Transcript

Cees Visser
Welcome to everyone here and listening in. PostNL, Q4 and the year 2012 results. I have on my right Herna Verhagen the CEO and to her right Jan Bos the CFO. Just so you know we have a break after about an hour when Herna has finished her part of the presentation. And of course afterwards we have Q&A. Herna?

Herna Verhagen
Thank you. Welcome this afternoon; I will present to you the full year figures 2012 and a bit of business background and of course an update on 2015. After my presentation we have a short break and after that Jan Bos will come on stage and will give you more details on Q4 2012, full year figures 2012 and of course also underpinning our financial position until 2015. And after that we have plenty of time for Q&A.

Let's start with the business update 2012. The result 2012 of underlying cash operating income is €130 million, which is in line with the outlook of which we updated you in Q3. It's of course underpinned by results out of Mail Netherlands, as you can see over here, Parcels and International. And I will come back to you with some more details on what where the business results in Mail in the Netherlands in Parcels and in International. And I will start with Mail in the Netherlands.

Q4 Mail in the Netherlands, we saw a big improvement in quality. As you probably all remember, we stopped the roll out of the reorganisation in April last year because of quality issues. We worked very hard to bring quality back up to the level where it belongs, which means above 95%. And as of the beginning of October, we were in line with the quality above 95%. You see here for Q4 a service quality or a quality of 94.2% and that is because of Christmas and New Year. In the Christmas and New Year period, where we do millions of extra Christmas card, quality is always a bit below the 95%. For the full year, quality will be 93.9%, which is below the level of 95%.

Secondly, in 2012 we saw a volume decline of 9%. And if you compare Q4 2012 with Q4 2011, you see a steep decline. Q4 2011 was a volume decline of minus 5% versus 9.1% in Q4 2012. That of course, next to the fact that we postponed the Master Plan's cost, a lower underlying cash operating income, which came down in Q4 from€ 88 million to €40 million.

So Q4 Mail in the Netherlands was good quality. We were back and we are back on the levels where we need to be when it comes to quality. But also steeper volume decline and I'll come back to that when I talk to you about the update 2015.

Very close connected to Mail in the Netherlands are of course our regulatory developments. And two items, which we discussed last year, were for example the Monday delivery and our net cost bill, which was delivered to the Dutch regulator in July 2012.

This year we expect a decision on the cancellation of the Monday. And we also expect in 2013 a decision from the OPTA, the Dutch regulator on the net cost compensation.

Last year we also had a discussion on significant market power. There is a proposal of legislation of significant market power in the Netherlands. And as PostNL we said from the beginning, such proposal is not necessary because the market is sufficiently regulated. And secondly we said: 'Dear government if you want to pursue the significant market power, then we want to do some changes in the regulation, to make sure that there are, that the market analyses are done very carefully and secondly that the measurement you take is proportionate!

The decision on legislation is expected somewhere in 2013 and then it will take another year to two before the Dutch regulator will come up with certain decisions. Final legislation can impact profitability but clarity around that impact is only given, or can only be given, when we have clarity around legislation and clarity around the implementation.

Then our second segment: Parcels. In Q4 we saw a strong like for like volume growth in Parcels. If you compare Q4 last year with Q4 2012, we saw a volume growth from 4.1% to 8.1%. That of course had its impacts on the underlying revenues. Also here you see an increase from €166 million to €208 million. The underlying cash operating income came down and that is probably a surprise for you. But the biggest part of the whole part of this decline is because of initial cost. Initial cost in expected losses from trans-o-flex, around €4 million and migration cost due to a transfer between the old and the new logistical infrastructure.

An important part for Parcels in 2012 was that new logistical infrastructure. In total, we have now eight new logistical centres operational. And 35-40% of the volume is running through those new logistical centres. They are important for us because they bring cost per parcel down. That is one and secondly, the new infrastructure also enables us to do many more parcels a year than we could do in the old infrastructure.

So Q4 Parcels was good in volume growth, was good in the implementation of our logistical infrastructure, and had an underlying cash operating income which came slightly down because of initial cost.

Then the third segment which is International. In International we see a continuation of improvement in results. Q4 2011 gave an underlying cash operating income of €4 million. In 2012, it was €10 million and that is equally spread over the countries. In the UK we saw good developments in 2012 in volume as well as in revenue. Volumes were 11% up, mostly by big national customers.

What we have also seen in the UK is pressure on margins and pressure on margins is caused by competition in the downstream access market. Packages and parcels are growing very fast which was a good development in 2012.

In Germany, the resizing is fully finalized. As you probably may remember, we started the resizing in 2011: closing down regions and bringing back costs at head office in Germany by 50%. That resizing is successfully closed in 2012, delivering indeed the improvement in the underlying cash operating income. What is still challenging for us is getting in enough new volume.

Italy. Italy is very successful. We started four years ago in the model we are working in today and market presence in Italy is already around 11%. We see a continued growth. Continued growth in our important product Formula Certa, where we say big growth in 2012, but also growth in the coverage of households. So more and more Italian households are covered by our own mail people. 68% by the end of 2012. And we started up a pilot in packages and parcels because also the Italian market is a very interesting parcel market.

That brings me to 2012 to say: the total result of 2012 underlying cash operating income is in line with what we gave as an outlook. We say of course results within Mail in the Netherlands, which were slightly disappointing because of the volume decline and because of the fact that we stopped our Master Plans and I will come back to those Master Plans when I do the update 2015.

Within Parcels and within International we saw good results. That closes for me the year 2012 and as I said Jan will come back to this later and give you more details on it.

That brings us of course to the update 2015. And the update 2015 is around sustainable delivery. Sustainable delivery of cash, sustainable delivery of quality, sustainable delivery of our reorganisations, sustainable delivery of growing into a company PostNL which becomes smaller and more efficient in mail and becomes bigger and bigger in parcels.

I think an important message is the fact that we maintain the outlook for 2015. The outlook given in 2011 was to be on an underlying cash operating income of €300-€370 million and that is what we will do in 2015, also today. It is ambitious and achievable. And how we are going to achieve this, I will explain to you in a few steps.

Let's start from the €130 million underlying cash operating income in 2012. What we will see is that volumes come down, that is one, and secondly we have an increase in our autonomous costs. To bridge then to the €300 million and €370 million we have four important steps to take.

The first important step is in Mail in the Netherlands. And I'll go through the details with you in five steps.

First of all price increases. Secondly, a new roll out of the reorganisation in our mail company.Thirdly, a more efficient overhead structure. Fourthly, also expected lower cash-out for the reorganisations and last but not least, leveraging the synergies between Mail in the Netherlands and Parcels.

A second important step to reach the €300 million -€370 million is bringing down our cash contribution. And the third and fourth step is of course growth in Parcels and growth in International and that will deliver in 2015 the €300-€370 million.

Let's go through it, step by step. I will start with Mail in the Netherlands.
When we think about Mail in the Netherlands in 2012, mostly the stories around stopping the Master Plans, stopping the rolout of the reorganisation, the volume decline are the headings. But I would like to give you a few examples of Mail in the Netherlands where we are very successful.

