H1 2013 results

Investor presentation

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Johnny Thijs, CEO - Pierre Winand, CFO

Presentation transcript

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OPERATOR: Ladies and gentlemen, welcome to the bpost first analyst call 2013. Please note that if you're following the webcast through the computer, you do not need to connect through the telephone. I'm pleased to present for today's call Mr Johnny Thijs, chief executive officer, Pierre Winand, chief financial officer, Service Operations and ICT, and Mr Paul Vanwambeke, Investor Relations director.

For the first part of this call, let me remind you that all participants will be listen-only mode and afterwards there will be a question and answer session.

Gentlemen, please begin.

PAUL VANWAMBEKE: Morning, welcome to our first results call. We will start with a presentation that you can follow on the webcast or that you can download from the website, followed y a Q&A. We'll start with Mr Johnny Thijs. Please go ahead

JOHNNY THIJS: Ladies and gentlemen, good morning, happy to have you on the call. I suggest we move to page 2 of the presentation, which will cover the business overview of the results of the first semester 2013. The first observation with which we would like to start is that H1 results are in line, perfectly in line, with our expectations for the first half of the year and they do demonstrate the resilience of our business. Indeed, we have been able to maintain our overall profitability in spite of an overall pretty tough environment with volume declines in domestic mail. At the same time, of course, elements which make the comparison more stretchy, lower remuneration for the Services of General Economic Interests, and some unfavourable phasing which we will explain later on as part of the presentation.

Quarter 2 domestic mail volumes showed signs of recovery after the steeper decline in the first quarter. Some of you will remember that in quarter 1 we had a decline of 5.6%. In quarter 2 we have a decline of 3.8% for domestic mail. However, we remain cautious for the rest of the year because of the overall economic environment which affects the advertising industry and does have an impact on the behaviour of our customers.

The important message deals with the powerful growth which has been very encouraging in both domestic B2C and internationally over the first of the year, solid profitable volume growth. We continue to prepare for the push on B2B parcels, for which it's too early to comment on, but the good news is that we have, in the solutions pipeline, some wins which will come into a number starting in September of this year and on a full-year basis should increase revenues by above €10 million on an annual basis. The improvement in parcels, along with usual price increases, have allowed us to compensate for the volume decline in domestic mail.

To close on this page, the message which you know, which is there since many years now. Costs remained very well under control as we continued to take benefit from the natural attrition to improve productivity throughout the organisation. The Vision 2020 plan is perfectly on track, and our continued cost discipline has allowed us to compensate the reduction of the remuneration we receive for the performance of the Services of General Economic Interest and the unfavourable phasing of revenues such as the timing of the sale of buildings, which is delayed versus last year but which we expect to make up for by the end of this year.

I suggest we move on to page 2, where we cover the operating cash flow. You will remember that Q1 was affected by a number of non-recurring events affecting the operating cash flow generation. Q2 turns to what we call normality seasonality. The last tranche of what we call the alleged overcompensation for the period 2011 2012 has been repaid. Capex is perfectly in line with management expectations, and all this has resulted - the third bullet - in Belgium GAAP net profit of the parent company amounting to €130.7 million for the first half of this year. It includes, important to mention, the €17.6 million exceptional tax charge linked to the pre-IPO capital restructuring as well as some specific IPO-related costs.

Important to mention is that customer satisfaction continues to improve and we have reached an all-time high this year. At the same time delivery quality for letter mail and parcels documented on time are on target and are well ahead of last year. We are enthusiastic about the way going forward for the rest of this year in terms of everything that has to do with quality performance.

Key developments of H1, just as a reminder: final approval of the fifth management contract by both European Union and the government in Q2; final repayment of the overcompensation for the Services of General Economic Interests in two tranches, the first one in Q1, the second one in Q2. Then, as a result of all that, retroactive implementation as on 1

January of this year of the new, lower remuneration scheme of Services of General Economic Interests. And, of course, last but not least, the IPO which happened in the month of June.

Moving on to page 4, which comments the key changes between the financials first half of last year and this year. Of course, there are two scope changes to begin with, first the sale of Certipost, which resulted in a decrease of €3.9 million operating income and at the same a decrease of our costs by €4.5 million in the first half of 2012. Consolidation of the Landmark Global acquisition, which was finalised in December last year and which has resulted in an uplift of operating income by €16.9 million and at the same time an increase in operating expenses of €14.8 million. Last but not least, and I repeat the changes in state compensation, which have resulted in the first six months of this year in a compensation down €7.6 million versus last year. At the same time there is a shift in the compensation, a decrease in domestic mail, specifically related to the Press compensation, compensated by an increased compensation which is new in the management agreement, an increase for the retail network compensation starting this year.

