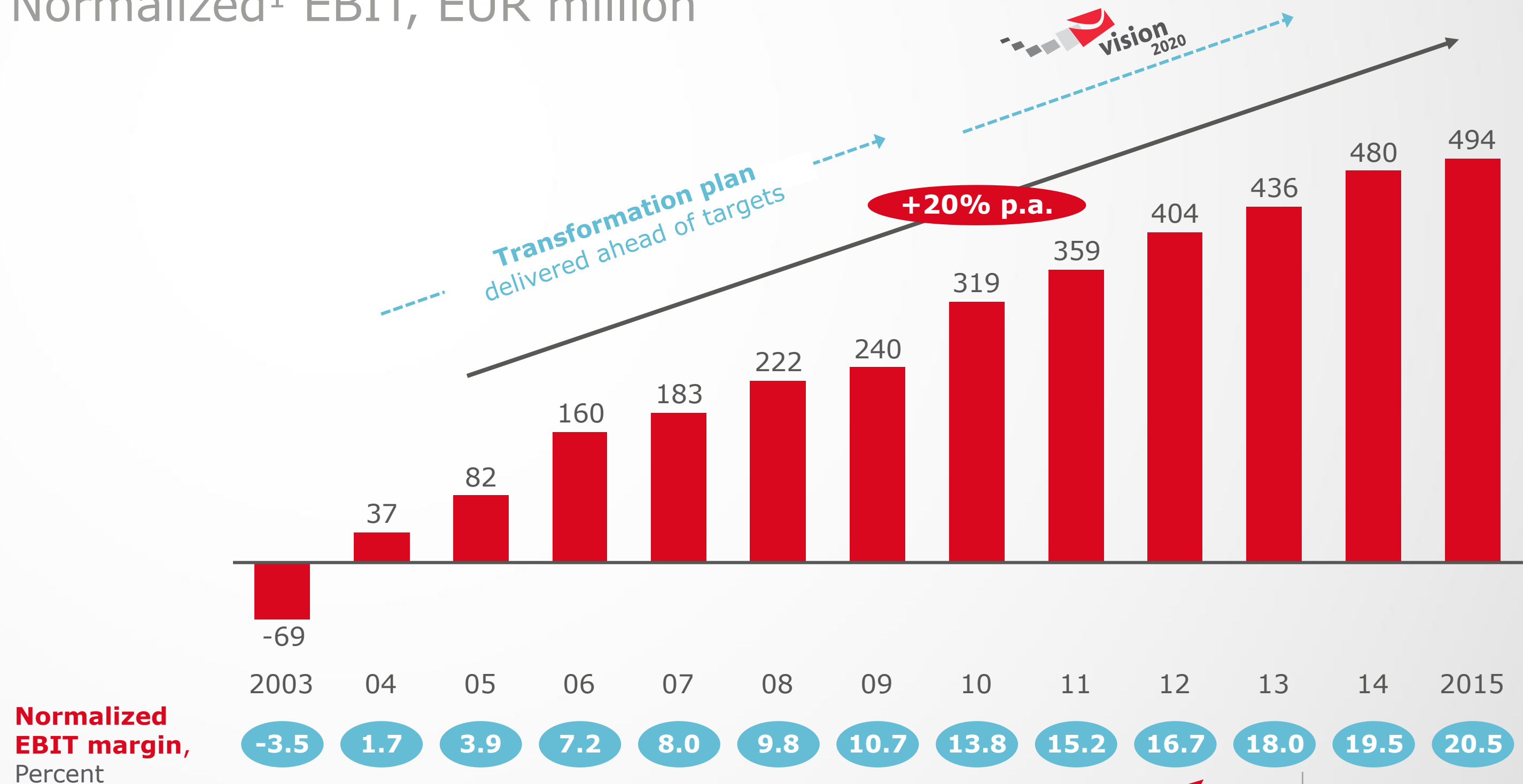
Strong financial performance supporting a high level of cash flow generation and **dividends**



Proven performance track record

Transformation journey has resulted in a strong financial performance ...

