



Interim Financial Report

Third quarter 2022

Conference call transcript

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PRESENTATION

Operator: Hello and welcome to the bpost third quarter 2022 Analyst Call. My name is George, and I'll be your coordinator for today's event. Please note this call is being recorded and for the duration of the call, your lines will be on listen-only mode. However, you will have the opportunity to ask questions at the end of the call, and this can be done by pressing star one on your telephone keypad. If you require assistance at any point, please press star zero and you will be connected to an operator.

And I will now hand you over to your host today, Mr Philippe Dartienne, CEO ad interim, to begin today's conference. Thank you.

Philippe Dartienne: Good morning Ladies and Gentlemen. Welcome!

I am pleased to present you our third quarter 2022 results as CEO ad interim of bpostgroup. Welcome to all of you and thank you for joining. With me, I have Koen Aelterman, our CFO ad interim that you already know, as well as Antoine Lebecq from Investors Relations that you also know.

We posted the materials on our website last night. We'll walk you through the presentation and will then take your questions. Two questions each would ensure everyone gets the chance to be addressed in the upcoming hour.

As you know, bpost has launched a compliance review relating to the current tender for the press concession in Belgium. The Company's Board and the CEO mutually agreed on October 24th that the CEO temporarily steps aside pending the review, and the Board decided to temporarily entrust the powers of daily management to Henri de Romrée, CEO of e-Logistics North-America.

Yesterday, the Board of Directors of bpost has received an update of the compliance review, further to which the decision for the CEO to temporarily step aside remains in place.

Given the fact that the review is still ongoing and in view of the coming end-of-year peak, which is crucial for bpost, and especially in North America, the Board of Directors and Henri de Romrée have agreed that Henri returns to his function of CEO of e-Logistics North-America.

The Board of Directors has decided to appoint me as CEO ad interim. Koen Aelterman, you will remember, will be our CFO ad interim.

I do take this assignment very seriously and I will pursue the implementation of the company's strategy unabatedly and maintain the social dialogue.

Our main objective remains to ensure continuity of services. The operations teams are preparing themselves and are ready for the most crucial period of the year: the end-of-year peak.

We are not in a position to comment these events any further.

Now, let me go to the highlights of the third quarter results.

We are pleased to report that our quarterly results continued to track towards our guidance range, in a seasonally softer quarter, and despite the ongoing and even stronger macro-headwinds.

Underlying parcels volume growth coupled with pricing measures, mail price increase offsetting the volume decline and continuous efforts on management actions drove the performance of this quarter.

Our Group operating income for Q3 stands at 1,022 million euro, up +4.5% year-on-year, reflecting higher revenue across all segments, also when combining the deconsolidation impacts of Ubiway Retail and the Mail Group, the consolidation of IMX and the favourable US FX impacts.

We see that our Group adjusted EBIT stands at 26 million euro with a margin of 2.5%. Unsurprisingly, due to inflationary pressure on costs and worsening macroeconomic trends, EBIT is down -33.5% compared to last year.

Let's go in the different business units.

Belgium adjusted EBIT of 18.9 million euro reflects on one hand slightly higher operating income from Retail and Value Added Services and most remarkably stable Mail and Parcels revenue; and on the other hand higher opex due to the five recent salary indexations of +2% each, and higher energy costs, partially mitigated by continued FTE reductions.

At E-Logistics Eurasia, adjusted EBIT at 4.4 million is a slight 0.8 million increase year-over-year, due to the expansion momentum at Radial Europe and Active Ants and the integration of IMX since July this year.

At E-Logistics North America, operating income is as expected normalizing post the recent customer onboardings at Radial and FX provided a tailwind of around 17%. Adjusted EBIT

was 10.5 million euro. This is almost 20% up year-on-year when rebasing last year's third quarter with the 4 million euro EBIT uplift related to the cyber insurance recovery.

I would now like to hand over to Koen for more details on the financials of the third quarter.

Koen Aelterman: Thank you Philippe and good morning to you all.

For your reference, you find on page 4 an overview of the key financials for the quarter, both reported and adjusted.

Philippe already mentioned our group top-line and EBIT. Our adjusted Net profit amounts to 27.1 million euro.

Similar to the previous quarter, it benefited from Net Financial result increasing by 6 million euro year-over-year, reflecting lower financial charges related to IAS 19 employee benefits, in line with higher discount rates and thus a non-cash impact.

Allow me to move directly to the details of Belgium on page 5..

At Belgium, at constant perimeter, we see that external revenues increased by 8 million to 495 million euro.

Domestic Mail recorded an underlying mail volume decline of -7.7% for the quarter, against -7.5% in Q3 2021. This impacted revenues by -19 million euro and was further compounded by a working day impact of -0.7 million, but was at the same time mitigated by a positive price and mix impact of +18 million euro. All together domestic mail revenues remained nearly stable year-over-year.

