Transcript Q1 results PostNL 8 May 2012

Cees Visser
Good afternoon, my name is Cees Visser. Welcome to those listening to the webcast and conference call. With me is Jan Bos, our CFO, he will take you through the Q1 financials. After the presentation we will answer your questions. So over to you, Jan.

Jan Bos
Thank you Cees and welcome to everyone. I first give you the Q1 business highlights, after which I will dive into the financials. Overall the start of the year was slightly weaker than anticipated. The underlying revenues were down 4.6% and underlying cash operating income was €49 million, a decline of €26 million. Our net debt position at the end of Q1 was €1,014 million which is in line with the net debt of 2011.

There are no updates regarding the sale of the stake in TNT Express. At the time of the announcement of the sale the share price increased, which led to a reversal of €570 million of the impairment. The coverage ratio of the pension funds at the end of the quarter was the same as at the end Q4 2011, so still below the required minimum level. I will get back on this later in the presentation. Considering all recent developments at our company, stability and clarity are important in these challenging times. The priority for the coming period therefore remains to continue the existing strategy and its implementation. The financial impact of the recently announced budget agreement within the Netherlands is still uncertain. This budget still has to become definitive for 2013 and there is still a lot to be clarified.

Looking at Mail in the Netherlands, addressed volumes were within our expectations with a decline of 7.9% adjusted for the 2011 elections. Revenues were down 5.4% to a level of €579 million. In the quarter we saw a positive price effect mainly in stamps, a plus of 7% and somewhat less in franking machines, a plus of 4% and the average price development in bulk mail was in line with 2011. The introduction of the peak/off peak model was well received by our clients.

As already explained at the AGM at 24 April, there is a temporary delay in the roll out of the reorganisation. After the opening of the first CPL in Nieuwegein two additional CPL's were opened in Utrecht and Den Bosch. The preparation work of the delivery locations was transferred to the CPL's while the delivery work migrated to a dedicated mail deliverer organisation. Unfortunately this peak in changes has led to delays in the CPL's in Utrecht and Den Bosch with an impact on the quality of our delivery. Our reorganisation will continue, but at this moment the implementation processes are being reviewed and adjusted together with our Works Council. We remain confident that the reorganisation will result in the long-term savings we have announced recently.

Looking at Parcels, we saw a good volume growth of 4.6% and this is reflected in the underlying revenues. The average price per parcel was lower due to a change in revenue mix. PostNL Parcels also agreed to acquire the Dutch and Belgian activities of the Trans-o-flex group, owned by Austrian Post. With this acquisition we immediately gain a strong market position on the Belgian business-to-business market while strengthening its position on the Dutch market for multicolli shipments, for example palletised consignments. We have agreed with Austrian Post not to communicate any financial details about the transaction. The acquisition will be included in the financial statements at Q2 2012.

The implementation of the new logistic infrastructure is on track. The construction of new depots in Den Bosch and Hengelo has almost been completed and they will become operational in Q2. The construction of depots in Breda, Sittard and Amersfoort is progressing according to plan.

In International, volumes rose resulting in an underlying revenue growth of 5.4%. Underlying cash operating income showed a €6 million improvement and turned positive. In the UK we started an end-to-end pilot in East-London. About 45 of our top customers have joined this pilot. Ofcom, the UK regulator, has mandated downstream access for letters and large letters to Royal Mail for the coming seven years with price caps only on USO. Our estimate is that the vast majority of our access business will be unaffected, but within a more competitive environment.

In Germany the reduction in revenue from the closure of our non-strategic regions has been compensated by the revenue increase in the other businesses in Germany. We started a strategic cooperation with Deutsche Telekom. Germany is still clearly on track to break-even in 2013. In Italy our core product Formula Certa again showed strong growth. Here we have introduced a new product Formula Ibrida, which gives customers the opportunity to handle their office mail both digital and on paper.

Let's now turn to the financial highlights. Reported revenues were down 4%, reported operated income was down €4 million. Our underlying operating income adjusted for one offs was up €3 million, but helped by €17 million lower IFRS pension expenses.