Moving on to the next page, which provides for the EBITDA bridge between the first half of 2012 and the first half of this year, you see a slow increase or a small increase of the EBITDA, with three messages with go with that to explain that. First of all, the sum of the scope changes and the lowered compensation for the SGEI, which has resulted in a decrease of €4.6 million, which has been compensated for an increase of €5.8 million for all of the other elements. That's specifically thanks to the costs savings of €19.5 million and then the parcels growth of €16.8 million.

One element which I want to add to that bridge is also that the phasing elements in total stand for €8.9 million, €2.7 million coming from the working base in domestic mail, €1.9 million coming from the slower settlement of international terminal dues this year versus last year. Last but not least, €4.3 million coming from a different phasing of real estate sales this year versus last year, again something which we expect to compensate for by the end of this year.

That is the EBITDA bridge. I now hand over to Pierre for the full financials for the first half of this year.

PIERRE WINAND: Thank you, Johnny. On page 6 we show you at the comments to the left side, the reported figures for both 2012 and 2013 and on the right-hand side the normalised figures. There are only two normalisations to be noted. The first one relates to the revenues of 2013. We reduced the revenues by €14.6 million in 2013, which corresponds to the gain we realised on the sale of the Certipost activities. So the normalised figures do not include that gain.

Similarly, in 2012 we had realised a gain on the curtailment, partial curtailment, of an employee benefit. That had generated a profit of €21.1 million in 2012 which had been shown as a negative payroll cost. So in the normalised figures we eliminated that gain. Those are the only two normalisations for those two half years. Taking those into account, as you can see, there is a small decline in the total operating income to the revenues. Operating expenses are decline as well, which means that

EBITDA is stable plus 1.3 million, and then when playing with the roundings the margin is slightly up year over year.

In terms of EBIT, there again EBIT is stable year over year with half a million more than last year. At the level of profit before tax, the improvement is bigger, with two main components. Last year it had been affected by the decrease of interest rate, which in turn had an impact on the discount rate used for the valuation of the employee benefit, which created a financial cost, a non-cash financial cost, which affected last year. This year the effect is much smaller, as expected, as the interest rate has effectively bottomed or even creeping up a little bit in that element. So basically less financial cost, but it was a non-cash cost last year so the benefit is also non-cash.

The second element is effectively the equity pickup we do on the bank, on bpost bank, the share profit of associates, which increased year over year. This is basically last year we were rebalancing the portfolio by selling some bonds in the bank and making small losses. This year again we rebalanced the portfolio but we are making this time small gains. The variance between the two explains the increase in the equity pickup.

Income tax expenses went up by €17 million, and this is totally due to the exceptional tax of €17.6 million that we incurred in Q1 and Q2, relating to the payment of an exceptional dividend to our shareholders pre-IPO. This exceptional dividend came from non-taxed reserve. As a result we had a tax charge corresponding to this statement.

In total our net profit increased by €4.9 million to reach €167 million.

Our free cash flow, and we will go in more detail, went down from €334 million to €239 million. We'll explain, but it was basically the one-off elements which were included already in the Q1. Q2, as Johnny mentioned, was much more normal.

Moving on to slide 7 and to our turnover or our operating income, here we present basically the various components, effectively to try to identify what has been the organic evolution. The column scope is what Johnny mentioned, effectively the rival or the consolidation for the first time of Landmark Global for €16.9 million and the revenues that we lost following the sale of Certipost, or most of the activities of Certipost, for €3.9 million, giving a positive scope effect of €13 million.

The column SGEI shows again what Johnny mentioned, which is that we received €7.6 million less than last year in the first half, as remuneration. It also shows the shift between the line following the implementation of the fifth management contract, less in Press and more for the retail network. What remains is effectively the organic evolution.

In the last column to the right we show the evolution and there you can see that we had a decline in domestic mail, in the various components of domestic mail. So we had significant organic growth in parcels, we had a decline in international mail, and more moderate evolutions in the other activities, such as value-added services, banking and finance.

Moving on to the core domestic mail business on slide 8. As you can see, volume declined by a total of €33.3 million, with two components in there: a component which is linked to the working days. We still have two working days left in the first half compared to last year. That cost us an estimated amount of €2.7 million and 0.3% effect on the volume.

As Johnny also mentioned, volume recovered in the second quarter. The first quarter had been very negative, minus 5.6%, throughout the portfolio. Q2 was better for most of the portfolios, certainly transactional mail and advertising mail, which means that of the cumulative of the first half we get a decline of 4.7%, including the 0.3% effect of the two days, so 4.4% on a more underlying element.