First of all in mobility. Two, three years ago you might remember that in all the newspapers was: '11,000 mailmen have to leave PostNL'. In the last few years, we had a very active program in helping people to find work outside PostNL and that is what at least 7,000 people did over the last few years and remaining at this moment in time not 11,000 but 3,500 mailmen. So we have a very successful mobility program.

A second example of success is what we call MKB Online. Small and medium business accounts online. It is a Dutch initiative and it helps retailers, who want be an e-tailor, to get online. Because part of their business in the future will be online business. To make sure that you have a webshop that works, to make sure that your customers or your prospects can find the webshop and to make sure that your parcel is delivered, we are offering a total package to those companies. And we are helping them, in for example making direct mailings, to make sure that they find new customers and to distribute their parcels to make sure that their new customers indeed get their parcel on time.

And an example is what is called here Schuurman Schoenen. Schuurman Shoes. It is a company from the eastern part of the Netherlands and we are helping them with these online initiatives, created for them a customer base which is double the customer base, they had in the past. So direct mailings were here very successful in creating a double customer base for this customer online.

A third source of growth is strong growth in letter box parcels. When you think about parcels you most of the time think about sizeable parcels. But there are lots of parcels that fit through a letter box and we do over 75 million of those parcels within our company of Mail in the Netherlands and it is a fast growing segment so also within Mail in the Netherlands you have growing segments, like for example these letter box parcels.

And last but not least Mijnpost.nl. MyPost.nl. It is a customer portal and in that customer portal we have today more than 60% of our business revenue. That is more than €800 million of revenues via that portal within a year and it helps us to save cost because we can easier close our revenue cycle and it save costs because the people who were there in the past and who had to type the amounts of volume and the sorts of products customers delivered are now helped via these websites.

Let's go back to an update 2015 Mail in the Netherlands and start with the volume.
We do expect stronger volume decline till 2015. We guided you with a volume decline of around 7% and our new outlook will be till 2015 8%-10%. There is acceleration in the volume decline because of the economic situation. But also because of, that we see that the trends we saw in the past with our big customers, are more and more substituting mail to e-mail translated to our small and medium business accounts.

So we see that the trend of substitution is not only a trend anymore for big customers but we see it slowly transferring also to our small and medium business accounts. We expect the bottoming out of this decline around 2017 and further.

A volume decline of course has its effects on our mail company and therefore, we developed four steps to come up to the €300- €370 million and the first step is a step around price increases.

What we say is, we are a company, delivering high quality and high service and that is something what needs to be paid for. That is the reason that we expect for the next coming years that in our bulk mail, mail coming from big customers, we will higher prices, well above inflation. It is the same we will do for our single mail. Also there, we higher prices well above inflation. Next to that, there are lot of services offered by PostNL to customers, which are not paid for or which are only partly paid for. Also there we want to higher those prices and you find a few examples on those services on this slide.

And all by all that will mean that the revenue decrease 2013 till 2015 will be limited to a decrease low single digit. This is one step of the €300 million-€370 million. A second step is cost savings and we are increasing our cost savings till 2017 from €330 million to €400 million. €110 million were already realised in 2010 and 2011. So €290 million to go. From those €290 million we will do 75% until 2015 and the last 25% until 2017. Highering our cost savings from €330 million to €400 million will be done against limited additional expenses and those you find on the bottom part of this slide. We expect for all reorganisations, which have to be done to bring up the savings of €400 million, a restructuring cash out which is between €325 million and €375 million and is identical to our previous outlook.

Within the implementation cost we see an increase of €50 million. Where we expected in the old outlook €175 million to €225 million we say now €225 million to €275 million and that is mostly due to the extra cost savings we are planning till 2017. Capex will be at the same level.

So we are planning to do €70 million more of cost savings to 2017. How will we do that? First of all, by a new roll out of our production reorganisation. As you all know, we stopped last year the roll out of what we by then called the Master Plan. Because of big quality issues we had in the Netherlands.

We will start a new roll out to fewer locations and we will leverage synergies between Mail in the Netherlands and Parcels and I will give you more details in the next coming slides.

That also means that we have less forced redundancies in our mailmen population. Instead of the 2,800 we expected in the earlier plans, we know expect to have 450 to 650 FTE's forced redundancies.

That is with the expectation that around 1,050 to 1,250 FTE's leave voluntarily. And as I explained to you when I discussed the mobility program, this is something we experienced in the past that is doable. Only in 2012 we had a voluntary leave of around 1,200 people. We helped 1,200 people from work within PostNL to work outside PostNL.That is the reason why we think we can do this.

To give you a bit more detail, what went wrong, what we will be doing differently.
In our previous rolout, the restructuring did not work out as expected and we tried to take as much lessons as possible out of that rolout and to take them fully into account for our new roll out plan.

What went wrong? What went wrong is that, as I explained you last year as well, we did eight reorganisations at the same time and this, the centralisation of the preparation locations was one of the eight. But there was too much cohesion between the eight, which made it difficult to make a constant quality and that is what we lacked in the end.

Secondly, we underestimated the learning curve of new people. So the central preparation locations meant that we had to take in a lot of new people into our organisation. But it took more time to bring them up to the levels of people who are experienced. We did not pilot well enough and that meant, that a lot of the mistakes we made, were made in reality and not in a test situation where you can of course find out how you can improve and how you can do it better.

Over the last nine months in 2012 we did a lot of changes to counter the problems we had. With all those changes it did not bring us to the accepted and wanted quality levels, to the wanted efficiency levels and in the end, the plan did not bring in the necessary cost savings.

Was everything wrong? No it wasn't. Happily it wasn't. There were also things that went very well, for example the mobility and migration of people, I already explained to you.

Secondly, the introduction of the peak and non-peak model. As you may remember, we introduced the model in which we have busy days on Tuesday, Thursday and Saturday and we have non-busy days on Monday, Wednesday and Friday. It is a big change in the logistical system, but the change went very well and within a year most of the volume is in the busy days and we have much less volume on the non-peak days.

Thirdly what went well is the transfer of registered mail into Parcels. We tried to take as much lessons as possible for the new rolout plan and what were the lessons learnt?

First of all, that we had to do the reorganisation more phased, to give more time to make sure that we would reach quality levels and cost saving levels.

Secondly, we did more pilots and I will give you an example later but those pilots proved the feasibility of what we wanted to do. It proved that we could reach the quality levels we wanted to have and it proved that we could reach the cost saving levels and the new rolout gives us enhanced controllability on quality.

How does that new rolout look like? It is different from what it was. In our current situation we have 260 distribution centres. So centres where mailmen prepare the mail for their walking route. In the old plan, we would bring down the 260 to nine central preparation locations. In the new plan we will bring it down to around 125 locations. It is phased, which means that we will take more time. We will take until the end of 2015. Because of the fact that we go from 260 to 125 instead of nine, it is also possible to transfer much more of our existing processes and that helps us to guarantee quality.