Looking at our main KPI's. Our underlying cash operating income was down €26 million, impacted mainly by the lower operational results of Mail in the Netherlands and higher cash out for pensions and restructuring. The net cash from operating activities was down by €67 million; this decrease is due mainly to the lower underlying cash operating income, higher investments in working capital and higher income taxes paid due to an advanced full year tax payment.

Let's now look briefly at the one offs. For this quarter there were some costs for rebranding and resizing International, both €1 million, while last year we had the pension contribution of TNT Express. After adjusting the reported figures for these one offs we come to the underlying figures. The next slide shows you the development of the underlying operating income and underlying cash operating income. Underlying operating income was up €3 million, this increase, like I said before, is caused mainly by lower pension expenses for the amount of €17 million compared to Q1 2011. The remaining decline in underlying operating income is the net result of a drop in mail volumes and price mix changes in Mail in the Netherlands, equalling €19 million. Higher autonomous costs in Mail in the Netherlands €10 million and increased Master Plan implementation costs of €5 million. Those are not fully compensated by Master Plan savings of €11 million. Other items €6 million and increased contribution from Parcels and International of €3 million.

Then the bridge towards underlying cash operating income. The change in pension liabilities reflects the difference between the lower pension expenses of €17 million and higher pension cash out of €7 million. The change in provisions reflects the higher cash out from withdrawals from our provisions of €5 million. When looking in more detail on the developments per segment, then you see that at Mail in the Netherlands revenues were down by 5.4%, driven by the 7.9% volume decline. Underlying cash operating income decreased by €34 million. This decrease is mainly caused by lower addressed volumes and price mix changes, increased autonomous costs and an increase in Master Plan implementation costs and an increased cash out for restructuring and pension, therefore not fully compensated by the Master Plan savings of €11 million which are realised.

In Parcels revenues were up by 5.2% mainly due to volume growth in Dutch parcels equalling 4.6%. Underlying cash operating income in Parcels was down by €4 million. You can adjust that for the higher cash out and also the phasing in revenues, the business performance improved by €1 million. What we saw in the first quarter was that the average price per parcel was lower due to the revenue mix.

In International, revenue was up by 5.4%, excluding the impact of disposals within Italy and Germany, the revenues went up and improved by 7%. Our underlying cash operating income improved by €6 million mainly due to the contribution from Germany. Mail Other had a large negative impact on revenue caused by the sale of our unaddressed activities, which in Q1 2011 were accounted for as assets held for sale. The impact on the revenues of that was about €40 million. The underlying cash operating income increased by €6 million mainly caused and impacted by cost reallocation in 2011.

Looking at the statement of income, this quarter the state of income is influenced by the reversal of the impairment we had to take on our share in TNT Express. Excluding this effect the profit for the period remained in line with Q1 2011 on a level of €70 million. Net cash, the development in Q1 2012 exemplifies why we have always referred to 2012 as the year in which we would have a cash dip. The cash generated from operations decreased from €92 million in Q1 2011 to €53 million in Q1 2012. The main factors causing this decline were lower profits and higher cash out for pensions, restructuring payments and working capital. Net cash from operating activities decreased by €67 million to a level of

€17 million, mainly due to an increase in tax paid. In order to obtain a payment discount preliminary tax payments of €33 million were made for FY 2012. The interest received of €7 million relates mainly to interest on income tax and also we saw higher capital expenditures, €27 million, and lower proceeds from the sale of assets of €50 million. The higher capital expenditure was mainly due to Master Plan-related projects and our investments in the new logistic infrastructure in Parcels. The higher proceeds from the sale of assets in 2011 related mainly to the sale of head office investments in Hoofddorp to TNT Express for an amount of €70 million. As a result the total net cash from operating and investing activities was down by €102 million.

