# One strong nationwide postal network for the Netherlands



25 February 2019

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# One strong nationwide postal network for the Netherlands

- Strong foundation for a sustainable and solid postal sector
- Inevitable step to maintain reliable, accessible and affordable mail today and in the future
- Sustainable value for all stakeholders: customers, consumers, employees, postal sector and shareholders
- Subject to regulatory approval; request submitted to the relevant authorities today

# The postal sector in the Netherlands

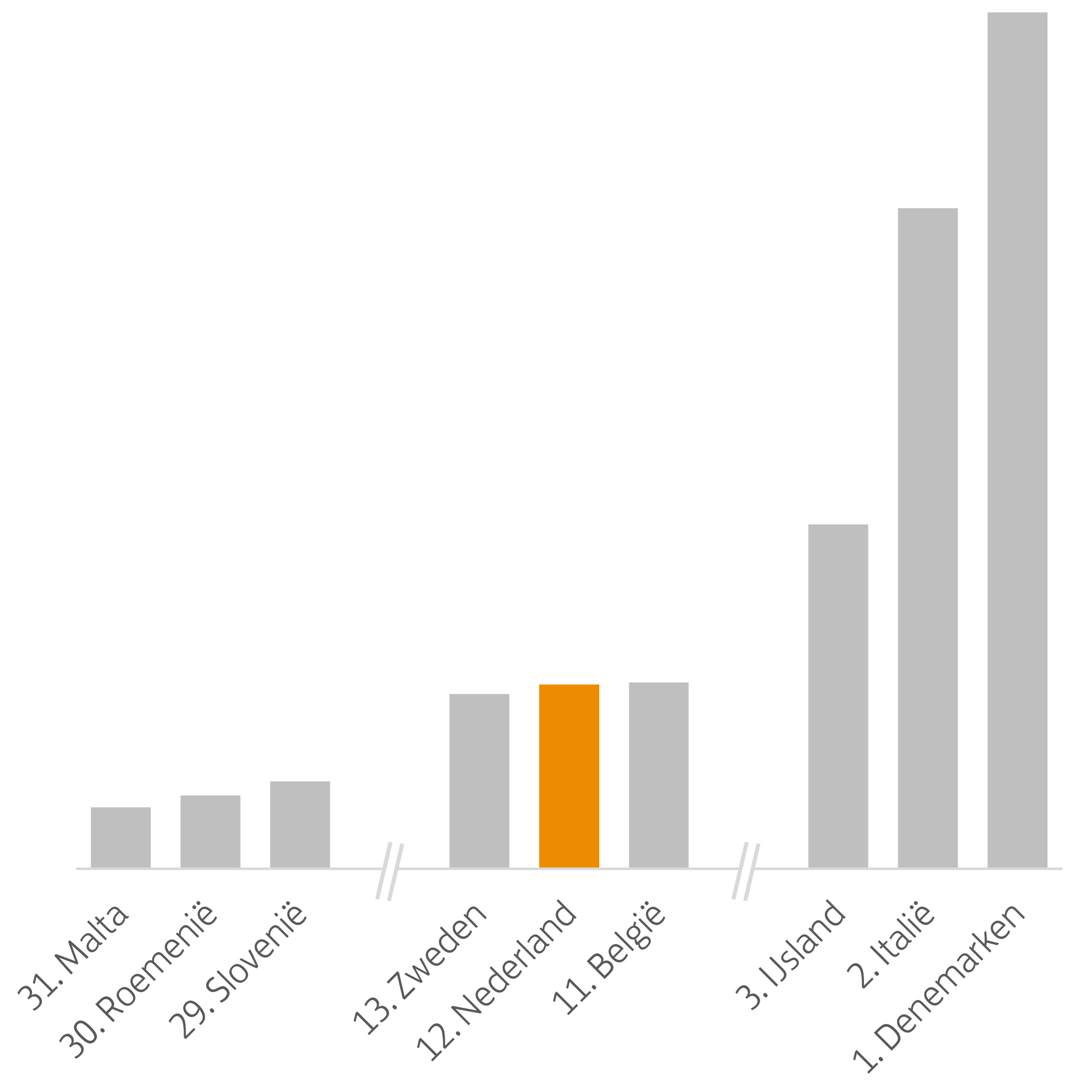
## High quality, moderate rates, many jobs

### Service Quality

| Rank | Country |
|---|---|
| 1 | Switzerland |
| 2 | Netherlands |
| 3 | Japan |
| 4 | Germany |
| 5 | France |
| 6 | Poland |
| 7 | Singapore |
| 8 | USA |
| 9 | UK |
| 10 | Austria |

Source: Global UPU ranking 2018

### USO Stamp Price D+1 (2017)




Source: Letter price survey– March 2017

### Employment

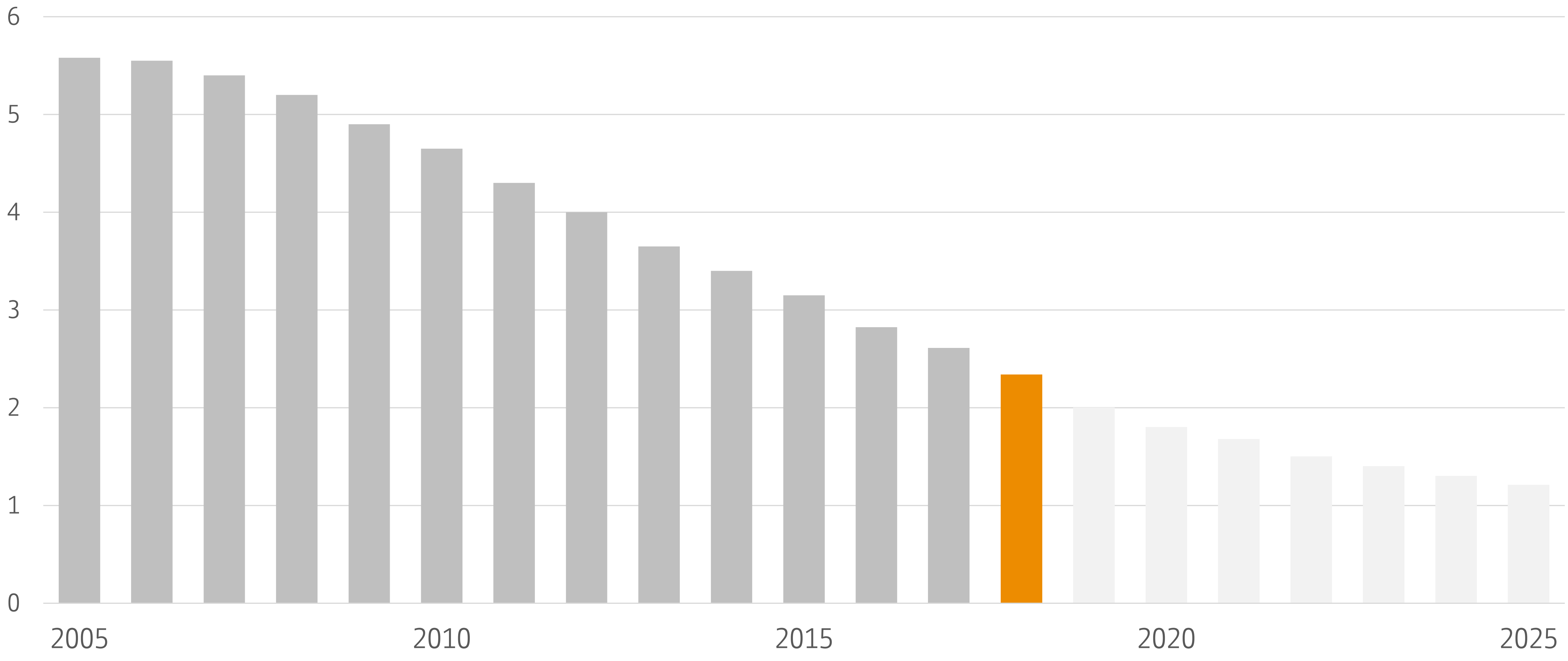
**65,000**
**people**

Total employed in the postal sector in the Netherlands (PostNL, Sandd, postal operators and sheltered employment)

# Postal volumes continue to decline strongly

**Mail volume development in the Netherlands**

# billion letters per year




Source: Adviesrapport Oudeman

# Reliable, accessible, affordable

**Average household receives circa 300 letters per year**

- Despite digitalisation and other means of communication, mail continues to be appreciated and relevant in society
- Desire in society to maintain 24-hrs service, 5 days per week with a minimum delivery quality of 95% everywhere in the Netherlands
- Consolidation of two largest networks is the only option to guarantee availability and continuity of mail for the future
- Consolidation is the only option that allows to manage volume decline in a socially responsible manner

# Consolidation is important for all stakeholders

**Customers**
- Solid basis for quality and continuity
- Availability of mail service across the Netherlands
- Affordability

**Employees**
- Enhanced job security for thousands of postal deliverers
- Manage decline in a socially responsible manner
- Improved long-term job perspectives

**Shareholders**
- Solid synergy potential
- Creates sustainable value
- Earnings accretive

# Broad support for consolidation

**Change inevitable due to continued volume decline**

2017 — Start postal dialogue initiated by Ministry of Economic Affairs

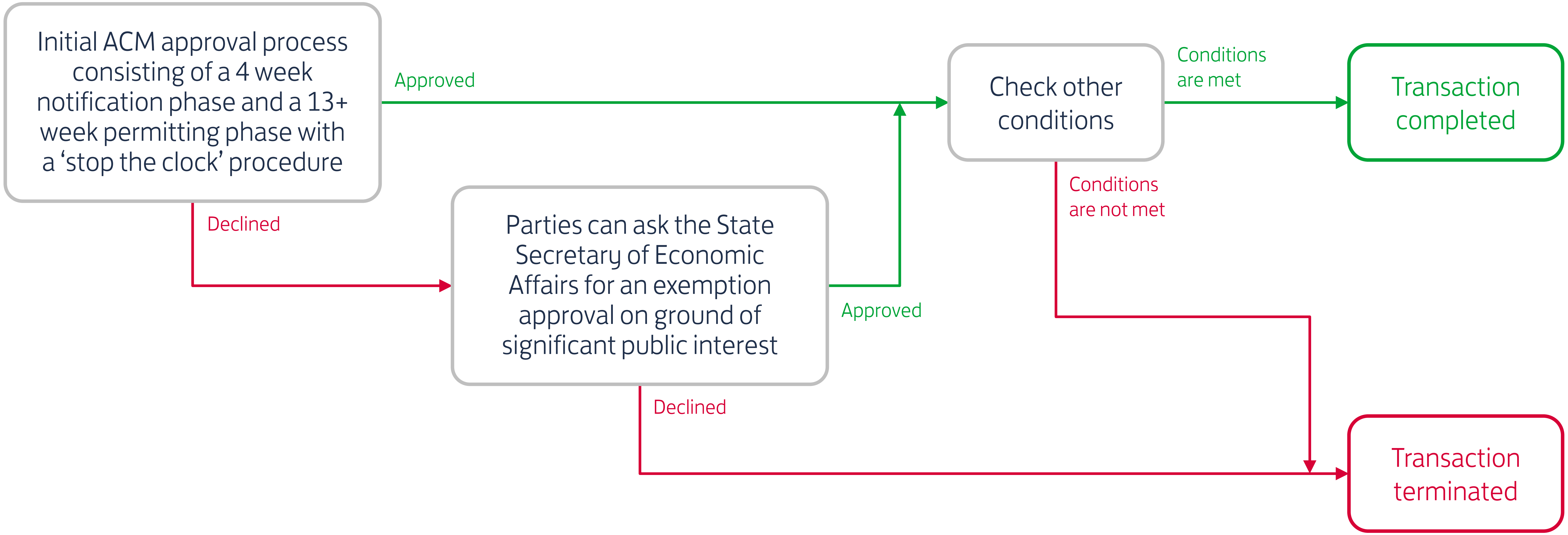
June 2018 — Report Commission Oudeman
Letter State Secretary Economic Affairs

September 2018 — Broad political support for consolidation

February 2019 — Announcement PostNL & Sandd
Start regulatory approval process

# Request for approval will be filed with the ACM today

## Outcome and timing of the process remain uncertain at this stage




- Outcome and timing of the process remain uncertain at this stage
- The planning in this presentation is therefore indicative and conditional upon timing of approval
- To illustrate potential timelines, we assume completion of the transaction in Q4 2019

# Strategic rationale for consolidation is strong

**Sustainable and solid base**

- Continuity for customers
- Better prospects for employees
- Enhanced economies of scale facilitate managing volume declines and keeping mail affordable
- Integrated network can operate at higher occupancy levels

**Strong financial foundation**

- Mail in the Netherlands becomes a more robust and stable business
- Synergies as of first year after completion, offset by one-off costs and delay cost savings plan
- Annual UCOI contribution of €50m - €60m
- Accretive to UCOI as of first year after approval
- Improved mid-term financial basis

**The right thing to do in the public interest**

- Creating a reliable, accessible and affordable postal service for the future
- Managing the volume decline in a socially response manner

# PostNL and Sandd


- 38,000 employees
- Including 18,000 postal deliverers
- Mail volume 2018: 1.781 billion
- Revenues Mail in the Netherlands 2018: € 1,678 million


- 19,000 employees
- Including 16,000 postal deliverers
- Mail volume 2018: 720 million
- Revenues 2018: € 201 million

# Transaction highlights

| | |
|---|---|
| **Price and funding** | • Total transaction value of €130m (Enterprise Value)<br>• Funded through cash on hand and new debt arrangements |
| **Financial impact** | • Annual UCOI contribution of €50m - €60m, reaching run-rate 3 years post closing<br>• Integration related costs of approximately 1x run rate synergies expected in first two years<br>• Accretive to UCOI in first year after closing |
| **Key Conditions** | • Closing subject to regulatory approval<br>• Consultation of works councils and unions<br>• Agreement on final transaction documentation |

# An investment in the postal sector and in PostNL

**Becoming more stable, solid and agile**

| | | |
|---|---|---|
| **Synergy Realisation** | • Integration and rationalisation into one single network<br>• Full closure of physical Sandd infrastructure after 1-1.5 years; job offers to Sandd postal deliverers<br>• Additional volume leads to economies of scale<br>• Improved scheduling, planning and routing<br>• More agile single network with improved ability to adapt to declining postal volumes in the future<br>• Integration expected to delay implementation of current cost saving plans, which will impact UCOI in the next 4 calendar years with a cumulative impact of €(50)m-€(70)m; total cost savings remain unchanged | **Annual UCOI Contribution €50m-60m** |
| **Integration Related Costs** | • Implementation costs during first 2 years post closing* | **Approximately 1x run-rate synergies** |

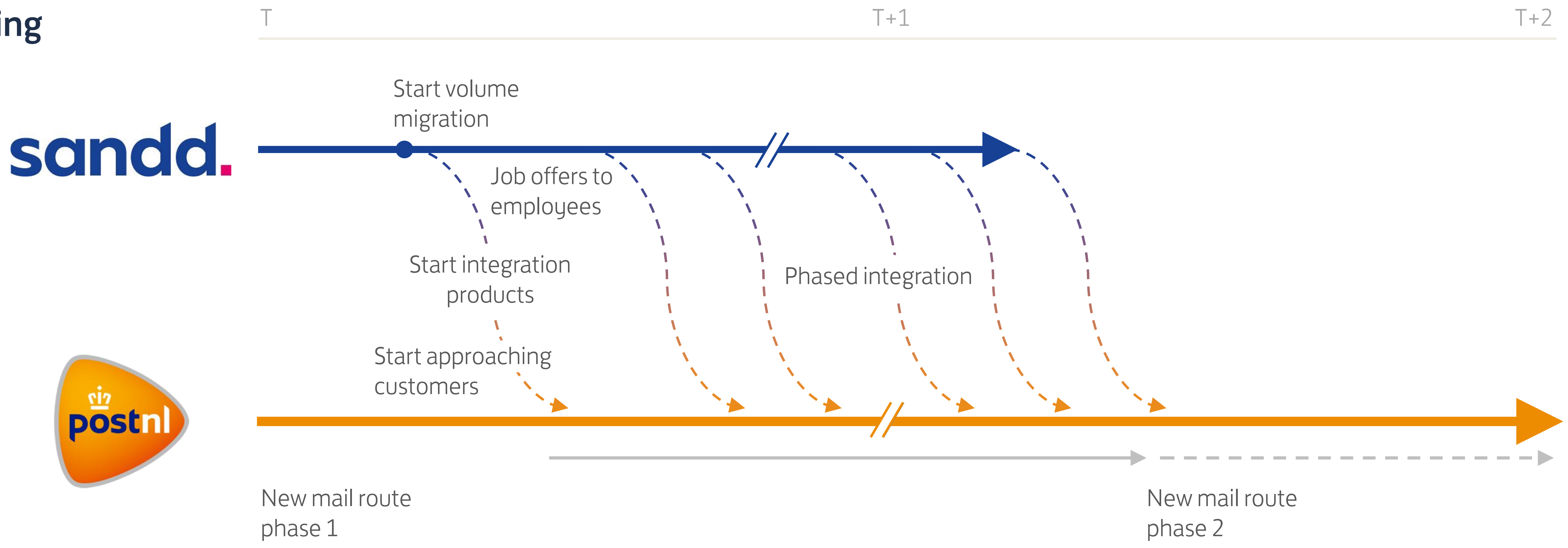
** Indicative timing, depending of moment of approval*

