# Interim Financial Report
First quarter 2023

Conference call transcript

**Brussels – May, 5th 2023**
Philippe Dartienne, CEO a.i.
Koen Aelterman, CFO a.i.

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## PRESENTATION

**Operator:** Hello and welcome to the bpost first quarter 2023 analyst call. My name is George, I'll be a coordinator for today's event. Please note this conference is being recorded and for the duration of the call, your lines will be listen-only mode. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register question. If you require assistance at any point, please press star zero and you will be connected to an operator and I'll turn the call over to your host, Mr. Philippe Dartienne, CEO ad interim, to begin today's conference please go ahead, sir.

**Philippe Dartienne:** Good morning Ladies and Gentlemen. Welcome!

I am pleased to present our first quarter 2023 results as CEO ad interim of bpostgroup. Welcome to all of you and thank you for joining us. With me, I have Koen Aelterman, our CFO ad interim, as well as Antoine Lebecq from Investors Relations.

We posted the materials on our website last night. We will 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.

Before getting to our first quarter results, I would like to take the time to update you on the events of last week, as well as on the press concession.

First, on the preliminary results of the compliance review of the services provided to the Belgian State and the withdrawal last week of our financial guidance for 2023.

Following the internal compliance review relating to the ongoing and future press concessions, bpost requested its Head of Compliance & Data Protection and Head of Corporate Audit to conduct further internal compliance reviews relating to other tenders and public contracts with the Federal Government.

The Board of Directors was informed of the preliminary results of these compliance reviews, which remain ongoing, and which revealed that (i) bpostgroup's margins on certain services provided to the Belgian State may not be acceptable under applicable Laws and (ii) that certain of those services may not have been awarded in accordance with applicable Laws.

As a result, you saw last week that it led our company to withdraw its full-year 2023 financial guidance and, pending further legal and financial analysis, preliminary estimates indicate a negative adjusted EBIT impact between 25 to 50 million on our guidance, in relation to the performance of these services in 2023.

We can today indicate that the relevant services in scope relate to 3 distinct contracts or concessions, namely number one : the traffic fines, which consists in handling the financial and administrative processing of the fines for the Federal Public Service of Justice; second the cashier function of the Belgian Federal authority, or the contract with the Federal Public Service of Finance for the so-called 679 bank accounts, consisting in (i) the provision and the management of the payment account system and (ii) the provision of the payment services to more than 200 public institutions to date; and third contract : the concession of public services for the manufacturing and the delivery of the European Licence Plate and associated documents, for the Federal Public Service of Mobility and Transport.

As you can see on slide 3, the total annual value of these services amounted to 104 million in 2022, and whilst the services related to the 679 bank accounts have been provided since 1912, other contracts are more recent. Each of these contracts or concessions varies by its own characteristics and again, pending further legal and financial analysis, bpostgroup is at this stage not able to provide more information on the financial impacts in relation to past revenues.

Depending on each contract, these financial impacts would depend on many factors, including on the one hand: if and to which extent there is or was an over-compensation, taking into account the applicable regulatory framework – including notably State aid rules, tender processes, costs related to the services, the amount of the margins acceptable under applicable laws, the revenues charged for the relevant services, and the duration of the relevant services, and on the other hand: whether or not and which actions the competent authorities would take and the outcome thereof. Noting that the Belgian government has indicated that it would audit the compensation paid for the services provided by bpost.

This is today all we can share with you on these matters and as we have done so far, we will provide more detailed information as soon as possible.

For the sake of clarity, the impacts of these preliminary findings of the compliance review are already reflected in our Q1 results as we recognized at Belgium level a revenue impact of -6.2 million; which corresponds to one fourth of the low-end of the 25 to 50 million impact for 2023.

Let me now update you on the press concessions and the latest developments since our Q4 presentation two months ago, which you can find on page 4.

First, as shared with you last time, the Belgian government decided to extend the ongoing concessions until the end of 2023 and the submission of this extension to the European Commission for approval under the State aid rules is progressing, following the standard process.

Second, some of you are wondering whether or not the recent events of last week could have an impact on the ongoing investigation of the Belgian Competition Authority. The ongoing internal compliance review of the services provided to the Belgian State we've just discussed is a separate process relating to different contracts and different causes.

There is no link with the external investigation of the BCA and we can reaffirm today that subject to further findings of the ongoing BCA investigation, the risk of the imposition of a fine is still assessed as possible but not probable. Our view on the probability or the amount of such a potential fine remains unchanged and bpost has not taken a provision related to these matters.

The Belgian Government announced on February 1, 2023 its intention to conduct a governmental audit into the compensation for the current press concession in order to determine if there was any potential over-compensation. This audit has not started yet and we did not receive any information regarding the scope of this audit. Any findings of over-compensation could lead among others to a claim for reimbursement of a part of the revenues charged for the service but we are still at this stage unable to assess the risks associated to this audit. As said earlier, the costs associated to the distribution service were reviewed and scrutinized (i) on an ex-ante basis in the context of the European Commission's State Aid review and (ii) on an ex-post basis by the College des Commissaires as part of the annual approval of our accounts.

Regarding our capacity to participate in tendering procedures, we are still of the advice that contracting authorities would consider that bpost has demonstrated its reliability in the context of these investigations and reviews, and would therefore allow bpost to participate in ongoing and future tendering procedures.

Third and last point, what about the future press concession?

The government launched recently a new tender for the period 2024-2028. In line with its initial intention to reduce the annual budget attributed to the concessions, the government reduced the envelope down to 125 million and has adapted the tender specifications in function of this lower budget. The deadline to submit our offer is early June and an award decision is to be expected before the end of this year. bpost is currently assessing the RFP and its requirements and whether an offer can be submitted that is financially sound. bpost still judges itself well-placed to win such a tender process.