The pilot showed us that we can improve efficiency, as well in preparation as well in delivery via decentralisation and it gives a much better balance between experienced people and new people. If you centralise from 260 to nine, it means that for many people the traveling distance becomes too long. So you can't transfer people to nine locations and then you lose a lot of your experience. If you have to concentrate on 125 locations, it is less travel time, which gives you much more opportunity to maintain qualified and experienced people.

Why are we confident that this roll out will be successful and reach cost savings? There are a few reasons. First of all, already said, it's thoroughly tested. We did a test in the region of Alkmaar, which is above Amsterdam, where we centralised locations into Alkmaar. The same test we did around Groningen, which is the northeast of the Netherlands, and also around Rotterdam, which is the southwest of the Netherlands. In all those pilots we saw that we could deliver the quality expected, that we could reach the necessary cost savings and that we had a much better balance between experienced people and new people.

That is the second reason why we are confident in this success because we can maintain experienced people and can mix them much better with non-experienced people. We have a very strong implementation organisation. This plan is made by our local management who made of course an estimate of what is doable and what is not.

Fourthly it is phased. Phased means for us less risk. It also means flexibility and it means ensuring high quality. And all by all it is delivering the cost savings we want to reach. And last but not least is the fact that we have alternatives identified with marginal impact on savings. So we do have alternatives when things might not occur, as we wanted them to have.

So the new roll out plan is a solid foundation for the reorganisation within our production unit. And a second way of doing extra cost savings is finding more synergies between Mail in the Netherlands and Parcels. And the backbone of those two companies is already very much integrated.

And to give you an example, it is integrated for example on the registered mail. Registered mail is a mail product but it is delivered by our parcel drivers. And why do we do that?

Because a parcel driver is used to ring the bell and ask for a signing. That is what needs to be done for registered mail as well. So it fits very properly into his work. A second example of where we already have integrated backbones is in our retail organisation.

We have 2,600 retail locations in the Netherlands, where you can do your mail business but also can do your parcel business. We see new opportunities for further integration. New opportunities for example in what we call our car unit. To explain you what is meant over there: the last mile distribution of mail and parcels is fully split in the Netherlands, so two separate organisations and that means that in rural areas, sometimes there will drive a car which brings the mail to your house and an hour or two or three hours later, there is another car which will bring you a parcel. We will start piloting as of May to find out if we can integrate for rural areas the delivery of mail and the delivery of parcels, which will give us extra savings.

This is a second way, and a second project on the pinning of savings which will bring us up to the €300- €370 million.

The third part is to create a more efficient organisational structure, which means less staff and less overhead and that is done in three areas. First of all, when it comes to staff and overhead of our production unit and the production unit will deliver 60% of the €290 million of cost savings.

That saving will be done by removing the layer of areas. Today we have a central production head office and that it is divided into six areas and in those six areas we have a sorting centre and you have distribution locations. We will remove the area layer and will centralise most of those functions.

That will bring a reduction in staff of around 700-900 FTE's, next to a more efficient production head office. Also in marketing and sales we will improve our efficiency. And within marketing and sales that means that we will work with less people, 150-250 FTE's less over the next coming years.

It is also built up by a more efficient retail organisation. We still do have own retail shops in the Netherlands and we are thinking about optimising those own retail shops via franchising.

And the third part here is our overhead at group head office. A reduction of 350-450 FTE's which is 30% of the €290 million, which will be done by a more efficient but also high quality overhead structure and a redesign of our IT and procurement systems.

And for all these people we do think that in most of the occasions we can bring them from work within our company to work outside PostNL. And that is where we will use our mobility program for. So the success we had with the mailmen is a success we think we can have also with staff and overhead.

The second step to the €300- €370 million was lowering down our pension cost. Lowering down our pension cash contributions is done via a joint proposal, which we have made with the unions. We not only closed a new CLA in 2012 we also made a joint proposal on a new pension agreement which will reduce the risk of top-up payments. That proposal is now brought to the pension fund and together with PostNL, unions and pension funds we are discussing to close a pension agreement.

When there is a pension agreement we need to refer that also to the members of the unions. So there is a second step to be taken before the pension arrangement is fully finalised. This pension arrangement, lowering down the risk of top-up payments, together with the fact that we have of course reduction in labour, which in the end will lead to the reduction in pension cost, makes that we think cash contribution will go down from 2012 to 2015, from €265 million to €165 million.

So that is an important part of reaching the €300- €370 million. And Jan will come back to the top-up payments that we already did and of Q4 2012 and a top-up payment we have to do this year in Q1.

The third step was growth in Parcels. Further, profitable growth and I will take you back to a slide I showed to you in 2011. And on this slide I said to you we will expand our position via organic growth into consumer parcel delivery and into business parcel delivery and we will expand our position by creating new opportunities in new areas of distribution, like pharma, medicals, like secure delivery, like Extra@Home, like for example fulfilment.

That is what we did over the last two years. So on all these areas we grew organically or we grew via small acquisitions into an expansion of our parcel capabilities.

To give you two examples of how this growth was filled in. First of all, Extra@Home. Extra@Home is an example of organic growth. People are more and more ordering heavy stuff on the internet. You are ordering your television on the internet, you are ordering your refrigerator on the internet and those things we have to bring to your home and preferably not in front of your door but somewhere behind your front door. That is what we do.

So we organised what we have called Extra@Home, which means at least two people will bring those heavy packages into your house and install them. It is a new area where we work for Dutch companies like Wehkamp and bol.com, but also closed a contract with one of the do it yourself shops, Intergamma. Two big brands in the Netherlands, Gamma and Karwei.

Another example of growth within Parcels is Mikropakket. And that is an example of a small acquisition. We acquired a small company called Mikropakket, which is specialised in secure delivering expensive stuff, like for example jewellery and like for example mobile phones.

By buying that company and buying new competences we were able to integrate them successfully into our company, growth revenue but also growth of the underlying cash operating income.

So two examples of how we have grown and expanded our position in Parcels over the last few years, of course next to the organic growth, you see in 2C Parcels. This is also thestrategy for the future. Build on our strong position, one, and secondly make use the opportunities which are existing in the market, or will come into the market and growth by outperforming the market.

We do see new areas of pockets, or new pockets of growth and the orange areas here are just examples and there will be more but for example growth in fashion, for example growth in delivering food, or for example growth in delivering media.

The 2C market, the to consumer delivery market will grow around 9% for the next coming years. The growth in 2B is much smaller, a GDP plus 1%. We can build further on the strength we already have in the 2C market, the 2B market and in the new markets we stepped in to like Extra@Home, like Mikropakket, like fulfilment.

We see new areas of expansion. Where in some of those areas we can grow organically, by using competences we already have and in some of those areas we will do small acquisitions.

For a further success of Parcels we have to build on the strong competences we have in our operations and therefore, and that is already what we also showed you last year, and therefore we have to further roll out the new logistical infrastructure of our Parcel company.