# Proposed integration approach

**Integration principles**

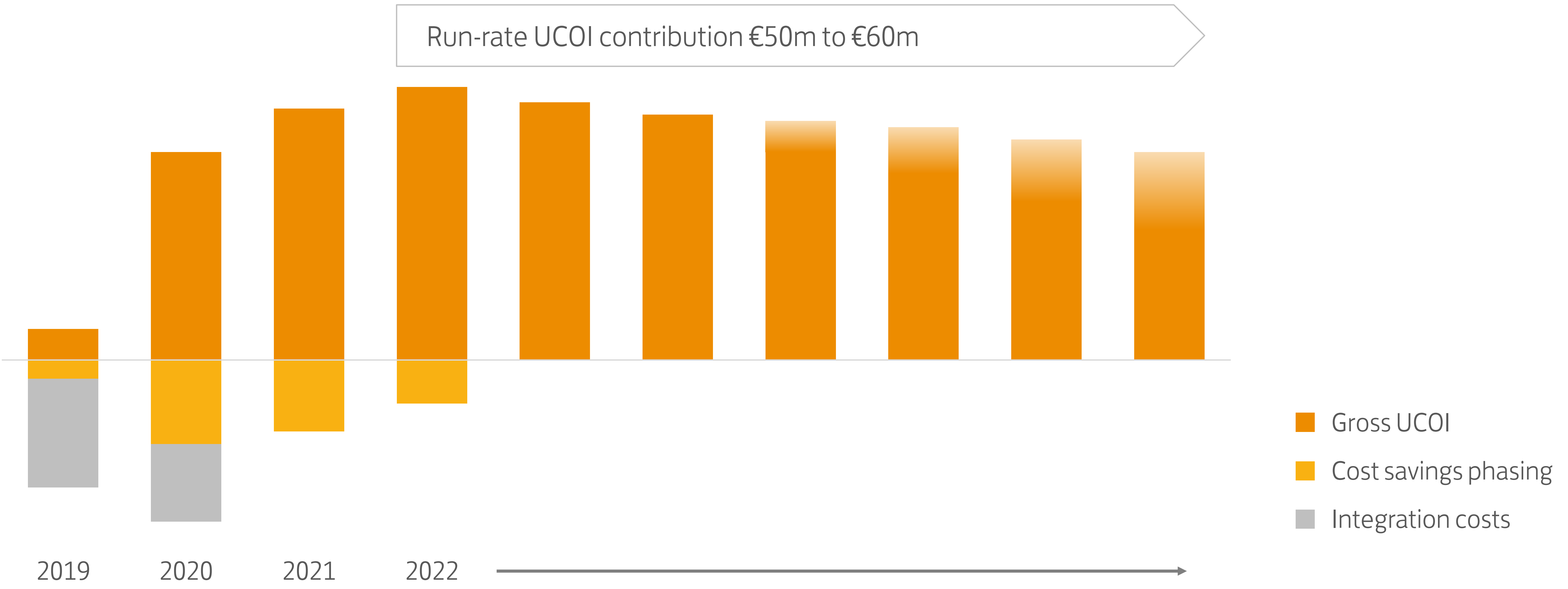
- Joint effort to define steps towards integration
- Consultation and support of employee representation
- No concessions to customer service
- Maintain delivery quality throughout the process

**Planning**



# Synergies anticipated to contribute positively to UCOI as of 2020*, reaching run-rate as of 2022*

**Anticipated UCOI Contribution***

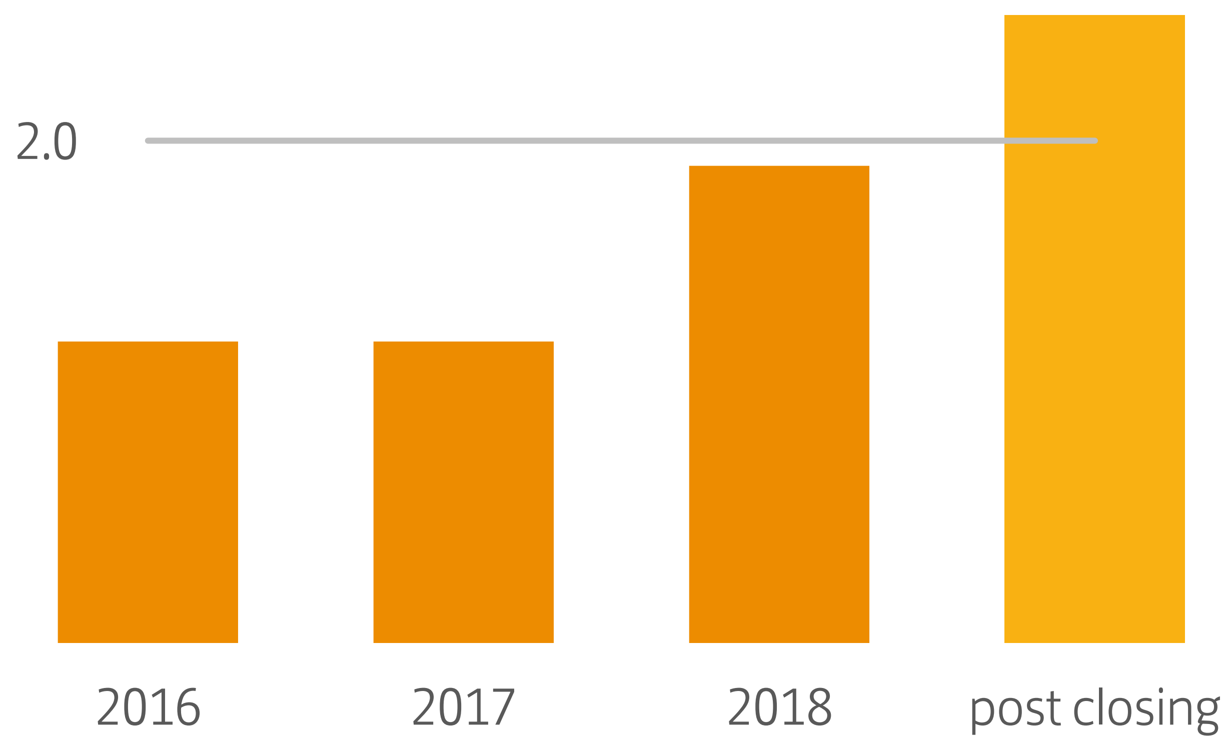



** Indicative timing, depending of moment of approval*

# Transaction impact on leverage and dividend

- Acquisition consideration to be funded through cash on hand and new debt arrangements (to be defined later)
- As a result of the transaction consideration paid, subsequent integration costs and the delay in cost saving plans, PostNL anticipates that its pro forma adjusted leverage will exceed PostNL's 2.0x target post closing
- PostNL remains committed to maintaining a prudent financial policy and its target of <2.0x adj. leverage. Therefore, it will temporarily delay dividend payments post closing
- PostNL aims to reduce adj. leverage below its 2.0x target in 12-24 months after closing and resume dividend payments thereafter
- PostNL anticipates the acquisition to become accretive to UCOI in the first year after closing*

**Adjusted Net Debt / EBITDA**




** Indicative timing, depending of moment of approval*

# One strong nationwide postal network for the Netherlands

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# Q4 & FY 2018 Results
# Driving transition

The Hague, 25 February 2019

**Key takeaways FY 2018**

Business review Q4 2018 and progress transition

Financial review Q4/FY 2018

Outlook 2019

Q&A

# Key takeaways

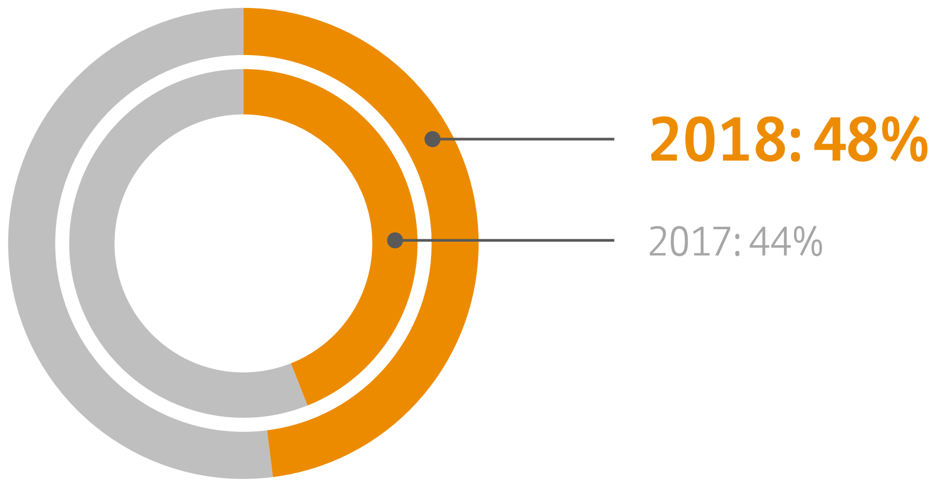
- Strong performance in Q4 brings UCOI 2018 to higher end of guided range
- Improved run-rate cost savings in HY2
- Intention to pay progressive dividend over 2018 delivered
- Strive for certainty and stability for all stakeholders in declining postal market; closer to consolidation than ever before

# FY 2018 UCOI of €188m, in upper-part of guided range

**Good progress to become leading postal, e-commerce logistics company of choice**

| | Revenue | Underlying cash operating income | Consolidated equity | Proposed dividend |
|---|---|---|---|---|
| **FY 2018** | **€2,772m** | **€188m** | **€46m** | **€0.24** |
| FY 2017 | €2,725m | €241m | €34m | €0.23 |

### % of revenue related to e-commerce




### Decision to divest Nexive and Postcon

- In line with our strategy to be the postal and logistic solutions provider and focus on our core markets in the Benelux
- Progress divestment processes according to plan
- Expect to sign agreements before summer

# Q4 & FY 2018 Results

Key takeaways FY 2018

**Business review Q4 2018 and progress transition**

Financial review Q4/FY 2018

Outlook 2019

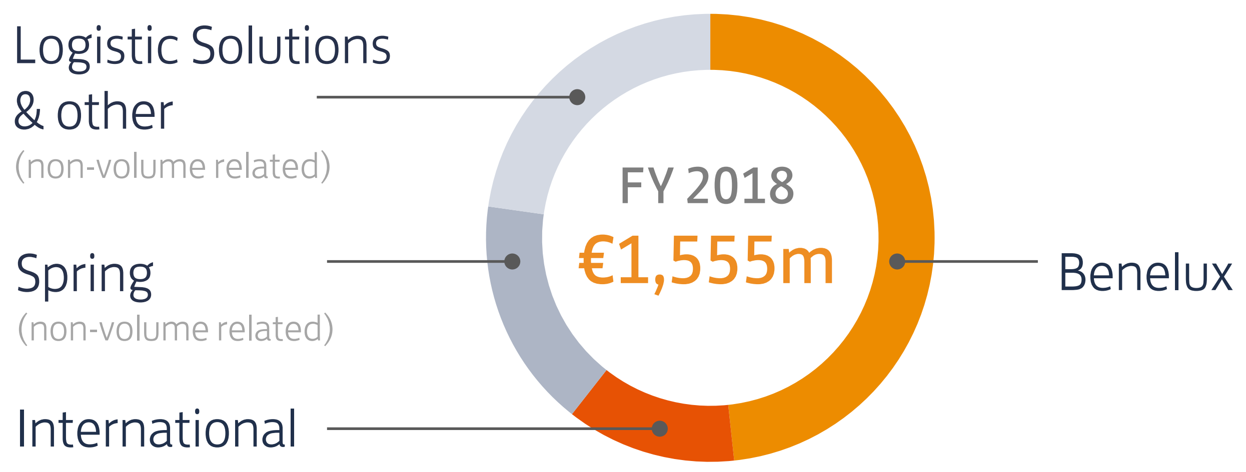
Q&A

# Parcels

## Challenging peak period with record-high volumes

| | Revenue | Underlying cash operating income | Volume growth |
|---|---|---|---|
| **Q4 2018** | **€439m** | **€36m** | **20%** |
| Q4 2017 | €393m | €39m | |
| FY 2018 | €1,555m (+12.5%) | €117m (margin 7.5%) | 22% |

**Revenue mix**




### Key takeaways Q4 2018

- Ongoing strong volume growth, translated into revenue growth, slightly offset by negative price/mix effect
- Improving operational efficiency for example due to higher drop duplication
- Operational result impacted by
  - additional peak season costs to absorb swings in volume; no gradual movement towards spike that started on Black Friday and continued till 5 December
  - IT costs related to further development of digital services increased
- Logistics (for example Extra@home and Fulfilment) continues growth track, performance improved
- Fierce competitive environment Spring, especially in Asia, resulting in pressure on margin and lower performance

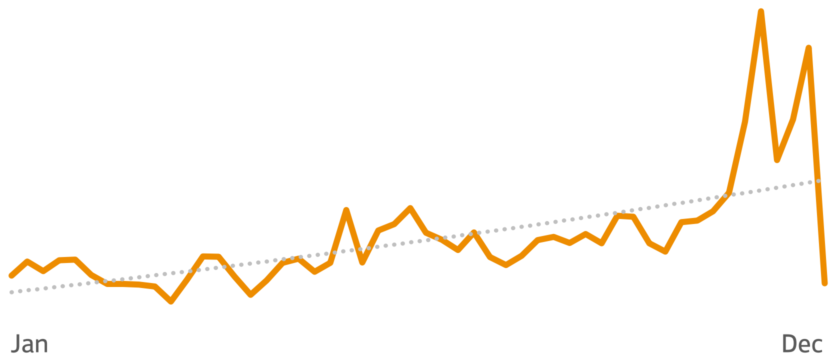
# Pressure on margin during peak period 2018

**Additional capacity measures taken to absorb daily swings in volume**

### Swings in volume put pressure on margins

- Strong volume growth in Q4 (+20%)
- Different distribution of peak-volumes over weeks and working days
- Daily swings in volume compared to last year between +30% and -20% impact network costs

### # parcels per week 2018



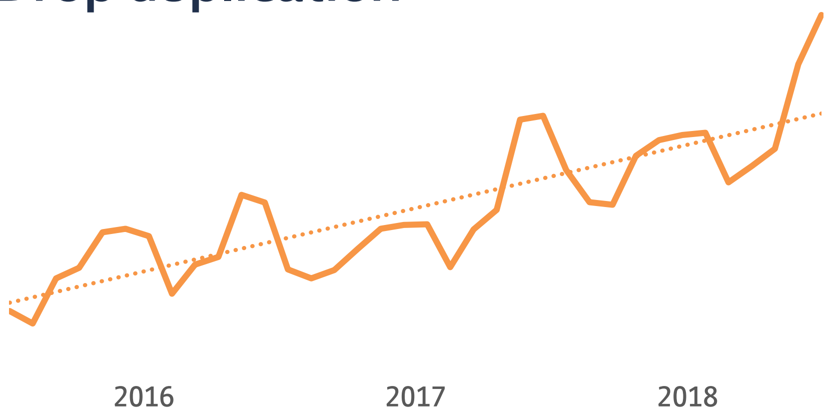

### Additional capacity measures

- Structural capacity added by opening three new sorting and delivery centres in 2018
- During peak season additional storage space rented for short-term
- Hire of additional workforce to limit capacity issues faced by tight labour and transport market