In terms of price, that price in mixed generated additional revenues of €21.2 million, which is basically exactly what we had anticipated. That's inflation plus a small positive element. In total, domestic mail declined on an organic basis by €12.1 million.

Parcels, on slide 9, again there we mentioned we had positive results in parcels, and it's both in domestic parcels and in international parcels. Domestic parcels volume went up by 6.4% and the growth was about the same in Q1 and Q2. That amounted in the combination of two things: the growth in the normal parcels, we would say, and a small decline, or a certain decline, in what we call the European licence plates, which is basically the delivering of the car registration plates. These were in decline because of simply the automobile market. The registration in Belgium was down, like in most of Europe, and that is totally correlated. But the normal parcels, all the other parcels excluding that one, went up by 8.5% in both quarters, which again shows strong performance of our domestic parcel business. International parcels went up also significantly. A lot of the growth came to basically outbound parcels from outside of Belgium going into China.

The last activity which is in our parcels business is special logistics, which is the combination of a sprinter business, point-to-point delivery. The second element is a more special high-end logistics. In there, revenues went down by €1.6 million, driven by lower sprinter volume, which is very much correlated to the economy. Also we have to acknowledge that in the more specialised business we lost a few clients, which explains the €1.6 million. But in total the organic growth of our parcels business was £16.8 million in the first half.

Moving on to international mail, which showed a decline, and the other activities. International mail went down by €9.6 million, €1.9 million of which is purely phasing. As Johnny mentioned, we settle between postal operators, we settle the terminal dues of previous years each year during the year. To us it's always favourable because we are conservative in the way we accrue terminal dues in previous years. And this year we have taken a little bit of delay in the settlement in the final negotiations, so we are €1.9 million less in terms of settlements but we expect that to fully recover in the second half of the year as we finalise the negotiations.

A second element is a more accounting nature. Those settlements previously was always recognising them as revenues, whereas they should have been recognised partially as additional revenue, partially as a credit note, effectively, on our transport cost, so €4.2 million moved from revenues to costs, so less revenues and less costs in the first half of the year. This being said, we still had a decline in our international business. Inbound mail volume, which is the normal mail coming into the country went down 2.6% during the first half, which is actually a pretty good figure compared to previous years. The second, our business mail, international business, which is really transit mail, mail coming from outside of Belgium and going to another country, went down by €3.8 million, all of it in Q2. What we did is that we continued to raise prices for those customers where we felt margin was insufficient, and basically that generated some churn. That gives and impact on the top line, but in reality it's accretive to margin because, as you know, international mail is a completely variable model basically with a very small margin.

On the other businesses, value-added services were small decline, organic decline. Banking had only a small organic growth. We had parts which worked very well, which is for instance the prepaid credit card, but we suffered a bit on our banking activities. As you know, part of the commission we get from the bank is based on the transformation margin that the bank is making, and the low interest rate environment has an impact on the absolute amount. The second part of our result is also due to a costs-plus model for the back office that we do for the bank, and we've reduced costs, so its reduced the income that we are generating, but the result was it's neutral.

The following and last point on the top line is on slide 11 in the unallocated revenues. As Johnny mentioned, we had a decline due to phasing. That's €4.3 million that comes from the phasing of the sales of building. As you know, each time a building is empty, we sell it, and basically this year we've gone a bit slower than last year, but we have already basically things coming in Q3 and Q4, contracts which are signed and still need to be completed, so it will come. Then we've got €4 million of smaller movement, the biggest one is lower rental income as we sell more and more unoccupied buildings. We also, of course, lose the income coming from there.

Moving on to costs on slide 12. First element, we had an increase in costs due to the scope, the arrival of the cost of Landmark and the departure of the cost of Certipost. That's net €10 million. But in terms of all the other cost lines, €6.3 million coming from lower payroll costs, payroll and interim costs. FTEs were on average 1,163 lower than last year, which generated savings of €27.4 million. That was only partially offset by salary increase, merit increase and other movement of €21 million, so over €6 million net savings year over year.

Services and other goods were basically flat year over year, and the other costs in line with the first quarter were €13.1 million lower. In total, costs went down by €19.5 million, €4.2 million of which is this transfer from international mail that I mentioned when I discussed that, but still a €14.3 million net decrease is satisfactory result.

Moving on to free cash flow on slide 13, as I mentioned, it went down compared to last year, €95 million, but there were some exceptional items which were all in the first quarter and were disclosed before: €37.4 million fine from the competition authorities here in Belgium, which was paid in January, which had been provided in years before. An abnormal €20 million cash inflow in 2012 because one of our French postal operators had not paid their 2011 invoice in 2011 but paid in 2012, so we had twice the payment from that operator, so into 2013 we are in a normal position. And €12 million less advance payment for the Services of General Economic Interests, as effectively the amount has been reduced. As you know, we receive all that money in the first quarter of the year, or at least we receive an advance for the first nine months of the year. All the other movement in our cash flow from operating activities are a positive €6.2 million.