To conclude on these topics: bpost has been caught up by some elements of the past and we are taking all necessary measures to get to the bottom of these matters. We will continue to work tirelessly to earn and maintain the trust in bpost and its employees. I am confident that by continuing to prioritize compliance, we will emerge from this situation stronger and more resilient than ever.

In the meantime, and as per our first quarter, we continue to execute on our strategy and to progress on our growth and transformation plan.

On page 5, I am indeed pleased to report that despite challenging macro-economic conditions bpostgroup performed well this quarter, achieving good operational execution and top-line development; with a performance even slightly exceeding the plan.

Supported by strong parcels volumes and price increases, our Group operating income for Q1 stood at 1,049 million euro and increased by 1% or 10 million, including the negative 6.3 million revenue impact I've just mentioned. Excluding this impact this would have been an increase of +1.6% or 17 million.

Our Group adjusted EBIT stood at 78 million euro with a margin of 7.4%, or 84 million before the revenue correction. Unsurprisingly, due to inflationary pressures on costs and macro-economic trends, EBIT was down year-over-year but our continued focus on productivity and cost control has borne fruit and the decline in "operational" EBIT remains limited.

I would now like to hand over to Koen for more details on the financials of this first quarter. Koen, the floor is yours.

**Koen Aelterman:** Thank you Philippe and good morning everyone.

On page 6, as always, you can find 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 48.3 million euro or 53.0 million before the revenue correction; including some higher financial costs related to IAS 19 employee benefits and FX changes and thus non-cash impacts.

Allow me to move directly to the details of Belgium on page 7.

At Belgium, when excluding the impact of Ubiway, we see that revenues increased by 20 million to 577 million euro.

Domestic Mail recorded an underlying mail volume decline of -8.8% for the quarter, against -5.4% in Q1 2022. This impacted revenues by -28 million euro, yet mitigated by a positive price and mix impact of +25 million euro as well as 4 million of additional revenues from Aldipress, which was acquired on September 30 of last year. All together domestic mail revenues remained nearly stable year-over-year.

Note that Transactional Mail revenues were in the 1st quarter of 2022 still supported by the COVID-19 communications, with an impact of around 5 million euro. This was no longer the case in 2023. In Advertising Mail, continued market pressures, among others from higher paper prices, were in this quarter further reinforced by a customer bankruptcy.

Parcels Belgium recorded an increase of 15 million euro in revenue, or +13.9%.

Parcel volumes increased by 9.1% year-over-year, with a higher growth in March, as March last year was marked by the start of the war in Ukraine and Amazon's insourcing was reaching its steady state.

The volume trend in this quarter was mainly supported by our successful commercial hunting plan of 2022.

It should be noted that this volume growth occurred under persisting unfavourable macro and market conditions. In Belgium, Online retail sales – adjusted for inflation – declined by 12 and 16% year-over-year in January and February respectively. While the consumer confidence index was still positive last year before the start of the war in Ukraine, the consumer confidence in Q1 of 2023 remained negative despite a slight improvement since the end of last year. Price/mix stood at +4.9% in Q1, mainly driven by price increases.

Proximity and convenience retail network revenues increased organically by 3.4 million euro, following the indexation of the Management Contract. In this subsegment, the deconsolidation impact of Ubiway, as from the month of March, was -21.6 million in the quarter.

Value added services increased by 5 million euro, mostly resulting from higher revenue from Fines solution.

Let’s move to the P&L of Belgium on page 8.

In our “Intersegment and other income” you will see the -6.25 million impact reflecting the preliminary findings of the ongoing compliance review, as just explained by Philippe.

On the costs side, again excluding Ubiway, operating expenses increased by 30 million euro year-over-year, mainly due to persisting inflationary pressures.

We have indeed recorded higher payroll costs, with on the one hand more than 11% of salary indexation impact year-over-year, but on the other hand a 2% reduction in FTEs. This reduction of around 480 FTEs year-over-year, again excluding Ubiway, reflects (i) our continued focus on productivity but also (ii) the higher parcel volumes this year. Besides our payroll costs, OPEX development was also driven by some other inflation-driven cost increases such as rents and energy costs.

Bottom-line, excluding the impact of the compliance review, our EBIT decline remains limited as inflationary pressures are successfully mitigated by our top-line development and our efforts on productivity.

Moving on to E-Logistics Eurasia, on page 9.

Revenues were up 21 million euro, reflecting strong growth across subsegments

In E-commerce logistics, revenues increased by 6.7 million euro.

Radial Europe and Active Ants’ sales were up +19.6% year-over-year. This continued high growth is driven by our existing customers’ expansion and by new customer onboardings.

At Dyna, revenue development reflects lower volumes in DynaLogic’s delivery network, ofsett by price indexations across all Dyna lines as well as more devices to be repaired at DynaFix.

Cross-border revenues increased by 14 million euro, or +18.9%. This top-line development is driven by both the consolidation of IMX since July last year, and the growth of our Asian sales where despite softer underlying trends we continue to see the benefits of some recent customer wins.

Let’s move to the P&L of Eurasia on slide 10

Operating expenses increased by 25 million or 18.5%, mainly explained by higher transport costs in line with growth in Fulfilment and Cross-border activities and the integration of IMX, higher payroll costs from inflation and e-commerce logistics growth, as well as some expansion and strategy-related expenses in this quarter.

Looking at our EBIT margin development, with 4.7% in Q1, we see a sequential improvement compared to our margins of around 3% in the third and fourth quarters of 2022.

Moving on to our North America E-Logistics business, on page 11.