### New sorting and delivery centres

### Improved efficiency, shown by higher drop duplication

### Drop duplication



# Capital Markets Day on 7 May

## Focus on our growth potential

### Capital Markets Day

- Explain how PostNL will be able to improve the balance between continuing volume growth, profitability and cash flow

### Key topics

**Parcels**

**Insights and future perspectives Parcels**

- Market developments, competitive market position, commercial strategy and plans to capture growth
- Plans on our network, innovation & digitalisation
- Key financial metrics Parcels

*Improve sustainable value creation*

**PostNL**

**PostNL**

- Financial framework, cash conversion and capital allocation going forward

*Mid-term outlook PostNL; including guidance on Mail in the Netherlands & Parcels*

# Parcels in 2019

## Key drivers performance in 2019

- Focus on the growth potential of our business
- Improving balance between volume, profitability and cash flow
- Expanding our network in the Benelux by three new sorting centers
- Impact tight labour and transport market
- Further develop our service propositions, for example in growth areas such as food and health

## Outlook Parcels 2019

| *(in € millions)* | Revenue | | UCOI / margin | |
|---|---|---|---|---|
| | 2018 | outlook 2019 | 2018 | margin outlook 2019 |
| Parcels | 1,555 | + low teens | 117 *(7.5%)* | 7.5% - 9.5% |

# E-commerce drives further volume growth Parcels

## Towards the next growth phase

External

**Market developments**

- Online share retail increases
- Growth online spending
- Extensive growth of heavy users

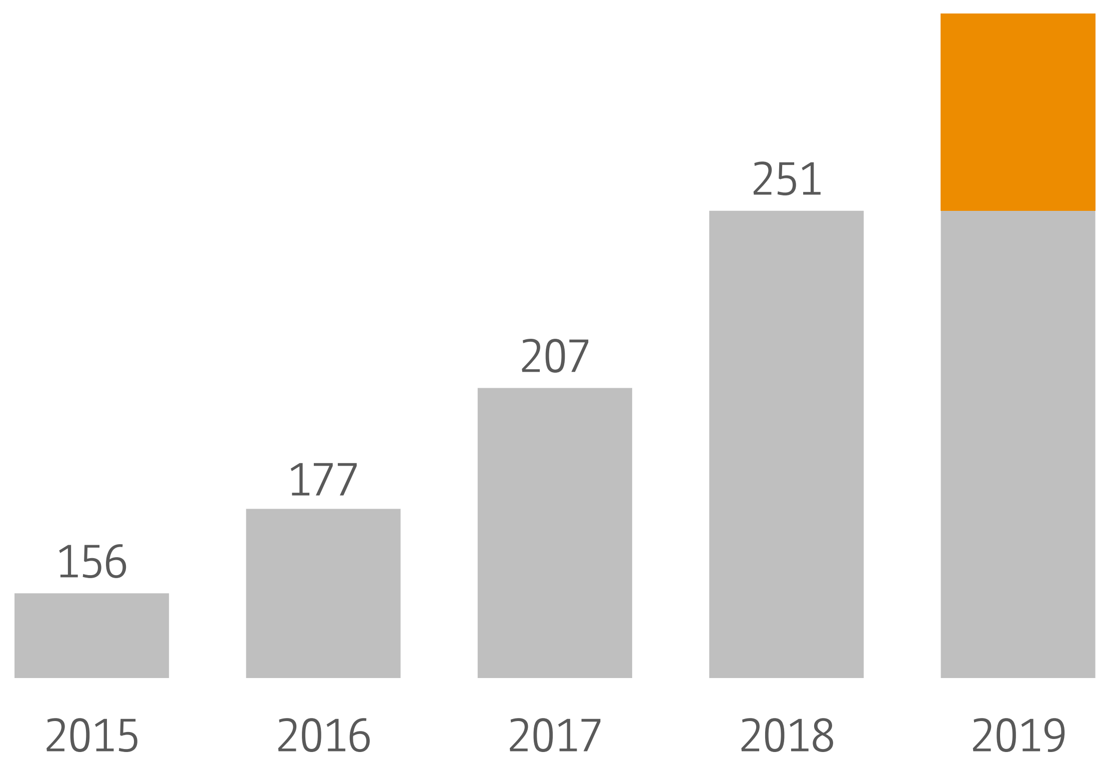
PostNL

**Customer interaction**

- Increased online customer interaction
- Volume growth in added services
- Solid customer satisfaction

**Accelerating volume growth**

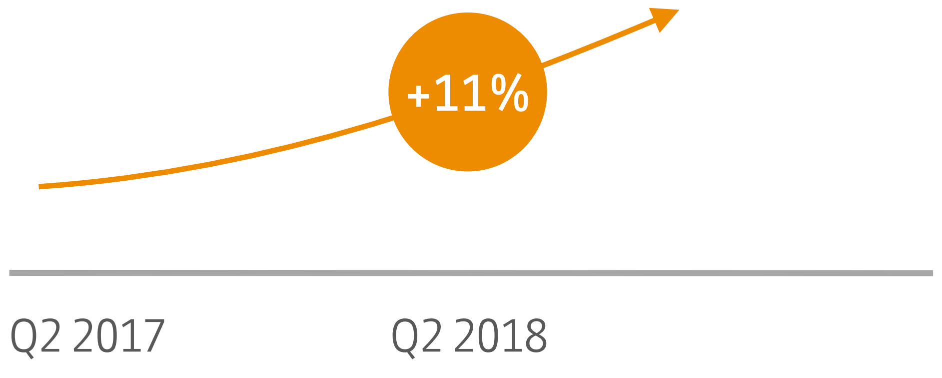
# parcels PostNL (in million)



# Drivers for further growth in e-commerce

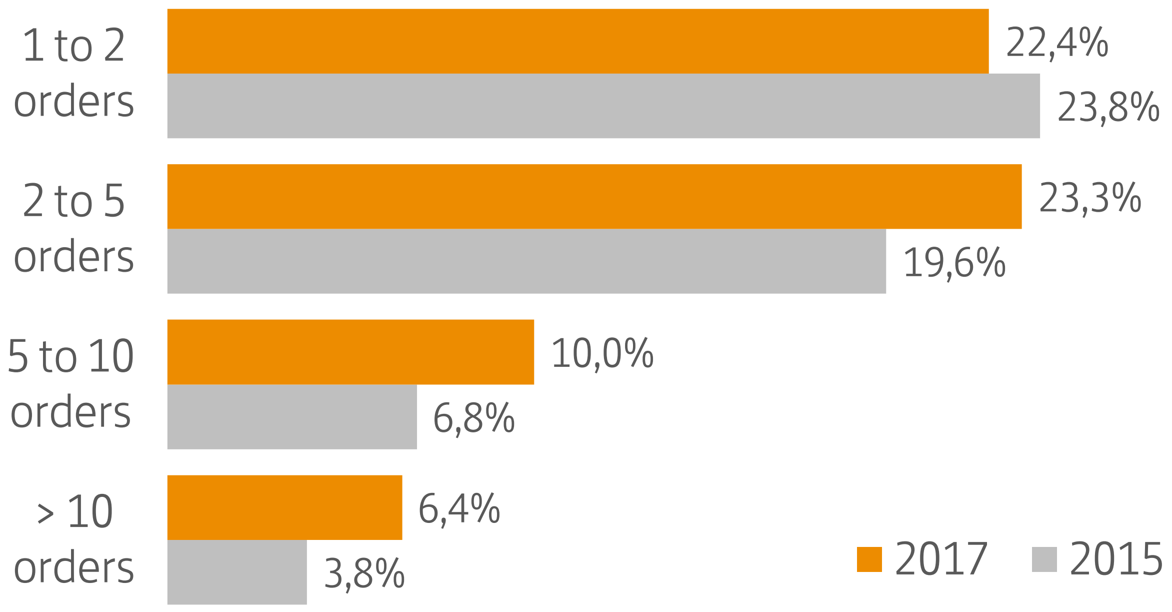
**Market developments that show potential online shopping**

## Growth online spending



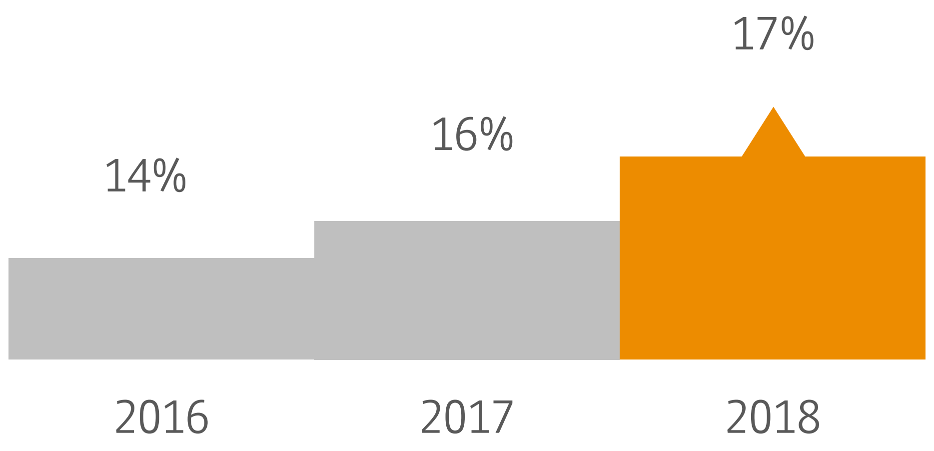

## Extensive growth in heavy users

% buyers with online purchase(s) per three months




## Growth online retail share

(only products)

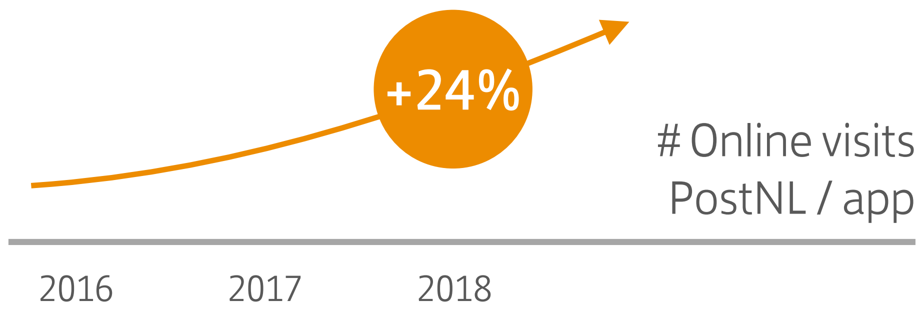


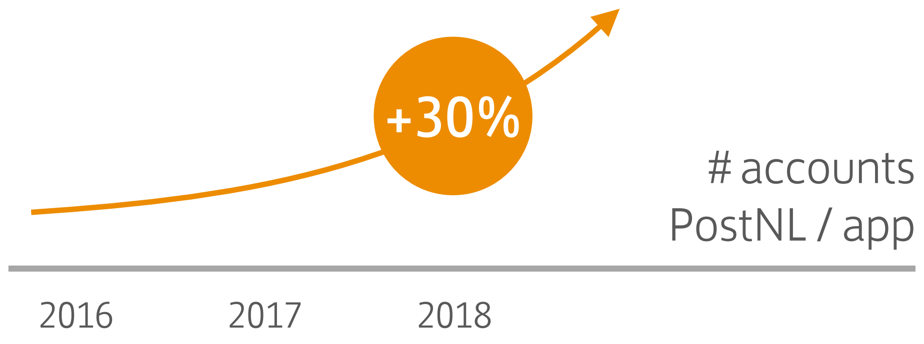

Sources: Forrester 2017-2022, Euromonitor 2017-2022, MoMa research 2015 – 2020,, GfK expert groups 2015-2020, Thuismonito, CBS: statline 2017

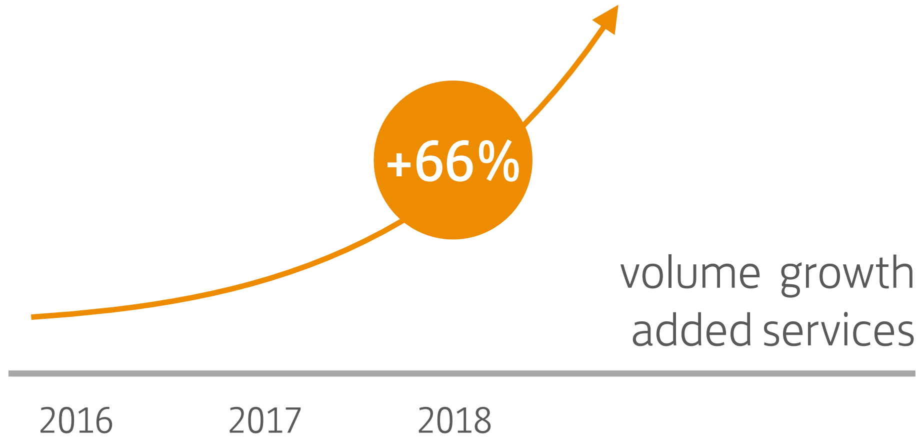
# Offering a wide range of delivery options and added services

**Fuels volume growth and drives customer satisfaction**

### Online customer interaction




### Extension service propositions

- Data insights and data sharing enable us to introduce a greater range of tailored delivery options, such as rerouting, to meet customer demands
- Strong growth in Food and Evening delivery
- Start food delivery network in Belgium and further roll-out food in the Netherlands
- Return solutions to stimulate e-commerce growth

### Drives customer satisfaction

82% customer satisfaction

2018

# Investments in infrastructure and innovation

**Solidify our position as leading e-commerce logistics solutions provider in Benelux**

## Innovations in our network

### Sorting flexibility

Increased sorting capacity by adding two shoots per depot at 17 depots, increasing amount of routes

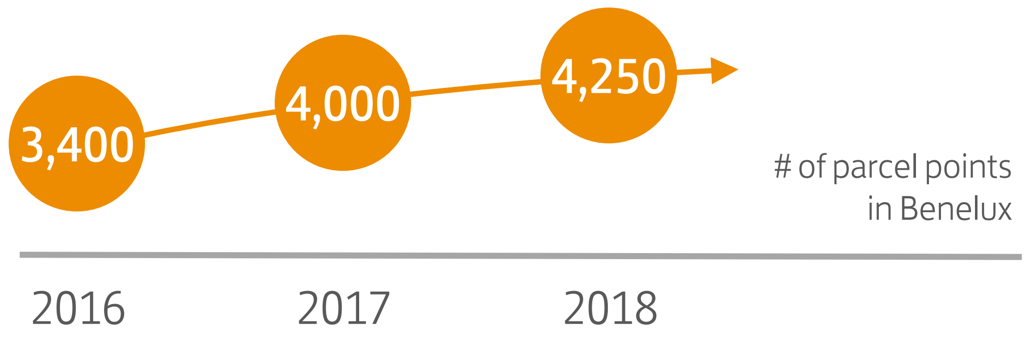
### Efficient collection

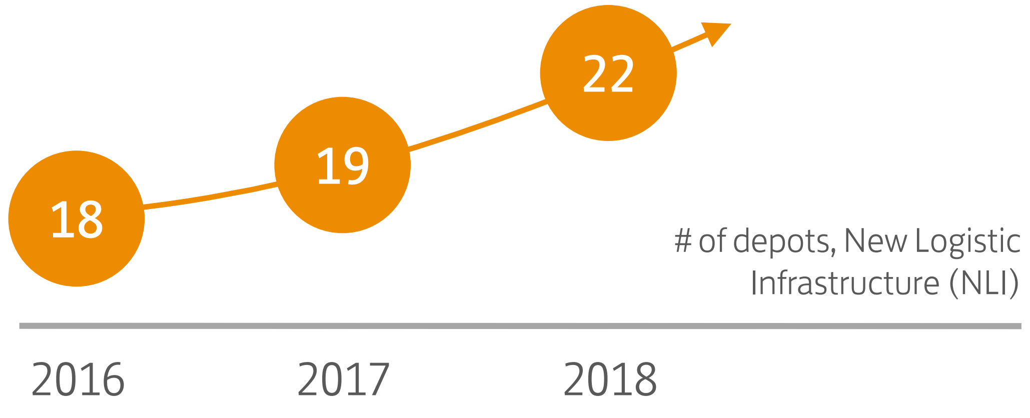
More efficient collection at three new BREEAM certified sorting centres with special docks that enable efficient unloading of vehicles. Electric enabled infrastructure opened in Amsterdam