The old structure was able to handle 100 million parcels. Last year, we already did 120 million parcels. So to make sure that we can handle the growth, we started two years ago with implementing new sorting and distribution centres for parcels, enabling us to do at least 170 million parcels a year.

But next to that, the new roll out is important because it lowers the cost per item. It is an easier logistical process, which means that it guarantees high quality and it creates new business opportunities. In those new centres we are able to give customers an opportunity that their customers can order on the internet till twelve at night and we still deliver the next day.

So next to the fact that it ensures more volume to be handled, secondly it ensures lower cost per item, it also gives us new business opportunities. The roll out till now is fully on track. So eight centres already rolled out. Five to go this year and five to go in 2014.

The fourth step to come to the €300- €370 million is International. And for International, I will go back as well to what I presented you in 2011. And we said to you we will do the turnaround of International into a company which has a positive underlying cash operating income. That is what happened in the last two years.

If you look to the year-end results 2010, there were around minus €24 million. The result end of 2012 was €27 million. So an improvement of more than €50 million, which is equally spread over the three countries.

UK is a cash positive country. It has a market share in downstream access of 52% and it is a real challenger of Royal Mail. It showed large growth in packages. We did 14 million packages in 2011, we did 45 million packages in 2012. So a strong growth in packages and we started, as I presented to you last year, an end-to-end pilot in London, where we do last mile delivery by our own TNT Post mailmen. Also that pilot is successful.

In Germany we did the big turnaround of resizing the company. We closed down five regions and we brought down the cost of head office by 50%. The last four months and the start of 2013 do have a positive operating income. Market share in Germany is 7% and also they are main challenger to Deutsche Post.

Italy, as well cash positive. A market share of 11%. Main challenger to Post Italiane, showed very strong growth in Formula Certa in 2012 of 25% and started a pilot in parcels. The Italian parcel market is a bit behind the Dutch parcel market. It is not yet as consolidated as for example here in the Netherlands and can be very interesting for us to pilot in. That is what we started in the last quarter of 2012.

To 2015. To 2015, we want to enhance our cash profitability. For the UK that means that we expect further growth in market share of downstream access. We also have price pressure as already said. Price pressure caused by competition. Our downstream access company in the UK will be managed for operational cost efficiency and a positive cash contribution.

The end-to-end pilot we started last year in London resulted in a very successful pilot. Covering more than 300,000 households, having more than 500-600 mail people on the street, doing well in efficiency, doing well in quality and also in customer satisfaction.

A full roll out of end-to-end will contribute to our underlying cash as of 2015 but needs €50- €80 million of investment. And because of our cash constraint, which I shortly explained to you, and Jan will explain further to you, we are open for a true partnership in the UK, to go invest with us.

Germany. Germany did a successful resizing and did a successful turnaround. We had a severe setback in January when Deutsche Post acquired a stake in Compador and Compador is a German company, competing TNT Post Germany. Compador took away 28 staff people from TNT Post Germany, mainly sales and operational people.

We have taken over the last six weeks all actions necessary, and all means legal actions, actions against the Bundesnetzagentur, Bundeskartellamt but also actions to customers to make sure that we counter act as much as possible the actions taken by Compador.

We have to protect our value at stake in Germany, which is around €90 million values of book value. It is a situation, which needs to be monitored very closely in the next coming days, weeks and months.

Italy maintains a success story. It enhances cash profitability and will grow in attractive segments. As already said, we do foresee further growth in Formula Certa, our main product in Italy. We do foresee a successful pilot in parcels, which we can expand and we also foresee an expansion in the number of households, the percentage of household we are covering to 80%.

If we sum it all up, then we come to an ambitious outlook of 2015 and an achievable outlook. An outlook of €300-€370 million of underlying cash operating income, underpinned by better balanced projects, projects as mentioned within Mail in the Netherlands, price increases, the new roll out plan of our production organisation, further reduction in staff and overhead. But also leveraging our synergies between Mail in the Netherlands and Parcels. Further growth in Parcels and further enhancing our cash profitability in International.

That brings us to the €300-€370 million in 2015. It also creates perspective, it creates the perspective of an efficient mail and parcel company. A mail and parcel company that is built on our core competences. We do the things we are good in. Running logistical networks in mail and parcels, which are highly efficient and which are delivering a high quality. Together with motivated employees and a high performance culture.

It creates a solid company. A solid company, which is prepared to become a smaller and very profitable mail company, prepared to reduce itself because of the volume decline and secondly, build and expand our parcel company.

That will bring us to PostNL in the future, a reliable and efficient mail and parcel company, which is sustainable delivery of cash.

I would like to hand over to Jan, to give more details on 2012, Q4 2012 and of course also our financial position towards 2015.
Thank you for now.

Jan?

Cees Visser
Before that we promised a break.

Herna Verhagen
Break. Are you ready for a break or do you want to continue?

Jan Bos
Continue?

Herna Verhagen
Yes, continue.

Jan Bos
Ok. I will start with the financial overview for the fourth quarter. First of all, the report, the revenues were up 2.6% and that includes a foreign exchange effect of €11 million. If you adjust for that, the underlying revenue development was 1.7% up, compared to last year.

If you look at the underlying business development, we adjust for some one-offs in the operating income, the main one-offs in the fourth quarter where the restructuring, the release of a restructuring provision of €41 million and also the revaluation of our share in TNT Express of €49 million.

Then you come to the underlying operating income with a decline of 12.9% and our main KPI is the underlying cash operating income, which includes the pension cash out and also the restructuring cash out. And you see there a decline of €32 million. I come back to that later.

Then the net cash from operating activities declined by € 67 million and what you have to understand is the payment of €83 million on top up payments, so excluding that, we saw an improvement, mainly explained by improvement in working capital in the last quarter.

Then looking at our bridge for the underlying cash operating income, a decline of €32 million. Mainly explained by the decline in Mail in the Netherlands, with a decline of €44 million on underlying operating income and explained by the volume decline and the delay in the Master Plan savings.

Parcels saw also a decline of €5 million, mainly explained, but I will come back to that later, by trans-o-flex and also by migration cost for the new infrastructure.

International was up by €6 million. International we saw a good performance in all three countries. Driven by revenue growth but also by resizing of our activities in Germany and then in PostNL Other we saw a major improvement, mainly explained by allocation of management fees in 2011 and also by Master Plan savings.

The change in pension liabilities is explained by lower pension expenses in the underlying operating income and only €1 million lower pension cash out. So that explains the total bridge of €32 million of decline.

Looking at the underlying results per segment, we saw a revenue decline in Mail in the Netherlands of 5.3%. It is driven by the 9.1% volume decline and compensated by price increases and also some mix effects in the revenue mix of Mail in the Netherlands.

Within Parcels, we saw a revenue increase of 25%, but you have to keep in mind that part of that revenue increase is driven by internal revenues, for €21 million, and also by the acquisition of trans-o-flex of €10 million.