The next slide updates you on the current status of our Master Plans, Capex and working capital. Given the present conditions we remain tight on Capex. Working capital development is doing well. As for pensions, the coverage ratio of our main pension fund remained close to 100% at the end of Q1 including the disputed invoices. Excluding those disputed invoices the coverage ratio was around 99%. The pension cash out was €68 million in Q1 and if you consider FY 2012, we still anticipate that our pension cash out will be around €290 million and that is excluding the top up payments. Regarding the pensions we are focussing on two issues. First the discussion with the pension funds about the necessity of the top up payments. We are of the opinion that the pension fund without top up payments based on anticipated return before 1 January 2014 can reach the minimum required coverage ratio. A dispute committee is now installed to arbitrate between both parties. Secondly, regarding the pension arrangements, on 14 February we started a dialogue with the unions and have proposed some changes, of which the most important are: a contribution by the employees, lowering the ambitions of the pension arrangements by increasing retirement age and decreasing accrual rates in pensions and finally lowering the ambition of the soft pension arrangements by adjusting for increased average age. Employees with personal labour contracts already have a contribution of 4 to 6%.

Now over to the balance sheet. On our balance sheet you will note that our equity is at a level of €1,033 million, a significant increase this quarter due to the reversal of the previous impairments of the stake in Express. Our net debt position is in line with the previous quarter.

On the next slide you will see the share price development of TNT Express. It is good to say that the reversal of the previous impairments equalling €570 million is booked at the share price of TNT Express of €9.26. As you are used to from us, we also calculated the impact of the implementation of IAS 19 revised on our equity as of 1 January 2013. The net negative impact went up by around €400 million since Q4 2011, due mainly to the significant decrease in the accounting discount rate.

On the next slide you will see the development of the consolidated equity. The main items are €400 million in equity that we had at the beginning of the year, adding to that the net income for the first quarter of €70 million and the impact of the reversal of the impairment. At the end of Q1 we have an equity of €1,033 million. In the graph you also see an indication of the net income for the rest of the year and the impact of the IAS 19 adjustment. Based on our current parameters consolidated equity is expected to remain positive. The actual outcome however remains volatile as all parameters are subject to change.

The next slide addresses our dividend policy. The top part of the slide comes from our presentation of Q4 where we reiterated our dividend policy and explained that we would return to cash dividend once we have both a positive consolidated equity and a BBB+ or a BAA1 credit rating. These statements still apply. At the bottom of the slide you see the current status of the way in which Standard & Poor's and Moody's view us.

Saying once again, there are no changes in how we intend to use the expected proceeds of the sale in TNT Express. As explained previously they will be used in the following sequence of priorities. First, debt reduction according to our financial policy, second, restore cash dividend according to our dividend policy, third we will also invest in additional portfolio extension. This will be limited to a maximum amount of €200 to €300 million over the next few years. Ex aequo derisking pensions and/or distributing excess cash to our shareholders according to our dividend policy.

As stated, the start of the year was slightly weaker than anticipated. As to full year 2012 we still have the remainder of the year to go and we are fully confident that we will deliver within the communicated guidance, which is shown on the slide. The last slide of my presentation serves to remind you that Q1 and Q4 are our strongest quarters. Cees, over to you for Q & A. Thank you for your attention.

Cees Visser
Thank you, Jan. Operator, can we open the lines for Q&A and please explain the procedure to the participants.

Operator
Thank you, ladies and gentlemen, if you do have a question at this time please press star followed by 1 on your telephone keypad. To cancel a question please press the hash or pound key. There will be a short silence for participants to register for questions. Our first question comes from the line of Damian Brewer. Your line is now open.

Damian Brewer, RBC
Yes, good afternoon and thanks for taking my questions. I have three. First on the mail volume, declines going back to the basic operational data. We had a diminishing rate of decline in the Q4 last year. Could you tell us a little bit more about what the factors are that seem to accelerate the rate of mail volume decline? How much of that was market and how much of that was the price elasticity effect of the price increases you put through in January? The second question really relates to the employed contributions to the pension. Obviously you have been talking to the unions since mid-February. What has their reaction been to the cash that PNL will sit on after the TNT deal potentially completes? Has that changed any of their appetite to participate in employees contributing to their pension? And then finally one thing. Just given the delays in the domestic mail restructuring, the parcel performance, which looks relatively weak, given the growth in revenues and the lack of any clean EBIT growth. Could you explain why the focus on portfolio enhancement comes before dealing with the pension in terms of capital priorities and whether there'll be any scope to rethink that, given the management challenges within the business that exist at the moment? Thank you.