### Optimised planning & forecast

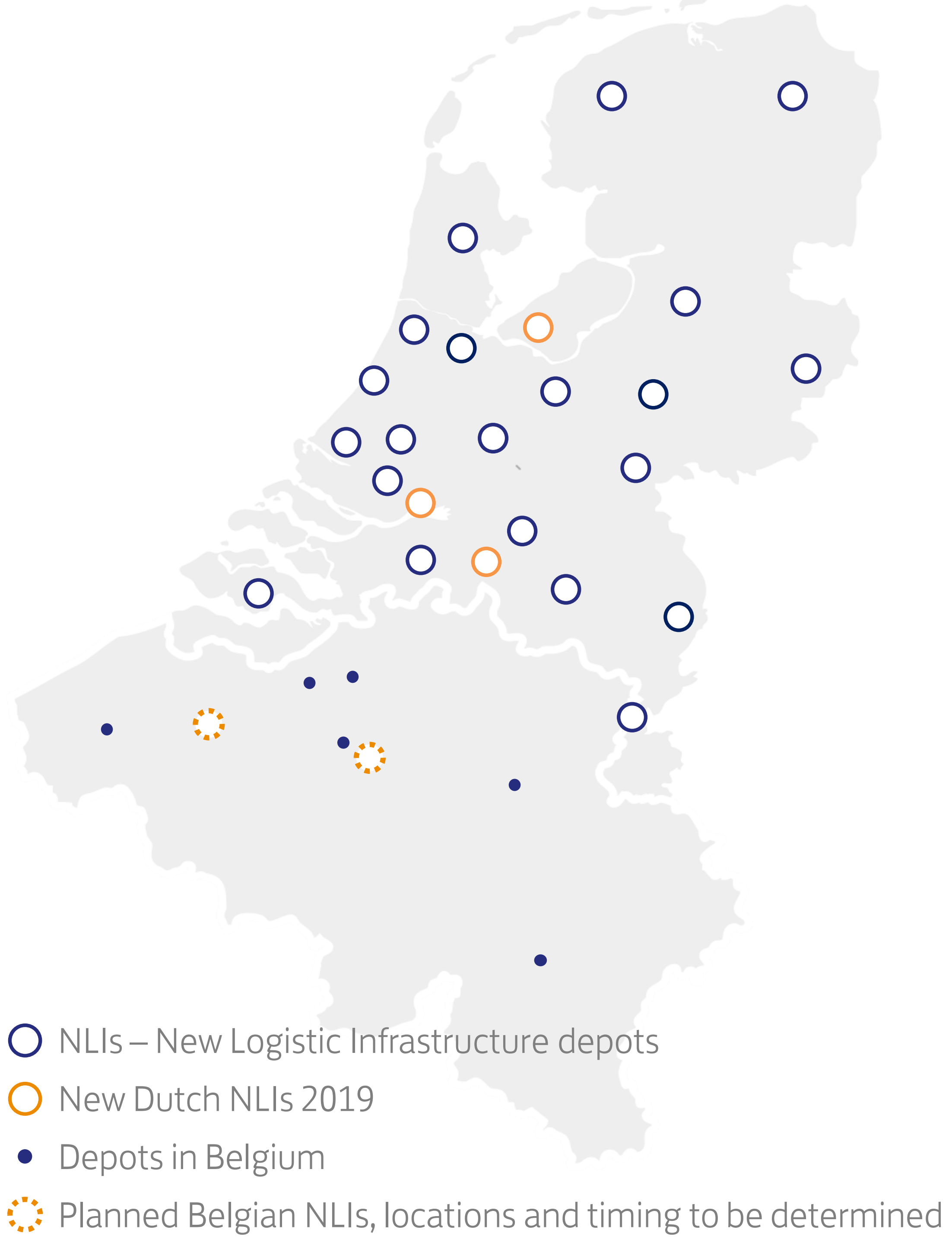
Better Estimated Time of Arrival (ETA) of deliveries

## Parcel infrastructure

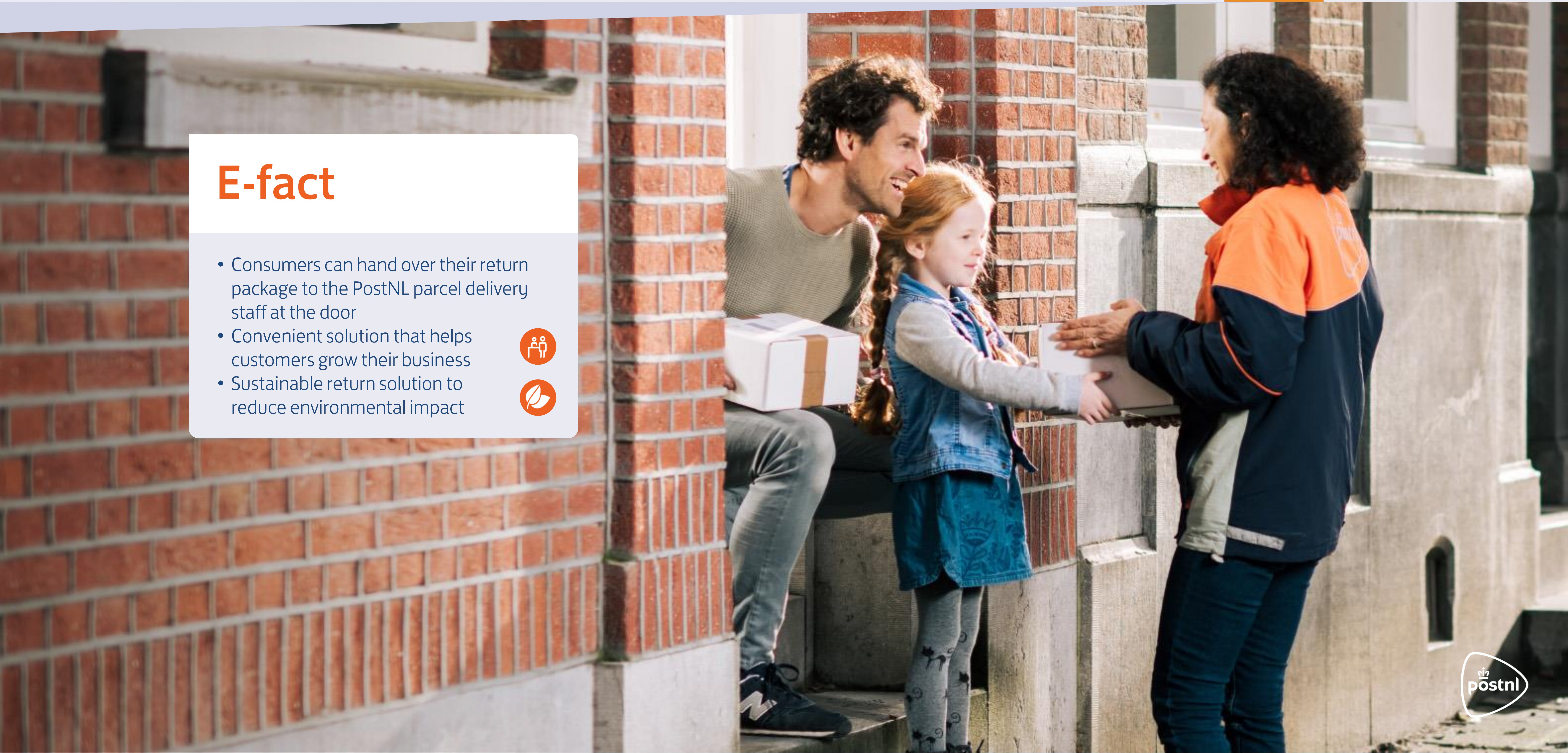



- Open three new depots in the Netherlands in 2019
- Increase our workforce with attention for sustainable delivery model and taking into account tight labour market



# Convenient and sustainable return solution introduced



## E-fact

- Consumers can hand over their return package to the PostNL parcel delivery staff at the door
- Convenient solution that helps customers grow their business
- Sustainable return solution to reduce environmental impact

# Further expansion food services

## E-fact

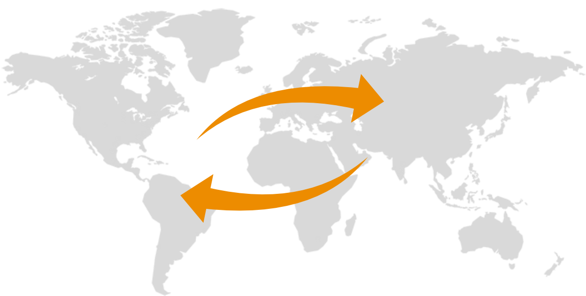
- Real time track & trace functionality of food box
- # of stops before the PostNL deliverer reaches your address is visible
- Good visibility for consumer on arrival time, resulting in reduction in waiting time for deliverer

# Spring

**Our international provider of mail and parcels solutions to businesses worldwide**

### Gateway to Europe

Offering postal gateway solutions for customers in Asia and Americas into Europe



### Cross-border solutions

Providing global cross-border mail and e-commerce solutions

- In 2018, competitive environment remained fierce, especially in Asia, resulting in pressure on margin
- Initiatives to improve performance in 2019

### Offensive strategy to complement gateway

- Extending supply chain offerings, working towards an end-to-end solution
- Investment in increased visibility of flows
- Commercial last mile

### Increase development speed and innovation

- Rationalisation of indirect cost
- Improve time-to-market
- Further development of business intelligence capabilities to support data-driven decision making

### Transition to e-commerce service provider

- Grow volumes by benefitting from platforms
- Explore further partnerships
- Valuing our traditional mail solutions

# Mail in the Netherlands

## Strong quarter with good quality in peak season

| | Revenue | Underlying cash operating income | Total cost savings | Addressed mail volume decline |
|---|---|---|---|---|
| **Q4 2018** | **€483m** | **€71m** | **€14m**<br>of which €5m in Mail in the Netherlands | **10.2%*** |
| Q4 2017 | €504m | €73m | | |
| FY 2018 | €1,678m (-5.9%) | €93m (margin 5.5%) | €48m<br>of which €26m in Mail in the Netherlands | 10.7% |

**Key takeaways Q4 2018**

- Strong quarter, result back-end loaded in line with our initial guidance
- Volume decline mainly driven by substitution and competition; again high decline in single mail
- Revenue and result supported by retroactive invoice to postal operators (€7.5m)
- Improved run-rate cost savings in HY2 2018 as indicated before
- Favourable effect from less cash out for restructuring
- Delivery quality FY2018 at 95%

* 10.8% in Q4 2018, adjusted for one working day

# €14m cost savings realised in Q4 2018 (€48m FY 2018)

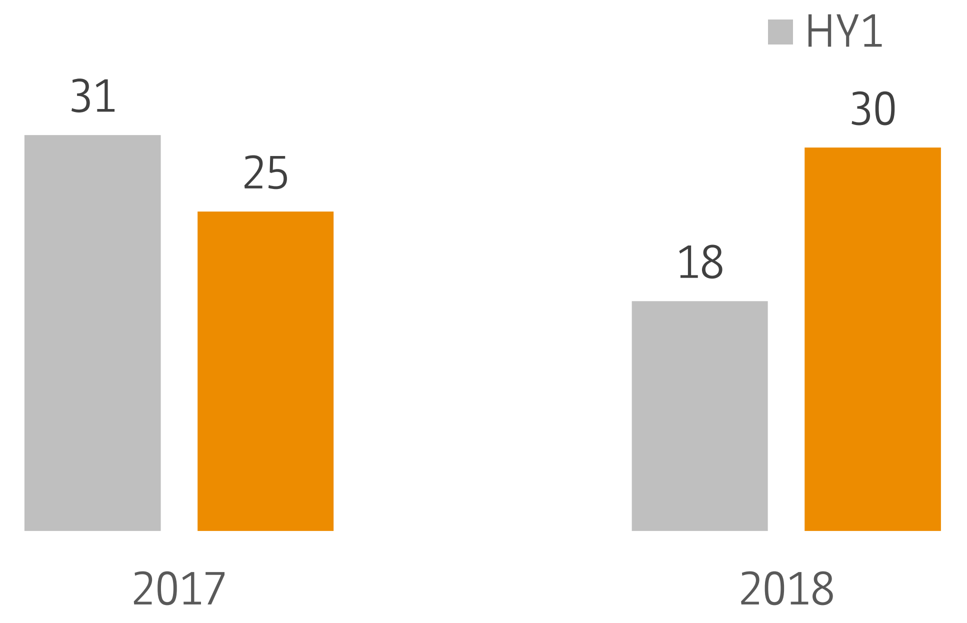
**Development in line with our expectations**

**Realised in Q4**

- Reduction in line management, supported by our mobility program, according to plan
- Reduction in overhead
- Restart further roll-out sorting code and adjustments in operational process
- Reduction of 300 post boxes
- Further integration of international mail activities
- Centralisation of three locations, 38 locations operational as at YE 2018

**Cost savings**

*(in € millions)*



# Mail in the Netherlands in 2019

**Key drivers performance in 2019**

- Volume decline and price increases
- Switch to New mail route
- Ongoing focus on cost savings
- Potential new conclusion ACM on Significant Market Power

**Outlook Mail in the Netherlands 2019**

| *(in € millions)* | Revenue | | UCOI / margin | |
|---|---|---|---|---|
| | 2018 | outlook 2019 | 2018 | margin outlook 2019 |
| Mail in the Netherlands | 1,678 | - mid single digit | 93 *(5.5%)* | 3% - 5% |

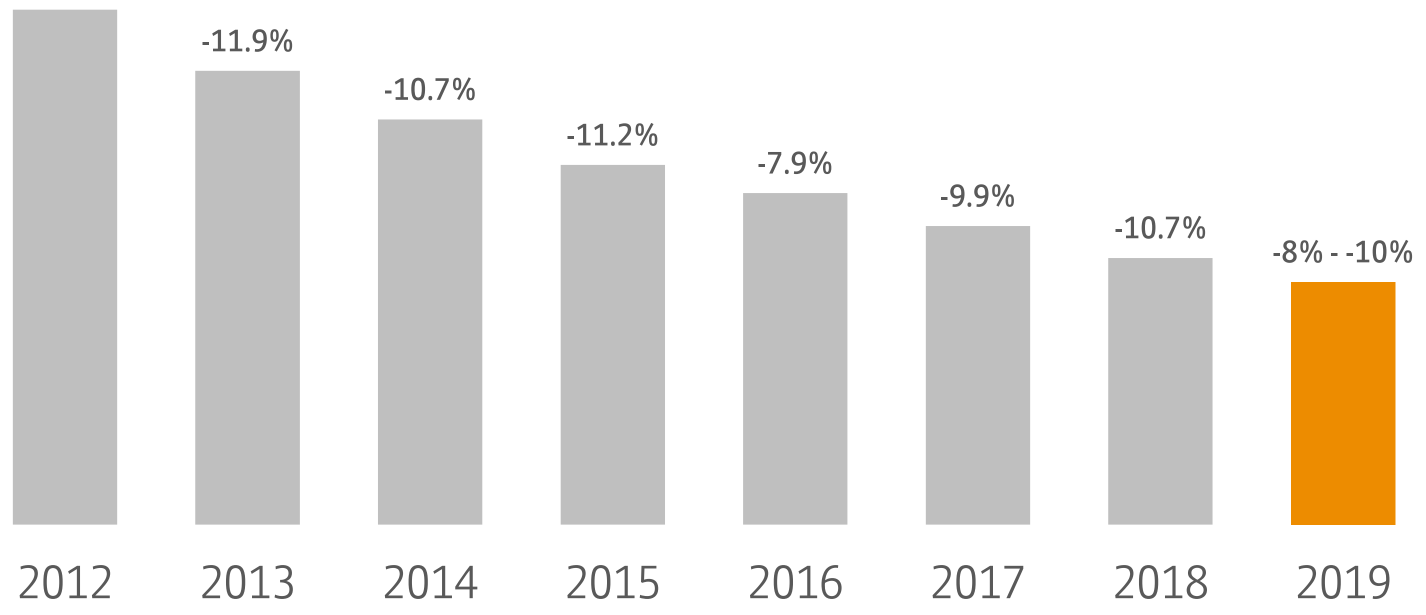
Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