In line with expectations, our top-line development in North America is currently impacted by the economic softness, the market over-capacity leading to high degree of competition and pricing pressures, as well as Amazon’s insourcing impacting Landmark.

The operating income of E-commerce logistics slightly decreased by 1.7%, or 6 million euro. At constant exchange rate this would corresponds to a decrease of -5.8%.

At Radial, top-line decreased by 4.1% year-over-year, reflecting two dynamics. On the one hand we see the contribution of some new customer launches as well as some slightly higher sales from existing customers, but on the other hand we also have the impact of some terminated contracts, as discussed last year already.

At Landmark, as anticipated, we recorded lower revenues due to Amazon's insourcing and general price pressures in the market.

Moving to the P&L on slide 12.

Alongside our total operating income, OPEX and D&A decreased by 5.4% excluding FX impacts. Variable OPEX evolved in line with revenue development and were notably supported by a continued strong variable labour management and productivity gains, as well as a favourable wage rate impact. In overhead, we reduced FTEs by 2.3% compared to last year.

Here as well, thanks to a strong focus on productivity and cost management, we've been able to maintain our EBIT and to protect our margins in challenging market conditions marked by over-capacity and economic softness.

Radial continues to improve profits and contributes to the stable EBIT in North America.

Moving on to the Corporate segment, on page 13.

External operating income increased by 2 million euro year-over-year, from higher building sales.

More importantly though, OPEX and D&A increased by 9.9 million or 9.1%, reflecting inflationary pressure, notably on payroll costs with more than 11% of salary indexation -

as just discussed also for the Belgium segment - partially offset by a reduction of 5.9% in overhead FTEs, as part of our mitigating actions.

Then we move to the Cash Flow, on slide 14.

The main items to flag are the following.

“Cash Flow from Operating activities before changes in Working Capital” decreased year-over-year, in line with our result development.

“Change in working capital and provisions” increased by 125 million. As explained in the previous quarter, this is notably due to the compensation schedule of the Management Contract, for a net positive impact of 78 million. This includes the final settlement of the 2021 compensation, which was received in Q1 of last year (vs. in Q4 ’22 for the 2022 compensation), but more importantly the advance payment for the 2023 compensation, which was received in Q1 of this year (vs. in Q4 of last year).

Compared to previous year, lower CAPEX and lower peak expenses of Q4 2022 also contributed positively to the change in working capital in Q1.

And altogether these impacts were partially offset by the deferral into this quarter of the Q4 2022 payments of the payroll withholding tax for 31 million. As explained in Q4, we made use of a measure granted by the Belgian government in the context of the energy crisis.

The “Cash outflow from Investing activities” amounted to 54 million, mainly driven by our CAPEX and including the purchase of two logistics sites for Radial US, in line with the CAPEX guidance.

I now hand back over to Philippe.

**Philippe Dartienne:** Thank you Koen.

Before moving to the Q&A, I'd like to reaffirm that our operational performance in the first quarter was strong, and even slightly above plan. Unfortunately, bpost is caught up today by some elements of the past and had to withdraw its financial guidance for 2023. Please note however that from an operational standpoint the underlying parameters of the initial guidance remain globally intact and we continue to deliver on plan. Visibility on financial impacts of the compliance review is at this stage limited but we strive to get a clear and exhaustive view of these financial impacts so as to reinstate an updated guidance for 2023 as soon as possible. As illustrated on slide 3, each of the contracts in scope has its own specificities and the factors under review are also of different natures. The timing of this complex process, which will involve external parties to bpost, therefore remains uncertain. We are conscious of the uncertainty caused by the situation, but be assured that we will update you on these matters if and when appropriate.

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

## QUESTIONS AND ANSWERS

**Operator:** Most certainly, sir. Ladies and gentlemen, as a reminder, for any questions, please press star one at this time. First question today will be coming from Paul Kirjanovs from Bank of America. Please go ahead, sir.

**Paul Kirjanovs (Bank of America)**: Hi, good morning. Paul Kirjanovs in place of Muneeba Kayani from Bank of America. Two questions from my side. Could you talk about the current state of competition you're seeing in the market and is price still the main mechanism that competitors use against you? And then my second question is in Belgium parcel volumes, there's outperformance versus expectations driven partly by the hunting plan. Could you describe what contribution came from the hunting plan versus the organic portion of this? Thank you.

**Koen Aelterman**: Thank you, Paul. So, starting perhaps with the first question, the current state of competition. So we need to distinguish across our different businesses and let me perhaps start with the US, where we see indeed that the market is very challenging at this moment. There is in general an over capacity in the market with many players having invested during COVID in order to have more capacity. But right now, with the post-COVID normalization further impacted by the difficult macroeconomic conditions, we see that that capacity at the moment is not required. Hence, we see indeed a lot of price pressure in that market.

Now obviously, that has an impact on us, but we don't intend to compete just on price. I think that's the same effect for the US as for Belgium, we want to compete also on the quality of the services, the expertise we bring notably in the US in the verticals in which we are active. And we think that that is still a differentiator despite increased price pressure, which is indeed a reality today. In Belgium, for the moment, we see less of that price pressure. Here the competitive situation is, I would say pretty much unchanged compared to last year.

On your second question, so the parcel volumes and how much is coming from the hunting plan versus sort of structural growth in the market? To some extent, it's a bit difficult to say based on the Q1 results because Q1, first of all, last year, the start of the war in Ukraine with all of the resulting impacts on inflation, on energy prices and so on, it was something which happened sort of middle in the quarter. So it's difficult to make a like for like comparison, but if we look at the growth we see sort of excluding the new customers we onboarded as part of the hunting plan, we would estimate a market growth, which is in the low single digit range, which means that the rest, in essence, we expect to come from the commercial hunting plan.