Jan Bos
Okay, to start with your first question Damian, our volume decline is mainly caused by market decline I would say. A small part of it by competition. And then on the market decline, part of this is caused by price elasticity, especially in the single mail items, but that is not a big impact. Then on the employee contribution, so that proceeds of the stake in Express will come in, will of course has its impact, but I would say more on the discussion with the pension fund than on the CLA. Towards your last question, our first priority is Master Plan savings, CLA, pensions, normal business. We think it is in the interest of our company and also for shareholders value that eventually we also invest in a more balanced portfolio by some small investments. I think Trans-o-flex investment is an example.

Damian Brewer, RBC
Okay, can I just come back on that last one? Obviously the sector is littered with examples of companies that are trying to diversify their portfolio, only to result in very excitable goodwill write-offs and destruction of shareholder value in future years. What lessons have you learned from Deutsche Post, Austrian Post? It is early days in buying parcels business and indeed the previous TNT has old legacy investments in the Express business. About what do you think you can do better? What things will you avoid while looking through that process?

Jan Bos
By focussing on where we are good in delivery and by focussing on portfolio extension and not in portfolio diversification.

Damian Brewer, RBC
Okay, and by portfolio extension, can you be clearer about what do you mean by that?

Jan Bos
For example, but I won't divert into it, for example the Trans-o-flex is one. It is an, I would say acquisition, which also profits from synergies within our parcel network and also gives some entrance in markets in which our customers are also asking us to give them a broader portfolio, so it helps us also in our maintaining of customers. This is done in Belgium and the Netherlands. I think that is a good example.

Damian Brewer, RBC
Okay, that is clear, thank you very much.

Operator
Our next question comes from the line of Mark McVicar, your line is now open.

Mark McVicar, Nomura
Good afternoon, gentlemen. First question. Should we not have been expecting your new CEO to be on this call?

Jan Bos
I think normally she is on the Q2 and Q4 and nothing has changed. She will be in the call at Q2.

Mark McVicar, Nomura
Okay, I just can't think of a company that has been through a complete change of a CEO within a few weeks and the new person not at least makes some statement on a call.

Jan Bos
I think she introduced herself at the AGM. We thought it over and we thought it would be wise to do the same procedure as normally because it also gives some quiet in the market hopefully.

Mark McVicar, Nomura
Okay, right, coming to the other questions from me. First of all if the return to cash dividend as you said before, is contingent on some improvement from here or no reduction in the credit ratings, when is the next credit rating review? Will that come after the receipts of the cash from UPS or is that ongoing at the moment?

Jan Bos
I think we already got a positive outlook from Moody's, so that is a small change. We expect that they will update their outlook after the proceeds have come in. We are confident that it will be a BAA1, BBB+ credit rating.

Mark McVicar, Nomura
BAA 1, triple B plus, okay. Once the cash has received we should expect to return to the cash dividend almost immediately. Yeah?

Jan Bos
I think I already said it loud and clearly.

Mark McVicar, Nomura
Okay. When you said that cash dividend in terms of the absolute sum of money, will you take any account of the increase in the share capital that has come from the stripped dividend or will it be the €150 million?

Jan Bos
It will be the €150 million and 75 % according to our dividend policy. If you look at our fourth priority, so maybe derisking and/or excess dividend, then it could be the case that we are thinking about maybe we are purchasing stocks for example.

Mark McVicar, Nomura
Yeah, which would be good you could use. Secondly on the pension fund, could you say how long the arbitration process is likely on the top up payments, how long the arbitration process is expected to take? Does it have a final timetable or does it?