# Volume and pricing in 2019

### Volume decline to continue

- In 2019, expected decline addressed mail volume PostNL between 8% and 10%
  - Substitution remains main explanation volume decline: continued strong digitisation in all segments and all customers
  - Pressure from postal operators results in volume loss to competition

### Volume development




### Pricing

- Bulk mail:
  - pricing in general well above inflation
  - wholesale pricing 24 hr segment based on PostNL offer, tariffs and conditions
- Single mail:
  - pricing within tariff headroom Postal Regulation, price increase 4.8% per 1 January 2019
- Shift in product mix due to higher decline in single mail and 24 hr bulk mail

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# Transition towards New mail route

**Step change in business model enables us to adapt organisation to future volume decline**

### New mail route

- Flexibilisation of business model
- Simplification of sorting and delivery process and improved automatic coding, implemented in 2018, are conditions for successful introduction
- Switch to equal-flow model

### Benefits for employees

- More attractive work – longer delivery routes means contracts with more hours
- Mail will be available for delivery earlier
- Provide deliverers with (e-)bikes to ease their workload

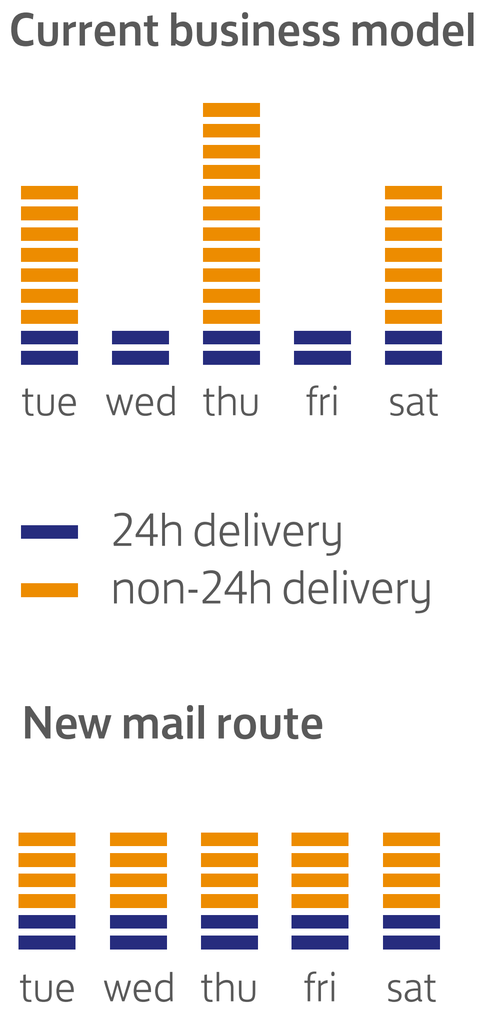
### Benefits for customers

- Non-time critical mail delivered on five days instead of three days
- Be able to better manage flow of their processes
- Access to high quality services at an affordable price

### Benefits for PostNL

- Adapt organisation to be able to better absorb future volume decline
- More efficient allocation of resources
- Achieve more cost savings; contribution to cost savings from 2020 onwards

### Mail delivery model

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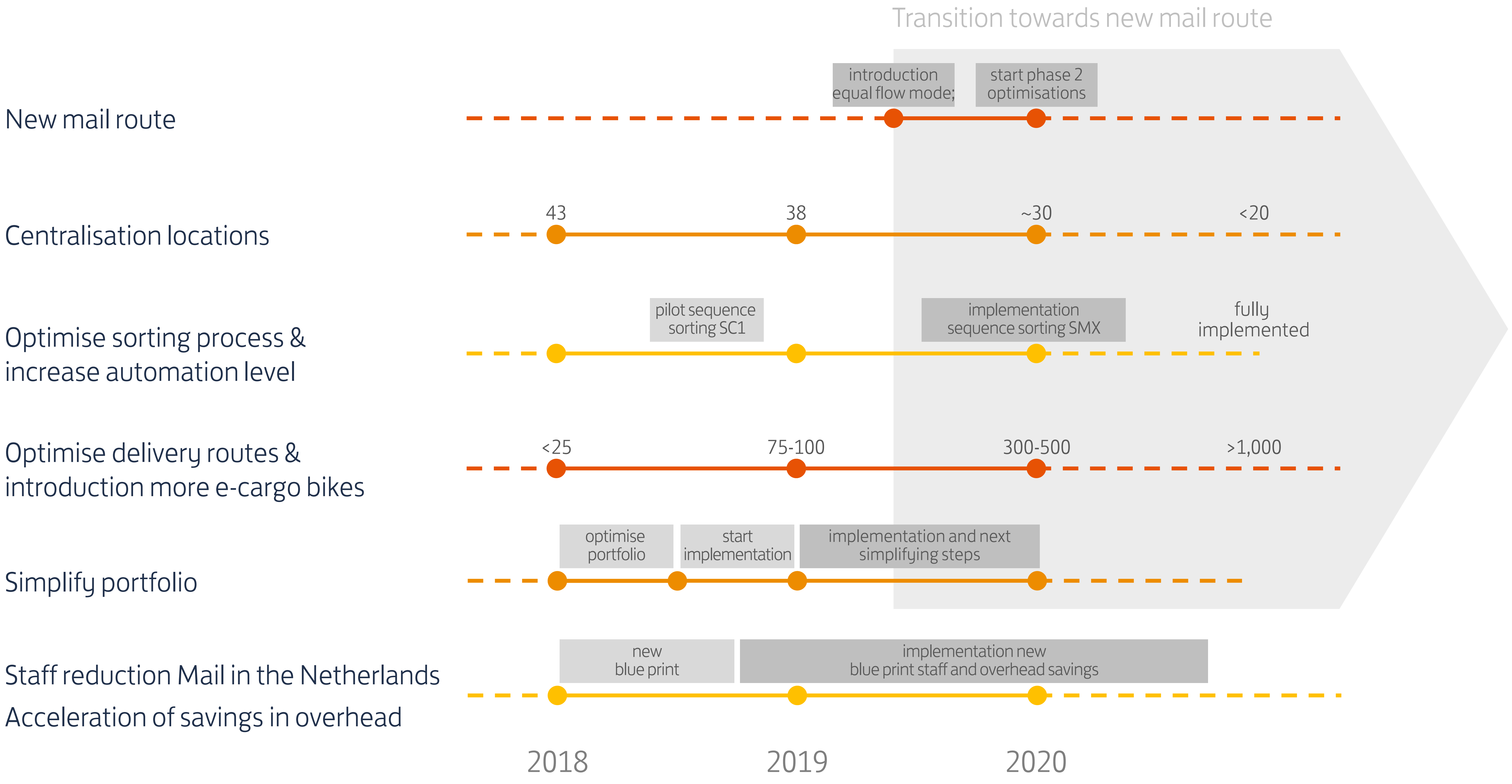
# Anticipated step-up cost savings in 2019 - 2020

**Well-supported by several projects underpinned by robust plans and clear milestones**

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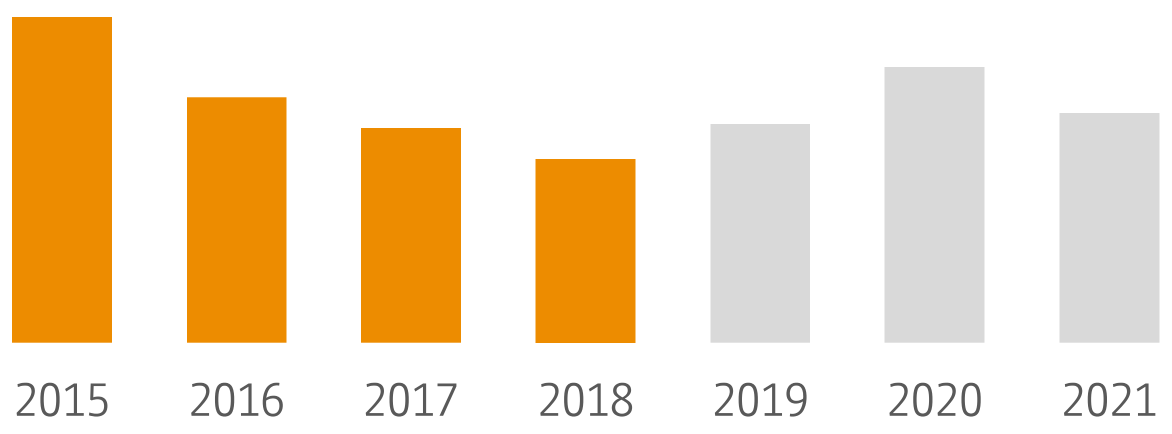
# Cost savings in 2019 – 2021

## Cost savings

*(in € millions)*

- Actual cost savings 2015-2018 €253m
- Estimated cost savings 2019 - 2021 ~ €180m-€200m

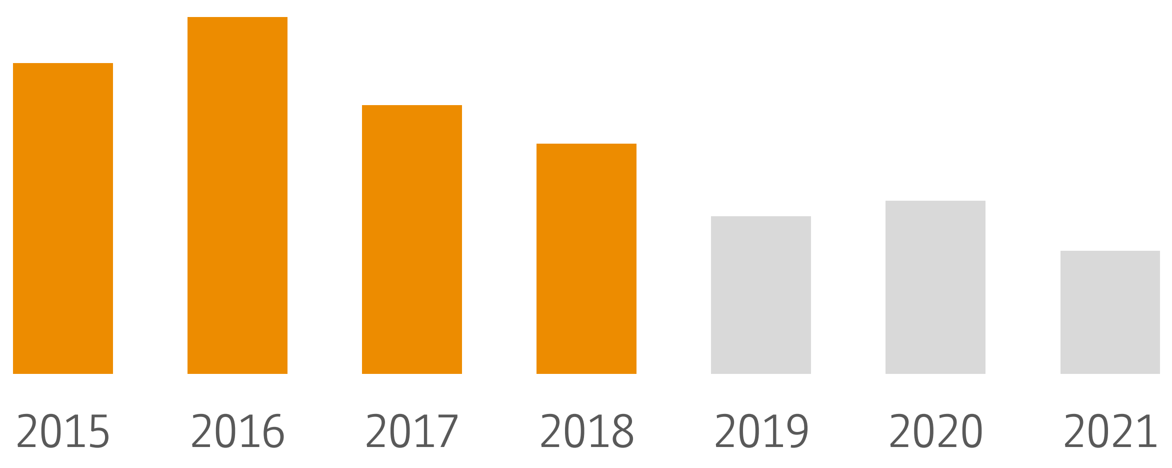



- Outlook 2019 €45m - €65m

## Related cash-out

*(in € millions)*

- Actual related cash-out 2015-2018 €304m
- Estimated restructuring cash-out 2019 - 2021 around €120m




- Total related cash-out 2015-2021 around €425m

Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

# Regulatory update (Significant Market Power)

## New draft decision creates uncertainty in the market

- ACM has published a new draft SMP-decision
- PostNL strongly disagrees with this draft decision
  - ACM creates new uncertainty in market
  - Draft decision does not reflect the reality and impact of the rapidly declining mail volumes on the sector and on PostNL
- Consultation period ended on 14 February 2019; we submitted our opinion
- No final decision published yet
- Legal action if and when appropriate

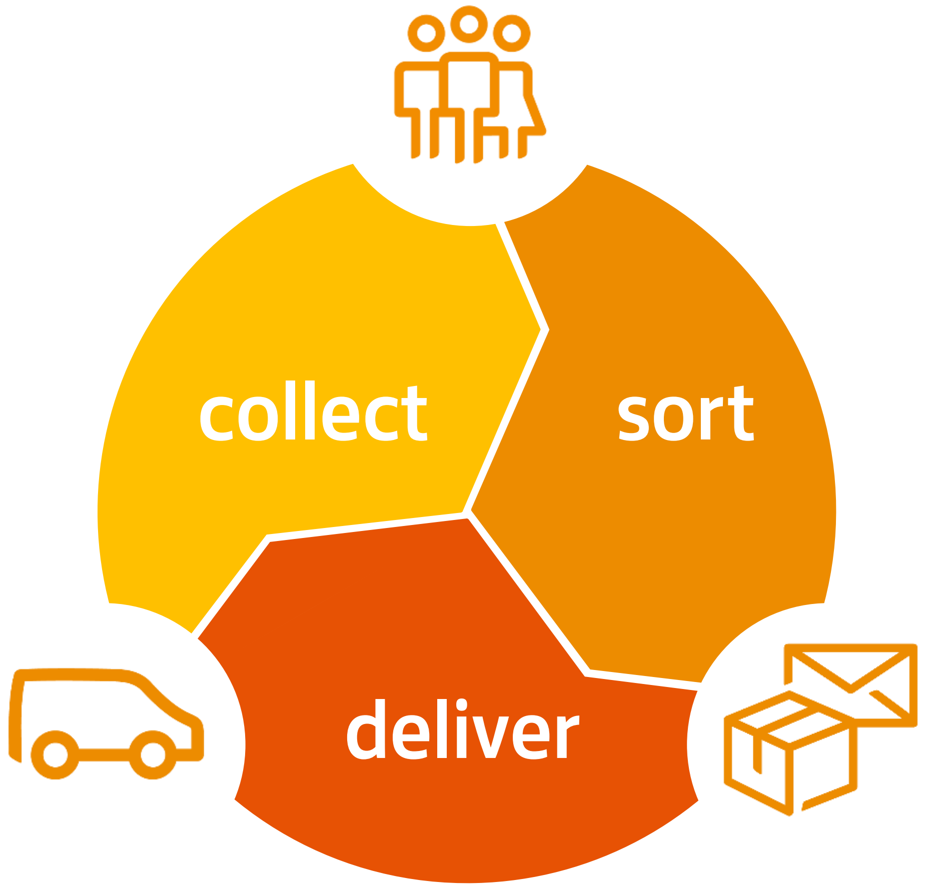
Financial impact related to ACM measures will be adjusted back to be between €50m and €70m, fully visible in 2021 if draft decision would be final

Included in our outlook for 2019

Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

# Confidence in our strategy

**Our ambition is to be your favorite deliverer**




**Our purpose is to deliver special moments to everyone**

**Strategic objectives to become leading postal and logistics solutions provider in Benelux**

- Help customers grow their business
- Enhance sustainable employability
- Secure accessible and reliable postal services
- Deliver profitable growth and generate sustainable cash flow
- Reduce environmental impact