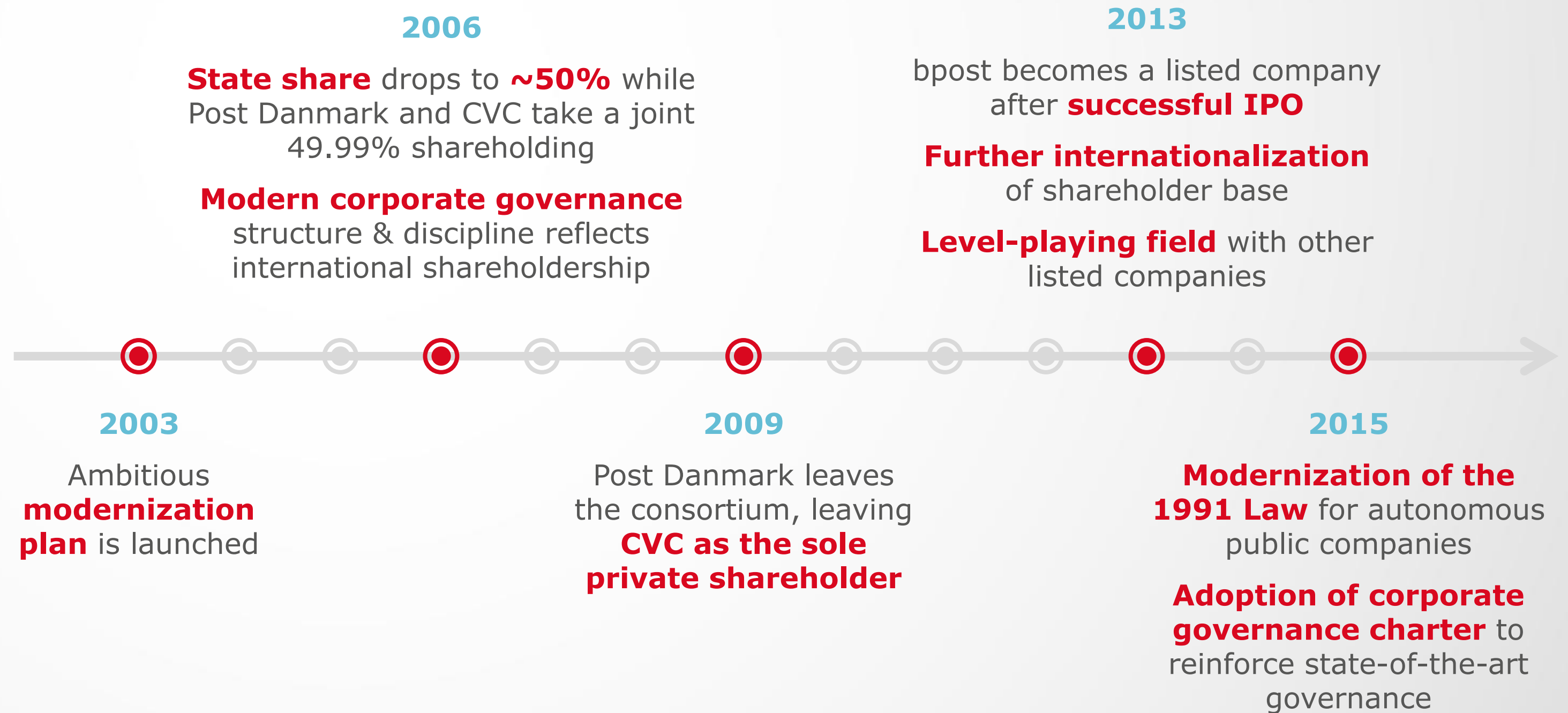
Normalized¹ EBIT, EUR million



¹ Excluding non-recurring items

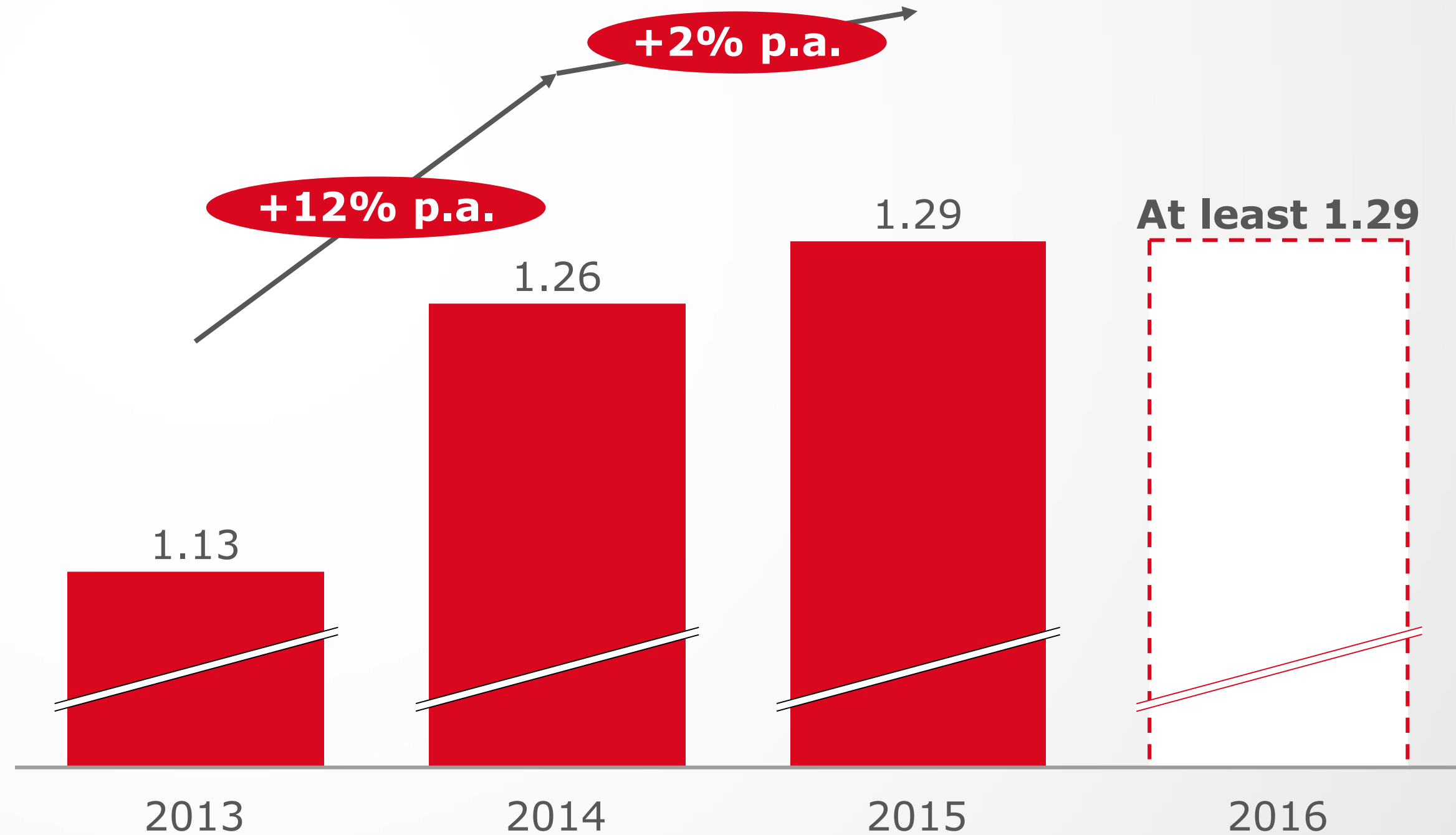


... While undergoing structural ownership changes and gradual privatization



Since the IPO in 2013 this translated into increasing dividends

EUR



Our strategy is simple and focused



we are **mail**



we **grow**



we are **lean,
agile & flexible**



we are **@ core**

We made clear choices to drive value creation & reward shareholders

We are **mail**

Provide **ongoing and relentless support** to mail as an effective communication medium



We **grow**

Support **organic growth and external growth** in domestic and international parcels (B2C eCommerce and B2B), proximity and convenience services



Always on the **MOVE**

Deliver **operational excellence** (e.g., culture of continuous improvements, Vision 2020), in a context of powerful natural attrition lever



We are **lean, agile & flexible**



Remain **relevant for all stakeholders** (e.g., loyal customers, passionate employees, rewarded shareholders)

We are **@ core**



Always on the **MOVE**

We have continued to deliver on this strategy in 2016

- **Mail volume decline in line with 2016 guidance of -5%** (strong performance of advertising mail)
- Management contract and press distribution approved until end of 2020
- USO provider until end of 2018

- **FTE savings in line with guidance**
- Sorting center expansion completed in time and within initial budget
- Overhead cost reduction program completed

We are **mail**



We **grow**



- **Double digit (15.2%¹) profitable growth** in domestic parcels
- Sustained international expansion
- Acquisitions and partnerships, incl. expanded proximity & convenience retail (Lagardère Travel Retail) and innovative parcel delivery solutions (Parcify, de Buren)
- Increased revenue from new solutions

Always on the
MOVE



We are **lean, agile & flexible**



We are **@ core**

- **High employee commitment**
- High customer satisfaction (quality improvement)
- New Collective Labor Agreement