International we saw also a good revenue increase, mainly in the countries UK and Italy and in the UK partly driven also by tariff increases of Royal Mail. So that is the total underlying revenue increase of 1.7%. If we are looking at the underlying cash operating income for Mail in the Netherlands, and Parcel I will explain later, International, like I said had an increase of €6 million driven by all three countries.

Looking at the performance of Mail in the Netherlands a decline of €48 million in underlying cash operating income, partly explained by a mix of volume decline and price increases with an income impact of €20 million, autonomous cost increases of €17 million, not compensated fully by the Master Plan savings of €16 million.

Then you see an impact on other cost increases, three main explanations. One is the allocation of the management fee from PostNL Other for more or less €8 million and another€ 8 million for release of a profit sharing in 2011, and then €4 million we had to invest in quality improvement this year, also in 2012 and in the quality of our delivery in Mail in the Netherlands. So that total bridges an underlying cash operating income decrease of €48 million.

Looking at the performance of Parcels, you see it is a decline of 5 million, but you have to keep in mind that we have bought from Austrian Post trans-o-flex this year with badwill, so we received money from Austrian Post of more or less €16 million and in that were expected losses the coming quarters and a breakeven expectation in 2013.

So that is why you see here a loss in the last quarter of €4 million in that is included also some restructuring cost in the Netherlands and also in Belgium.

Then we have some migration cost for the double infrastructure we now have to keep, for the expansion of our new logistical infrastructure and that had a profit impact of €2 million, and last but not least we had also the impact of the allocation of the management fee of another €2 million. If you adjust for that, you still see improvement of the operating resource from Parcels and this is in line with last quarters.

Looking at our statement of income, so looking at the net profit, you see a net profit of €161 million and declining to €155 million. If you adjust for the impact of TNT Express it is in fact an increase to €106 million but in that increase is also the release of the provision, so if you adjust for that the decrease also that income is in line with the underlying cash operating income and the same applies for the full year.

Then looking at our cash development, if you look at the net cash from operating activities, it is also a decline of €67 million, in that the top up payment of €83 million, so in fact an increase in our cash performance due to some measures on working capital.

If we are looking at our Capex it is a decrease of €50 million in line with lower Capex on our Master Plans and also on strict cash management on our investments.
The total leads to a decline in net cash from operating investing activities for the fourth quarter of €52 million and that includes, like I said the top up payment of €83 million.

So we keep on continue our focus on cash. The main indicators for that are the Master Plans, our Capex and also working capital. On the Master Plans we saw a saving in the last quarter of €19 million and a full-year saving of €39 million and that is almost at the top of the bandwidth in our updated outlook at the third quarter.

We saw also lower restructuring cash out and implementation costs. So also in the mid or the low end of the bandwidth we predicted. On Capex we were around the predicted €200 million of Capex and what you see is that we spent less on the Master Plans due to the delay in the roll out and also on our replacement Capex, we call that Base Capex, we spent less money than predicted.

On working capital, we saw a very good performance. Last year we also ended with minus 10%. Our outlook for 2015. We predict investments in working capital due to the change in our revenue mix, so lower Mail in the Netherlands and higher International and what we saw in the last quarter was an improvement and the same results as last year and that is what you also saw in the cash of the fourth quarter.

Looking at our balance sheet, two items to highlight, our equity position at the end of the year, almost €1.1 billion but that is before the adjustment of IAS 19 and also before the share price decline in TNT Express and you also see that our net debt increased by almost €200 million, or a little more than €200 million compared to last year and that is explained by our investments in the new logistic infrastructure. Also by investments in the Master Plans and also by the large restructuring cash out we had to take in 2012.

Then coming to the pensions. The coverage rate of our main pension fund, so the largest one, increased a little bit to 102.5%. In that, the pension fund had to take new longevity tables with a negative impact of minus 1% and also you have to keep in mind that in the 102.5% is included €147 million of invoiced top up payments. Of that €147 million we paid €83 million in the fourth quarter and we also paid in February the remaining €64 million.

If you look at our total cash, we spent on pensions in 2012 €348 million and of that is €83 million of top up payments. If you would exclude that, the pension cash out is in line with last year 2011.

Looking at the pension expenses, we predicted a little bit more than €60 million on expenses, but in the last quarter we had to take a curtailment for the release of the provision for the restructuring.

Then on pensions again, so we had a dispute with the pension funds on the top up payments and there was a dispute committee installed. The dispute committee ruled in favour of the pension fund. We could go in appeal but we will not do that, because we have now a proposal coming from the unions and ourselves towards the pension fund and we are now in a good dialogue with the pension fund about reducing the pension costs and the pension cash out and also by reducing the pension risk.

What we also have in the pensions is an impact on our balance sheet. That is due to new accounting rules of IAS 19 revised. Last quarter, third quarter, we saw an impact of almost €1.6 billion. In the meanwhile, we have applied a new discount method on the calculation of our IAS 19 impact, which has led to an increase of the used discount rate of 0.3% and that also had an impact of about € 250 million on our equity.

Then looking at our outlook for 2013. The outlook, we predict now a net underlying cash operating income between €20 million and €60 million and that is explained first by Mail in the Netherlands with a mid-single-digit decline in revenue. So volume decline not fully compensated by price increases and an underlying cash operating income margin between minus 2% and 0% and mainly explained by higher restructuring cash out.

In Parcels we forecast a high single digit revenue growth and a decline in underlying cash operating margin in a bandwidth between 11% and 13% and that is explained by the impact of the acquisition of Trans-o-flex and secondly, by higher migration cost for the new infrastructure.

In International we are almost in line with last year with the mid-single digit growth of revenue and an underlying cash operating margin between 1% - 3%.

This bridge explains a little bit, an illustrative decline in underlying cash operating income. What you see here is the impact of the volume decline not compensated fully by price increases. Also the impact of autonomous cost increases. That is mainly inflation and also CLA impact.

Then a negative contribution from Parcels and International, like I said, explained by trans-o-flex and the migration costs of the double infrastructure. Then some other cost increases mainly related to higher VAT, which we can't deduct. Then compensated not fully by the Master Plan or restructuring cost savings in a level between €40 and €60 million, lower pension contributions, which Herna also explained. Then on total also higher restructuring cash out for voluntary leave of people and some lower implementation cost, leading to an outlook of €20 and €60 million of an underlying cash operating income.

Then looking at some other indicators for the outlook. The main one I want to point out is the money we spend on cash flow on the restructuring. That is on level between €110 and €130 million and also implementation cost of € 40 - € 60 million. So in the underlying cash operating income of 2013 is included, between €150 and €190 million, spent on implementation cost and restructuring cash out.

On pensions we expect to spend €240 million on pensions and that is excluding the top up payments we have to pay and have paid in the first quarter and probably in some other quarters. The pension expense we expect to lay around €150 million. That is more than in 2012 and this is also explained by the implementation of the new accounting rules around pensions. And on Capex we expect to spend €150 million.

Then coming back to the presentation of Herna, I like to explain you a little more on our cash management policy, on our financial position and our equity position, also on our dividend policy and last but not least on the outlook for 2015.