# Confidence in accelerating our transition

## Key drivers performance in 2019

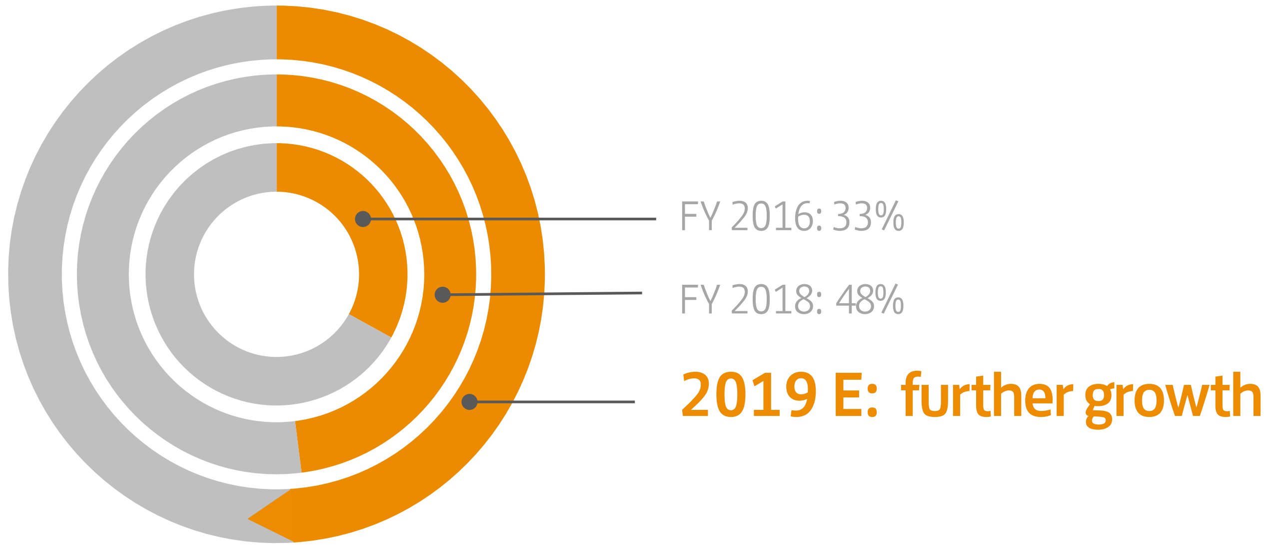
- Focus on growth potential of our business
- Improving balance between continuing volume growth, profitability and cash flow
- Expanding our network in the Benelux by three new sorting centers
- Impact tight labour and transport market
- Further develop our service propositions, for example in growth areas such as food and health

- Volume decline and price increases
- Ongoing focus on cost savings
- Switch to New mail route
- Potential new conclusion ACM on Significant Market Power

## Outlook 2019

- UCOI outlook 2019 is €170m - €200m
- Dividend policy unchanged

## Towards e-commerce logistics player

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# Q4 & FY 2018 Results

Key takeaways FY 2018

Business review Q4 2018 and progress transition

**Financial review Q4/FY 2018**

Outlook 2019

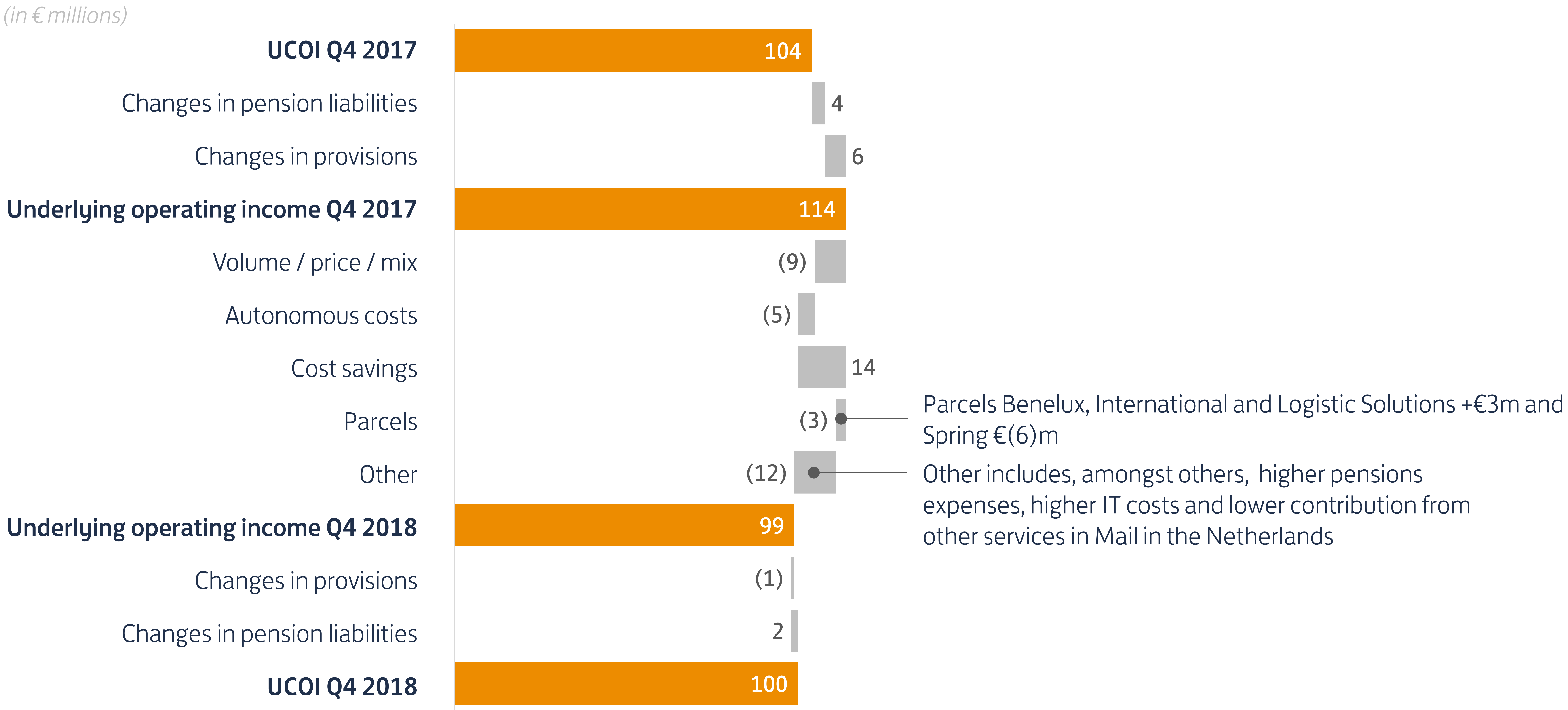
Q&A

# Financial highlights Q4 & FY 2018

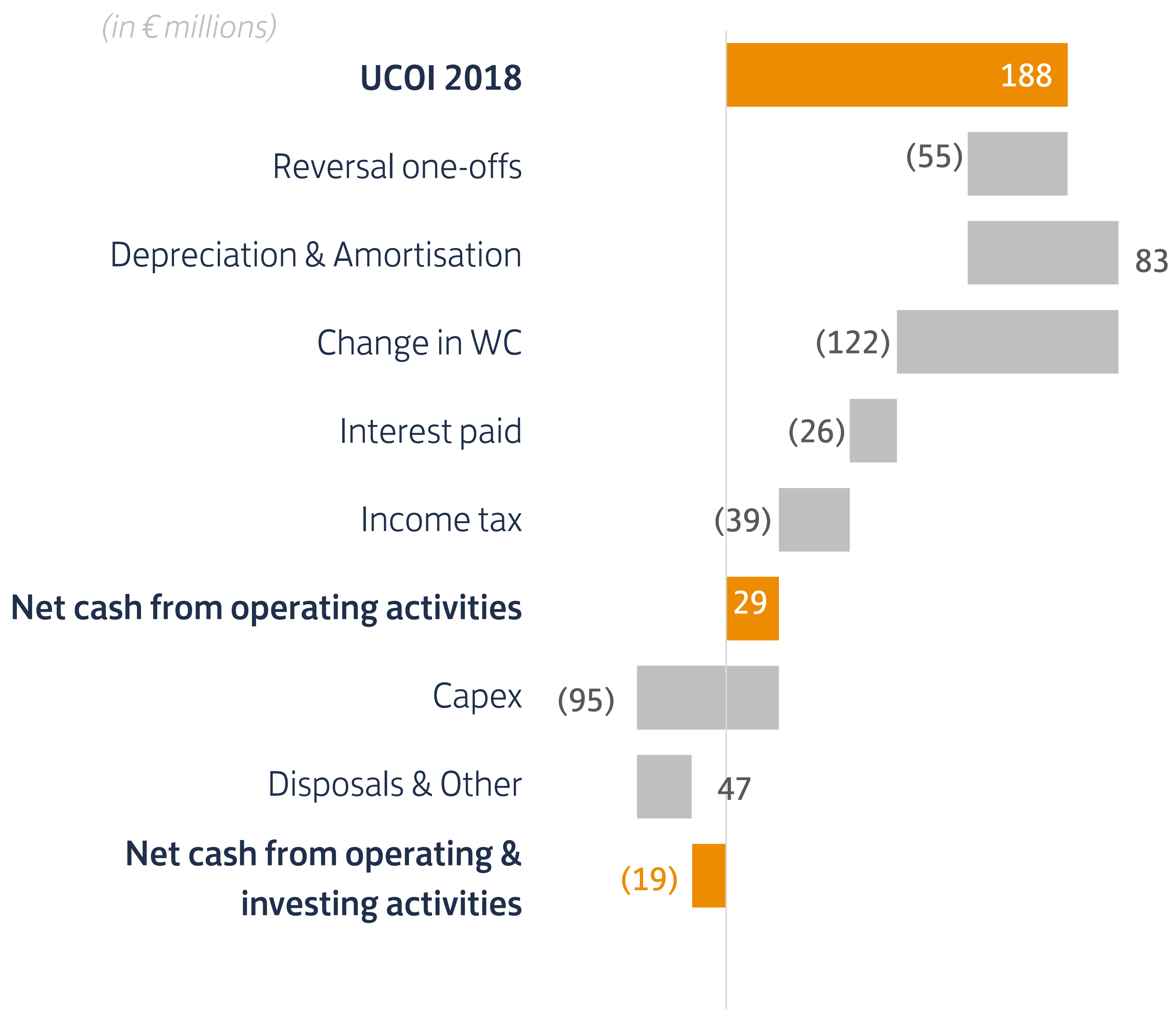
## Underlying cash operating income in upper-part of guided range

| *(in € millions)* | Q4 2017 | Q4 2018 | FY 2017 | FY 2018 |
|---|---|---|---|---|
| **Reported revenue** | **782** | **794** | **2,725** | **2,772** |
| Reported operating income | 114 | 93 | 284 | 185 |
| Restructuring related charges | 8 | 3 | 25 | 3 |
| Project costs and other | (5) | 4 | (2) | 28 |
| Elimination intercompany results from discontinued operations | (3) | (1) | (10) | (7) |
| Underlying operating income | 114 | 99 | 297 | 209 |
| **Underlying cash operating income** | **104** | **100** | **241** | **188** |
| Net cash (used in)/from operating and investing activities | 74 | 57 | 11 | (19) |

# Underlying (cash) operating income Q4 2018



# Cash conversion – FY 2018




**Capex**

| *(in € millions)* | FY 2018 |
|---|---|
| Base capex | 51 |
| *as % of revenue* | *1.8%* |
| Cost savings initiatives | 15 |
| New sorting and delivery centres | 29 |
| **Total capex** | **95** |

- New sorting and delivery centres partly financed via leases: €57m in 2018, of which €36m for depots that will become operational in 2019

# Working capital development in 2018

| *(in € millions)* | Q4 2017 | Q4 2018 | FY 2017 | FY 2018 |
|---|---|---|---|---|
| Δ Inventory | | 1 | (1) | |
| ΔTrade accounts receivable | (62) | (81) | (22) | (40) |
| Δ Other accounts receivable | 3 | 4 | 2 | 15 |
| Δ Other current assets | 13 | 8 | (25) | 2 |
| Δ Trade accounts payable | 38 | (10) | 24 | (24) |
| Δ Other current liabilities excl. short-term financing and taxes | 54 | 61 | (17) | (75) |
| **Changes in working capital** | **46** | **(17)** | **(39)** | **(122)** |

- Change in working capital in 2018 is larger than in previous year due to:
  - Change in revenue mix, shift towards Parcels
  - Higher final payments to other countries for mutual postal services
  - Higher accounts receivable partly related to retroactive invoice to postal operators
  - Volume growth of parcels
  - Lower employee related accruals

# Statement of income

## Lower operating income partly compensated by lower financial expenses and income taxes

| *(in € millions)* | Q4 2017 | Q4 2018 | FY 2017 | FY 2018 |
|---|---|---|---|---|
| Revenue | 782 | 794 | 2,725 | 2,772 |
| **Operating income** | **114** | **93** | **284** | **185** |
| Net financial expenses | (11) | (3) | (42) | (24) |
| Results from investments in associates and joint ventures | (5) | 0 | (10) | 0 |
| Income taxes | (26) | (14) | (53) | (34) |
| **Profit from continuing operations** | **72** | **76** | 179 | **127** |
| Loss from discontinued operations | **(13)** | **(26)** | **(31)** | **(94)** |
| **Profit for the period** | **59** | **50** | **148** | **33** |

- Loss from discontinued operations was €(94)m in 2018 (€(26)m in Q4) and includes a fair value adjustment, a consolidation effect with continuing operations and a negative business result
- Fair value re-assessed per YE 2018, resulting in a fair value adjustment, taking into consideration business performance as well as current status of sale processes

# Positive consolidated equity at YE 2018

## Consolidated statement of financial position

| *(in € millions)* | 31 Dec 2018 | | 31 Dec 2018 |
|---|---|---|---|
| Intangible fixed assets | 212 | *Consolidated equity* | *46* |
| Property, plant and equipment | 494 | *Non-controlling interests* | *3* |
| Financial fixed assets | 92 | Total equity | 49 |
| Other current assets | 431 | Pension liabilities | 296 |
| Cash | 269 | Long-term debt | 420 |
| Assets classified as held for sale | 200 | Other non-current liabilities | 54 |
| | | Short-term debt | 4 |
| | | Other current liabilities | 754 |
| | | Liabilities related to assets classified as held for sale | 121 |
| **Total assets** | **1,698** | **Total equity & liabilities** | **1,698** |

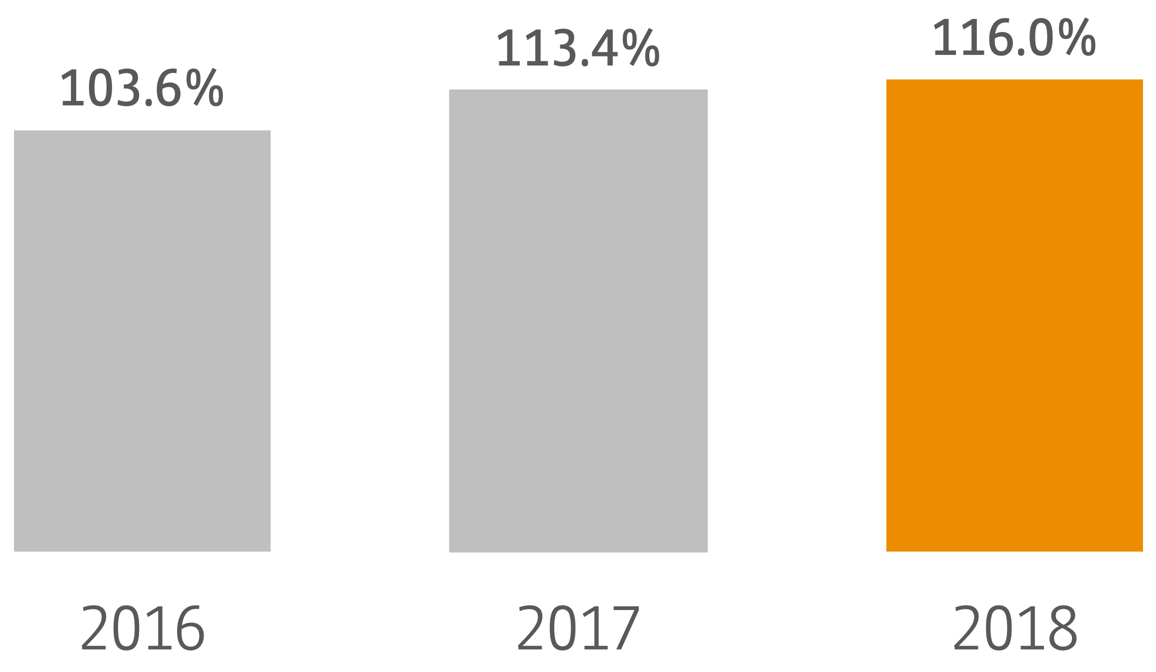
- Net debt position of €149m

# Coverage ratio pension fund further improved to 116.0%

**Positive impact of pensions on equity €13m**

| *(in € millions)* | Q4 2018 |
|---|---|
| Return on plan assets in excess of interest income | (261) |
| Defined benefit obligation | 277 |
| Minimum funding requirement | 1 |
| **Total pension** | **17** |
| **Net effect on equity within OCI** | **13** |