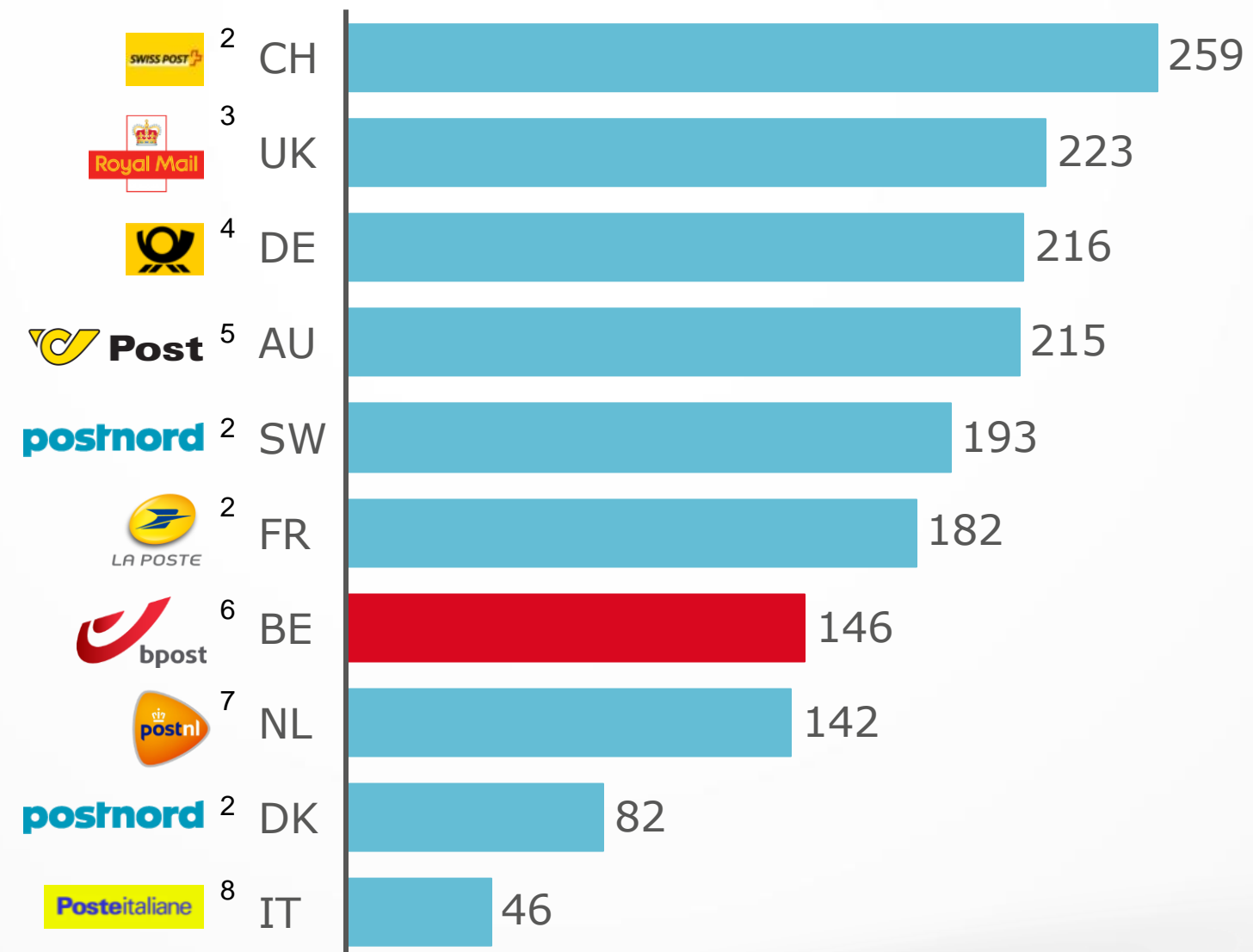


¹ +14.5% when excluding calendar effects

We benefit from a relatively resilient mail market vs. other countries

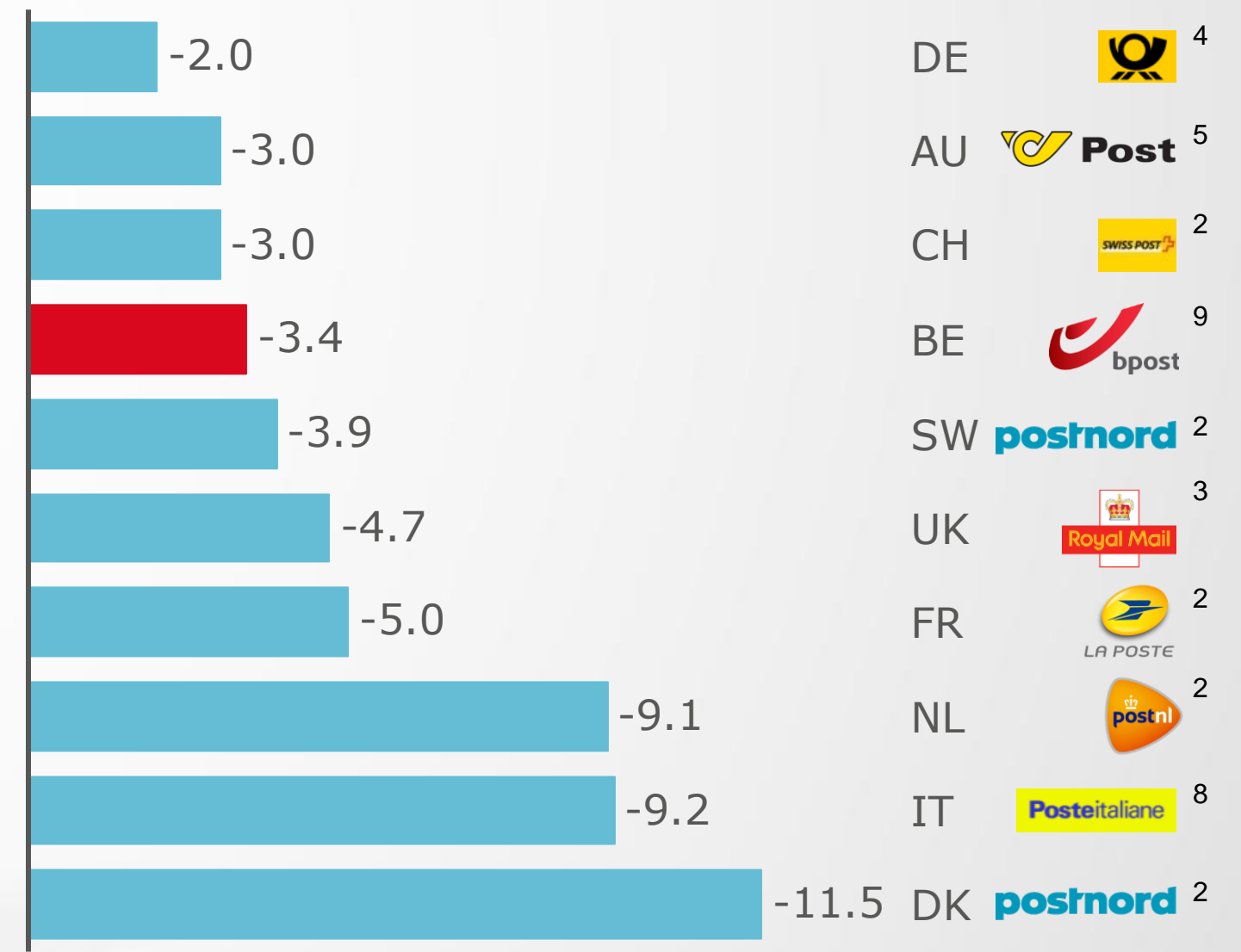
Addressed mail volume per capita 2015

Operator level¹



2008-15 CAGR for addressed mail volumes

As reported by major incumbent EU postal operators, percent



Note: definition of addressed mail may differ by operator

- 1 Excludes domestic competitors
- 2 Includes addressed mail
- 3 Includes inland addressed mail, limited to 2014
- 4 Includes mail communication and dialogue marketing
- 5 Includes letter mail and addressed direct mail / media post

- 6 Includes addressed mail excluding press
- 7 Includes all mail
- 8 Includes addressed mail (publishers services excl.), limited to 2014
- 9 Includes all domestic mail

SOURCE: Annual reports; Investor presentations; IPC; Eurostat

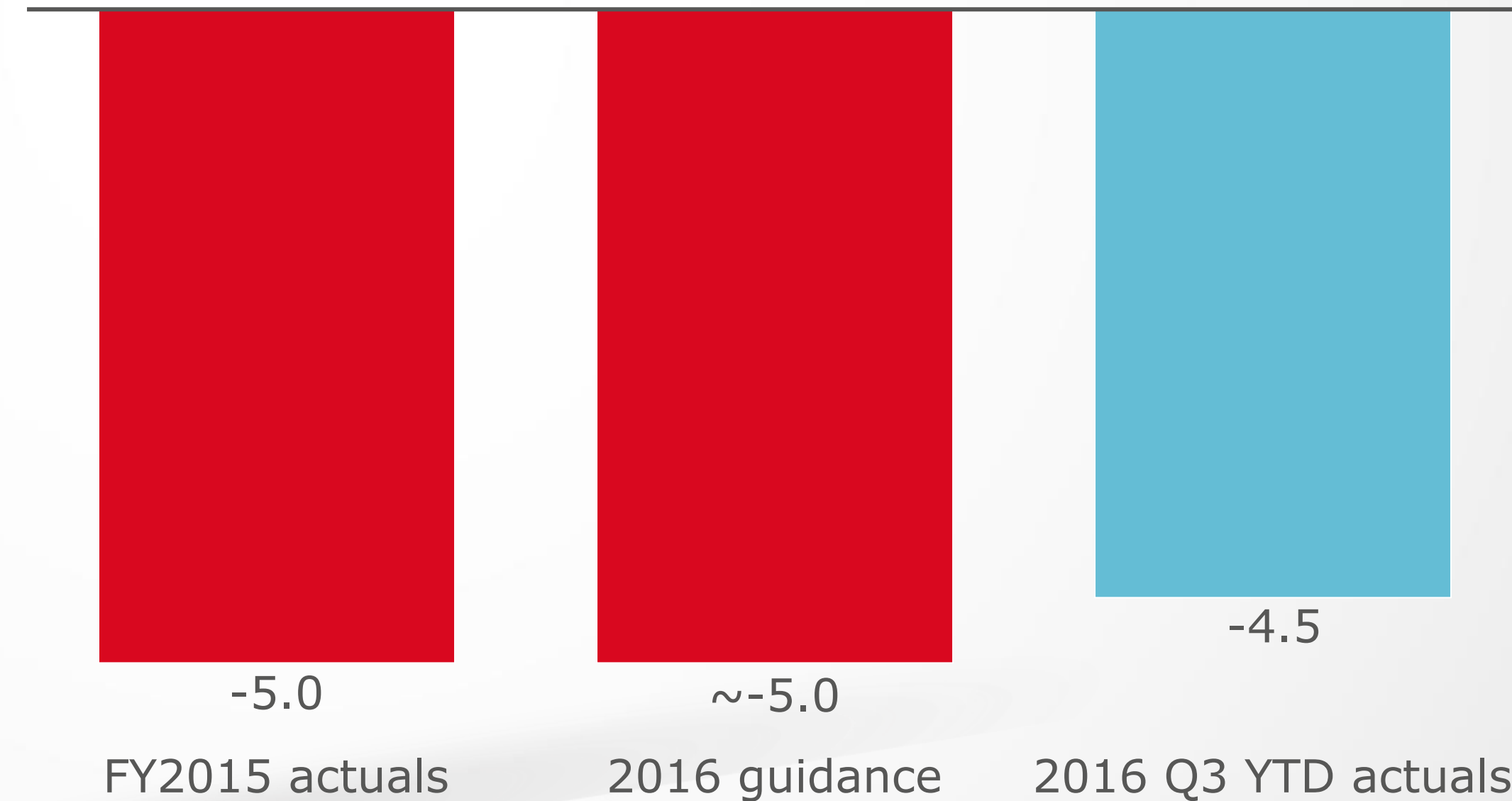


Always on the
MOVE

2016 YTD mail volume decline is lower than last year and in line with guidance

Mail volume evolution, underlying

Percent

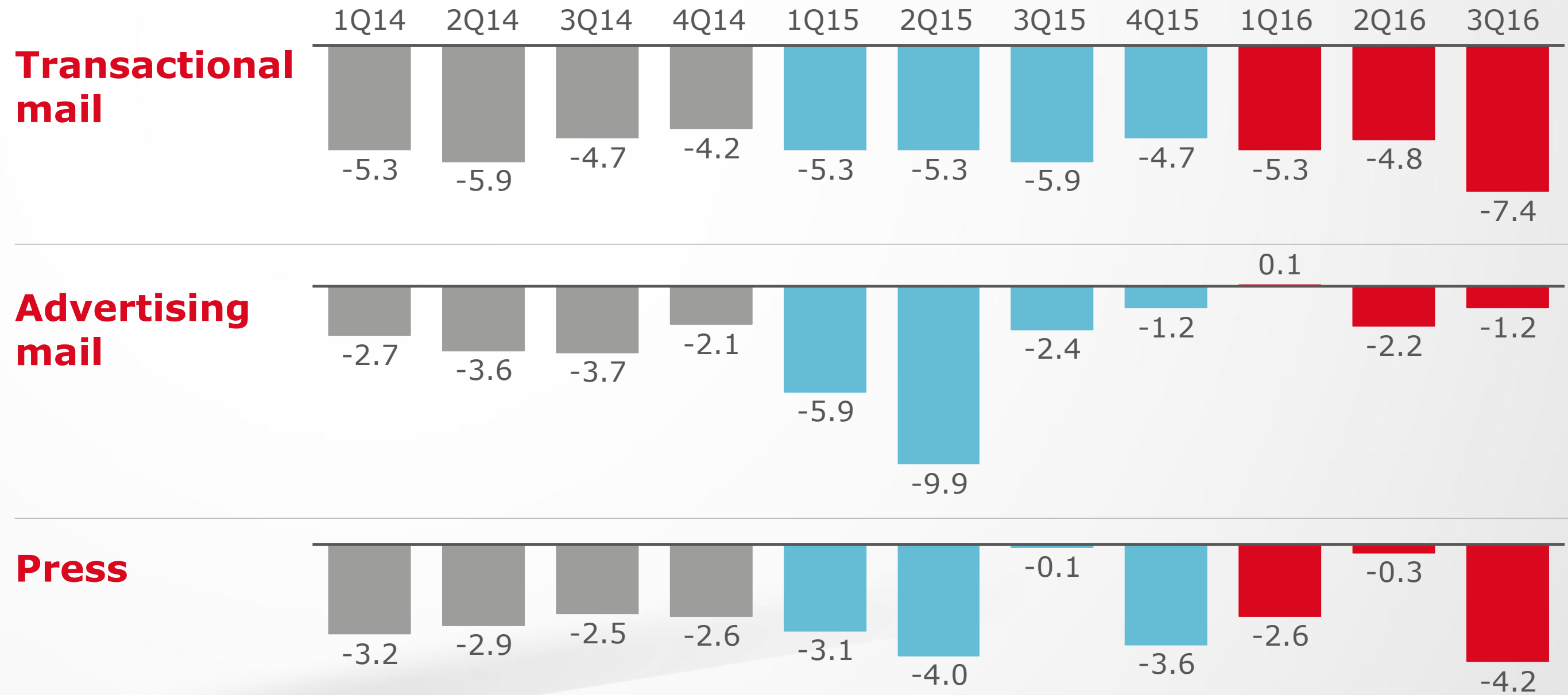


Always on the
MOVE

At the same time, mail volume decline has become increasingly volatile

Mail volume evolution, underlying

Percent



Always on the
MOVE

Reconfirmed balanced regulatory framework

- bpost designated by law as the USO provider **until end of 2018**
- USO pricing regulated by **price cap formula**
- **Tendering process** reconfirmed bpost as operator until end of 2020