**Operator**: Thank you very much, sir. Our next question is coming from Frank Claassen calling from Degroof Petercam. Please go ahead.

**Frank Claassen (Degroof Petercam)**: Yes, good morning, Frank Claassen, Degroof Petercam. Two questions please. First of all, on the price concession tender what if you don't win the new tender? What is your, let's say, plan B, what can you do if you don't win that tender? And then secondly, on the labor cost in Belgium, how many steps do you think there are still to go on the inflation correction, automatic inflation compensation, and how much higher could the labor cost be in 2023 versus 2022? I saw that in Q1 it was up 11%. Will that accelerate in the year, or yeah, some explanation on that, please. Thank you.

**Philippe Dartienne**: Let's start with the labor cost. The labor cost in Belgium, as you know, it's automatic, sorry, the evolution of the labor cost in Belgium is resulting from a law which is applicable since many years, whereby there is an automatic inflation based on indices where basket of cost and so on, so forth. To the best of our knowledge, this principle is still applicable. Would the government decide to amend it, then we will apply it as well, but it's out of our work control. What is the expected increase in 2023? There also, we don't have a crystal ball, but at this stage, we do not see an increase in 2023 as high as what we have enjoyed in 2022.

**Koen Aelterman**: So perhaps to add to that the forecast, we would use internally for this is always the one coming from the Federal Planning Bureau, which is accessible whenever you want to take a look at it. Which for the moment, foresees one additional index jump to come this year towards the end of the year. What it means for our year over year comparisons in terms of inflation, where last year we had I think five indexations over the course of the year, we will see that as we progress through the quarters, the year over year impact should decrease. And so, the plus 11% is likely the highest we expect it to be, at least based on the current forecast from the Federal Planning Bureau. But you can find all of that information also there, which is exactly what we base ourselves on.

**Philippe Dartienne**: Relating to the price concession.

So, let me first, reinstate the fact that we are delivering a qualitative service on the press, on the current press concession. There's never been debate around that one. There is a new tender which has been extended. It's already, we are the level of request for proposal with a lot of details. We are participating to the tender and we have the conviction that we are very well placed to win that tender. And this is the basic assumption under which we are working right now.

**Operator**: Thank you, sir. We're going to go to Michiel Declercq of KBC Securities, please go ahead.

**Michiel Declercq (KBC Securities)**: Hi. My first question would again be a bit on the parcel volumes because you mentioned excluding the hunting print that you see like low single digit growth. I think the Amazon growth was 2.5%, but there was still about a month of insourcing in there, which is quite a strong performance. Are you gaining back some of the volumes from Amazon there, or what is a rationale behind this and following up on this I would've assumed that the first quarter would be a bit more of a tough quarter, given that January and February we still not had the Ukraine impact. So looking at that, I was just wondering how you see volumes evolve in the next quarter, and if the mid-single digit outlook is not too low, let's say.

And then a second question would be, and I fully understand that you like you mentioned in the press release, that you cannot give a timeline on potential cash outflows regarding the current investigation. But I understand, of course, that there is a government part and of course the internal review that you are doing. But what should we expect from the internal compliance review? Is this still something that we can expect in 2023 to be concluded? And the reason that I'm asking this is in terms of potential provisions that might be booked when could we expect this? And maybe following up on this, how this will translate in potential dividend cuts or if this will already be taken into account for the AGM later this month. So these were my two questions.

**Philippe Dartienne**: Okay. Let me take - I start by the second one and Koen will take the first one. When it comes to the investigation, so thanks for understanding that these matters are extremely complex. And we are all-hands on deck to try to go to the bottom of it. It's not only one contract, it's three different contracts. You have a lot of laws applicable, so it's from a legal standpoint, it's extremely complex. So it's really not easy. We really would like to go as fast as possible to assess the impact of those. But also, we don't want to rush because we also want to, despite the fact that some misconduct happened by some people in the past, we also want to defend the interest of bpost and fight for the right thing we could fight for. So we want to build a strong case when it will come to discussing/negotiating with the government to come to an agreeable, an amenable solution to it. So it'll take time. Would we have to apply one number, which is exactly profitability so much percent, then it would not require so much time. But it's not the case because contract are different, legal situation are different, and there is no one set number on what is an acceptable profit for this kind of services.

When you are in a tender, then it's the market reference at place. When we are not in a kind of tender, in a state aid rule, it's another rule that plays into account. And even within that one, the level of risk which is embarked into the contract, could also lead to additional margin. So sorry, my answer was a bit long, but we really want to fight two defend bpost to still be able to get the best possible outcome when it comes to negotiating this margin with the Belgian state.

**Koen Aelterman**: Okay. I'll take the second question Michiel, or actually your first one on sort of the parcel volume evolution. So you are right indeed that in terms of comparable, the start of the first quarter is a bit tougher than we would expect the rest of the year to be. We also see that when we look at sort of the evolution month per month, that March is a month with a more favorable evolution. But at this stage, given that it's one month, it's a bit too early to draw conclusions yet on the remainder of the year.

There is another aspect to be taken into account, though, which is that last year, in the context the commercial hunting plan, we have onboarded customers throughout the year, which means that the comparable from that sense will become more difficult as we go through the year. And so, those elements combined, and given that we only have one month to compare like for like, for the moment we retain that mid-single digit outlook with the potential upside that could come, but which will be confirmed in I think Q2 when we will be able to communicate more around that.

**Michiel Declercq**: Okay. Clear, thank you very much for that.

**Operator**: Thank you very much, sir. We'll now move to David Kerstens calling from Jefferies, please go ahead. Your line is open.