First of all driven by the restructuring cash out we have to pay enormous Capex. We have to spend on new logistical infrastructure and Master Plans and also in pensions. We follow the policy of strict cash management. That has led to adjustments in our outlook, mainly for Capex and working capital with a better guidance for Capex and also for working capital, so an improvement.

Next to that, driven also by the financial position, we still need some investments for growth because we need growth to have a better portfolio of our business, but we will not do sizable acquisitions. What we will probably do is some small acquisitions in niche markets and maybe related to our core business in Parcels. And of course with a good business case.

Looking at our debt position, we have three bonds. We have to be paid off in 2015, 17 and 18. The money we will use is coming from our cash position end of 2012, of the positive cash we expect in 2014 but certainly in 2015 and also from the cash coming in from the sale of TNT Express. So that is why we do notsee reasons for rights issues because it is not opportune and not necessary.

Our expectations around our development of our credit rating, that explains the next slide, the orange line explains our cash balance position and the orange bars explain our growth and net debt.
We expect to reach the ratios for BBB+ plus credit rating and Baa1 credit rating again in 2016, based on the present interest rates.

Looking at our stake in TNT Express, we expect to monetize the stake in the medium term. We have also discussed with TNT Express some changes in our relationship agreement. First of all, we have the right to recommend a member of the Supervisory Board of TNT Express and we already used that right and you have seen that in the press release this morning and that Sjoerd Vollebregt is nominated as member of the Supervisory Board of TNT Express.

Next to that we have some relaxations of our conditions in the relationship agreement. First of all, in our right to vote on the shareholder meeting on strategic issues or for TNT Express strategic changes and further of all we have some relaxations on our right to sell the whole part or part of the stake of TNT Express. You can read that in the changed relationship agreement.

Assuming that we will sell TNT Express in the medium term, we expect to get consolidated equity again positive in 2016. Almost the same year as BBB+ plus credit rating and this is explained first of all, the negative impact of IAS 19, based on the present discount rates and also the impact of the revaluation of TNT Express based on the share price at February 22nd. Improvement is coming in mainly from our profits. We have looked at some other improvement possibilities for our consolidated equity position but none of them were opportune or material enough.

Of course we have adjusted the discount method for pensions, which had a positive impact of €250 million.

If we are looking at our dividend policy given the present circumstances, so no BBB+ plus credit rating and no positive consolidated equity, we will not pay any cash dividend at this moment. We also changed our dividend policy. The main changes are that we will not pay a minimum dividend anymore of €150 million; we only will pay in the future 75% of the underlying net cash operating income.

The second adjustment is that as long as we are not able to pay cash dividend, we will not pay any dividend in shares and we will also not pass through the dividend we will receive from TNT Express.

You have to keep in mind that if you look at the two demands for a cash dividend, that is a BBB+ credit rating and also a positive consolidated equity, that we expect to first reach the BBB+ plus credit rating ratios and then the positive consolidated equity, so in that following.

Looking at our outlook for 2015, we are confident in reaching the outlook of €300 - €370 million, confident because a lot of projects are underpinning that outlook, Herna explained them and also because we have already taken a lot of actions to reach that outlook of €300 - €370 million. We have adjusted some elements in the outlook, mainly the revenue expectations for International and the revenue expectation for the total of the company.

So why are we confident in reaching the outlook? I think Herna explained already most of the items. Two items I want to point out. First of all, the reduced pension contributions, what you saw we expect €100 million less pension cash contribution towards 2015. That is one big explanation. The other one is to lower cash out for restructuring. You have to keep in mind that in 2012 we spent almost €140 million on restructuring and that will be less in 2015, I would say substantial less.

Thank you for your attention then the last word for Herna.

Herna Verhagen
I will do a short summary. To go back to the perspective, to be an efficient and reliable parcel and mail company. To come to that stage we have to do a few things which are underpinning the €300 - €370 million of the outlook. Which means changes in Mail in the Netherlands. A new roll out of the implementation of our production organisation. Well-tested. A more efficient and high quality overhead structure within our production unit, within Marketing and Sales but also within head office and leveraging synergies between mail in the Netherlands and Parcels.

Secondly, further profitable growth of Parcels and enhance our cash profitability in International. With building up our equity and a very clear cash focus, being able to restore cash dividend in the medium term. And it creates a company, which is smaller and profitable in mail and ready to change, of course because of the decline.

Secondly, a company, which is able to expand in parcels. A company that is based on our core competences, on the things we can do good. Running mail and parcels networks efficient and reliable, based on motivated people and a high performance culture. That gives and creates a sustainable deliverer of cash.

That ends the presentation. I thank you. I would like to propose to grab a cup of coffee outside, stretch your legs and then be back in ten minutes and I think now I did your work, Cees, sorry.

Cees Visser
Indeed.

Herna Verhagen
But we will be back in ten minutes and there is coffee outside. Thank you.

-BREAK-

Cees Visser

Okay, let us start with Q&A in the room first and then see who is still on the call. Mr Scholte.

Philip Scholte, Rabobank
Sorry Cees. Philip Scholte from the Rabobank, I am a bit confused about your cost savings plan. You seem to be doing less but saving more and I know we have not really known all the detailed plans before but can you say what is new and what has actually changed? A bit more detail on that. Secondly, on the UK, the potential, well let us call it divestment, should we see that as a potential start of a full divestment of all the international activities? And thirdly on the pensions in 2015, could you break that down between the main pension plan contributions and the soft pre-pension contributions?

Herna Verhagen
First the confusion around the cost saving plan, as you were mentioning it, you seem to do less and you are saving more. If that could be true it would be wonderful of course, but it is not, so we indeed do more.

How can that be done? That is partly because it is underpinned by much more plans than in the past. Secondly, it is done also that for example for overhead and staff, they were already part of the restructuring program, but they are fastened and intensified. So there is more cost saving in overhead and staff than in the earlier plans and it is fastened, which means that we have to deliver it quicker.

So that is part of the extra savings. Also part of the extra savings are for example the car unit which I was mentioning, integrating backbone between Mail in the Netherlands and Parcels, where we do see opportunities for more synergies than we have reached today. So there are more plans underneath the €400 million.

Then coming back to the roll out of the restructuring in our production units. If you compare it to the original roll out plan, the savings are a bit less than the old roll out plan. If you look into where the roll out plan stood by the end of the year, not having reached our quality and efficiency levels as set, this plan delivers much more than the plan where we were by the end of last year.

What it does less, in comparison to the old plan is of course also underpinned by new plans in overhead and staff by removing the area layer for example, by finding more synergies between Mail in the Netherlands and Parcels and those are examples of how these € 400 million are underpinned.

Philip Scholte, Rabobank
But how come they are cheaper? I mean if you also want to fire some overhead and staff?

Herna Verhagen
That is partly because of the success of mobility, I also explained, which means that out of the 11,000 mailmen we had a few years ago, now 3,500 left and most of those people left the company from work within PostNL to work without PostNL. That is more efficient. That is one and secondly, it is not fully comparable because as said, the initial cost of €50 million higher than in the plan till the €330 million to 2017.