Note that in the context of the vaccination campaign for the second booster dose, Admin Mail volumes were again supported by some COVID-19 communication. We estimate a

contribution of around 5 million euro to the top-line in the third quarter, more or less in line with Q3 last year.

Parcels Belgium recorded a slight increase of 1 million euro in revenue, or +0.9%. Excluding the impact of Amazon's insourcing which we've discussed in previous quarters, parcel volumes were up +7.8% year-over-year. The volume trend is supported by both our successful hunting plan and our existing customers. This is an improvement on Q1 and Q2 when we recorded a volume decline of -8.1% and -2.9% respectively.

When including the Amazon impact, parcel volumes were -3.8% below last year.

At the same time, the price/mix improved from +3.0% and +3.4% in Q1 and Q2, to +4.7% in Q3 mainly thanks to recent price increases; including our second price increase of +2.9% applied since the month of June to some of our contractual customers.

To put things in perspective, parcel volumes remain 50% above the pre-pandemic third quarter of 2019.

Similar to what we observed in the previous quarter, Proximity and convenience retail network revenue increased organically by 6 million euro, resulting from the new Management Contract which came into force in 2022.

In this subsegment, the deconsolidation impact of Ubiway Retail as from the month of March this year was -36.5 million in the quarter.

Value added services slightly increased by 2.5 million euro, mostly resulting from higher revenue from Fines solution.

Let's move to the P&L of Belgium on page 6.

On the costs side, excluding Ubiway Retail, the operating expenses increased by 17 million euro year-over-year, mainly reflecting the persistent inflationary pressure. We have indeed recorded higher payroll costs per FTE reflecting the impact of each of the +2% salary indexations of November 2021, February, April, June and September 2022, as well as the change in Night shift regulation. And also higher energy and subcontractor costs.

These impacts were mitigated by the continued execution of the dedicated management actions announced earlier this year, which includes the FTE reduction of around 930 FTEs year-over-year, once again excluding the Ubiway impact.

Moving on to E-Logistics Eurasia then, on page 7.

External operating income was this time up 17 million euro, reflecting strong growth in e-commerce logistics and integration of IMX at Cross-border.

Looking at the revenue development per subsegment, we see that in E-commerce logistics, Radial Europe and Active Ants' sales growth accelerated to +22% year-over-year. This compares with the low- to mid- teens percentage growth of the previous quarters and is driven by our existing customers' expansion – what we call the Same Store Sales – and by recent customer onboardings, as announced with our Q2 results.

At Dyna, similar to the previous quarters, sales were down versus last year. This was due to the lower volumes in "one and two-man delivery" network at DynaLogic, exclusively driven by the lower consumer spending in white goods, and also less devices to be repaired at DynaFix.

The strong growth momentum at Radial Europe and Active Ants did offset Dyna's development with a combined increase of 4 million euro in revenue for the subsegment.

Cross-border's top-line development is mainly driven by the consolidation of IMX since July this year, while our other businesses, mainly in Europe, continue to grow. For Asia, we are now comparing against Q3 2021 which was the first "post-VAT regulation" quarter, we see that Asian sales are normalizing and even trending slightly above Q3 last year. Sales are however still affected by the supply chain disruptions in China.

Cross-border revenue increased by 13 million euro, or +19%.

Moving to the P&L of Eurasia on slide 8.

We see that our operating expenses increased by 17 million or 13%, mainly explained by higher transport costs in line with higher Fulfilment and Cross-border activities and IMX integration, higher payroll costs from inflation and recent sites openings, in line with our expansion and the strategic development initiatives for Radial Europe and Active Ants, and partly offset by lower material, interims and transport costs at Dyna, in line with lower volumes as just explained.

Moving on to our North America E-Logistics business, on page 9.

The operating income of E-commerce logistics increased by 63 million euro, up +3% at constant exchange rate. Besides the favourable FX impact of around 17%, Landmark and Apple Express benefited from increased volumes from existing customers and new customers won in 2021, while as expected Radial sales have normalized as the new customers launched in 2021 are now fully implemented.

Radial revenues amounted to 296 million US dollars in this quarter. This is +1% above the third quarter of 2021 yet +51% compared to 2019. It reflects our strong position in North America's e-commerce logistics market and our ability to capture growth and expand.

For the last quarter this time, you can also see the 7 million euro impact of the deconsolidation of The Mail Group in early August 2021.

Moving to the P&L on slide 10.

Operating expenses increased by 2.3% excluding FX impacts. Variable OPEX, notably labour costs, evolved in line with revenue development but were partially mitigated by some productivity gains, resulting in an improved variable margin.