**David Kerstens (Jefferies)**: Hi, good morning, everybody. I have two questions. Can you please run us through the calculation how you get to the 25 to €50 million impact in relation to the revenues of €104 million? What are the assumptions underlying the €25 million hit, and what do you assume when it will be €50 million? And why can you not calculate the similar impact for the for the earlier years? And this is all currently only just for 2023. And what should we assume going forward?

**Philippe Dartienne**: Sorry, we lost you for 10 seconds, I think. Yeah.

**David Kerstens (Jefferies)**: Okay. I'll ask my question again.

**Koen Aelterman**: We heard why can we not do this for earlier years and then everything after that we missed.

**David Kerstens (Jefferies)**: My question was, can you run us through the calculation how you get to the 25 million to €50 million EBIT impact in 2023 in relation to the revenues of €104 million, and what do you assume to get to €25 million? Because I understand you take now one, one quarter, one fourth of the €25 million in your Q1 earnings. So how do you get to €25 million and when will it be €50 million? What is the difference there in what you have assumed and why can you not make a similar calculation for the earlier years that you had these contracts in place?

And then secondly, on the price concessions, what is the reason for the reduced scope of €125 million? Is that because the earlier compensation of €167 million was seen as too high? And is there a risk that you could have to pay back the difference historically as well? And how will you mitigate for the lower compensation for the price concession; will you then put the newspapers in the mail delivery round? So what are the measures you can take there to offset that effect? Thank you very much.

**Philippe Dartienne**: David, thank you for your question. Let me start by the second one. When it come to the price concession, it's the state who has decided to allocate lower budget to that topic, to that service. And they did it in a very, I would say, logic and consistent way because they have not copy paste the previous standard and just say the maximum allowed by budget is reduced. They indeed reduce the budget, but they also adjust the operating way, the modus operandi or the condition, the technical condition of the RFP. So there's been, I would say, balance and logical in the sense that they say we are ready to dedicate or we want to dedicate less money to the service, but we expect also different type of services from the people who would answer the tender. Of course, we are willing to answer that tender as already said. And I reiterate that I believe, and we believe that we will be in a very good position to carry it out and to win that tender.

**David Kerstens (Jefferies)**: That the historical compensation of the price concession is also under review. So I think historically you received €167 million?

**Philippe Dartienne**: No.

**Koen Aelterman**: So on this one, as you can also see in our disclosure notes, the compensation for the price concession is something which was audited ex-ante by the European Commission and is audited ex-post every year by the College of Auditors, including the court of audit and our internal auditors. At this stage, we have no indication that something would be materially wrong with that calculation leading to an overcompensation issue, so that is not on the table at this stage. That said, the Belgian government has announced that they would launch an audit to ensure that there is no overcompensation, but up until today, we have no further details on that audit. So it's very difficult to make any risk assessment on that at this stage. But I said it is already audited both ex-ante and ex-post.

**Philippe Dartienne** : And since many years.

**Koen Aelterman**: Indeed, since many years. Correct. Perhaps just also to complement on the how to mitigate question. Philippe spoke about the changed tender. I want to point out that the tender itself, the request for proposal is out there in the public domain. So if you want to, you can have a look at that to also get a sense of the changes which were put into place by the government. Some of them being very technical, let's face it.

But coming back then to your first question, so how did we get to the 25 to €50 million? First, it's important to state that the compliance reviews, they are not finalized yet. So we are at the stage of preliminary results, which means that there is still a lot of uncertainty. But as you will understand, as soon as we are aware of something which could materially impact our guidance, we are forced to disclose it, which is exactly what we've done to communicate transparently to the market. But it also means at this stage, we don't have all of the details just yet.

So how do we get then to the 25 to €50 million? First, there's three contracts, and based on the audit findings so far, those three contracts are very different in terms of what exactly is the issue there in terms of legal framework, in terms of potential margin issues and so on. So we need to distinguish clearly between three contracts, and then there is a lot of doubt or things still to be determined on what is the reasonable margin. And as Philippe said, it is also something which we are looking into to make sure that we get to something which is in the best interest of bpost.

So, if we take sort of these two parameters, we look at the three contracts, we look at potential outcomes in terms of reasonable margins, you can get a lot of permutations in between those things. But when we do that exercise based on what we know today, we end up with that range of 25 to €50 million, where the €50 million is - and just to be transparent on that one - it's saying all of those contracts go down to the margin of 7.5%, which you see circulating also in the newspapers. So, that's sort of the way we get to it.

Why can we not do this for earlier years? I already explained it, there's a lot of uncertainty still even on the impact for 2022, 2023, sorry. Once you look back, it starts getting even more complex, where honestly, at this stage, we are not able to make any reliable estimate that we can share. And then you also asked why is it only one fourth of the €25 million in the Q1 result? So this is rather a technical point. Whenever you have uncertainty on these things, IFRS foresees that you book the lower end of the range and you disclose the full range, which is what we've done. So that's why there is a 6.25, it doesn't mean necessarily that that will be the outcome. So you still need to consider the full range.

**David Kerstens (Jefferies)**: Very understood. Thank you very much, gentlemen.

**Operator**: Thank you very much, sir. We'll now go to Sumit Mehrotra of Société Générale, please go ahead.

**Sumit Mehrotra (Société Générale)**: Thank you. So a few questions. First, which specific entity will ultimately assess the compensation amount, the Belgian government, or we talking about the European Commission here, and what is the current state of engagement with this right now? Secondly, an update on the CEO selection progress. Thirdly, how much scope do you really see for FTE reductions at Belgium? Or the bulk of this is behind us after the strong progress? Is there enough goodwill to continue doing this? And lastly, have I understood this correctly, that from your very recent comment right now in the call, that you do not see the risk of overcompensation on the price concession? That is not on the table. Am I right in my understanding? Thank you.