In terms of cash flow from investing activities, they were higher than last year, €31.8 million, but again those had been mentioned before. €15.1 inflow from the sale of Certipost, the proceeds we got in January, but also €37.5 million that we contributed to the capital increase of bpost bank to bring it in line with expected requirements of Basel III. Finally, we also bought the last 20% of MSI that we didn't own, so we now own 100%.

Below this operating cash flow we had the impact of the EU decision in 2012. We repaid €301 million, which was relating to the years 1992 to 2010, and this year we've paid in full the €123 million which related to 2011/2012, so now everything is settled. Finally in 2013 we had a decapitalisation, which took the form of a capital reduction and an exceptional dividend in total for €198 million, which was the pre-IPO capital restructuring.

The balance sheet is shown on page 14, and it's a comparison between 31 December 2012 and 30 June 2013. I won't go into great levels of detail, but basically our cash position remains positive. On the one had we've got the cash flow generated in the first half of the year, which is compensated, more than compensated, by the repayment of the EU, the payment of the competition fine and the decapitalisation of the €198 million. Our debt remains low at €95.1 million, which means that we still are in a net cash position.

Similarly, our total equity went down. On the one hand we had the positive of the results of the first half, on the second hand, compensating it, we had the capital restructuring, which was mentioned. Employee benefits went down and the rest I think not much to report on the other captions of the balance sheet.

Finally in terms of figures, the Belgian GAAP results, which are of course important for the determination of the dividend, and we provide you on page 15 the bridge between the two. The bottom line is that the profit of the parent company under Belgian GAAP was €130.7 million in the first half of the year, which is €8 million lower than last year but does include the €17.6 million tax charge, which impacted directly the net profit. Without that we would have been ahead of last year in terms of Belgian GAAP results, as we are IFRS results.

I'll now pass back to Johnny.

JOHNNY THIJS: Ladies and gentlemen, moving on to page 16 with the key takeaways for the first half-year results of the company. The half-year results demonstrate the resilience of both the company and its overall profitability. Solid growth in parcels along with usual mail price increases, which have allowed us to compensate for the volume decline in domestic mail. On top of that, some positive signs coming from the fact that domestic volume in Q2 showed signs of recovery versus the poor volume evolution in the first quarter of the year. Continued cost discipline has allowed us to compensate for the reduction of the remuneration we receive for the performance of Services of General Economic Interests, and the unfavourable phasing of the revenues, which we have commented on.

Operating cash flow has turned back to normal in quarter 2, back to the normal seasonality. I repeat that the last tranche of the alleged overcompensation for the period 2011/2012 has been paid and therefore it's all over. Capex is perfectly in line with our expectations, and the Belgian GAAP net profit of the parent company amounts to €130.7 million for the first half of the year.

The outlook on page 17, given the overall economic climate, we remain cautious. We believe revenues should be stable over the full year. We are confident that we will be able to maintain operating results at least at the level of last year on the normalised basis, so EBITDA and EBIT at least at the level of the 2012 results on a comparable basis.

To close, we do not anticipate any material exceptional cash outflows for the rest of the year, which will mean that cash generation should follow the normal seasonality. Net Capex is still expected at €90 million, as we have foreseen at the beginning of the year.

That's it for the presentation, ladies and gentlemen. We are now available for the questions and answers.

OPERATOR: Thank you, sir. Ladies and gentlemen, we will now begin our Q&A session. If you wish to ask a question, please press the code 01 on your telephone keypad and you will enter and queue. After your name is announced, please ask you questions. Once again, please press the code 01 on your telephone keypad to enter the queue.

And we have a first reaction from Damien Brewer from RBC.

DAMIEN BREWER: Good morning, gentlemen. Thanks for taking the question. Just three short ones, hopefully. Could you give us a little bit more details of the reduction in the employee benefit provision and the drivers of that and how that could progress going into the second half of the year and beyond?

Secondly, could you just update us on the stamp price, unused price cap? How much is presently unused of the sort of pricing headroom that may still exist.

Then very finally, that €17.6 million tax, which effectively relates to pre-IPO shareholders. Do you get any feel from how the board will think about that when it thinks about adjusting for the, if you like, dividend-able profits that relate to the period when IPO shareholders have been involved? Thank you.

JOHNNY THIJS: On the stamp price specifically and the unused reserve, we've always mentioned that we had a reserve of 3% or slightly above that, which is still in place and which is something which we will reckon with when we finalise the price increase for next year.