We also incurred higher fixed costs from new site openings, which support our commercial development, and higher SG&A costs for strategic projects.

Year-over-year, E-Logistics North America adjusted EBIT decreased by 2 million euro, but when excluding one-offs our underlying EBIT continues to improve. Remind that last year we benefited from a 4 million euro EBIT uplift from the cyber insurance recovery following the ransomware attack in October 2020, and we booked this quarter a 7 million euro provision reflecting a dispute with a terminated customer.

Moving on then to the Corporate segment, on page 11.

External operating income slightly increased by 0.5 million euro year-over-year, while the net operating expenses increased by 2.3 million. This reflects higher consultancy costs to support our transformation and the inflationary impacts on payroll costs. But most importantly our continued efforts on overhead reduction continue to bear fruit and we recorded a reduction of 5.8% in overhead and interims FTEs, which corresponds to 90 FTEs less and compares to -3.8% in the previous quarter.

Then we move to the Cash Flow on slide 12.

The main items to flag are the following: "Cash Flow from Operating activities before changes in Working Capital" remained stable year-over-year, "Change in working capital and provisions" decreased by 95 million. This is really about the compensation schedule related to the Management Contract. Last year we received 80 million in Q3 and this year 99 million in early Q4. This timing difference will therefore reverse in the coming quarter.

"Cash outflow from Investing activities" increased by 24 million to 47 million euro. With higher capex was directed towards our e-logistics expansion in Europe and in the US, and the optimization of our domestic network in Belgium. Remember that our capex spend tends to be back-end loaded in the year.

As to our active portfolio management and M&A activities, we had last year the disposal of The Mail Group for 6.5 million and we have in this quarter the "Acquisition of subsidiaries, net of cash acquired" for around 2 million, which reflects the acquisition of Aldipress.

I now hand over to Philippe to cover our outlook for the remainder of 2022.

Philippe Dartienne: Thank you Koen. Very clear, as usual.

Q3 results were encouraging and reflect management focus throughout the group throughout the year. This leads us to revised upwards our guidance to group EBIT 2022 between 265 and 300 million euro.

You remember that after the initial guidance of 280 to 310 in February 2022 we shared our assessment of downside risks. They evolved in nature and amount throughout the year, starting from 40 million at Q1 down to 25 million at Q2 and leading us to this revised EBIT range for the year. For clarity, the range 265-300 includes any downside risk.

For the fourth quarter this implies a range of "63 to 98" million EBIT. You know how sensitive our businesses are to Q4 and stronger headwinds and uncertainty persist.

First the uncertainty on volumes trend and phasing of volumes for the end-of-year peak in Belgium and internationally. Belgium consumer confidence remains at a record low level even if it stabilized in October. Households face energy price increases as winter approaches and record-high inflation. Belgium witnessed a record-high inflation rate of 12.3% in October, versus 8.3% and 9.7% in March and June. This is the highest reading since 1975.

Macro-economic factors remain and the magnitude of their impacts on customer disposable income and retail spend capacity at year-end remain a source of uncertainty for the quarter.

As a result, predictability of volumes and their phasing is rather limited. Additional volumes from existing and new customers, pricing measures and optimal peak preparation are mitigating factors we have already been working on already.

Second, external factors such as continued higher energy and payroll costs still constitute a headwind. Energy prices in Q3 remain above last year but have stabilized and remain broadly in line with our previous guidance update.

Payroll costs in Belgium are now predictable for the remainder of the year with one last additional salary indexation of +2% taking place in December. Should inflation continue to further accelerate, the anticipated future indexations could still occur earlier in 2023 but not in 2022 anymore.

bpost will also pay a premium to its employees in Belgium to alleviate the pressure on purchasing power.

Of course, management continues to take actions at all levels in order to mitigate and phase these adverse impacts and we proactively act on what we can control from management and our colleagues.

We are now ready to take your questions. Operator, please open the lines.

QUESTIONS AND ANSWERS

Operator: Thank you very much Mr Dartienne. Ladies and gentlemen, as a reminder to ask a question please press star one on your telephone keypad. If your question's been answered, you can remove yourself from the queue by pressing star two and once again, just please limit yourself to two questions to give everybody a chance to ask questions. The first question is coming from Ivar Billfalk-Kelly from UBS, please go ahead, your line is open.

Ivar Billfalk-Kelly (UBS): Good morning everyone. Thank you for taking the questions. I won't ask you to comment on the ongoing state of the investigation, but just in the event that you were to lose the press concession, how would you actually be able to go about offsetting the cost from that? Because from memory, it's worth about €175 million per year in terms of revenue but my understanding is that the cost base isn't quite as flexible. So what would happen in that event which would ultimately be a very big loss and potentially EBIT?