**Philippe Dartienne**: Sumit, thank you for your question. We'll take it, maybe starting from the last one to the first. On risk of overcompensation, exactly as Koen said, it's a different, totally different situation. There's been ex-ante review by the European Commission, yearly review by the Collège des Commissaires relating to this contract. Nothing major has ever come out from this review. Of course, when it was review sometime here and there small stuff, but nothing major has ever happened.

Now, when it come to the audit that the government has announced, as I said, the audit has not started, we are not even aware of what is the scope of that. So at this stage is very difficult to give you anything more than what Koen has mentioned. When it comes to FTE reduction in Belgium, we want to be - we want to continue being efficient and apply efficiency measures where everywhere possible, it's an ongoing process. We believe that there are still pockets where we could improve. Will it be at the same pace, to be seen,

but also when we are seeing that the parcel volume are going up, it's also something that gives us - put us in difficult situation to guarantee that we will reduce headcounts.
Maybe we will end up in a situation where we don't have to reduce any further because we have the right sizing to absorb the volume. And by the way, it's exactly the same story that we are seeing for the US. And we made that point in Q4 last year that, and if you recall, the volume that we have processed in the US was during the peak time, was slower than the year before, but we have addressed it, our cost base on the variable on a fixed cost base, the level of the warehouses, and now we went to an additional layer on SG&A for all the function in the US. That's exactly the way we want to go on. We are not obsessed by account reduction for the sake of account reduction. We are obsessed by having the most efficient organization in any given time to be able to deliver and to serve our customers.
When it comes to CEO selection process, I think as much as I know a head hunter has been selected and even yesterday, Audrey (note: Audrey Hanard, Chairperson of the bpost Board of Directors) during the press release for Belgian Press said it's an ongoing process. The willingness of the board was to make sure to have the right profile before starting the hunt. And the choice will be made when the right profile for the company will be identified.
So then the last one was which specific entity? I would recommend you to go to the presentation where you see, it's under the page three, where you see that for every single contract which are the contracting parties, traffic fines, it is Department of Justice. 679, it’s finance department and European license plate is mobility and transport. All of these three are federal entities as opposed to regional entities, as you know we have in Belgium.

**Koen Aelterman**: And then I think, Sumit, also specifically on the European Commission. So I think here, it's clearly, it's a twostep process with first the entities, which Philippe mentioned. And then depending on the applicable legal framework, yes, potentially at some point the European Commission will be involved, but it's really, it's a twostep process, this one.

**Sumit Mehrotra**: Thank you.

**Operator**: Thank you very much, sir. We'll now go to Nikolas Mauder from Kepler Cheuvreux, please go ahead, sir.

**Nikolas Mauder (Kepler Cheuvreux)**: Hi, good morning. So first question is, I understand that you have an overall head, an overall business volume of some €422 million with the Belgian state in 2022. That has three buckets. First one is the press concession, €17x million there, €104 million now for these three concerned services, leaving a third bucket of also €10x million in business. Question here is whether you see any risk of other findings in that third pocket and whether that one is actually being investigated at all right now.

Secondly, I totally understand the complexity of the situation you are in and I appreciate that for good reasons you probably didn't, don't take provisions. Yeah, but you could also take the point of view that a provision can be taken out of conservatism. So are you worried about self-incrimination in case you book a provision early now? And also, did I understand correctly that you did not provision for the services impact, the 25 to €50 million yet? And then finally, maybe also one of understanding the press concession is apparently being audited every year, but nobody ever looked into the profitability of the other services. How is that possible? Thank you very much.

**Koen Aelterman**: Okay. So thank you, Nikolas. Maybe start with the first one. So the breakdown of all the revenues with the Belgian State. So indeed, as you mentioned, there's two buckets which are already clearly identified. There is the press concession for approximately €170 million. There are these three contracts for €104. In the remaining part, you actually still have two things. One is the seventh Management Contract, which represents around €135 million, and then the remainder, these are standard postal service contracts we have with the Federal State just as we do with any other customer that sends large amounts of letters. So those are the different blocks.

In terms of where do we see other risks? I think in the Management Contracts for the moment, there is no indication that there would be anything at that there would be any issue. For the regular contracts for postal services, these are indeed regular contracts like with any other customers. So again, no indication of any issue there. Then you also asked around the provisions. So here, in fact, we just apply the IFRS rules, so there's no choice on being conservative or not. It's really, we apply the rules where in order to take a provision you need to have more than 50% probability of a cash outflow. That is the case in this instance. However, you also need to be able to have a reliable estimate, and that is the one where, at the moment we don't have a reliable estimate. As soon as we do, it will indeed translate into a provision as we will abide by any accounting rules that apply. Just to be clear, for 2023, the 25 to €50 million impact for this one, given that we are able to estimate range, we have included already a part of that in the first quarter results being that one fourth of the lower end of the range, with the remainder of the range being disclosed as part of our press release to the market.

**Philippe Dartienne**: And from a methodical standpoint, sorry, difficult to say, we have to reimburse the alleged extra profit. So first, we need to determine it, and then you could apply the notification, so that the reason why we will be first assessing what is a reasonable profit under the applicable laws. And once again, there are different in the three different contracts. And then with this being done, then we look how many years do we need to go back. Also noticing that all the contract do not have, are not in applications is the same number of years, so it's a second notion. So anyway, we need to answer to the first question before contemplating the second ones.

**Koen Aelterman**: And Philippe I think maybe you want to take the last one? It was on the press concession being audited, but this….