Universal Service Obligation (USO)

6th Management Contract

Press tendering

BE regulation

- **6th Management Contract** has been confirmed until end of 2020
- Compensation methodology **validated by EC to ensure no over-compensation**
- **New law** of December 16, 2015 creating a **level playing field** for listed public companies in Belgium



Always on the
MOVE

SGEIs are compensated following strict guidelines set by EU while USO delivery is not compensated



Net avoided cost

Net avoided cost of each SGEI, i.e., the **difference in bpost's profit in the as-is situation** (under the constraints of the 6th MC) **and bpost's profit in the situation in which it would not be subject to those constraints**



Financial incentives

Compensation includes an **incentive for efficiency gains realized over the duration of the 6th MC** provided a number of quality criteria are met



Compensation cap

Yearly compensation is capped, i.e., if the sum of the net avoided costs and the efficiency gains in a given year is higher than the cap foreseen in the 6th MC, the State will be able to recover the excess compensation for that year



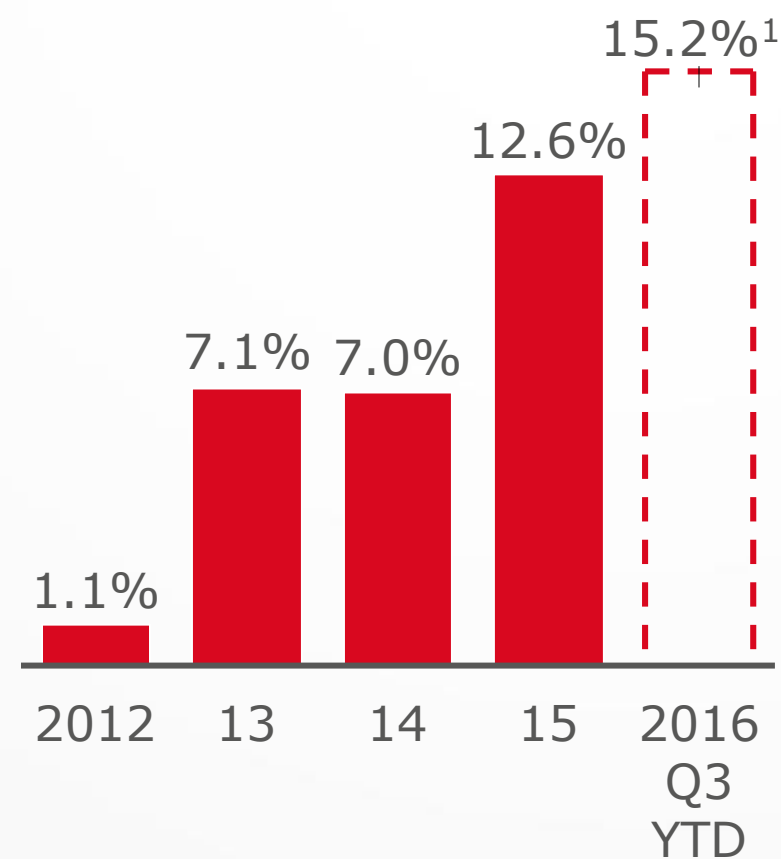
No compensation for USO delivery



Always on the
MOVE

Continued double digit growth in parcels, further supported by acquisitions, partnerships and innovative new ventures

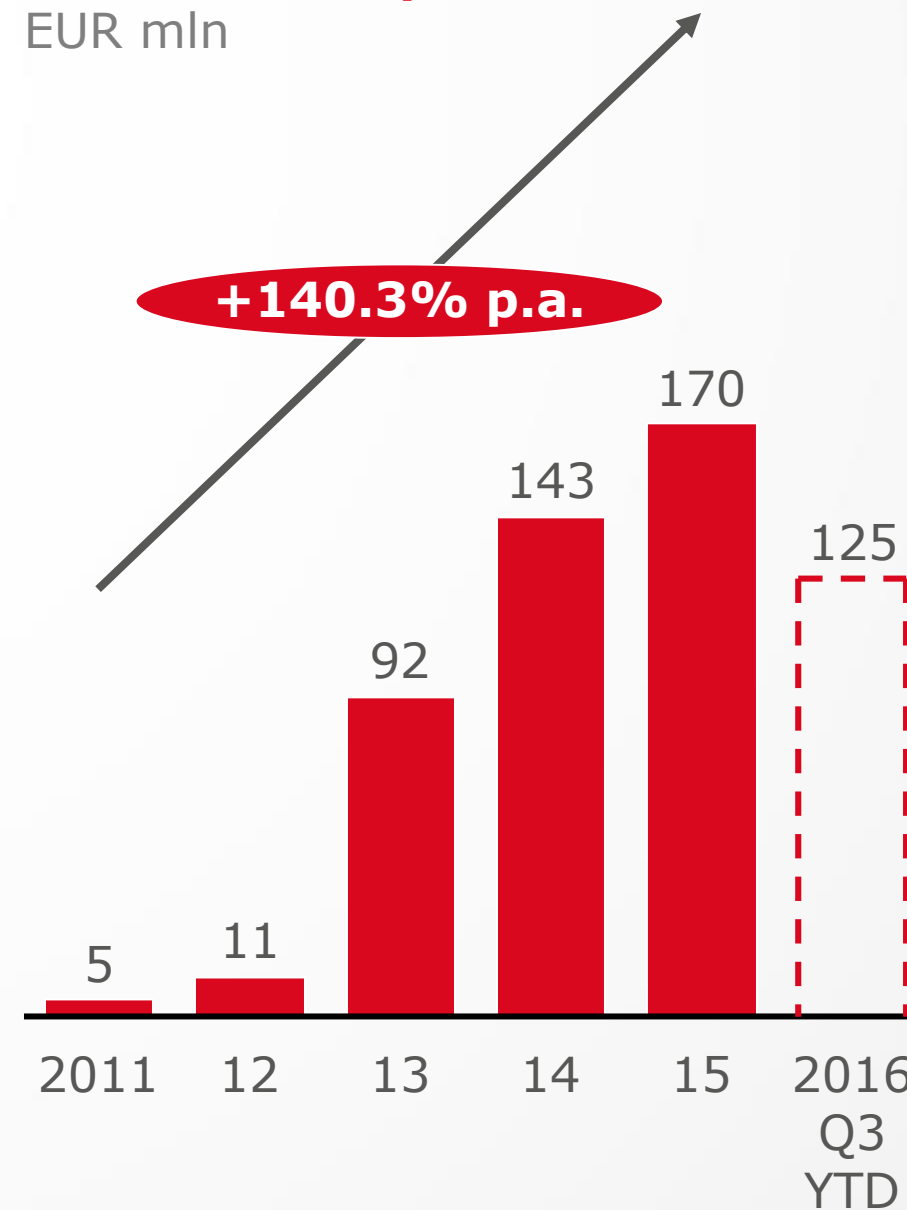
Domestic parcels
Volume, percent growth



 **In line with guidance**

¹ +14.5% when excluding calendar effects

International parcels
EUR mln



 **In line with guidance**

Acquisitions, partnerships and innovative new ventures



Always on the
MOVE

Development of Lagardère Travel Retail's Belgian activities in line with bpost's strategy



Operate **distribution platform of newspapers and periodicals to proximity stores** all over the country



Diversify into **growing retail proximity & convenience distribution** (+4 to 6% CAGR 2015-20)

Further enable domestic parcels growth strategy by **increasing network coverage to over 1,900 points**



Ambition to grow margin to 5-6% (from 3.3%)

Ambition to generate cost synergies of €4-5m p.a.