So it is partly because already a lot of people were helped from work within PostNL to work outside PostNL. Partly, you do less centralisation, so instead of bringing everything back to nine locations it is now bringing everything back to 125 locations, that also brings a difference and that is also the reason why we can do the extra €70 million of cost saving with limited additional cost.

Then to your second question, potential. If the co-investment will lead to potential divestment, divestment is not the preferred option for us.

And then the pension question I refer to Jan.

Jan Bos
Pension we don not disclose, I would say the division of the pension cash out between the different plans but, I would say, about 60% is the normal pension scheme and then about 40% is transitional plans, more or less. And both are declining.

Cees Visser

Before we go to our own people on the call could they please, if they want to register for a question do *1, just for to register for the question.

Arun Rambocus, Kempen & Co
Thank you. First a follow up on Philip's question, how much are you relying on price increases in the future and can you share some of your track record in the past. Besides the USO increase, the company discloses every year.

And the second question is on, I am just trying to understand the moving parts in the fourth quarter, why were mail volumes less down than in Q3? Anything particular happened? And the third question is on Parcels. It seems that you are guiding for a forward looking market growth on 9% per year, I believe the fourth quarter was 8% organically for the companies, so are you losing market share or do you expect an acceleration or why do you think they will move up? Is it something about market conditions and parcels overall? Price versus volume? Thanks.

Herna Verhagen
To your first question, how much is relying on price increases, that we will not disclose. How much are you experienced in price increases because that is your second part of the question. When it comes to the increases of the Universal Service Obligation, I think that is what you saw. We did increases over the last two-three years and we do have an opportunity to increase with inflation further on. Secondly, price increase on our bulk mail was done last year as well. Which means that in 2012, we did a price increase on our bulk mail of more than 3%. So we experienced in 2012 that we were able to do price increases in a year where we did not have that good quality and a lot of customers complaining of course because of that quality we were able to do the price increase.

On your third question, and the second question I refer to Jan. Your third question, Parcels 9% a year and we do 8% a year, so are you losing market share?

The percentage of growth you see is a mix of 2C and 2B. The 2C volumes are growing, as said with 9% a year. The 2B volumes are growing by GDP plus 1%. So if you take the growth you see for Parcels, it is a mix of 2C and 2B and cannot be literally compared to only the 2C increase, which we expect to be 9%.

And then your third question was on the difference in volume decline Q3/Q4 2012.

Jan Bos
Q3 and Q4 were not so different I would say and Q4 is always a special quarter with Christmas and New Year mail and which had to decline out of my head of 9% last year.

Arun Rambocus, Kempen & Co
Maybe I can follow up on the pricing. So you mentioned that last year it was quite difficult, difficulties with the qualities, you were able to raise prices more than 3% so this year you expect more on the bulk mail is that what you are saying?

Herna Verhagen
Sorry.

Arun Rambocus, Kempen & Co
No problem. You mentioned that last year despite having difficulties with the quality you were able to raise prices on bulk mail beyond 3%. Does that imply that going forward it should be more than that?

Herna Verhagen
It was a price increase we reached in 2012 for 2013, that is one. Secondly will it be above the 3.2%? It will be well above inflation that is what we guide for till 2015.

Arun Rambocus, Kempen & Co
Thank you.

Herna Verhagen
You are welcome.

Nigel van Putten, Kempen & Co
Just some additional questions from our side. First on the non addressed mail related items within Mail in the Netherlands. So Cendris is in documents and data management, looking at the guidance, should I model these revenues up, down or flat? Then on Parcels within the new network, can you give some more information on the margins within the new network versus the old one and how we should see the phasing as a sort of new infrastructures laid out. Then on the service levels, 93.9% over 2012 is below 95%, so are there any fines you will be expecting for the coming year and also just a quick one on Italy now rolling out parcels, is there any level of Capex you can disclose?
Thank you.

Herna Verhagen
I will ask Jan for the non addressed mail items guidance but I give you within Post a bit of guidance already. So let us check and then secondly, Parcels within the new network and the development of margins, what we can say about that is we guide for 2015 on Parcels for 13-15% underlying cash operating income. We do see, as we presented also last year to you, we do see price pressure in the mail market, sorry, in the parcels market, which is partly because of the fact that we receive more volume from big customers who have lower prices and partly there is price competition in the single parcel market for consumers.

So together with the price pressure we see in the market and the fact that we lower the cost per parcel that creates the possibility to have a stable profitability of 13-15% also in 2015.

What is the roll out scheme? 35-40% of our parcels already run through our new logistical infrastructure. We roll out five again this year and five in 2014. The eight centres do 40%, so we will have another around 30% this year and another 30% in 2014. That is more or less the schedule.

And your third question was on our overall quality level 2012. Indeed we expect to be on the level of 93.9% over the full year 2012. We have to deliver our quality figures to the Dutch regulator OPTA in the first half year of 2013, that we will do in the next coming months and they will have to decide if they will fine or not, but they have the possibility to fine because of the fact that we have lower quality.

We guided OPTA last year very clearly on what happened on quality. Also because of course the stopping the roll out of the Master Plan. They did not guide what they want to do, or will do when they receive the formal figures on quality, so we have to wait and see for that.

And then your last question around Italy, the rolling out of parcels. Can we guide on the investment, we have to do over there. It is not a big investment, it is a few million.

Jan Bos
Then on the non-addressed mail I would say it is about 45% of our revenue of Mail in the Netherlands. It includes for example Bruna, unaddressed mail, data and document management, and also the export of our international mail items and you could say that they are more or less on total stable compared to last year.

Maarten Bakker ABNAMRO
Aren't you afraid that price increases for Mail Netherlands will further stimulate electronic substitution and possibly even a loss of volumes to competitors?

Herna Verhagen
We experienced of course price increases over the last few years on single items. We did do a price increase on our bulk mail. So we do have some experience in what the effect is and what the balance is between price increases and substitution and we are looking carefully into that balance.

So, to be honest, market becomes more rational in the Netherlands. So does bringing up prices mean that more volume will go to competition, we do think, and that is already said, I think a few quarters ago. We do think that market share of our competitor will grow to 25%, maximum 30%. So there will be some volume going to competitors which was already guided for, but I do not think that it will lead to extra substitution because that is the balance we are carefully looking into, before we decide on the amount of price increase.

Cees Visser
Doug.

Doug Hayes, Morgan Stanley
Thank you, Doug Hayes Morgan Stanley, three questions please. First on mail volumes. With the small and medium sized customers now, starting to make the similar shift that you saw for your big customers, what gives you confidence that 8-10% is the correct volume decline and not perhaps a higher number?

Yes, I will take them, all at once. The second question on Parcels. With the expansion in 2B, 2C, how do you see competition against some of the larger players; the larger integrators since they have all said that they want to move into the B2C market as well. And finally in Germany, do you guys see much opportunity to expand in the parcels in that market?