And secondly, you've made some big costs savings on the back of FTE reductions. How will that play into the peak season? Your peers at PostNL have effectively said that they need to retain staff to be able to deal with the year-end peak. They're clearly on very different paths. Any details here on how you would be able to manage the peak by the reductions would be very helpful. Thank you.

Philippe Dartienne: So thank you for the question. So I'm going to take the one relating to the press concession and I will put things into perspective and going a little bit back to explain where we are coming from and where we are. As a reminder, the ongoing concession for distribution of newspapers and periodical in Belgium, two separate lots were

awarded to bpost in 2015 for the period 2016-2020, following a tender procedure organised by the Belgian state. In December 2019, the government decided to extend the ongoing service concession until the end of 2022. In March 2021, the Belgian state organised a public tender to award the concession for the period 2023-2027. bpost last year confirmed its candidacy for its own succession and the procedure is still ongoing. Like any other participant, bpost does not know whether other participants are bidding to the contract. bpost relies on its excellent track record on delivery, quality and other SLA requirements and therefore believe it's well positioned.

In terms of financials in the context of the ongoing two-years extension, bpost receives an annual compensation of roughly €170 million. In Belgium business unit, this revenue is booked on the press sub-segment, €340 million in 2021, together with the revenue from press editors and AMP, and represent circa 4% of the Group total operating income in 2021 and less than 8% of the segment operating income.

In terms of FTE, thousands of FTEs work on the press concession. As volume decline over time, so does the number of people employed. Newspapers are distributed in dedicated rounds given SLA, some need to be delivered before 7.30 AM, while periodicals are distributed in the regular mail rounds. While the tender for concession for the period 2023-2027 is officially still ongoing, we understand that following its budget conclave, the government would envisage to reduce the annual envelope to €125 million. We also understand from minister's hearing in the chamber, that since bpost did not bid for the tender based on this lower financial conditions, the government could withdraw the ongoing tender and organise, in early 2023, a new tender for 2024 onwards, with a revised scope of service to match budget cuts. As read in the press, this would imply the ongoing concession would be extended for 2023. In this case, bpost would carefully consider the SLA requirements of the new tender and try to find ways to cope with the budget cut in order to limit the impact on EBIT. Any extension in 2023 would likely be under the same

condition operationally and financially as the ongoing concession, so there would be limited change versus to 2022.

Koen Aeltermann: Coming down to your second question Ivar, so in terms of staffing certainty for end-of-year peak, it's important to recognise that we have, first of all, a large base of people with fixed contracts working for bpost. That is in place, there is no risk on that, which we will complement with temporary workers which can be interims or even subcontractors, and which will also provide us the flexibility to scale up and down rapidly in function of the volumes, typically within a week. On top of that, to manage any peak that might still arise, we have put into place a cap-and-buffer approach, as we already had back in 2021, which means that if volumes go above the agreements we have with our customers, we will buffer those and treat them as capacity becomes available.

So we do not foresee any challenge on that aspect from the – in terms of staffing. The labour market as well in Belgium, even though still tight, is not as tight as in the Netherlands. So the challenge in itself is also smaller for Belgium.

Ivar Billfalk-Kelly: Understood. Thank you very much.

Operator: Thank you. We'll take questions now from Mr Frank Claassen calling from the Degroof Petercam, please go ahead.

Frank Claassen (Degroof Petercam): Yes good morning gentlemen, two questions please. First of all, on the Parcel volumes, what is currently roughly baked into your guidance for Q4? Do you expect the, let's say, improving trend to continue? And maybe also related to that, what have you seen so far in the quarter until this week? So what kind of volume trends.

And then secondly, could you also elaborate on the situation in the US? Do you already see more hesitant customer behaviour and also is it more difficult to find people? What kind of wage inflation do you expect? That kind of questions. Thank you.

Koen Aelterman: So let me take your first question. So on parcel volumes, our expectations for Q4 are actually that we will have volumes which are broadly in line with last year, which includes the Amazon impact. It's the result of all the progress we've made on our commercial hunting plan and we will even – or we have launched last week bol.com which who we signed the contract as well, which will further support our volumes in Q4. Looking at October, in fact that is confirmed in the results of October, where we see volumes with a trend which is very similar to what we saw in Q3 but, as mentioned, bol.com started as of November. So we expect that to pick up, reaching that about flattish volume development.

On the US, I'll pass the question to Philippe.

Philippe Dartienne: So on the US, your question is more relating on how can we adjust the cost base with the volume and the availability of people on the US market. I would tell you that we have revisited the staffing of – for the year-end peak site by site and we have really challenged the forecast of our customers to avoid being in a situation whereby we would be with too many people waiting for parcels potentially not coming. So this reduces the risk of having unwanted costs. On the other side, unlike the situation we faced in last year where the market was – the labour market in the US was extremely tight, meaning that accessing to additional capacity resources was almost impossible, and even one was accessible or available at really high price. This is no more the situation. So I would say, the team has done an outstanding job being prepared to receive lower volume but to be able to upscale if and when and where necessary.