**Strong
strategic
fit**

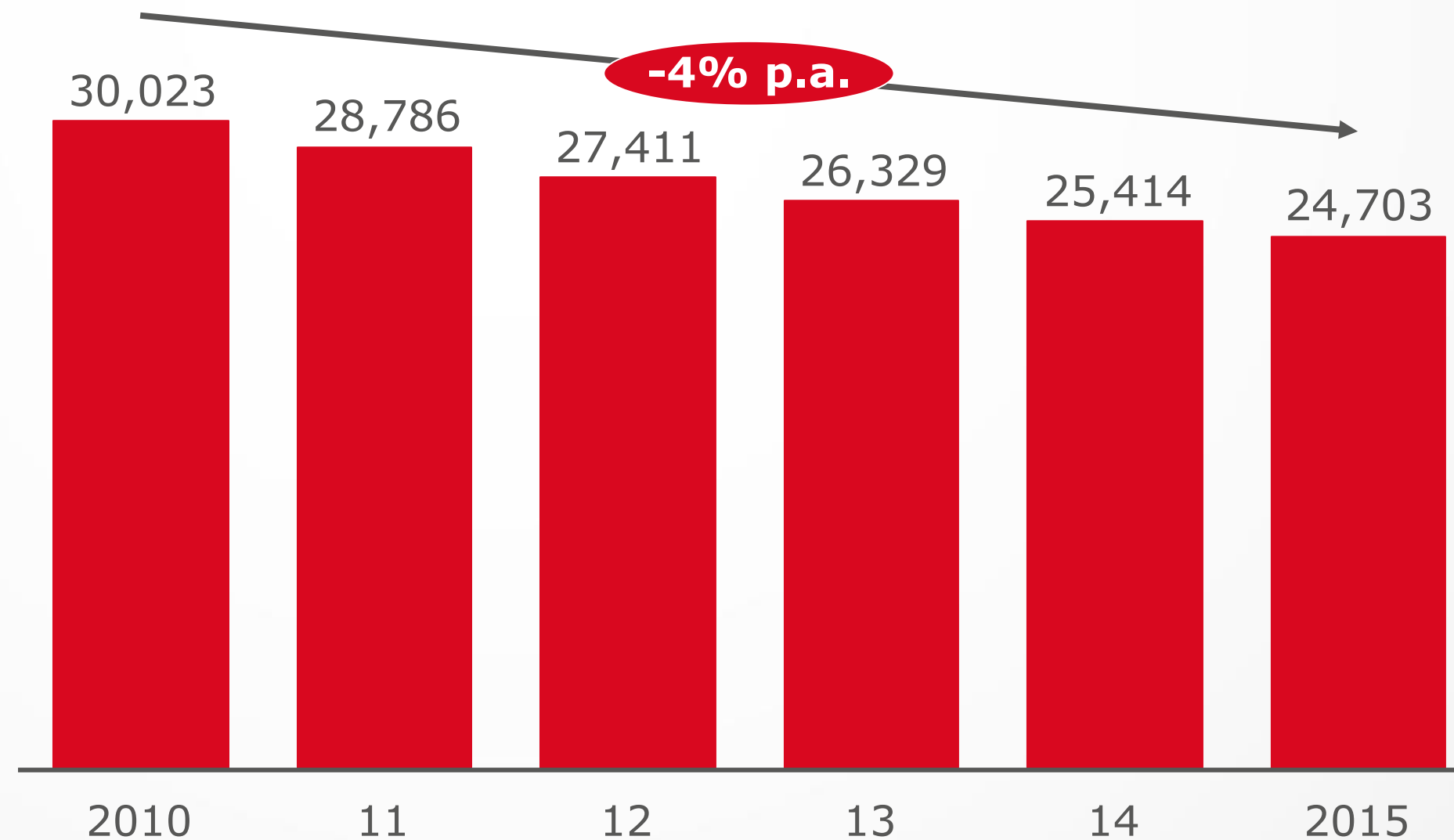


Always on the
MOVE

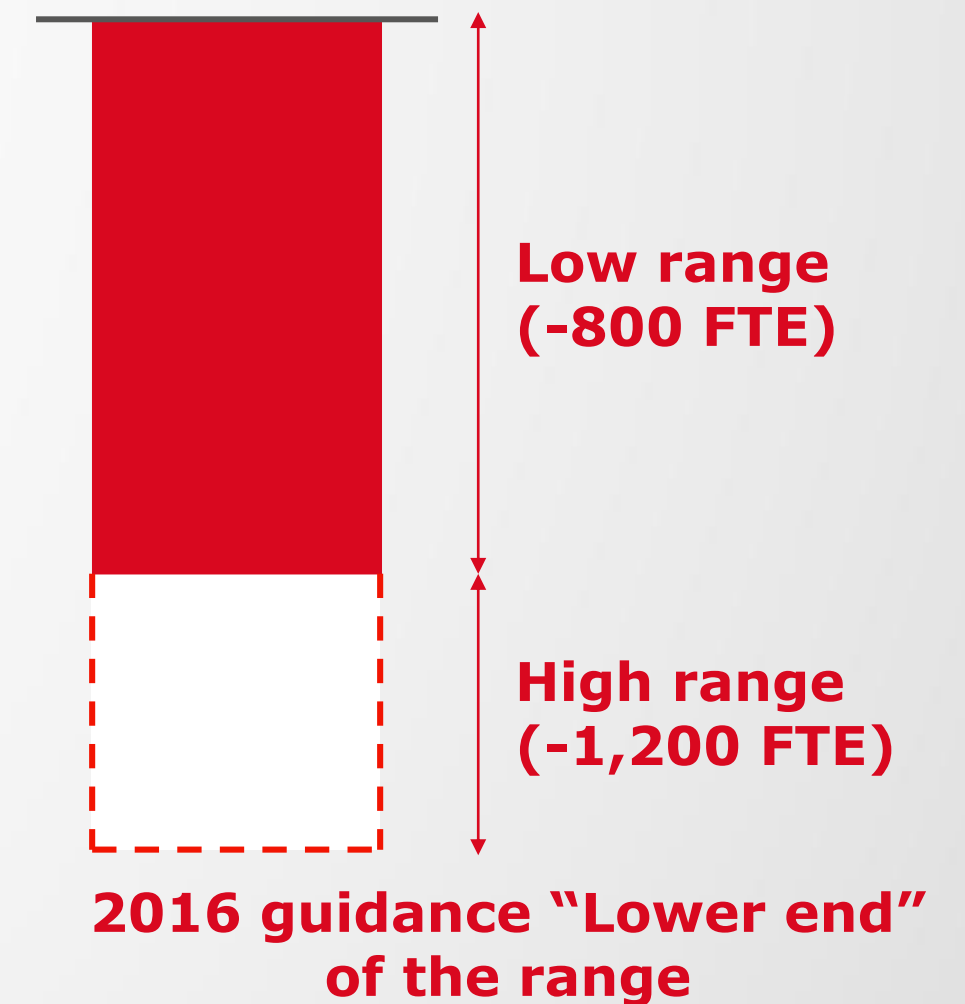
Productivity improvement of 800-1,200 FTEs in the past, 2016 guidance at the lower end of the range

Number of FTEs & interims (average)

FTE evolution



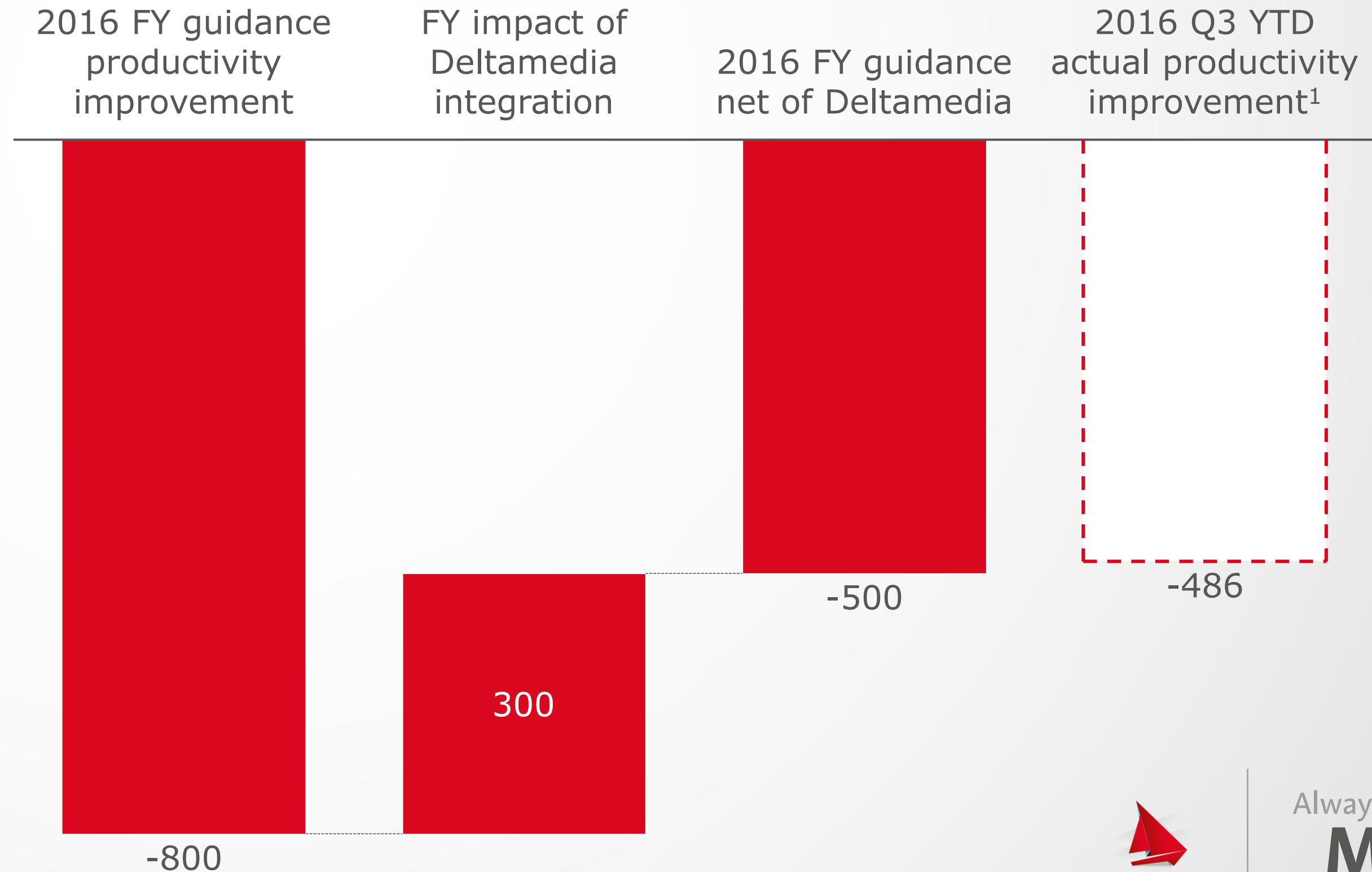
2016 guidance



Always on the
MOVE

Productivity improvement 2016 YTD in line with guidance, adjusted for Deltamedia integration

Number of FTEs and interims (average)