Jan Bos
The expectation at this moment are four till six months.

Mark McVicar, Nomura
Okay, and you will make no payments until you receive the outcome of that arbitration, yes?

Jan Bos
Yes.

Mark McVicar, Nomura
Okay, and then finally my last question. When you look at debt capacity in line with your policy obviously at the point of demerger. You said the debt capacity was between €300 and €500 million. Since then the 2011 underlying cash operating EBIT came in significantly higher than your original guidance and your 2012 guidance is well above the implicit guidance given at the time of the demerger. Does that imply that the business can hold comfortably a higher of debt in that range or is that range your target?

Jan Bos
It is still our target range. You still have to take into account the negative cash flows for 2012 and 2013, when accounting the amount of money we need to repay our net debt and bring it back to a level of €300 - €500 million. And on the longer term I see possibilities on the increase of debt capacity, but it is related to the development of our underlying cash operating income according to our outlook, but that is on the longer term.

Mark McVicar, Nomura
Okay, fine. My last question is, could you say a little bit more about the operational and implementation problems you have had in Mail NL within your distribution system? What is a reasonable timetable to expect that to get back on track? Is that going to take a couple of months, is that going to take the rest of this year? How far back have those problems set you?

Jan Bos
First of all, only part of our restructuring and reorganisation programme has been paused I would say. That is only on the implementation of our central preparation locations and the further implementation of our mail deliverer organisations, so the rest of the restructuring is going on. On the part, and that is definitely an important part, we are now reviewing the accounted quality problems in those areas and we don't want those quality problems in the Dutch market base, also because of our competition. So we are redesigning the implementation. We think we have the redesign ready within eight to ten weeks.

Mark McVicar, Nomura
Okay, and is there volumes getting lost in the system or volume getting misdirected?

Jan Bos
So we have a quality obligation for example to deliver 95% of our mail within one day, within 24 hours and in those weeks we implemented, those quality levels were not met.

Mark McVicar, Nomura
Okay, okay, you were very kind, thank you very much.

Jan Bos
Okay, thank you.

Operator
The next question comes from the line of Christopher Combe, your line is now open.

Christopher Combe, JP Morgan
Good afternoon. Most of my questions have been asked, but I just want to ask, could you give us some colour on the anticipated timing of the CLA negotiations relative to the pension negotiation and to what extent will the two be intertwined and linked to the receipt of TNT proceeds. Is it realistic to say that we might see some sort of disintegrated process before cash is in hand?

Jan Bos
I think, for the CLA process it is more linked to the political process in the Netherlands, because we still need some more clarity on the pension regulation from the Dutch government. There is now a political crisis and new elections in the Netherlands. So that maybe has some impact on the timing of the ending of the CLA negotiations. I think on the pension fund discussion, it is now at the dispute

committee, so no impact of the proceeds coming in from the sale of TNT Express. Maybe on the de-risking part, there is an impact of course, but it is also helping us, because it gives us the financial possibility maybe to de-risk or de-risk completely our pension issue.

Christopher Combe, JP Morgan
Perhaps I was not clear, if we set aside the issues of the arbitration or the top up payments, but instead your attempts to lift the employees contributions from zero, is it safe to say that you would not see any significant progress till after?

Jan Bos
No, we need some more clarity on it. In the Dutch politics there is a discussion going about you know higher retirement age and that should then also be reflected in CLA's. That discussion is now taking on a while and some of the unions are waiting for that clarity to start further negotiations for that.

Christopher Combe, JP Morgan
Okay, and the last one on CLA is, the negotiated redundancies, which have already been agreed upon, is there any risk of those being put back on the table? At this time, what is your expected date for the last redundancy to be complete?

Jan Bos
Now, the first question I can answer with a no, the second question is a little bit dependent on the new implementation planning I would say.

Christopher Combe, JP Morgan
Okay, my really last question. Can you give us a bit of an update for in terms of what is happening at the Dutch central bank and their review of the discount rates which they may be employing longer term?