PIERRE WINAND. On the €17.6 million tax charge, I think clearly that was an exceptional element and clearly I think when determining the payout ratio at the end of the year, which should be at least 85%, the board will certainly consider that €17.6 million and see to which extent it should not compensate for that in the form of a higher payout ratio.

In terms of the employee benefits, which was your last question, basically there were some payments during the period, which explain part of the decrease. There were payments of €25.4 million. There was also an element, an actual real gain, which is always coming year after year, of €18.2 million, which is partially linked also to the effect of discounting. So basically the decline is a combination of payments made and more actuarial movements. In terms of the payments made, that's something which is reasonably stable over the year. In terms of actuarial movements, that depends on the interest rate and on other variables. So we should not expect that bit of decline to continue during the rest of the year. I think probably it should remain reasonably flat for the rest of the year.

DAMIEN BREWER: Okay, thank you very much.

OPERATOR: Thank you, sir. Ladies and gentlemen, you still have the opportunity to ask questions through the code 01 on your telephone keypad if you are following the presentation through the telephone, or you can always ask your questions through the webcast, through the computer, but using the Q&A mode.

And we have a next question from Marc Zwartsenburg from ING.

MARK ZWARTSENBURG: Good morning, gentlemen. Two questions from my side. First of all again on the Belgian GAAP difference versus IFRS. Last year in the second half there was a huge difference, as we can see in the appendix, between Belgian GAAP and IFRS. What should we expect in this second half in terms of differences between IFRS and Belgian GAAP? Will there be again quite a gap or can you shed a little bit more detail on what we can expect there? Are there also other costs besides the tax charge, that are one off or related to IPO that we should exclude from the number, that's the first one on the Belgian GAAP?

My second question is regarding the trend in volumes in domestic mail. I saw that the advertising mail segment actually improved in the second quarter. That is a bit in contradiction with your outlook that you expect some impact from the economic environment, or particularly the advertising segment. At the same time we see Press declining in the second quarter. Should we take into account that also in the second half there will be a negative trend in Press or is that related to SGEI sort of elements? Thank you.

PIERRE WINAND: Okay, so on the Belgian GAAP for the second half, on page 20 of the presentation, which is an appendix, we showed the reconciliation in the bridge and we also showed the elements which were the big elements, abnormal elements or exceptional elements which were included in there. If you add up the €14.3 million and the €15 million and deduct the €83 million, you see that there is a €53 million negative, or if we add up all those negatives it gets to €53 million, which means that excluding those exceptionals, last year it was €86 million in the second half. We don't see exceptionals in the second part of this year, of 2013, so the €86 million is a proper comparative, effectively, for the second year.

In terms of other exceptional costs during the first half of the year, there was indeed a little bit of IPO costs, but much less than what we had anticipated, because basically the selling shareholders took care of most of the costs and it was less than €2 million in total of costs, so we didn't single them out as exceptional in there. But they were all in the first half of the year.

MARK ZWARTSENBURG: Maybe a follow-up on that one. If you look at the Belgian GAAP net profit normalised for last year at €239 million, and given your outlooks, should we then expect a sort of similar statement for your Belgian GAAP profit or will that actually have a few positive elements in there because of the one-offs last year?

PIERRE WINAND: The one-offs were excluded from the normalised that we communicated last year, so they are already removed. And this year you have the impact of the €17.6 million, which is why, in a previous question, we said that certainly the board will have to look and to see to which extent it needs to compensate for these exceptionals of €17.6 million.

MARK ZWARTSENBURG: But could we say that the €239 million from last year, the normalised on, plus the correction for the €17.6 million, is that then in line with the outlook? What do you say --

PIERRE WINAND: No, no, because the €17.6 comes in adverse to that, effectively because basically we didn't have it last year. Because you can't pay on the normalised, you pay on the actuals, and the actuals of the first half have been hit by the €17.6 million, so that's why if the board decides to compensate via the payout ratio, they'll have to do it.

MARK ZWARTSENBURG: All right. Clear, thank you.

JOHNNY THIJS: Then to your question on the volume outlook, for the total year we reckon with a decline in domestic mail volumes of between 3.5% or 4%. It's very difficult to comment on your question whether things are changing in the advertising mail environment. Indeed, Q2 was better, but it's in our opinion too early to speculate on a turnaround in that situation. That's why I repeat the numbers: outlook for the total year between minus 3.5% and minus 4%. Press was a specific one-time effect in Q2. We did not see any fundamental changes to the volume trends. Newspapers are holding up fine, magazines are slightly down, but all in all we believe that it's too early to speculate on a positive development for the domestic mail market for the rest of the year. We prefer to remain prudent.