**Philippe Dartienne**: Okay. The press concession is audited. Why are the other services not specifically audited? It's not up to me to answer that question. We are submitting our financial statement for regular audits from Collège des Commissaires. The Belgian government has never expressed the willingness to review the other one. You could ask them why they have not done it, but it's not up to us to answer to that question. We always been transparent and cooperative with Belgian Authorities when it comes to question, that one, sorry to say.

**Koen Aelterman**: So, just to be very clear, so the margins, they show up correctly in any analytical accounting model we have. As Philippe said, in the end, the question of why this is not audited is not up to us to order, but I could perhaps give an indication in the sense that the two other contracts we have, notably the press concessions and the management contract, they are flagged as State Aid cases, hence under more scrutiny than the others, which were up until now, not flagged as such cases. Which could be the part of the answer that you're looking for.

**Nikolas Mauder**: Thanks a lot.

**Operator**: And thank you very much, sir. We'll now go to Marc Zwartsenburg of ING, please go ahead.

**Marc Zwartsenburg (ING)**: Yeah, thank you for taking my questions. First, coming back to parcel volumes I want to clarify still the numbers that you mentioned in the presentation. So the plus 9.1 is the reported volume, but if you then exclude the hunting plan, you mention that it is low single digit growth. However, there's also still that Amazon impact, you mentioned a positive impact, but according to me, last year there was still some Amazon volumes in there, so I guess it was still a negative. If you strip out the hunting plans and the low single digit growth number, does that still include - should I adjust that for 2.6% impact from Amazon? So do I have to add that on top to get the real underlying growth? So it's more a mid-single digit number, is that correct?

**Koen Aelterman**: So, I'm not sure I fully heard it, Marc, because the line was not great, but in terms of Amazon impact in the quarter, so there was progressive insourcing by Amazon throughout the quarter last year. If we look at the Amazon volume evolution in the quarter itself, in its totality, it is a positive evolution, which is in fact, pretty much in line with the rest of the market. So stripping it out or not makes very little difference. We end up at that same market evolution of low single digits with then obviously the rest, bridging the gap to the total of the plus 9.1 being derived from the commercial hunting plan. I hope it answers the question because I didn't capture it fully to be honest.

**Marc Zwartsenburg (ING)**: Yeah, maybe to make it very clear, if you strip out, say, the hunting plan, but also the Amazon, that is basically your real underlying growth. And I guess then if you've had low single digits, excluding the hunting plan, if I don't make an adjustment for the Amazon insourcing impact that was still in there last year, you probably had a higher growth rate in the line in the coming quarters when you don't have the Amazon impact anymore. Is that correct?

**Koen Aelterman**: So yes, so indeed at some point Amazon will become part of sort of the like for like comparison and this will be part of the market growth where indeed, if March is confirmed - but again we're talking about one month which allows for the moment to like for like growth - indeed, we may end up with a slightly better parcel growth than we had originally foreseen. So yes, that's true.

**Marc Zwartsenburg (ING)**: Yeah. Cause that part, it then explains why March has seen a more pay trend maybe than 10 percent.

**Koen Aelterman**: Exactly. But I don't want to put too much stock in one month. It is what it is. It is one month. And so, as I said, we'll come back to that in the second quarter once we have a better visibility on the like for like comparison.

**Marc Zwartsenburg (ING)**: Yeah, sure. But this is already clarified a bit what the real trend is. And then back on another one, on the price concession. So the budget is lowered from, let's say, I had a number of 170 and sometimes it is 175 I think a different number, but it's going down to 125. What would be the impact on your EBIT for - if it would be for a full year in there, what would be the most EBIT from lowering it from 175 to 125 given that it requires a different service, therefore potentially different cost base?

**Koen Aelterman**: So, on this one, first I won't be able to fully answer the question. Why, because we are in an ongoing tender process. What I say may inform potential competitors on the offer bpost would be considering to make, which would not be in the interest of the company. So you'll understand why I cannot disclose any specific impacts on this. What I do want to point out though is that, as Philippe said, the RFP itself has been significantly adapted in terms of scope, but also in terms of setup of the entire remuneration mechanism. Which means that there are ways to compensate this decrease in subsidy from the state by other means. I'm not able to give you any more detail at this stage. Again, as we are in an ongoing public tender process.

**Marc Zwartsenburg (ING)**: I fully understand that. But if I take 7.5% of that gap that you lose as a margin, is that a minimum impact? And then whatever -

**Philippe Dartienne**: We'll not answer that one, we will not disclose anything more on that. But I do invite you to look up your RFP, which may already answer some of your questions.

**Mark Zwartsenburg (ING)**: Okay. And then maybe lastly, you said we can't give you the impact on the former contracts, only for this year or for the other bucket. But what if you would apply that 7.5% margin, which you use now for the €50 million impact, why you would apply at 7% maximum margin and all the years 10 year back and the maximum claw-back, could you then give me a number on what will be the amount?

**Philippe Dartienne**: I think you could do the math yourself, but we are telling you that we are not in the state to assess it exactly, so your guess would be as good as anyone else guess.

**Mark Zwartsenburg (ING)**: Okay. Well, I certainly do that, but I just want to get a bit of a number out there that makes sense for everybody. So otherwise, we have 10 numbers out there. I'll do the math.

**Koen Aelterman**: I really think, Marc, on this one, there is a reason why we say we cannot estimate it. It's because it is highly complex. There are many parameters at stake. We are just not able to make a reliable assessment. I think at this stage, in fact, no one is able to make a reliable assessment to be fully frank with you. So, I cannot share any numbers because really, I don't have any decent guess. You could of course take any type of calculation, which would give you an extremely broad range, but we have to be honest today, we just don't know yet.