Jan Bos
Yes, it is also part I think of the new regulation coming in for pensions, so there is a discussion of applying other discount rates on accounting the coverage ratio on calculating the coverage ratio and/or calculating the pension premium. But at this moment it is still linked to the Dutch bond rate. They now apply a kind of average rate per quarter, but eventually that system has worked out when the interest rates are not further declining. It is helping us only this quarter and the last quarter, but not so much.

Christopher Combe, JP Morgan
Understood, thank you.

Operator
The next question comes from the line of Philip Scholte, your line is now open.

Philip Scholte, Rabobank
Yes, good afternoon. Turning back to your dividend policy, when will you actually decide on paying potentially a cash dividend? I understand the credit rating condition, but for the equity level. Will that be really at the Q4 results decided on or will that be a process during the first two quarters of 2013? Obviously, if long-term rates continue to decline there is still a possibility that your equity will drop into negative territory and according to your dividend policy, you would not pay a cash dividend. The second question is on the parcels business, where if I look at the tables, back on the pack your net revenue is actually in decline and your total revenue growth is driven by internal sales. Can you comment a bit more on that?

Jan Bos
So, on the first question. I think the dividend policy will be decided on when the proceeds are coming in. I think I said enough about on which terms we will implement the cash dividend again. The timing depends on the annual accounts 2012 and the moment in which the receipts are coming in. So let's wait first on that one. The second one, I don't have recognition by declining net revenue of parcels.

Philip Scholte, Rabobank
It is in the tables at the back of the press release. The growth of the total parcels business is driven by intercompany sales, whereas the table on page number 9 shows you that the net sales have dropped from 133 to 132.

Jan Bos
Okay, yeah, okay, and that is partly because of the negative price effect we talked about. You are right.

Philip Scholte, Rabobank
Alright, so that is pricing. Is that also a reason why the margin is down?

Jan Bos
Partly because I think it is also managed by more efficiency in our operations, so our business performance and parcels like I said is a plus of €1 million and a little bit lower than expected due to the pressure on the average revenue.

Philip Scholte, Rabobank
Right, right, but the phasing as you mentioned in the press release, is that phasing between the quarters and what is that exactly based on or is that actually saying that Q1 has been a bit slow?

Jan Bos
No, it is phasing between quarters and has to do with seasonal patterns within our single mail revenue development.

Philip Scholte, Rabobank
Alright, single mail you say.

Jan Bos
Yes.

Philip Scholte, Rabobank
But I was talking about the parcels business

Jan Bos
Yes, within parcels you also have single mail parcels. The same as the USO parcels, Philip, more or less.

Philip Scholte, Rabobank
Alright, thanks for that.

Jan Bos
Okay, thank you Philip.

Operator
The next question comes from the line of Maarten Bakker, your line is now open.

Maarten Bakker, ABNAMRO
Good afternoon, gentlemen. You have been very clear about the conditions to pay a cash dividend, one of them is that the equity needs to be positive at the consolidated account and you have also been very clear that you expect the equity to remain positive, even after the implementation of new IAS 19 accounting rules, but should that not be the case, would you be willing to relax this criteria? After all in the third quarter of last year you have created ample equity in the corporate balance sheet that should technically enable you to continue to pay dividend if the consolidated balance sheet equity becomes negative temporarily.

Jan Bos
Our dividend policy stays, Maarten, so also the demand for a post if consolidated equity.

Maarten Bakker, ABNAMRO
Okay, thank you.

Operator
The next question comes from the line of Julia Winarso, HSBC, your line is now open.

Julia Winarso, HSBC
Hi, good afternoon, everyone.

Jan Bos
Hi Julia.

Julia Winarso, HSBC
Hi. Sorry, I have been away for a little bit.

Jan Bos
Yes, I know. Welcome back.