Frank Claassen: Okay, thank you very much

Operator: Thank you sir. We'll now move to Marc Swartzsenburg from ING. Please go ahead.

Marc Swartzsenburg (ING): Yes, good morning. Thank you for taking my questions. First, coming back on the Parcels, you mentioned then this flat guidance a bit year-on-year for Q4 but if I look a bit on the underlying trend in Q3 and also the fact that Amazon will have less of an impact, of course it was scaling up only as of halfway November last year but still should help a bit, but also September must have been way better than the average of the quarter. So can you give a bit of a feel for what kind of leeway you already have on your October volumes? Are you already at high single-digit growth excluding Amazon? So in mid-single digit including? And also the price mix effect was quite strong. Of course you pushed through this early phasing a bit of these price increases but can you give a bit of a feel for what we should see in Q4? But predominantly also what we can expect for price increases for next year? So that's my question on the Parcels division.

Then on the advertisement segment, there you see quite significant price mix but on the other hand, also weaker volumes, of course, more sensitive maybe to consumer confidence. Can you give a bit of a feel for how we should be looking at the advertisement segment into Q4, maybe into next year in terms of volume and price mix? Those are my questions.

Philippe Dartienne: I suggest Koen, you take parcels, I take price and you will come back on advertising.

Koen Aelterman: So volumes indeed. So as I said, we're expecting to end flat, more or less, in Q4. In terms of the Amazon impact, indeed last year Amazon started insourcing in November but that only slowly ramped up. So in terms of comparable, it is not that the impact in Q4 last year of Amazon was already very significant. And we still expect for Amazon to be in the range of the minus 50% versus last year, which we have also seen over the past few quarters. It means that indeed we are expecting a growth in the mid-to-high single digit for the other customers outside of Amazon.

Price increase, let me then pass that on to Philippe and I'll come back to advertising after that.

Philippe Dartienne: Okay, so on volume, price increase volume on parcels. So we have two buckets, if I could say so. We have a first one which is a prepaid product that are part of the scope of universal services. As such, this one, they are included in a price cap formula which is controlled by the regulator, the BIPT. And the price increase for 2023 is being currently revised by the regulator but we could – and should be announced in the coming days but we expect an increase in the range between 12-13%, in line with the inflation observed in Belgium.

For the second bucket, which is the contract parcels, we have some more flexibility as the price increases are based on pricing clauses in our contracts. The majority of the contract, the clauses are indexation based on the sector specific, which is 80% of the value of the national index as published by ITLB, Institute of Transport & Logistics Belgium. For 2023, the fixing is already known and the price increase in 2023 will be 10.7%. Remember, nevertheless, that given the soaring inflation, bpost already applied an interim price increase of plus 2.9% in June. The incremental price that we therefore expect should be 7.8%. For the remainder of our products, percentage price increase is fixed in the contract and is probably not covering fully the 12% rate inflation we are seeing in Belgium.

Marc Swartzsenburg: And if I may, what is the split between the USO related prepaid products and the contractual part?

Koen Aeltermann: The USO related part is the smaller part, I don't know exactly by heart but range around 5%, top of mind.

Marc Swartzsenburg: So 95% is the other part.

Koen Aeltermann: Indeed.

Koen Aeltermann: Looking then to advertising. So, indeed, we see that the trend is more negative on the advertising part as it's impacted by higher paper prices and the overall inflation. We see paper prices have increased between 40% to 80%, which is negatively impacting the number of campaigns that our customers do as they work under fixed marketing budgets. And so they're forced to reduce or cut on paper campaigns. We see that trend continue for the moment into Q4 but we still think, based on what we see today, that we will end up within the initial guidance we gave back in February of minus 8% to minus 10% for Mail overall, rather even towards the lower end of that so more towards the minus 8%.

Marc Swartzsenburg: And price expectation for advertisement?

Koen Aeltermann: Philippe, you want to take that one?

Philippe Dartienne: That's a good one. I'm thinking, I don't have answer for that one, to be honest.

Marc Zwartsenburg: I'll follow up with Antoine.

Koen Aelterman: So you mean price expectations for Q4 or for next year?

Marc Zwartsenburg: Actually both. Because it was quite a bit higher I think in Q3. So maybe you push through price increases also on the advertisement or is it more mixed?

Philippe Dartienne: I could say a general comment. This is a very specific segment and you know how it works for this kind of business. Companies have a fixed budget for advertising and when prices of the components of the marketing campaign are going up, typically we are seeing that the price of the paper went through the roof. Our costs are also bigger. What do they do? They still have the same budget but they distribute or they send lower volume. So for me, it's more like the adjustment is maybe more made based on their budget available than anything else. Don't know if I'm clear.