MARK ZWARTSENBURG: But your outlook for the full year for 3.5% to 4% actually implies that the second half will be a little bit better than the first half, is that correct?

PIERRE WINAND: Yes, but you have to take into account, of course, the two working days less, which are a handicap for the first half, but, yes, for the rest of the year we are slightly more positive, but I wouldn't say that we are over-optimistic on that one. We remain prudent; that is the message.

MARK ZWARTSENBURG: All right, thank you very much.

OPERATOR: Thank you, sir. The next question is from Mark McVicar from Nomura. Please go ahead.

MARK MCVICAR: Thank you. Good morning, everybody. Two questions, really, from me. First of all, within the associate -- your share of the bank profits, what was the delta between the losses on bond disposals last year and the profits this year? Was it meaningful within that?

PIERRE WINAND: Yes, that's basically the difference year over year.

MARK MCVICAR: Okay, so the underlying normal run-rate was fairly flat and the delta was essentially the difference between the losses last year and the profits this year?

PIERRE WINAND: Yes, correct.

MARK MCVICAR: Got it. And my second question, just coming back to the Belgian GAAP again, is as you go into the second half, is there going to be more subsidiary negatives, if you like, from Certipost, or has that effectively happened in the first half?

PIERRE WINAND: I think in the second half I mentioned there is the negative. Last year there was a positive of €14.3 million, which is basically -- in Belgian GAAP we recognise the profit in Belgian GAAP in December 2012, whereas it was in January 2013. That's what I show on page 20. So when I say €53 million is the net of all those elements, it's after deduction of this €14.3, so I've already taken that into account. We do not expect any other massive elements coming from there.

MARK MCVICAR: Okay, so it should be just the normal relationship between specifically banking profits and the reversal of that and the results of subsidiaries for the second half, yes?

PIERRE WINAND: Correct.

MARK MCVICAR: Okay, that's great, thank you.

OPERATOR: Thank you, sir. Ladies and gentlemen, you still have the opportunity to ask a question through the webcast by pushing on the Q&A button or through the telephone by pressing 01 on your telephone keypad.
And the next is from Dieter Furnière from KBC Securities.

DIETER FURNIERE: Yes, good morning. Also a couple of questions from my side. The first question was on the interim dividend. Could you shed some light on the timing that the board would decide on this dividend and when we could expect a message on that?
My second question is on the potential competition within the USO with the small company, TBC, getting a licence. Could you clarify whether the 80% coverage ratio that they need to have, do they need to build own infrastructure and own delivery structure for that or can they also use you infrastructure in order to do that?

And then my last question was also on Belgian GAAP. You mentioned that underlying the first half 2012 numbers on Belgian GAAP net profit for the €86 million. Now if we look underlying Belgian GAAP, excluding the tax charge, would have been year on year, given that you don't expect any exceptionals in the second half, could we expect that the second-half number comes in ahead of that €86 million number? Thanks.

PAUL VANWAMBEKE: So on the interim dividend, as we published on our financial calendar, we will disclose the first 10 months results by 4 December, with a dividend payment on 12 December. That is the timing by which you will get clarity on that.

JOHNNY THIJS: On the competition and TBC, indeed they will have -- assuming they have the ambition to become a true competitor on domestic mail, they will have to build their own network through their own means, covering 80% distribution of the three regions themselves.

PIERRE WINAND This being said, they are already a client of ours because they have been for years a consolidator, so if they elect the volumes that they would collect themselves and add them to their volume, that's fine, but that would not change anything to us, basically.

And on the last question on do we expect an increase in our Belgian GAAP profit on the second half, we don't provide an outlook on that. I think we've presented the first half of the year and indicated what were the exceptional we provide last year. There is nothing abnormal, but that's in some ways for you to think if we can do better. We don't provide a formal outlook on that.

DIETER FURNIERE: Okay, thanks.

OPERATOR: Thank you, sir. The next question is from Christopher Combe from JPMorgan. Please go ahead.

CHRISTOPHER COMBE: Good morning. Just two questions from me. One is a follow-up regarding the single-letter mail bonus. You mentioned that service levels are on track and hitting record levels this year, so just wondering what the scope is for additional pricing bonus to be accrued this year on top of what you already have banked.

The second question relates to slide number 9 on parcels. Perhaps I missed it, but I was wondering if you could elaborate on the organic volume associated with the organic revenue growth of €17 million. Thanks.

JOHNNY THIJS: So on your first question, yes. As things stand today, quality delivery will be higher than last year. As a result of that, we will accrue a significant bonus, therefore price increase opportunity going forward. Yes, definitely.

PIERRE WINAND: And on your second question, the €16.8 million on page 9 is all organic. So on top of that there is the amount coming from Landmark, which happens to be about the same amount, but by chance €16.9 million.