**Coverage ratio pension fund**




- Fourth instalment unconditional funding obligation (€33m) paid
- Netted pension liabilities YE 2018: €296m
  - €33m Fifth and last instalment unconditional funding obligation to be paid in Q4 2019
  - €263m Transitional plans
    - regular pension cash contribution around €30m, in 2019 and in 2020
    - remaining amount will be paid in Q4 2020 is dependent on actual number of employees entitled to soft pension by the end of 2020 and discount rate
    - after 2020 pension only relates to main pension plan

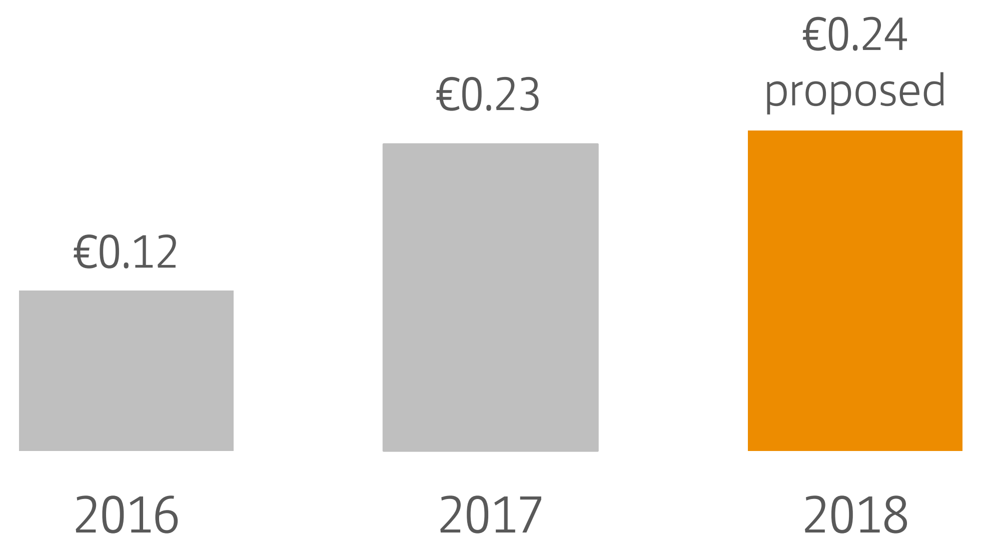
# Intention to pay progressive dividend in 2018 delivered

**Dividend 2018 proposal: €0.24 per share**

### Capital return to shareholders

- Progressive dividend over 2018 by applying deviation from pay-out ratio as set in dividend policy as indicated before
- Proposed dividend 2018 of €0.24 per share, based on 80% of underlying net cash income of €138m
- Exceeds targeted pay-out ratio (75%) to underline our commitment to our shareholders to pay progressive dividend
- Dividend 2018 financed from cash position on balance
- To be approved by AGM
- €0.07 per share paid as interim dividend in August 2018; final dividend of €0.17 per share, election dividend

### Development dividend per share




### Dividend calendar final dividend

| | |
|---|---|
| 16 April 2019 | AGM |
| 18 April 2019 | ex-dividend date |
| 23 April 2019 | record date |
| 24 April 2019 - 8 May 2019 | election period |
| 10 May 2019 | payment date final dividend |

# Q4 & FY 2018 Results

# Outlook 2019

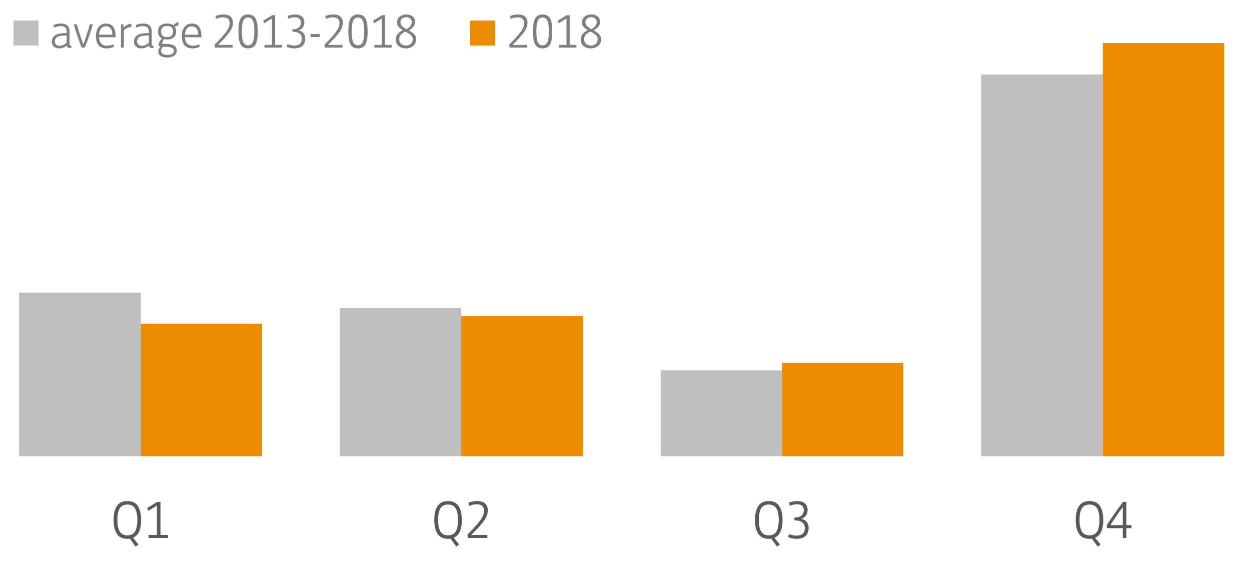
| *(in € millions)* | Revenue | | UCOI / margin | |
|---|---|---|---|---|
| | 2018 | outlook 2019 | 2018 | margin outlook 2019 |
| Parcels | 1,555 | + low teens | 117 *(7.5%)* | 7.5% - 9.5% |
| Mail in the Netherlands | 1,678 | - mid single digit | 93 *(5.5%)* | 3% - 5% |
| PostNL Other / eliminations | (461) | | (22) | |
| **Total** | **2,772** | **+ low single digit** | **188 (6.8%)** | **170-200** |

| | | | | |
|---|---|---|---|---|
| **Capex** | | **max. 100** *(base capex < 2.0% of revenue)* | | |

Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

# Seasonal pattern

## UCOI split 2013 - 2018
*(in %)*




| Working days | 2018 | 2019 |
|---|---|---|
| Q1 | 64 | 63 |
| Q2 | 61 | 62 |
| Q3 | 65 | 65 |
| Q4 | 64 | 65 |
| **Total** | **254** | **255** |

## Attention points for Q1 2019

- Outlook underlying cash operating 2019: between €170m and €200m (FY 2018: €188m)
- Underlying cash operating income Q1 2018: €32m
- One working day less in Q1 2019
- Impact from improved run-rate cost savings

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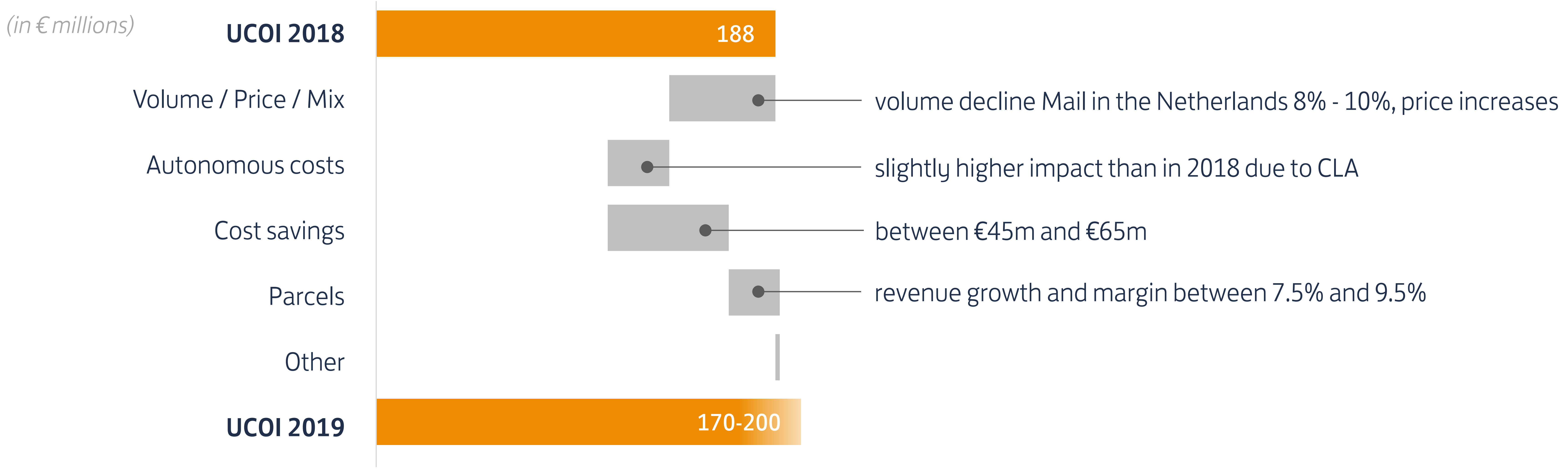
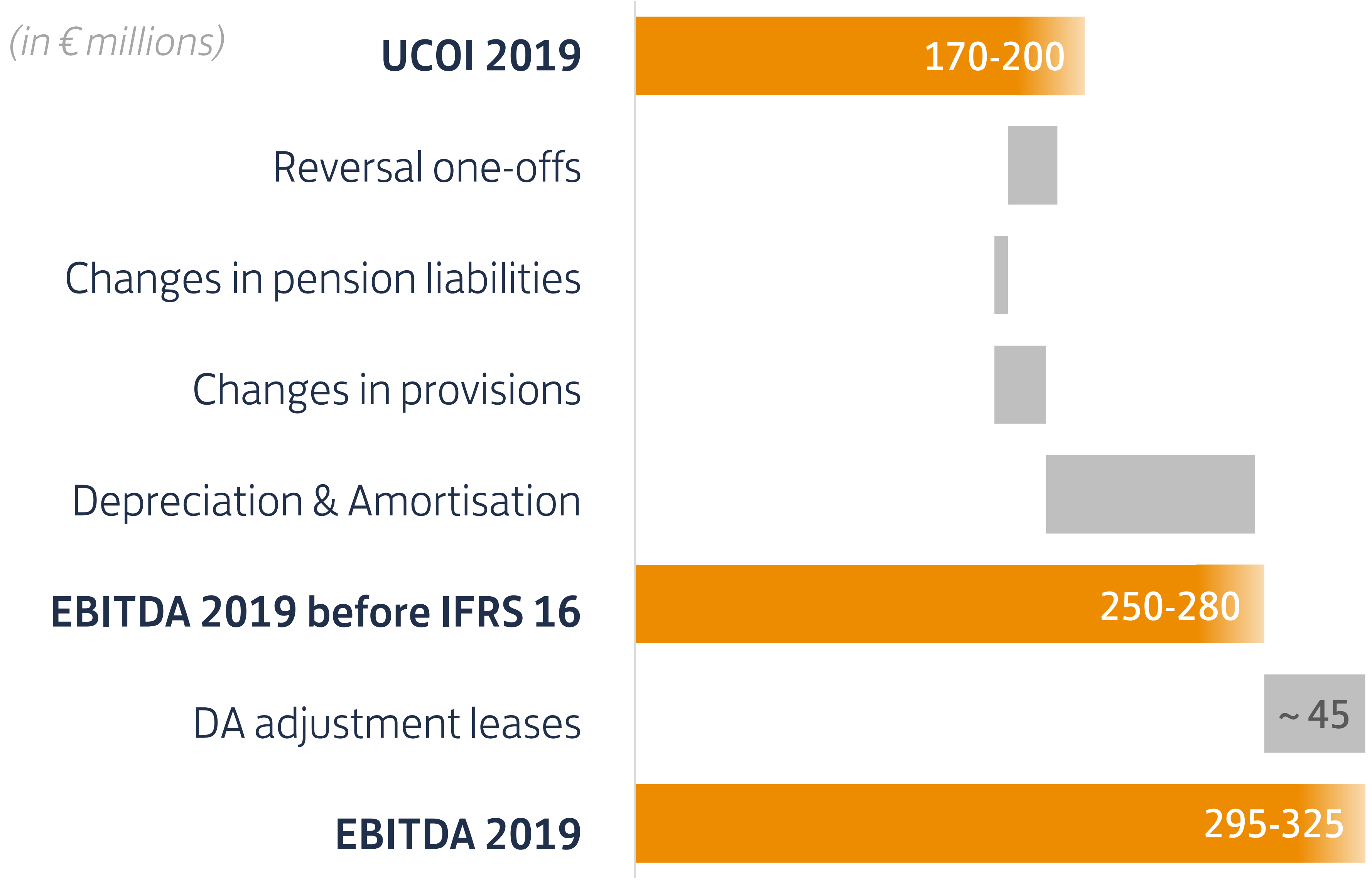
# Outlook 2019