**Philippe Dartienne**: If you want to make a comparison with the other file Cleopatra, we said the fine could go up to 10%, top-line of bpost €4 billion, so potential impact €400 million. Okay. At the end of the day, we concluded that we have not taken any provision so far for the reason possible but not probable. So it's the same here if you want to say, okay maximum 50, times 10, do it but we have not - it's not [inaudible] that we have taken.

**Koen Aelterman:** So just in the interest of time, I see we are already over time, I think we still have two people that may want to ask questions. So let's limit it to two questions each maximum please. And let's move to, I don't know who the next one is in the queue?

**Operator**: Yes, sir. Thank you very much. We'll now take questions from Mr. Henk Slotboom of The Idea, please go ahead.

**Henk Slotboom (The Idea):** Good morning, Philippe, Koen and Antoine. Well, two questions if I may. First one is on the press contract, and I'm not asking any numbers or whatever. I'm, I'm curious about the mechanics of the distribution contract. Am I right to assume that on top of the payment you get, the compensation you get from the federal government, there's also a charge that's paid by DPG, Mediahuis and the other publishers. And if so, is there a way that you will lose around €50 million in terms of revenues on the new contract, assuming that you get it, that you can claim back part of that damage from the publisher said that can pass on part of the cost. This is purely hypothetical. I'm not asking you for any numbers or whatever. It's simply about the mechanics of it. That's my first question.

The second question relates to, well, there's been a lot of negative publicity on bpost and a year ago, some of your peers had some problems with subcontractors. Well, I don't need to mention any names or whatever, but immediately you saw a response of clients. Bol.com publicly said, listen, we don't want to be associated with malpractices and that sort of things. Has the negative news flow that happened over the past few weeks, months, has that in any way affected your relationship with clients? Does it lead - are you afraid that it could lead to any commercial damage? And I'm not referring to the government, I'm referring to all the other contracts you have outstanding.

**Koen Aelterman**: Thanks for the question, Henk, I'll quickly respond to the first one because the answer is very short. Your understanding of the mechanics is fully correct, and then I'll pass it on to Philippe to answer the second one.

**Philippe Dartienne**: So negative publicity yes. And we cannot only, we can only be - sorry that sometime it's only pointed out or pointing to the bad thing and forgetting about the good one. I mean, the fact that we have a strong result for Q1, it's not a coincidence.

We had strong result in fourth quarter as well. Our customers are still very happy of the services. So to respond directly to your question Henk on the impact, potential impact on commercial, we have not seen it. So I've told admit I must add so far, but I'm also not hearing that the call centers are full of customers asking to stop the contracts and this kind of stuff. It's not the case.

Which is more difficult is the economic situation. As Koen mentioned, it alluded to, especially in the US where we are in over capacity, but we have not been able and it's a question I'm asking myself nearly every day do we see an impact link between the two? The answer is no. This being said, for me, the question let, allow me to broaden a little bit the question. On the commercial side is one thing, but there is also a very negative impact on our employees. It's not, "fun" to work for a company which is in the place every day, only pointing out on bad things, and mostly driven or generated by a handful of people, which is far from the totality of the bpost employee, which are 34,000 around the globe. So for me, if you ask me, I'm more worried of our colleagues than for our customers. Don't get me wrong, of course I value very much our customers and we continue serving them, but there is also a very negative impact on our colleagues.

**Henk Slotboom (The Idea)**: Okay. Thank you very much.

**Operator:** Thank you, sir. Our last question is coming from Mr. Marco Limite of Barclays. Please go ahead, sir.

**Mark Limite (Barclays)**: Hi, morning. Thanks for taking my questions. Very briefly as we, there were questions about the underlying growth in parcels. Do you have already a number for volume growth in April? Which could clarify what's the, let's say, the underlying like for like type of growth? Second question, when should we expect Radial North America revenues to grow again, maybe excluding FX? So is there a hunting plan there? And yeah, should we expect revenue growth next year? Thank you.

**Koen Aelterman**: So happy to take those questions, Marco. So first, on April, I'm afraid I need to disappoint you. It's a bit too early to be able to say we are the - in Belgium, there was a public holiday on Mondays. It means we are the start of the first working day of the month. We have not yet run all checks to be able to give you a definitive number. What I can say though is that sort of preliminary numbers indicate that we will see a continued strong growth on those volumes, but I'm not able to give more detail just yet.
As for the US, so yes, we have ambitious commercial targets to compensate for the difficult market circumstances. I think when we gave the outlook as well last time, I explained that we were expecting to see for Radial a decrease at the start of the year. And then, but on a full year basis, we were still expecting to see growth, so far that remains our assessment. But we will see based on the commercial success we have in the second quarter whether we can reconfirm that or whether the market situation will make it more difficult to attract those new customers. So the ambition remains to still have growth on a full year basis for Radial North America.

**Philippe Dartienne:** Okay. I would like to thank everybody in the call for having taken time to be with us and for your interesting questions that demonstrate that you really understand the business we are in and our company. As a reminder, bpost will hold its annual shareholders meeting next Wednesday, May the 10th. We, of course, look forward to staying in touch and a further announcement will be made if and when appropriate. Our second quarter return will be released on August 3rd. And we'll have the pleasure to host this kind of meeting. Again, thank you very much for your time. Thank you for my colleagues, Koen and Antoine, and have a nice day.

**Koen Aelterman**: Thank you, everyone.

**Operator**: Thank you, gentlemen. Ladies and gentleman, that will conclude today's conference. Thank you. You may now disconnect

[END OF TRANSCRIPT]