CHRISTOPHER COMBE: Okay, and just very quickly on that point, can you tell us how much volume is associated only with the organic revenue of €17 million?

PIERRE WINAND: In terms of the domestic mail, it's 6.4% increase, which is the volume. For the international mail I think it's most of it, so in total ...

PAUL VANWAMBEKE: In total for, Chris, you would have 13.7% organic growth on parcels, which is the 6.4% for the domestic parcels and international adding up to 13.7% overall.

CHRISTOPHER COMBE: That's clear, thank you.

OPERATOR: Thank you, sir. And we have another question from Andy Jones from RBC. Please go ahead.

ANDY JONES: Good morning, gents. I just had two quick questions. The first one, sorry to go back to, is just the BGAAP and the IFRS reconciliation. I noticed both in H1 this year and H1 last year you had a negative number under IAS19 but for the full year it came out broadly flat. The curtailment gain aside, is that a normal pattern to expect in the IAS19 just on the way the two different accounting systems work?

Then my second question I just would like to hear an update on the auxiliary workers in the mix. 1,163 net employees left the workforce, but what was the gross people leaving and the gross people joining and what proportion of the total are the auxiliaries now?

PIERRE WINAND: Yes, in terms of the IAS19, unfortunately it's very difficult to forecast IAS19, as you know, because it's a pure accounting standard which depends on highly variable elements, so we strive to try to minimise the impact, as you've seen. But I cannot really, because if interest rate goes into a particular direction it can be positive or negative, really. It doesn't affect the underlying Belgian GAAP figures but it can flatter the IFRS figures, but we've not taken that into account when we talk about our outlook. So we are neutral, effectively, on the effect of IAS19 on the IFRS results, so effectively it's neutral on the Belgian GAAP.

JOHNNY THIJS: To your question on the auxiliary workers, I repeat that the total workforce decreased by 1,150 at the end of June. The number of auxiliary workers increased from 4,400 roughly last year to 4,800 at the end of June.

ANDY JONES: Okay, thank you very much.

OPERATOR: Thank you, sir. We have no further questions for the moment, so, ladies and gentlemen, let me remind you you can still ask a question by pressing on the Q&A and submit to the webcast, and you can ask a question through the telephone by pressing the code 01 on your telephone keypad.

We have two more questions, one from Nigel from Kempen & Co through the telephone. Nigel, please go ahead.

NIGEL: Hi. Good morning, everybody, thanks for taking my questions. I would like to maybe take a different approach to the BGAAP IFRS net income discussion. Basically last year we saw €65 million of normalised profit on the IFRS in the second half and about €100 million or normalised B GAAP profits in the second half. As far as I can see, this difference was mostly related to the treatment of IAS19, which was the positive €40 million-odd. So if you're saying we're basically not taking into account any IFRS gains or losses for the second half, should we then maybe assume the second half IFRS to be much closer to BGAAP or should we still see sort of a difference with the magnitude between IFRS and BGAAP for the second half?

PIERRE WINAND: Again I think on the IFRS we give the forecast, the outlook, saying that we expect to do at least as well on the EBITDA and EBIT. On the Belgian GAAP I think we showed you that clearly the first half, the exceptional that was in there, the second half of last year, excluding the exceptionals. I think, at the end of the day, this is where we feel comfortable.

NIGEL: No, exactly, so that's why I'm talking about normalised numbers. Basically, last year the normalised difference between normalised IFRS and normalised B GAAP was basically €40 million-odd in IAS19 positives. So if you say this year it could be a positive, it could be a negative, would it be safer to assume sort of the IFRS net profit to be equal -- or BGAAP net profit to be equal to IFRS net profit or should we still think of a positive basically €49.1 million, as we saw last year.

PIERRE WINAND: I need to do the maths, because you are going too fast between the various elements. I repeat what I said. I can have a look at the exact computation you are doing. I'm sure it's correct technically.

NIGEL: No, it's just because last year -- the full-year impact of IAS19 basically, but if you go from IFRS BGAAP for 2012, the difference for the full year was about minus €2.1 million, but in the first half there was a difference of negative €51.2 million, which was then offset by a positive €49.1 million in the second half. So should we still assume a positive €49.1 million in the second half of 2013 or should we basically assume this number to be zero, to be conservative?

PIERRE WINAND: I need to get to back to. I'm not sure. I need to do the check, because again we've looked at IFRS on the one hand and the Belgian GAAP. I need to look at the specific of IAS19. I need to get back to you.

NIGEL: I understand. Maybe one other question on the other operating expenses line for the full year. It was a negative cost, or actually positive in the first half. Where should we see this number for the full year?