Koen Aelterman: And to pick up on the price mix effect you have seen, so there's two components there under advertising mail. One part is unaddressed mail which is outside of the scope of USO and indeed for which we have implemented the price increase. I think we communicated on that back in Q2. For the remainder, so the addressed advertising, that is part of the scope of the USO and as such, the prices do not change throughout the year. So that's the explanation for the price mix effect. It also means that for next year, any price increases will be part of the file presented to the BIPT, subject to the different regulations applying to that segment. And those will be communicated as soon as the file is cleared with the regulator.

Marc Zwartsenburg: Okay, well, thank you for the call. Those are my questions for now.

Operator: Thank you. We'll now go to Sumit Mehrotra calling from Societe Generale. Please go ahead.

Sumit Mehrotra (Societe Generale): Thank you. So fairly clear presentation but I just want to know, the implied range that you have for the fourth quarter EBIT, quite wide, €25 million YoY decline implied to a modest €10 million increase. So what is the strategy here to avoid the lower end of the performance for the fourth quarter? Any specific steps that you have undertaken to limit the downside? That's the first one.

Secondly, what is now your broad strategy for the Eurasia operations, especially the persistent underperformance of Dynagroup, businesses? What do we expect in terms of margin evolution next year onwards? Yes, this year being a bad one because of the VAT and the supply chain issues in China, but what should we now think about margin potential for the Eurasia business now? Thank you.

Philippe Dartienne: So I'm going to take the first one and Keon will take the second one. So why such a range? We are extremely dependent on the peak throughout our segments. It's true in Belgium, it's true in Eurasia and it's true in the US. Of course, there are, in fact, two elements that could lead to different results. So there is the volume of the peak itself, which is important and one might say the higher the volume, the higher the EBIT. On the other hand, a lower volume peak could also yield more or less the same result. Let me explain why. What is very important when you have a peak is not only the amount of the peak but the timing of the peak. So it means, how do we deal with it? What we have decided to implement in Belgium is the following. We are using the cap-and-buffer approach that was already implemented in 2021, meaning that when a customer comes and delivers us parcels above the pre-agreed quantity, we park this quantity and we will

deliver them when available capacity – when capacity will be available again, which is a way of dealing with the peak.

Another one that we have – another decision that we have taken, we have eliminated the second distribution rounds which are extremely expensive. In other words, implying – involving high cost with negative EBIT impacts. So a lot of certainties on the volume of the peak but also the timing. Would the volume come in one week or would the volume come in two or three weeks? It's not the same approach and we need to be absolutely flexible. So the reason why we're keeping that range broad because we don't know first how deep or big will the peak be and what's going to be the spread over the different periods. But one thing I can tell you is that both in Belgium and in the US, we have prepared to be as clean and mean as possible and to be flexible to be able to react to potential upsides.

Koen Aelterman: Moving then to Eurasia, you asked a specific question on Dyna. So indeed, Dyna is facing difficult market conditions for quite a while now. It's important to say that there is no client churn at Dyna, the underperformance is really driven by volume pressure from a lower market overall, so lower consumer spending in white goods and in home furniture in the current macroeconomic environment is impacting the Dyna results. Obviously we've taken measures on cost control but lower density in that distribution network does not allow to fully offset the fixed costs as well as some higher variable costs from the tight labour market in the Netherlands. Dyna is working in parallel on productivity gains but also on targeting new markets to diversify its exposure and to gain back volumes. Having said that, bpostgroup is committed towards active portfolio management where non-core and/or non-profitable assets could be identified and considered for disposal. We will continue to rigorously and meticulously look at our subsidiaries, our businesses and

activities and assess whether or not they fit our strategy, whether they deliver EBIT and cash and how much CAPEX they require as well as the return on those investments.

Perhaps a bit more broadly speaking for E-Logistics Eurasia, we do expect the fourth quarter EBIT to be better than last year where it was at €6 million, if I recall well. And we see that now that things have normalised [inaudible], we start to see a different trend than we've saw – we've seen throughout the first half of the year. We also see very promising growth at Radial and Active Ants, which as I said, is that plus 22% now and we expect to see similar growth there as well in Q4. So we see things are looking up on E-Logistics Eurasia.

To be fair though, I do want to call out that the initial guidance we gave back in February which foresaw mid – I think a low to mid-teens growth, we will not reach that anymore. I think you will have seen year-to-date, we are at minus 8%. Even with a better Q4, we will not fully catch up. From an EBIT margin perspective, where our original target was 6-8%, given the inflationary pressure and some margin dilution from the lower top line, we expect to end up slightly below that 6-8% range.