1 Excluding M&A and additional FTEs for parcels volume above guidance

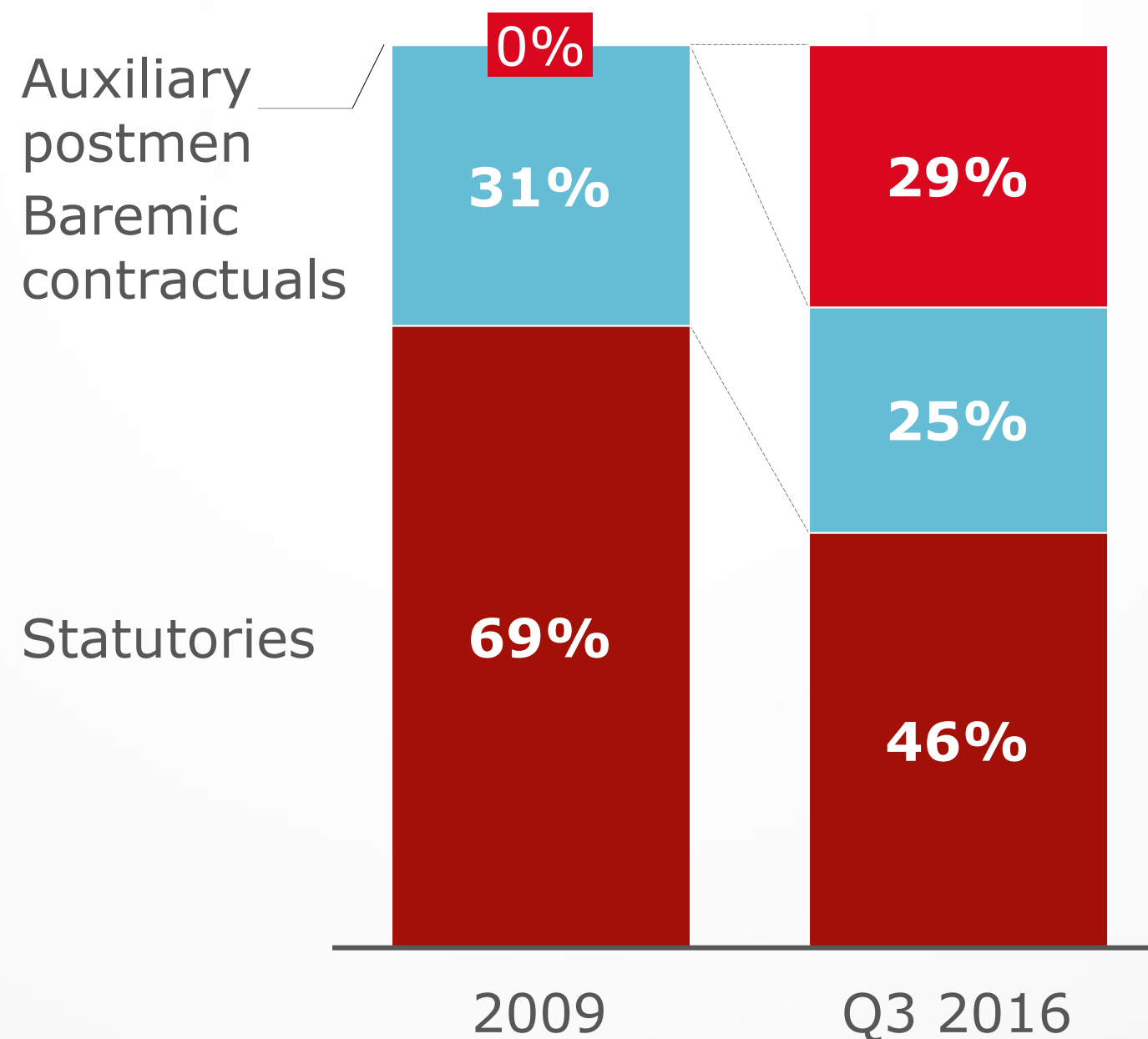


Always on the
MOVE

Besides productivity gains, change in mix continues to contribute to labor cost control

post contract types¹

Average number of FTEs, %



Average cost per contract type

Indexed on statutory employee cost



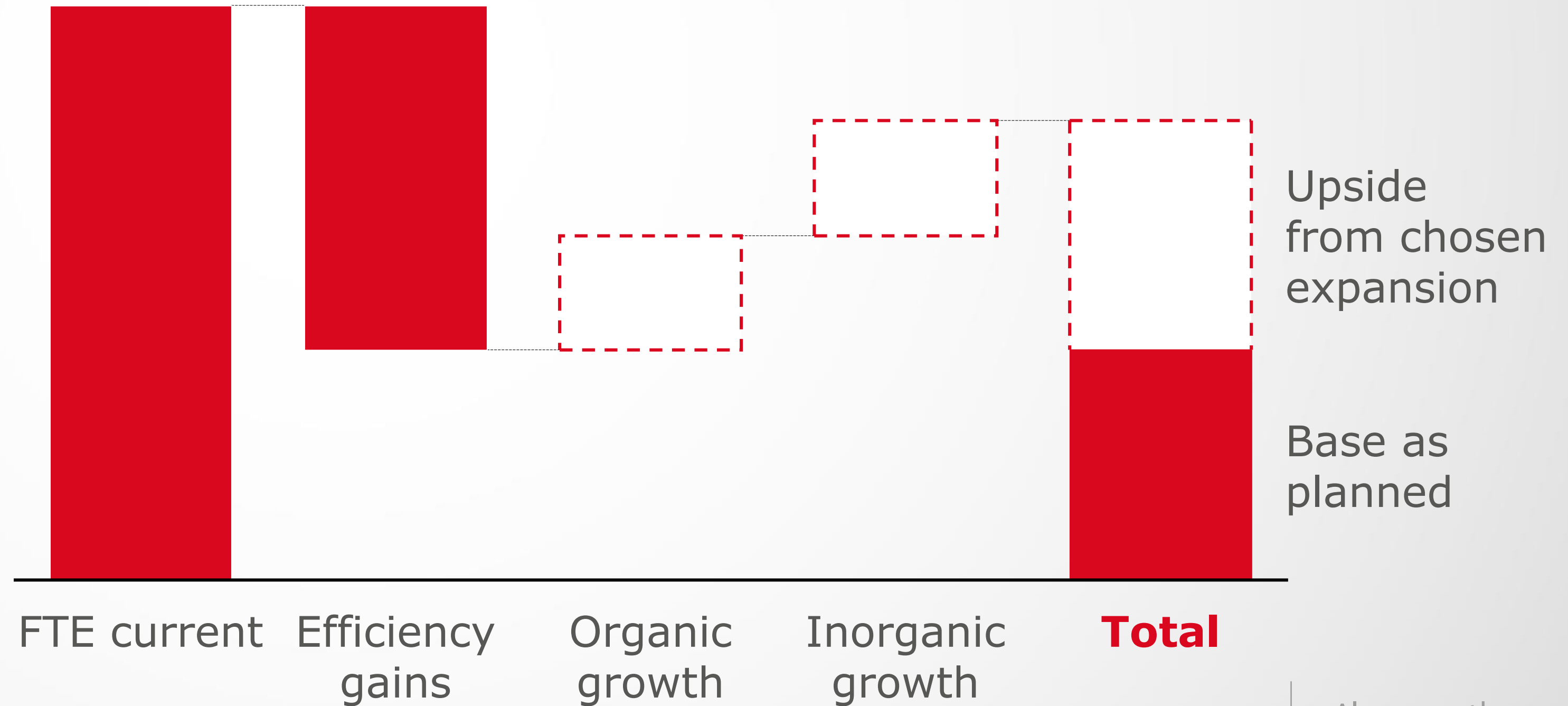
¹ Average number of FTEs excluding students, interims, non-baremic contractuels and subsidiaries



Always on the
MOVE

FTE evolution going forward will combine the current discipline with upside from expansion

Number of FTEs



Always on the
MOVE

We have delivered on Vision 2020 implementation, to be continued in 2017



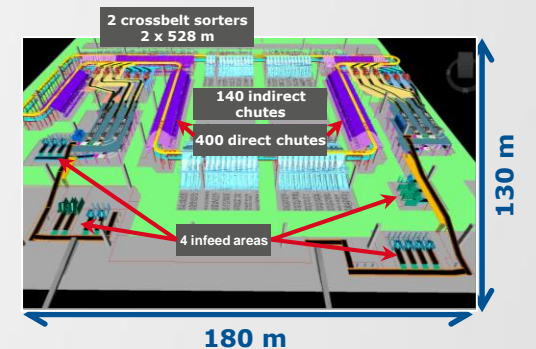
2016 key achievements

- ✓ Extension of 4 sorting centres completed on time and within initial budget
- ✓ 16 mixed sorting machines (MSM) installed
- ✓ New Brussels X IMC on its way



Key milestones in 2017

- Opening of new BX IMC
- Re-routing of mail and parcel flows
- Double parcel sorting capacity



Always on the
MOVE

We have a pipeline of cost initiatives for 2017 and beyond

NOT EXHAUSTIVE

Cost initiatives launched in 2017

Description

Vision 2020

- Further automation of preparation in Industrial Mail Centers
- Centralization of mailbag preparation
- Further reduction of distribution offices (~450 at start of program) to ~60 mail centres
- Increased efficiency in parcels sorting

Non-MSO¹ initiatives

- Improvement initiatives beyond MSO in ICT (e.g., development of Agile Ops), central support functions, retail network (e.g., call center optimization), procurement, Parcels & International (e.g., synergies between BUs)