PIERRE WINAND: I think basically that was -- I think we discussed it already in Q1. That was a movement in the provision, which was favourable, and also the VAT element that was favourable. This was specific to Q1. The other quarters will be much more in line with the past.

NIGEL: Okay, thank you.

OPERATOR: Thank you, sir. And we have a last one from Mark Zwartsenburg from ING. Please go ahead.

MARK ZWARTSENBURG: Yes, thank you for taking also my last questions. First on the bonus accrual on the pricing. I thought it was 2.5%, you mentioned now it's above 3%. What's the correct number there?

PIERRE WINAND: It's increasing. As Johnny said, because we didn't use everything and we are still very high in terms of quality, technically the amount of unused bonus is increasing, and that's what Johnny was basically mentioning. If we continue like that to the end of the year, we could even hit a bigger amount. Again, that doesn't mean we are going to use it. I think we've explained in the past that we are quite disciplined with that. Our ambition is always to go with inflation plus a little bit of something and not big price increases.

JOHNNY THIJS: The number will be above 3% reserve at the end of the year.

MARK ZWARTSENBURG: That's very clear. Then a follow-up from all the questions on Belgian GAAP. You already sense where the questions are referring to, the dividend, of course. I must say it's not really very clear to see what Belgian GAAP will bring in the second half. Is it fair to say that the

Belgian GAAP at the end of the year will be more or less quite close to the IFRS number, of is that too simple statement?

PIERRE WINAND: Again, I said to you probably previously, we showed you what it was last year, and taking out, pulling out, the exceptional elements which were included last year. I also said we didn't expect any exceptionals, then you can do the maths.

But of course is, let's say -- and I repeat, that that's why the question on IAS19 is always awkward. Let's say long-term interest rates go up by 1% in the second half of the year. This is going to generate a massive profit in IAS19 if it's long-term interest rate, basically. That will improve compared to what we guided as saying outlook we expect to be flat, because it will come on top of where we would expect to go. That will not go into Belgian GAAP, so it's neutral, effectively. If interest rates go down, it's going to be the other way around. It will have an impact on net profit in IFRS but it will have no impact on the Belgian GAAP profit. So again I think we've provided the information. Look at last year, take out the things which were a little bit abnormal, and then you get to an answer which makes sense, basically.

MARK ZWARTSENBURG: Okay, clear. So the 86 adjusted for one-off Belgian GAAP net profit for the second half of last year, that's the number we should take?

PIERRE WINAND: That's the comparative of last year, yes.

MARK ZWARTSENBURG: Clear. Thank you very much.

OPERATOR: Thank you, sir. We have one more question from Dieter Furnière. Do you wish to take it?

PIERRE WINAND: Sure.

OPERATOR: Please go ahead, Mr Furnière.

DIETER FURNIERE: Yes, hi, thanks for taking my last questions. Maybe on the international mail, because that clearly came in a bit below what we saw last year. You talk about the phasing. I think one part is recurring, the 3.8. What about the terminal dues, the €4.2 million. Is this something we should see reoccur in the second half of the year?

Then I also, because of being able to calculate the IAS19 impact, could you shed some light what was the impact of IAS19 on your financial expenses over the first half of the year? Maybe a last question to look at your cost base. Could you clarify what the IPO-related expenses were and where you took those into account? Thanks.

PIERRE WINAND: So the IPO, the pure IPO-related costs were less than €2 million and there was a little bit in advertising costs, a little bit in third-party remuneration costs and then a little bit probably in consulting costs. But it was a small amount, less than €2 million. We had thought at one point it would be much bigger, but the costs are being borne by CVC(?).

That's the first question.

The impact of IAS19 on our financial costs in the first half, I would need to get you the exact figures, but we are talking a very small amount, I think a couple of million charge on the first half, but I need to check exactly. It's a very, very small amount. We need to get back to you, but it's a very small amount in the first half of this year. It was a big amount in the first half of last year. But it's small.

In terms of international mail, I mentioned that €4.2 million is effectively a reclassification out of international mail going into transport costs, or lowering the transport costs. That will increase a little bit in the second half as we finalise the terminal due discussion, but the bigger part of the hit -- it's not a hit, because it's zero impact on the results, but the biggest part for modelling purposes has been taken in the first half.

DIETER FURNIERE: Okay, thank you.

PIERRE WINAND: I will get back to you with the exact financial cost, but it's a small amount.

DIETER FURNIERE: Great, thanks very much.

OPERATOR: Thank you, sir. We have no other questions. Do you have any closing comments, sir?

JOHNNY THIJS: Ladies and gentlemen, thank you very much. Talk to you later.

OPERATOR: Thank you, sir. Ladies and gentlemen, this concludes today's event call. Thank you all for attending.