Julia Winarso, HSBC
Thank you. I might have missed this while I was away, so apologies to everyone if you already know the answer. But we have gone back to talking about consolidated equity now and I think in Q4 we were talking about corporate equity. If I understand it, there is not actually a big difference in terms of the distributable equity between the two, although there is a higher amount of non-distributable equity in the corporate accounts. So what exactly was the point of moving, of changing the reporting in the corporate accounts? And also, if I look at your very helpful start on 520, the first of January 2013 projected equity position still looks relatively low. I know you ripped half of it out, but taking a guess, it looks like €200 million or so. If I see you pay a €150 million dividend this year, that does not really give much scope for any sort of special dividend. Is that the right way to think about it? Or is it something else that I am missing that will increase the distributable reserves?

Jan Bos
To start with your last question, at this present parameters, I think you are right for the extra dividend, so not for the normal dividend, but for the extra dividend. And on the corporate accounts we had two reasons to implement the corporate account. First also to give another picture to the world outside, not only for you, but also for other parties who look at our annual report of the state of our company, especially our equity position. And secondly by making it possible to distribute also with a negative equity, consolidated equity again a dividend in shares.

Julia Winarso, HSBC
Okay, can I just ask one follow up then. What is the actual corporate distributable reserves in Q1?

Jan Bos
I think Cees will call you back to give you that exact figure.

Julia Winarso, HSBC
Okay, thank you.

Operator
The next question comes from the line of Erik Bertilson, Credit Suisse, your line is now open.

Erik Bertilson, Credit Suisse
Good afternoon, just two questions for me please. The first one is regarding point number four on the capital allocation side. Similar to you mentioning a maximum for M&A and portfolio investments, is there a maximum cash out flow that would you consider on the pension side of things as well? The second question relates to Trans-o-flex, just a quick update on how the integration is progressing and how you see margins progressing there over the course of the year. Thank you.

Jan Bos
Okay, so on the pensions, we don't have now at this moment figures, so first we look at the de-risking options and then maybe, maybe start some discussions with the pension funds. So no figures at this

moment. For Trans-o-flex we have already taken over the activities for, the Dutch activities and there we are already integrating. For the Belgian activities we will start to integrate later this year. We also have formally to apply for you know regulatory approval for that takeover in Belgium and we expect to be earnings accretive for the combination somewhere in 2013 already.

Erik Bertilson, Credit Suisse
Thank you very much.

Operator
The next question comes from the line of Robert van Overbeek, Cheuvreux, please go ahead with your question.

Robert van Overbeek, Cheuvreux
Hi, good afternoon, I have a couple of questions mainly on Parcels. Looking at underlying revenues, you report underlying revenues adjusted for FX and impact of one offs, but you had an acquisition in Parcels and you report or guide for higher high single digit growth there. Does that include or exclude the acquisition? If I ask all the questions at once, can you give some more feeling about the, what you mean by the phasing of revenues in Parcels and also the price mix effect, and especially, yes, what the mix effect was?

Jan Bos
Okay, impact on revenue on the guidance, so we stay within our guidance including the acquisition of Trans-o-flex, but the Trans-o-flex acquisition only will come in Q2, so not already has been in our figures for Q1, because the acquisition is partly finished at the end of Q1 and partly will be finished in Q2, that is the Belgian activities. Diving into the phasing of revenues, like I said before to Philip Scholte, it mainly has to do with seasonal patterns within the single main items within parcels. The price mix effect is due to I would say a combination of higher volume with lower prices and lower volumes with high prices.

Robert van Overbeek, Cheuvreux
But, which markets are you talking about?

Jan Bos
Volumes, I mean only the bulk volumes for the big customers, also because some of the customers are consolidating volumes and lower volumes is mainly in the SME-market.

Robert van Overbeek, Cheuvreux
Okay, and then a question on the pensions. The coverage ratio includes the top-up payments. Is it correct that the impact is slightly over 1%?

Jan Bos
That is correct. 1.1 % to be precise.

Robert van Overbeek, Cheuvreux
And you also mentioned that you need to deliver 95% of mail within 24 hours. I know that there are discussions going on to potentially implement a possible fine of 450K. Is there any risk that with the problems in Q1 you are not able to meet this 95% score?