Following today's announcement the financial outlook for 2019 might change

# From UCOI 2019 to EBITDA 2019

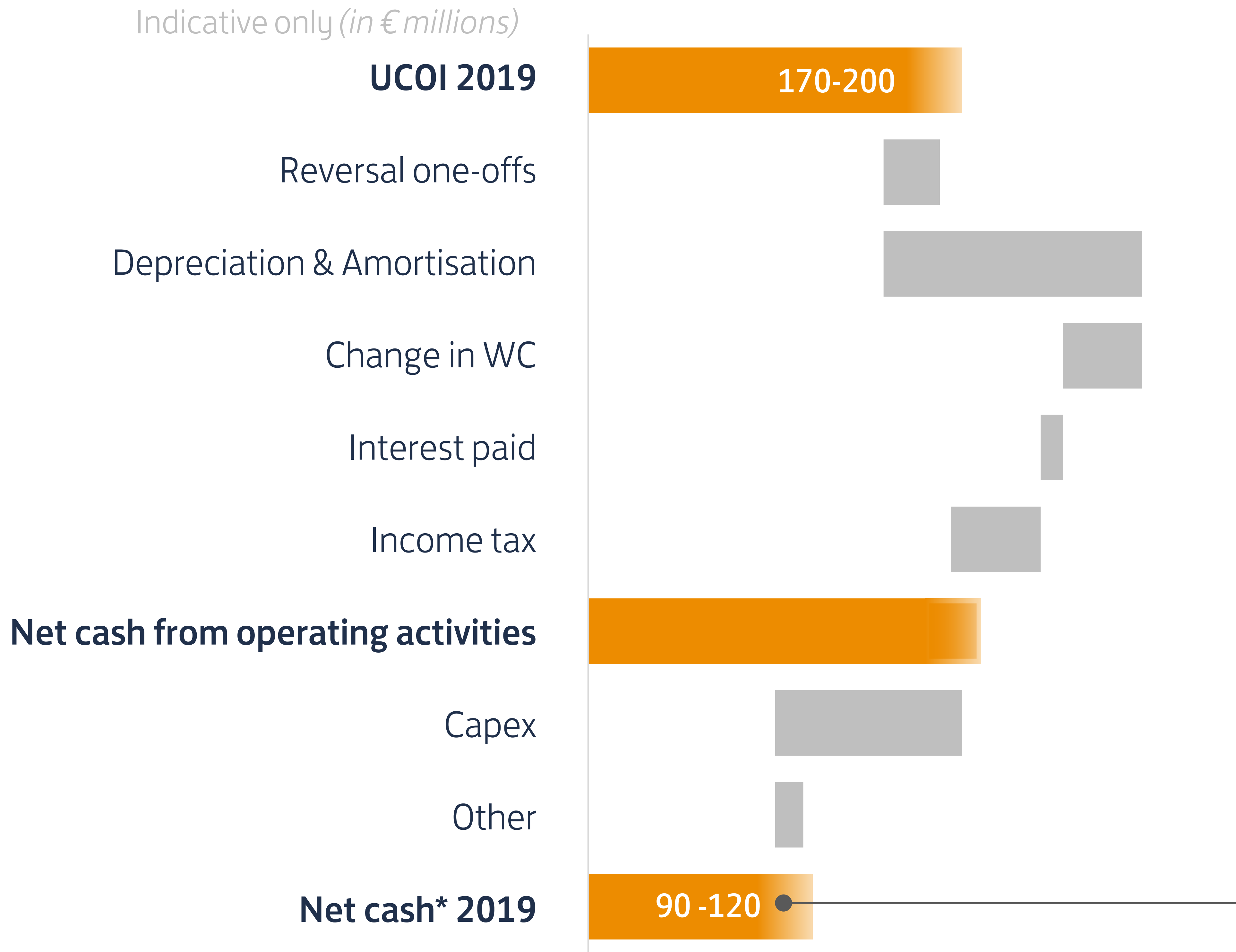


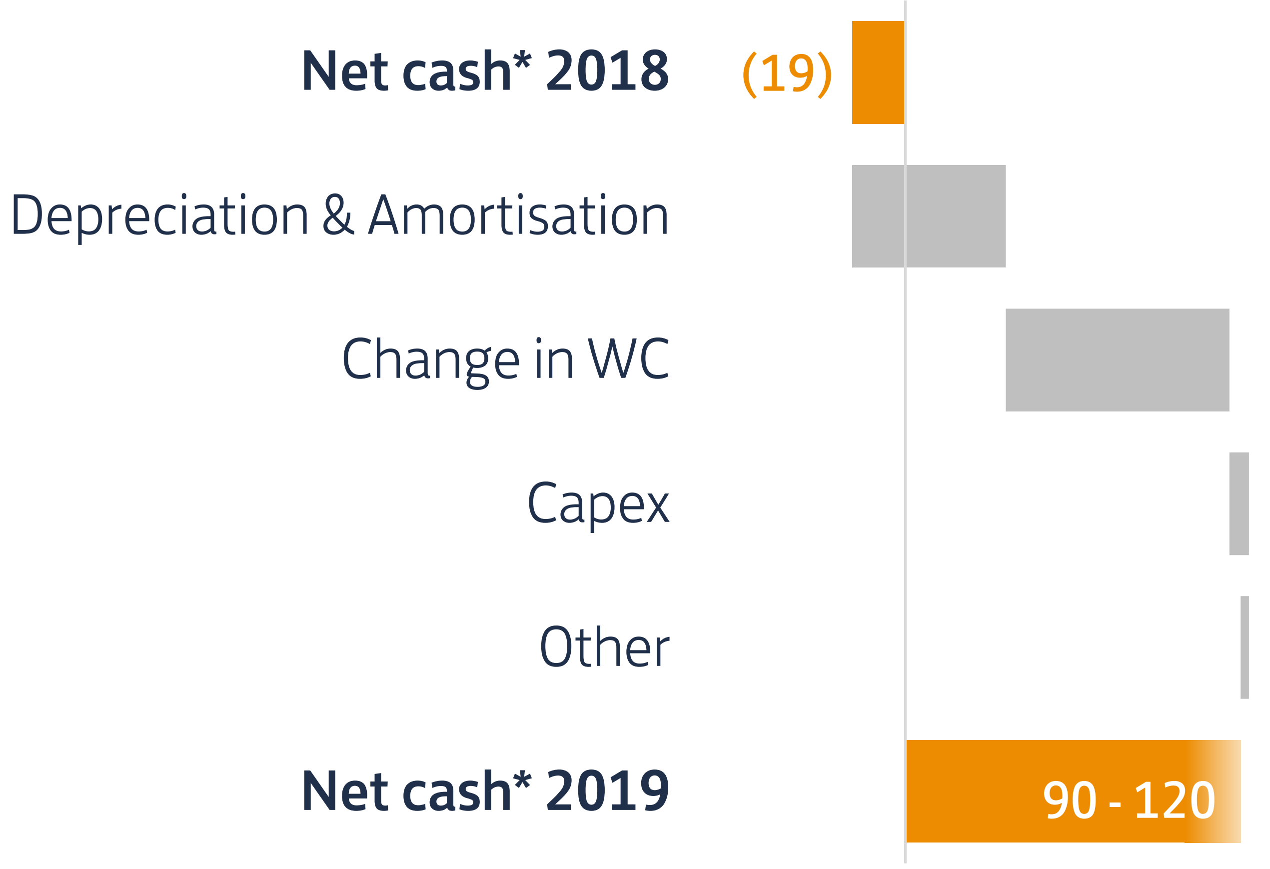

**IFRS 16 'Leases'**

- Impact on operating income / net profit expected to be non-material, although straight line lease expenses will be replaced by depreciation and interest expenses. Cash flow statement will show shift from net cash from operating activities to net cash used in financing activities

Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

# Cash position – outlook 2019




*Net cash from operating and investment activities

Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

# Financial strategy

**Solid financial position with aim for progressive dividend**

### Strong financial position

- Solid balance sheet as per YE 2018

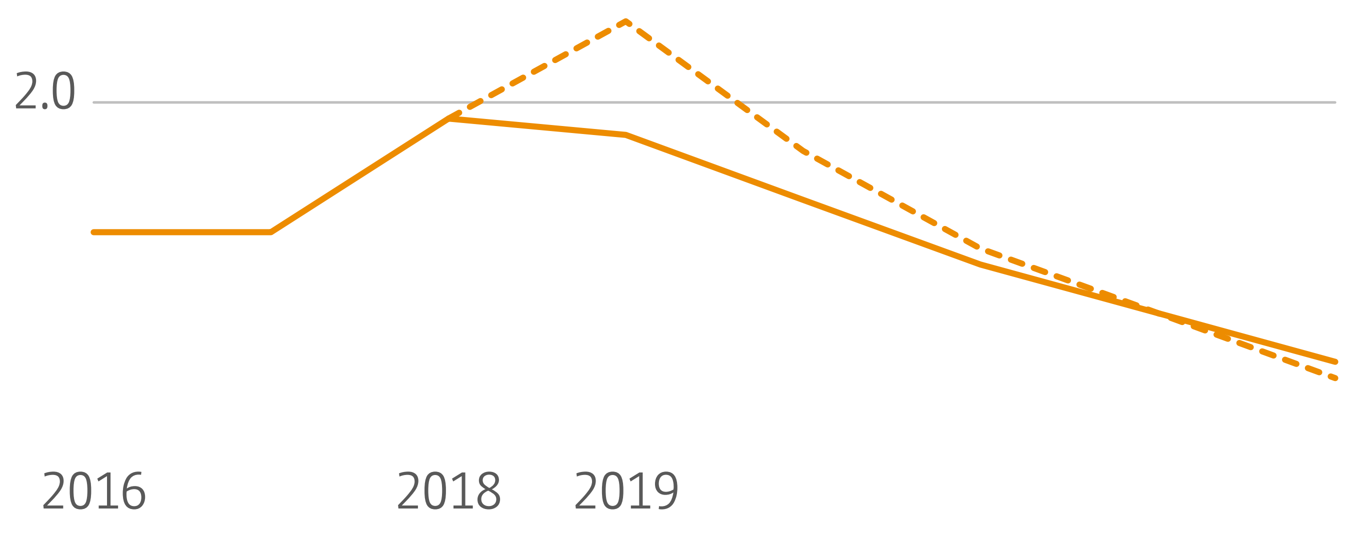
| *(in € millions)* | |
|---|---|
| Positive consolidated equity | 46 |
| Eurobond with coupon of 1.0%, maturity Nov-2024 | 400 |
| Netted pension liabilities | 296 |
| Lease liabilities (including off balance sheet commitments) | 188 |
| Cash position | 269 |

- Adjusted net debt
  *gross debt, netted pension liabilities and lease adjustment (net present value repayment schedule rent and operational leases) minus cash position*
- Adjusted EBITDA includes lease adjustment
- Aim for leverage ratio of adjusted net debt/EBITDA not exceeding 2.0 (2018: 1.9)

Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

# Dividend policy unchanged

**Leverage ratio**
*indicative*




**Progressive dividend 2019 and onwards**

- Dividend policy unchanged
- Based on 75% of underlying net cash income
- Leverage ratio of adjusted net debt/EBITDA not exceeding 2.0 (2018: 1.9)
- Development leverage ratio implies temporary delay dividend payment post closing

**Priorities for capital allocation**

- Aim to pay progressive dividend, in line with dividend policy
- Invest in growth: close to core, adjacent and transformational
- Intention to compensate for dilution of EPS

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# Confidence in accelerating our transition

**Key drivers performance in 2019**

- Focus on growth potential of our business
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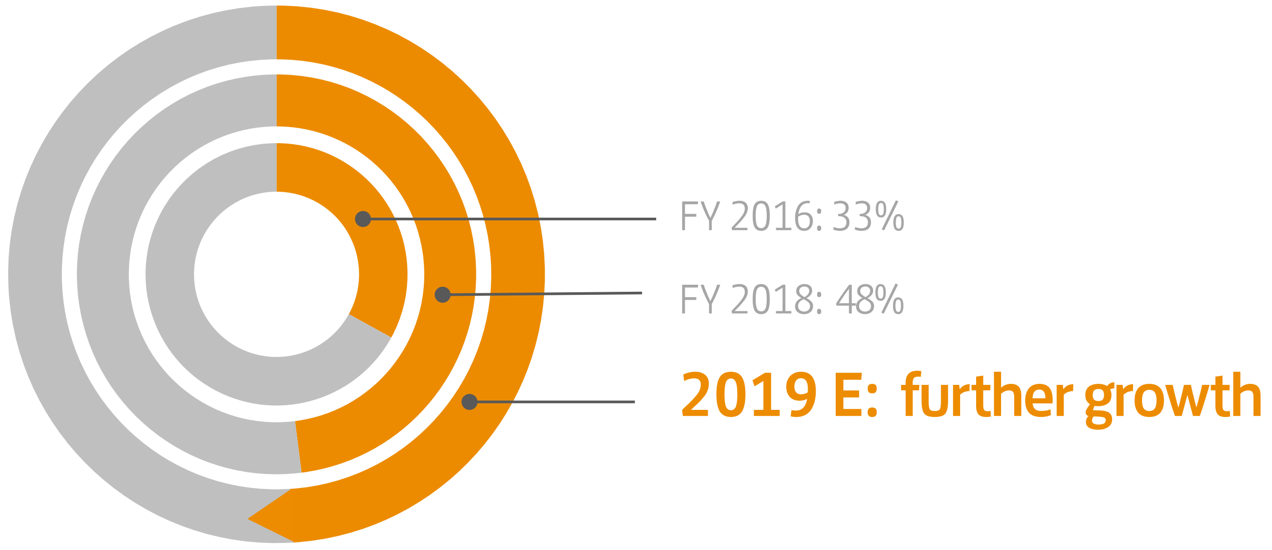
- Switch to New mail route
- Potential new conclusion ACM on Significant Market Power

**Outlook 2019**

- UCOI outlook 2019 is €170m - €200m
- Dividend policy unchanged

**Towards e-commerce logistics player**

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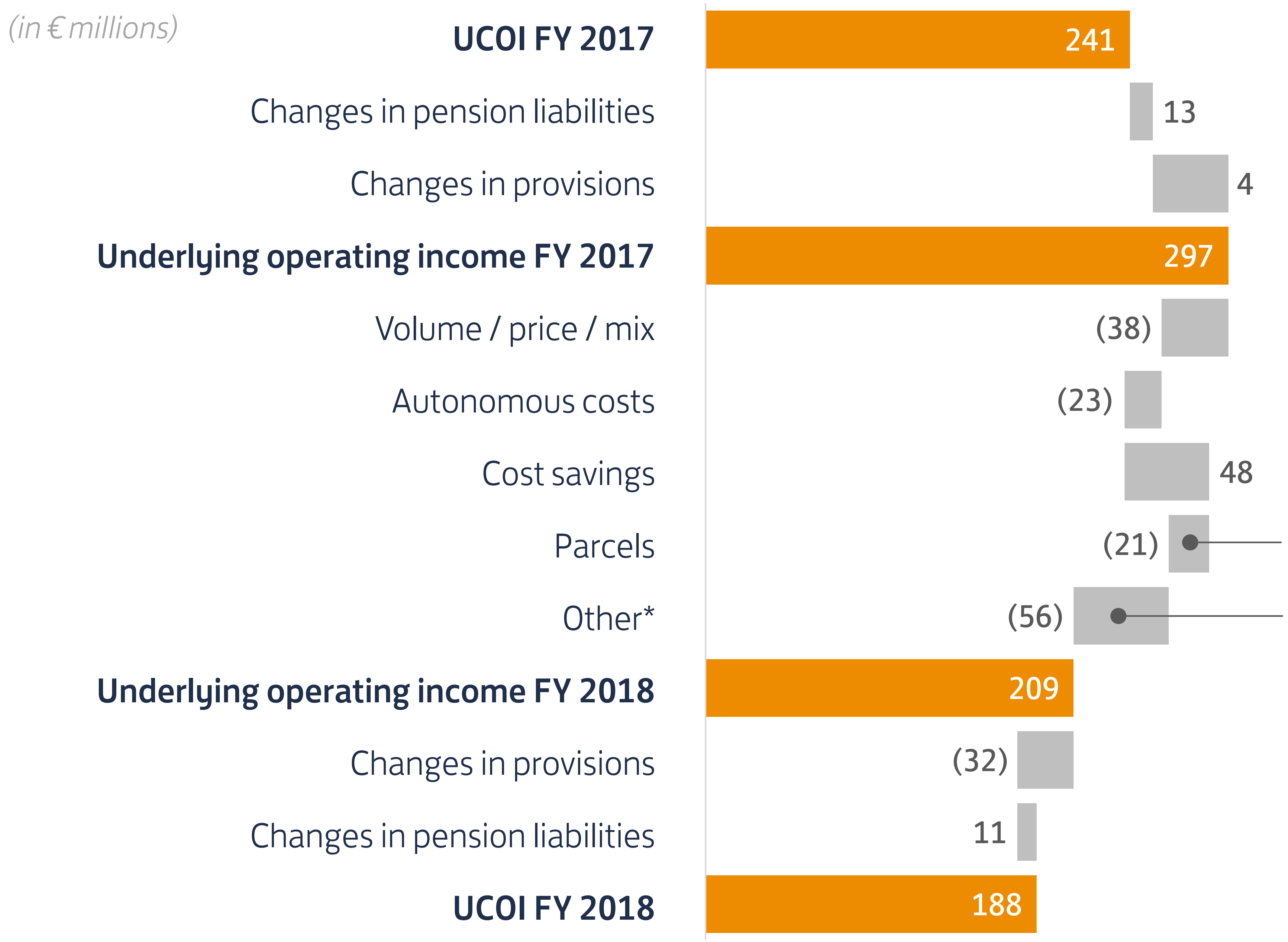
# Q4 & FY 2018 Results

## Appendix

- Results by segment YTD
- Breakdown pension cash contribution and expenses

# Underlying (cash) operating income FY 2018




Parcels Benelux, International and Logistic Solutions €(1)m and Spring €(20)m

Other includes, among others, higher pension expenses, higher IT costs, lower bilaterals and lower contribution from other services in Mail in the Netherlands

* Other includes amongst others positive impact from bilaterals, amortisation costs and sale of buildings more than offset by export and other services in Mail in the Netherlands

# Results by segment FY 2018

| *(in € millions)* | Revenue | | Underlying operating income | | Underlying cash operating income | |
|---|---|---|---|---|---|---|
| | FY 2017 | FY 2018 | FY 2017 | FY 2018 | FY 2017 | FY 2018 |
| Parcels | 1,382 | 1,555 | 142 | 121 | 140 | 117 |
| Mail in the Netherlands | 1,783 | 1,678 | 177 | 133 | 125 | 93 |
| PostNL Other | 76 | 74 | (22) | (45) | (24) | (22) |
| Intercompany | (516) | (535) | | | | |
| **Total PostNL** | **2,725** | **2,772** | **297** | **209** | **241** | **188** |

# Breakdown pension cash contribution and expenses

| (in € millions) | Q4 2017 | | Q4 2018 | |
|---|---|---|---|---|
| | Expenses | Cash | Expenses | Cash |
| Business segments | 23 | 29 | 23 | 30 |
| IFRS difference | 8 | | 3 | |
| **PostNL** | **31** | **29** | **26** | **30** |
| Interest | 2 | | 2 | |
| **Total** | **33** | | **28** | |

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