Additional cost initiatives

MSO continuous improvement initiatives on top of Vision 2020

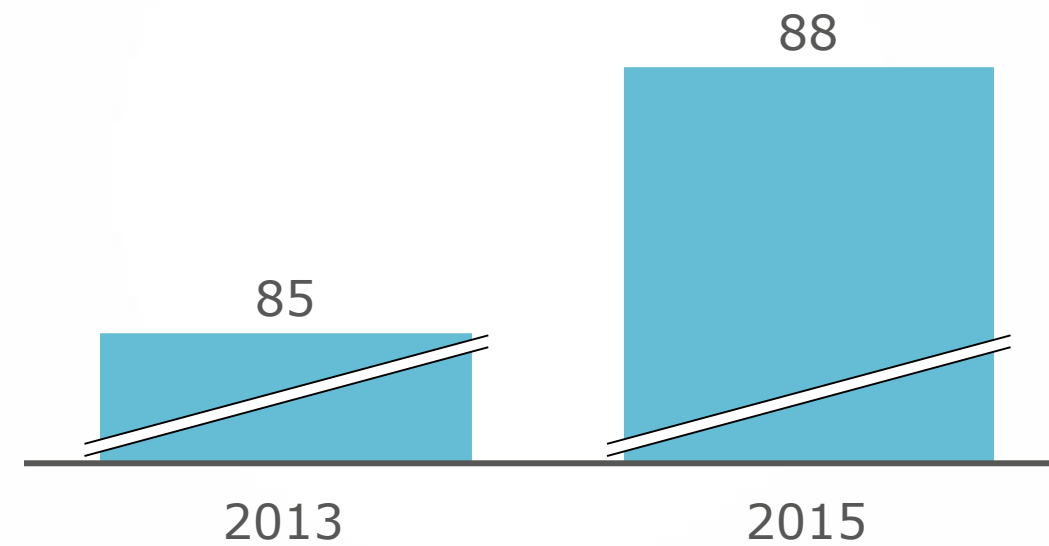
- Redefine collect organizations with central support and dedicated tools
- Share best practice between IMCs to improve Preparation productivity
- Continuously review "penetration rate" in distribution to reshape organization accordingly

In addition, toolbox of measures for management to trigger in case of acceleration of mail volume decline (e.g., different distribution setup, further overhead cost savings, pricing lever)

bpost is committed to keep all stakeholders on board

Improved quality and customer satisfaction

Customer satisfaction¹, %



Focused on environmental impact through implementation of CO₂ reduction programs

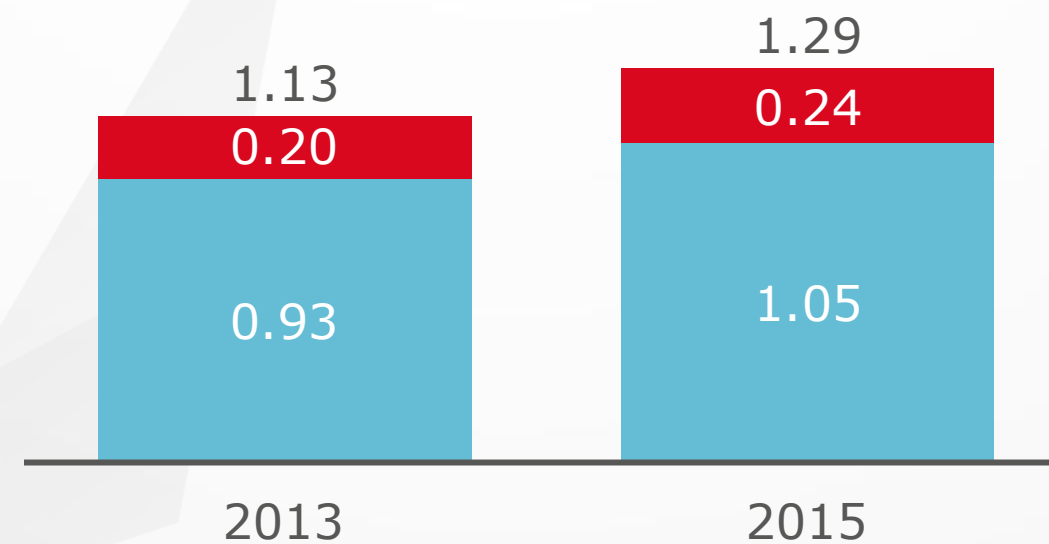


International Post Corporation



Committed to pay annual dividend of minimum 85% of BGAAP net profit

■ Final gross DPS (€) ■ Interim gross DPS (€)



Committed and caring employer focused on well-being of employees



¹ "Satisfied customers" (score of 5 or above on a scale from 1 to 7 on the question: "Overall, how satisfied are you about bpost?") based on bpost commissioned survey by Ipsos-Synovate



Always on the **MOVE**

There is a compelling rationale for a combination with PostNL

Compelling industrial and strategic rationale



- Combine forces to be better equipped to combat declining mail volumes together
- Become a leading player in the **parcel business**; an area in which we are **growing** and which is of strong importance for us but where we **seek to further accelerate our scale to compete**



- Benefit from exchange of **best practices** between two reference players operating in markets with high levels of **similarities**



- Serve increasingly **international clients** with a focus on neighbouring countries with largest **cross-border business**



- Gain a size that allows to build and **maintain independence** in a rapidly changing & consolidating international market, while **“keeping our future in our hands” in the spirit of a merger of equals**

Substantial value creation



- Create a sustainable and stronger investment proposition through **sustainable earnings and dividend accretion**
- Strengthen currently **complementary balance sheet** structures

Safeguard all stakeholders' interests



- Maintain commitment to affordable, sustainable, solid and reliable **“universal and public services” in both countries**, respective USO and broader public services

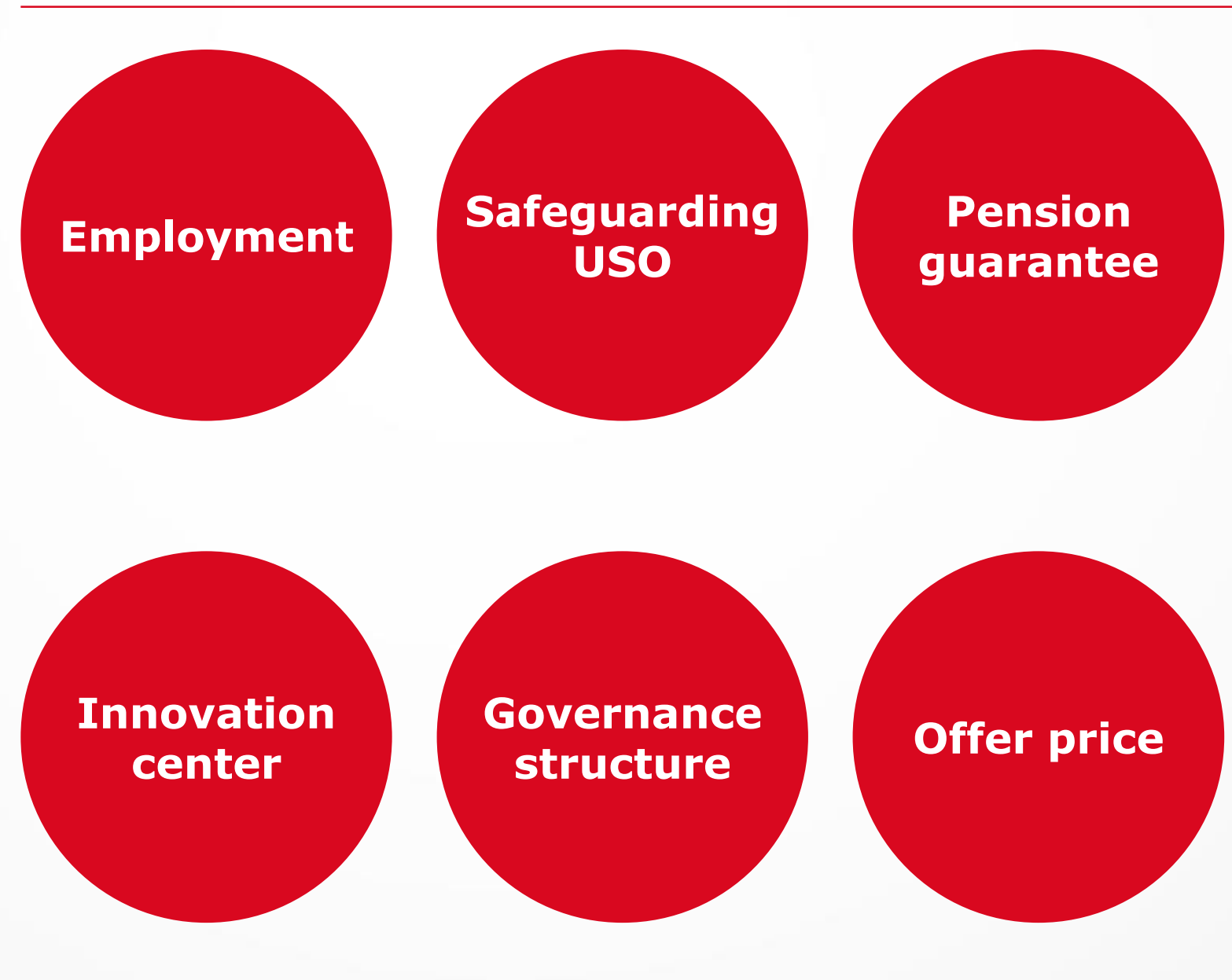


- Continue to provide employees with **strong & sustainable working conditions**, social plans and pension arrangements based on our **culture and solid values**