Jan Bos
The risk is there. If the Opta gets the ability to give us penalties, because that still has to go through parliament, and secondly I think we have good discussions with Opta about our developments, so I think we also should be proactive in our communication, also to the Opta on that part.

Robert van Overbeek, Cheuvreux
Okay, but the score in Q1 was not that bad that it is impossible to correct that or improve your score in the upcoming quarters?

Jan Bos
It is not impossible.

Robert van Overbeek, Cheuvreux
Okay, thanks.

Operator
The next question comes from the line of Wijnand Heineken, your line is now open.

Wijnand Heineken, Independent Minds
Yes, a few questions still left. You mentioned about the delay about the restructuring that you expect to get it back after some eight to ten weeks. Does that mean that you will be able to recover the delay fully this year or will there be some shift into 2013, meaning that you might have some higher labour costs, but lower restructuring costs. Could you give a bit of comment on that? Then a question on Mail Other, there the improvement was basically coming from cost reallocation. Could you refresh my memory what happened there?

Jan Bos
On the delay of the restructuring, I would say, it will have its impact on the phasing and will cause some delay. It will also have its impact on the phasing of our restructuring cost and also of our implementation cost. We are still now studying at the financial impact of that and we will come back to that within eight to ten weeks, so nothing more to add there. On Mail Other, the cost reallocation has to do with calculation and recalculation of management fees and those kinds of stuff.

Wijnand Heineken, Independent Minds
And that will be a regular phenomenon?

Jan Bos
No, it is a one off.

Wijnand Heineken, Independent Minds
It is a one off, okay. Thanks.

Operator
Our next question comes from the line of Arun Rambocus, your line is now open.

Arun Rambocus, Kempen
Thank you very much, I think two follow-up questions. One on the cost savings, one on the dividend. Let's start with the dividend. I am just trying to get a feeling again on your conditions to pay dividend. Are you allowed theoretically to get a negative equity if you pay the dividend? I am just trying to get a feeling on what the actual buffer in the shareholder equity should be. Let's say theoretically, if you have a €150 million or let's say, €80 million shareholder equity this year, would that be a sufficient condition to pay the dividend? That is the first question. The second question is on the cost savings. Taking into account the delays you see in some parts of your distribution model, are you still able to meet the €40 to €60 million cost savings as set out at the full year results? Are there other parts of restructuring, which are going ahead of plans? Can you name them in more detail? Thanks.

Jan Bos
Those are quick questions, Arun. The first one, the dividend, there is a theoretical possibility to get a negative consolidated equity, but that is depending on the development of the distributable equity in our corporate accounts and does not differ that much, so that is a theoretical I would say issue and we won't do it. So when negative consolidated equity, we will not pay cash dividend. We have said this clear and we will keep this clear.

Arun Rambocus, Kempen
Sorry, what I mean is, what happens if you end up the year with €80 million consolidated equity, as a theoretical number. Are you allowed to pay €150 million cash dividend when you have insufficient equity to pay? Are you allowed to go negative in your equity on the payment of your cash dividend? Is that allowed?

Jan Bos
We are not doing that, that is what I am saying.

Arun Rambocus, Kempen
So you need at least €150 million of equity, that is what you are saying?

Jan Bos
Yes.

Arun Rambocus, Kempen
Okay, thanks, very clear.

Jan Bos
That is only for, because we only have to pay still €75 million I would say, so we will meet on that. The second one is on the cost savings. I think some of our Master Plans are also progressing well, especially on our post office savings, so it is a mixture of plus and minus, but the net impact in Q1 was a little bit less than expected, especially because of lower savings coming in from our operations in the Netherlands. We still keep the outlook for the €40 to €60 million.

Arun Rambocus, Kempen
Okay, thank you very much.

Cees Visser
Okay, let's finalize the Q&A. Thank you, Jozefien and thank you Jan and we will meet next quarter.

Operator
Ladies and gentlemen, thank you for your participation. This concludes this conference and you may now disconnect your lines. Thank you and bye, bye.