Operator: Thank you sir. We'll now go Marco Limite calling from Barclays, please go ahead.

Marco Limite (Barclays): Hi, morning. Thanks for taking my questions. So you have mentioned expected price increase for Parcels in 2023. What about for price increase for letters? Clearly, there is a formula you apply so, what would be the price increase based on the formula if we plug in current expectations?

My second question is on the – just going back quickly to the concession of newspaper and magazines. So you have mentioned that the annual compensation was €170 million but

what has been historically the EBIT contribution from that concession should you not be able to win the tender?

And third quick question, if I may. In the past, you have mentioned that about – you were targeting about to replace about 40% of the loss from Amazon, but you also have mentioned that you have gained now big customers starting from November. So just wondering if you're still aiming at replacing 40% of the Amazon volume loss or if that number is now higher. Thank you.

Philippe Dartienne: Thank you for the question. I'll take the first one and the last one and I start with the last one. Are we still targeting to replace the 40% that we have lost with Amazon? The answer is definitely yes and we are moving in that direction. The last big customer that we have signed which is bol.com that has been mentioned already, is a good sign of that. We had started, in the beginning of the year, what we call the hunting plan. It has already delivered good results so far and we do not intend to stop.

Coming to your question on Mail price increases. What I could say is that for our regulated mail products, the annual price increases is subject to a price cap formula which is controlled by our regulator, BIPT. The price increase for 2023 is being reviewed by the regulator and will be announced in the coming days. As the formula allows to compensate for inflation and volume decline, one could expect the price increase between 10% and 15% for the regulated domestic mail products, excluding the scope of the press concession.

Koen Aelterman: Yeah, for the question on the concession Marco, could I just ask you to repeat it, because you sounded quite far from the speaker and I didn't quite catch it.

Marco Limite: Sorry, I was just wondering what's the net EBIT from that concession. So compensation was under €175 million but what was the EBIT?

Koen Aelterman: Thank you. So as is the case in these type of state contracts, the margin on those is also regulated, bpost is allowed to make a reasonable margin on that. That reasonable margin is capped by the European Commission at 7.5%. We are below that for the moment. So the EBIT impact would be in the range below 7.5%. That's the maximum I can tell you at this stage.

Marco Limite: Thank you very much.

Operator: Thank you sir. We will now take questions from Henk Slotboom calling from the IDEA, please go ahead.

Henk Slotboom (the IDEA): Good morning and thanks for taking my questions. Perhaps a clarification question and perhaps I misunderstood it, but earlier on in the call, you said that the current contract on the distribution of newspapers and magazine accounts for around 4% of Group operating income. Was that correct? And if so, the 'what if' question, suppose you do lose the contract, the thousands people you mentioned, are they exclusively active in the distribution of newspapers and magazines or are they doing other work for bpost as well? Because that would – then it would mean that the profit contribution changes a little bit because of the fixed cost coverage. Perhaps you can clarify that.

And my second question, I respect that you can't comment on the internal investigation which is currently taking place. But am I right to assume that given the fact that you have been appointed as CEO at Interim, that is going to take longer than originally foreseen and maybe you could lift the tip of the view by saying what your expectations is, how long this uncertainty might drag on? Those were my questions. Thank you.

Philippe Dartienne: Okay, so let me take the second one. We will stick to what we have said. I will not comment any further.

Henk Slotboom: Okay.

Koen Aelterman: So on the concession then, so the people working on that concession, they are not 100% dedicated to it. So, as Philippe explained, we have separate rounds for the newspaper delivery. We have integrated the periodicals delivery into our regular mail rounds. So there is a combination with our existing activities. That said, should we not have the concession, we will obviously reorganise the way we set up our rounds and take out the workload related to that. It should also be noted that the compensation we get for the concession is based on what is called a net avoided cost approach, which means that it does need to account the difference between bpost doing the concession and the hypothetical situation in which bpost would not do the concession. And so that does account what you mentioned around variability of costs, that some of them are fixed and so on. So at least from that perspective, taking a sufficiently long-term view, we would be able to take out the costs related to the concession.

Henk Slotboom: Okay, thank you.

Operator: Thank you sir. Ladies and gentlemen, once again if you have any questions or follow-up questions, please do press star one. Thank you.

The next question is coming from Nikolas Mauder calling from Kepler Cheuvreux. Please go ahead.

Nikolas Mauder (Kepler Cheuvreux): Good morning. Thank you for taking my questions. The first one is on any details you can provide on the terminated customer in

North America. What is the headwind on sales and EBIT for that segment going forward?

And also, why have you chosen not to adjust the provision?

Second question is whether the recent and current management shakeup that we've seen has postponed the implementation of Project OMEGA where pilots were scheduled for a second half of 2022? Thank you very much.