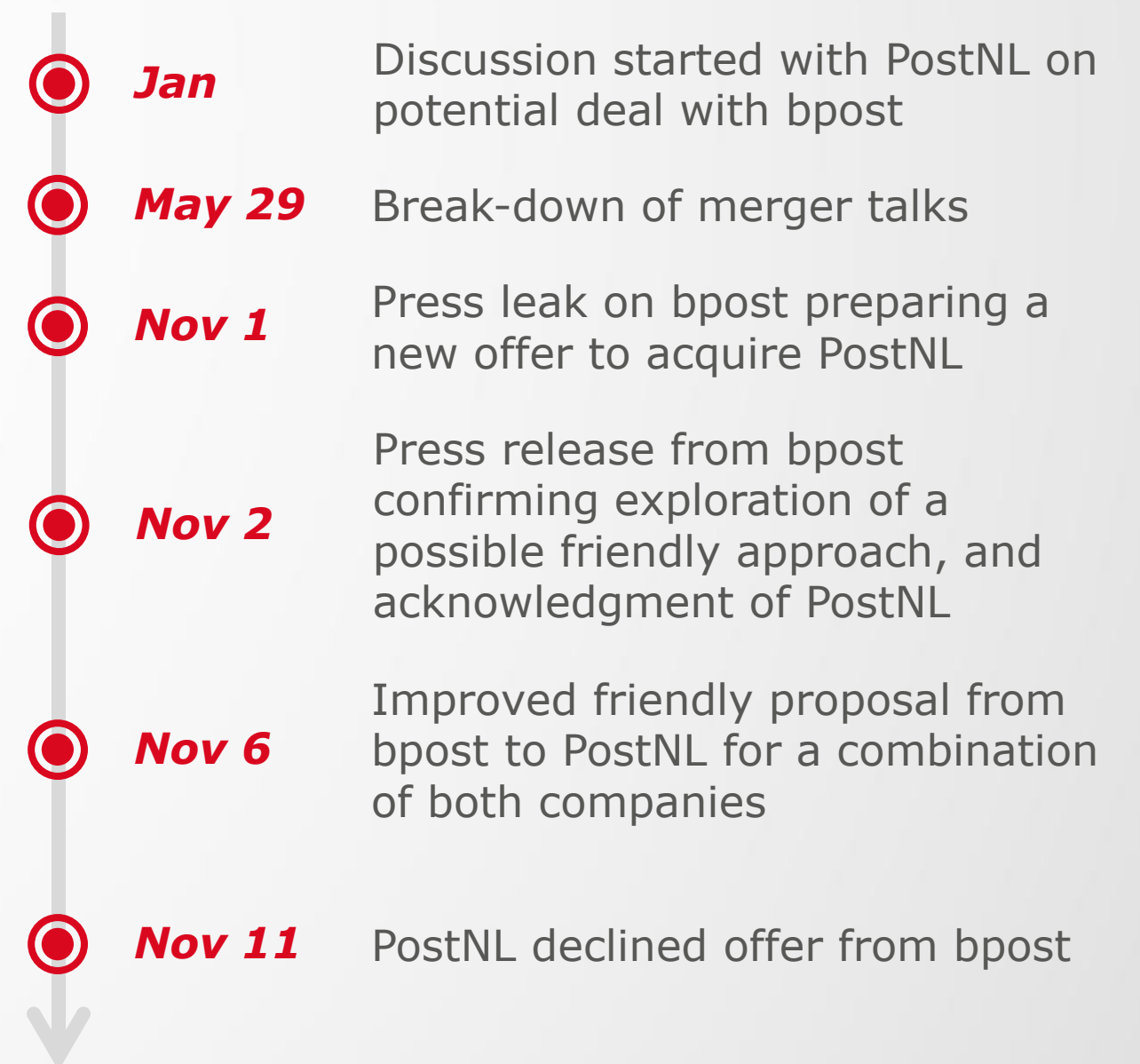


Key terms of our offer to PostNL, and sequence of events

An enhanced offer on 6 elements



Sequence of events



What the Combination would look like

bpost¹

EUR million (2015)



Combination²

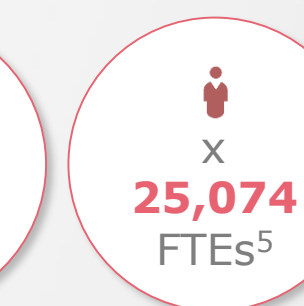
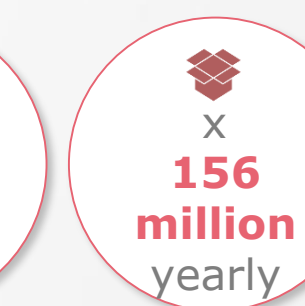
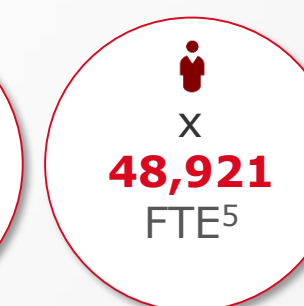
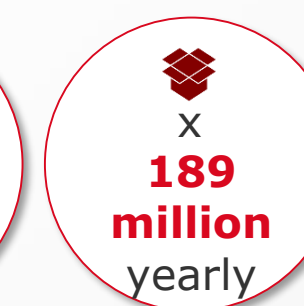
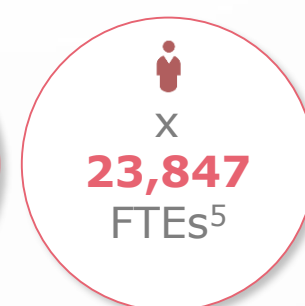
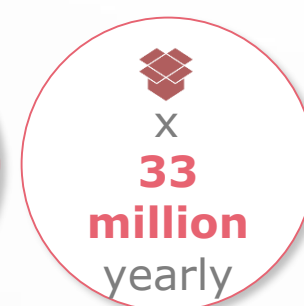
EUR million (2015)

PostNL

EUR million (2015)



| | | | | | | |
|-------------------------|------------------|-----|-------|-----|------------------|-------------------------|
| Revenue | 2,434 | 41% | 5,895 | 59% | 3,461 | Revenue |
| EBIT | 466 | 58% | 806 | 42% | 340 ⁶ | EBIT |
| Profit for the year | 309 ⁴ | 67% | 458 | 33% | 149 | Profit for the year |
| Market cap ³ | 4,848 | 70% | 6,965 | 30% | 2,117 | Market cap ³ |



1 Reported numbers

2 Simple pro-forma, excluding synergies or potential re-rating

3 As of October 31, 2016

4 As defined by IFRS consolidated net profit

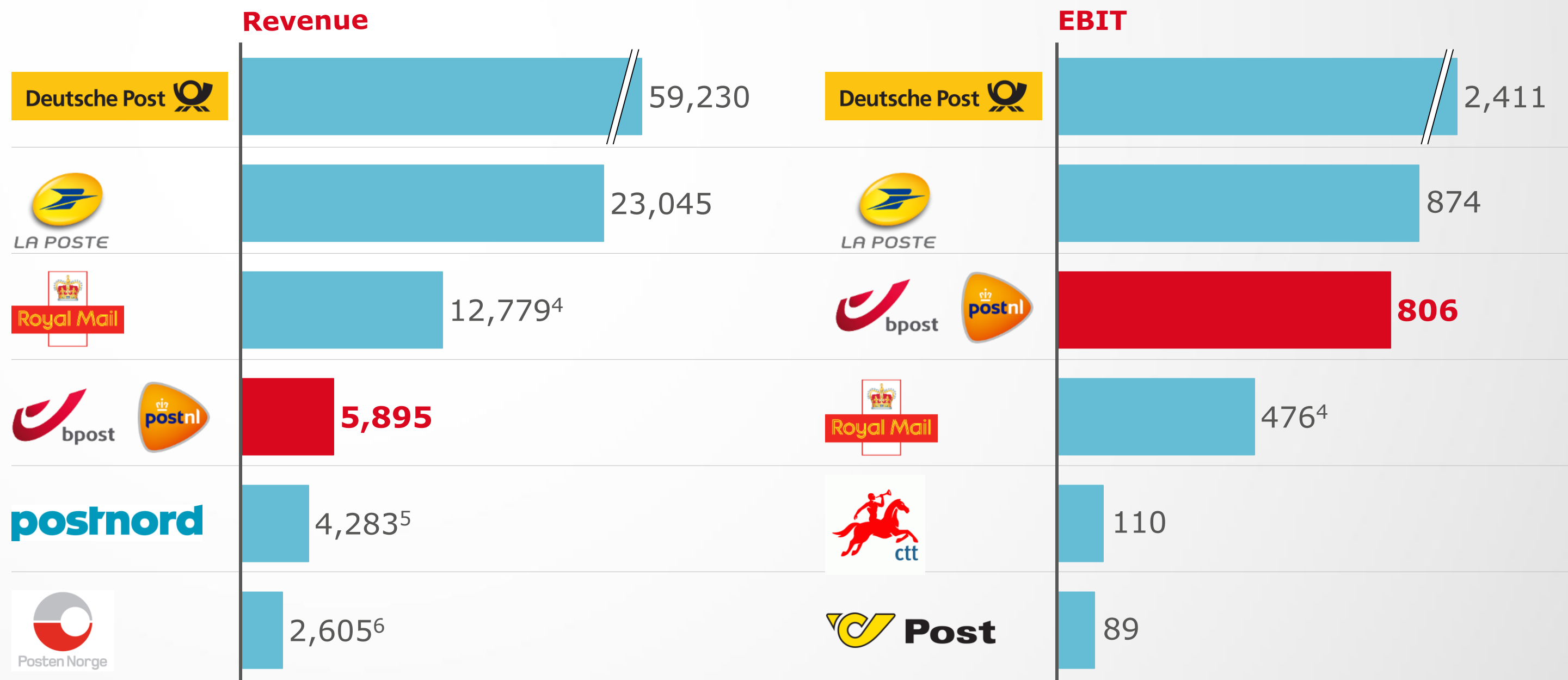
5 Year average

6 As defined by operating income



The combination would represent the 4th largest postal operator in the EU in terms of revenue and 3rd in terms of EBIT

Relative size versus listed EU Peers¹²³, 2015 figures in EUR million



1 Simple pro-forma, excluding synergies or potential re-rating

2 Excluding Poste Italiane, for which 87% of the revenue comes from financial services

3 Includes all activities of the postal operators, incl. financial services

4 Using a GBP to EUR exchange rate of 1,356 on Dec 31 2015

5 Using a SEK to EUR exchange rate of 9.187 on Dec 31 2015; EBIT defined as operating income

6 Using a 0.1039 NOK to EUR exchange rate on Dec 31 2015



Focused strategy and clear choices



we are **mail**



we **grow**



we are **lean,
agile & flexible**



we are **@ core**