Philippe Dartienne: So let me take the one on the US. I'm not sure I fully understand what you mean by adjustment on the provision. What we did, in fact we had a customer that has decided – that has been terminated so we mutually agreed to stop the contract. And there is a dispute about some money that he owes us and we are entering into litigation but we are considering we might have a risk of losing some amounts there. So we don't want to disclose any further because we don't want to jeopardise the arbitration that is about to happen.

Koen Aelterman: On Project OMEGA, so no – I think your question was, does the shakeup affect that? The answer is no. There are a number of operational changes foreseen to happen in the next year and which we will indeed be rolling out. So there is no impact from that.

Nikolas Mauder: Okay, thank you. Thank you very much. The question on the adjustment was whether the adjusted EBIT for the third quarter that you printed in the presentation reflects an adjustment for the provision or not. And I think it doesn't.

Koen Aelterman: So indeed. So the provision we took is in the seven – sorry, the seven million provision we took is in the adjusted EBIT. Yes. So if you would correct for that, EBIT would be higher.

Nikolas Mauder: Thank you.

Philippe Dartienne: Keep in mind you have the positive plus four that you had same quarter last year. Now we have a negative seven for this quarter. The reason why we disclose it is because you know Radial US has a limited portfolio customer. Would we have 2,000 customers, we would not end up isolating one dispute with a customer but given the limited size of the portfolio, it's significant and hence we made the disclosure.

Operator: Thank you sir. We now have a follow-up question from Marc Zwartsenburg calling from ING. Please go ahead sir.

Marc Zwartsenburg: Yeah, a couple of follow-ups. It was asked, I think, but what is the impact indeed of the lost revenues from this client? Because you have quite a concentrated client base in the US. So what is the impact on 2023 revenues from the loss of this client? That's my first follow-up.

And the other one is on the – still on the concession. So you mentioned that the margin is below the 7.5% cap, €170 million mentioned as revenues. So, let's say on the 7%, that's €12 million. But is there also – and part of the cost because like you say, we will need to manage down the cost base but then in the first year of losing it, you might have some costs that are sticky. So would then be the impact on 2023 be more in the line of €20-30 million because if you have thousands FTEs and part of them worked for that.

Philippe Dartienne: So I can only restate what I've said. The intention of the government is to extend the concession for one year, meaning up to 2023 and retender the remaining years. So let's see how it goes and then we will come back. So there is no reason to

believe that we would have a complete stop, either at the end of 2022 or the end of 2023. Would the situation arise, we would come back but it's not the base case.

Marc Zwartsenburg: No, I fully understand that but we need to know a bit the downside risk from this because the share price doesn't work on when we announce. So maybe then looking forward towards 2024 –

Philippe Dartienne: I cannot add anything more than that. We are not providing at this stage a guidance for 20 23, neither 2024. When it is the time, when we set up a guidance for 2023 and potentially forward, then we will disclose the assumption that we have taken relating to this topic.

Marc Zwartsenburg: Okay. Okay, fair enough. Maybe then on the US, on the impact from the decline or revenues. Hello?

Philippe Dartienne: I don't have figures like that. It is not one of our major client, to be clear. The €7 million also is not just the revenue of the third quarter. It covers more than one quarter. So that should give you an idea of the range, it's not one of our biggest clients, to be clear.

Marc Zwartsenburg: Okay. And maybe then on the subject of Mr Tirez, there's been a lot of talks in the newspaper. I know you want to cancel this question, but it's quite important I think. Can you maybe say if he is just side-lined because of there's an investigation, not onto him but on someone else in the company, or can you not even comment on that? Because that is also maybe an important.

Philippe Dartienne: I will stick to the statement I've made at the beginning and I will not add anything, nor withdraw anything.

Marc Zwartsenburg: And is it possible to get a fine on the back of – if you're found guilty, is that legally a normal thing or is that not possible? Is it just a personal thing?

Philippe Dartienne: Same answer.

Marc Zwartsenburg: Okay. Okay. I needed to try so thanks anyway.

Philippe Dartienne: We don't blame you on that one.

Operator: Thank you much sir. As we have no further questions to this time, I'll hand call over to Mr Dartienne for any additional or closure remarks. Thank you.

Philippe Dartienne: Thank you. I would like to thank everyone in the call for taking the time to be with us this morning and for the interesting questions. We'll hear from you at the conference we are going to attend in November. We look forward to staying in touch on our four quarter's result that will be released in February next year. I also want to thank my colleagues being present with me, Koen and Antoine, to help setting up the presentation and taking your interesting questions. Thank you very much.

Operator: Ladies and gentlemen, that concludes today's conference. Thank you for your attendance. You may now disconnect. Have a good day and goodbye.

[END OF TRANSCRIPT]