Jan Bos
On your first question, the 8-10% volume decline, it is also due to the development last year in which we saw also a decline in small, medium sized business, partially driven by substitutions, partially driven by economic circumstances. What we have done from 2013 until 2015, we have taken that trend into account.

Herna Verhagen
When it comes to the expansion in B2C and larger integrators, the situation, or the position we have in the Netherlands is that on the 2C distribution of parcels we are by far the market leader, we are the second player in Belgium. So yes I do see that there will be more competition from the larger integrators who will step into 2C or who will intensify into 2C. But I do also think that the market position we have, one, but secondly also the fact, that we are ahead of the others when it comes to installing new products for our customers that we are able to fight that competition.
Thirdly, we do see also competition on the single item parcels as already said, and that we will have some price pressure on the single item tariff we have today.
So, yes I do see larger integrators competing us, but I also see opportunities for us for growth, because of the market position we have because of the products we deliver and because of the fact that we do have a very relevant market position in the Netherlands and also in Belgium.

Your third question on Germany, is there much opportunity for parcels in that market. I question for two reasons. First of all, we do some parcels, because we are working together with Hermes in the German market, so there is a relation with Hermes and they find mail for us with their customers and we deliver them parts from our customers.

Is there a real opportunity for us in the parcel market?
Two things on that. First of all, focus at this moment in time is fully on reinstalling and of course make sure that we can maintain our position with PostCon. And secondly, the German parcel market is a very competitive market, where prices are quite low when it comes to parcels and it is not easy to step in.

So, to be honest, I do see opportunities in a working relation or partnership with a parcel player in the German market but not stepping in into that market on our own.

Doug Hayes, Morgan Stanley
Thank you very much.

André Mulder, Kepler
Three questions. First question, Jan Bos said in the Q3 meeting that the margin of the USO in 2011 was minus 5%. What was it for 2012? And did you already sent a bill for the cost of the USO for 2012? Second question, can you guide us through the analyst language on EBIT? We see a cash EBIT forecast of €20- €60 million looking at the deltas on page 46. Would that mean that the underlying EBIT would come in at around 400 million? Last question, on International, you expect slower growth

in the next few years. Is that based on the steps that you made in the last few years, or do you feel that the market for growth has become a bit more negative?

Jan Bos
Ok, on the margins of the USO for 2011 we have guided 5.6%, I think it is also in the presentation of Herna. We also guided a higher loss for 2012 and depending on discussions we have with the Ministry of Economic Affairs, we also will send a bill for the net costs for 2012.
Secondly on the cash EBIT driving to underlying operating income. You have to take into account for calculations that the higher pension expenses are due to the new accounting rules. So I think it is substantial add.

Herna Verhagen
Then on International, your question, is the slower growth because of growth in the last few years or is the market more negative or declining?
I think we see two things happening. First of all that indeed there was large growth for example in the UK. Where we do see the market a bit more flattening out when it comes to downstream access.

In Italy, we still expect a big growth when it comes to mail. And secondly, what you see in all those markets as well is that they of course suffer from substitution as we do in the Netherlands. Not at the percentages as we do in the Netherlands but you see the same trend in markets as in the UK, Germany and Italy.

Cees Visser
Mr Slotboom, you had a question.

Henk Slotboom, the IDEA!
Henk Slotboom, the IDEA! Couple of questions. One, the element was already addressed by some other people that is the SME segment. It is fair to assume that the SME segment is a more profitable segment because they don not have the negotiating power for negotiating low tariffs. Could you give us any feel about how much substitution you see in the SME market and how you see that progressing, going forward. Where are they in terms of substitution? That is the first question.

The second question is with regard to what you have told us about the mail delivery in the rural areas. You are planning a pilot where you are trying to combine the mail delivery with the parcel delivery. How should I interpret that? Is that a step back towards what Sandd would describe as something, which is very close to an OvO? The last mile of the parcel delivery has been largely outsourced. So basically, I guess, if you are doing that, you are paying people by the letter they deliver which was what all the discussion was about.

And the last question is with regards to restructurings coming forward, we have seen in the past that when the big Master Plan III thing, when you were trying to get an agreement on that with the unions there were strikes and all these things more. Now the clock is partly turning back but the layoffs will largely take place on a head office level. Where are you in terms of the unions? Do I interpret it correctly that your relationship with the unions must have improved quite a bit since you are discussing with them the pension issue where obviously things are taking a positive turn, you have been able to stretch the life time of the CLA until the first of January next year.

Now you are talking about layoffs on the head office level. What has changed in the relationships with the unions? And can we expect them to continue along the lines we have seen, so more cooperative?

Herna Verhagen
Alright, first your question on the SME segment. We do not disclose the percentages and differences between big customers and SME.
Your second part of that question is where do you see SME? Are they in the beginning of substitution or already also in the end? I would say they are more in the beginning of substitution and that is also the reason why we forecast for the coming three years the 8-10% decline.

Then the mail deliverers in the rural areas, I think you are one step, or two or three steps ahead of us, which means, we first do pilots. We have to find out how it works to combine delivering letters in rural areas in combination with parcels. We have to find out if it really delivers the savings we are expecting from that and only when that is, I would say proven, then we come to the decision, will it be delivered by a parcel driver or will it be delivered by a mail driver, because at this moment in time we still have both of course. So, I do not have a concrete answer on that question at this moment in time.

Your third question on the unions, and I would say also on the strikes and layoffs at the head office, I said we do expect that the 1,200 FTE's to 1,600 FTE's in staff and overhead, will be mostly done via helping people from work within PostNL to work without PostNL.

The relation with the unions, as well as the relation with the Workers Council did indeed improve. That is done, in my view, by having an open discussion. We discussed together what we are heading for, what the aim is, where we want to be in a few years from now and what that means and for all these changes, we discussed today and we mentioned to you today, we of course run the normal procedures with the Worker's Councils and when it comes to extending the CLA and the social plan we do the discussion with the unions.

So if they are really want to contribute to all those changes, that is what you have to ask them themselves but the relation indeed did improve over the last nine months.

Cees Visser
A last question Robert?

Robert van Overbeek, Chevreux Amsterdam
Robert van Overbeek, Chevreux Amsterdam, six questions.

Cees Visser
The last question.

Robert van Overbeek, Chevreux Amsterdam
Well, I have some more. Let us start then. On the expected development of net debt towards 2016, you expect to become net cash by 2016, 17 or so and you mentioned at the current parameters, but I assume that is not at the current share price of TNT, is that correct?
Secondly, how come the guidance for the cash out from provisions did not change while there was a release from provisions?
And thirdly, the difference between the PostNL pension cost and the cash pension cost. Do you expect on-going conversions between the two?
Fourthly on Germany, do you fully remain committed to those activities?
And fifthly, I saw that the discount rate, iBoxx, that it increased but that is not what I saw on the internet. Did you change anything potentially? Duration? Adjustment, etc.?

Herna Verhagen
Can you repeat your question on Germany?

Robert van Overbeek, Chevreux Amsterdam
Yeah, do you fully remain committed to those activities or do you consider investments or so?

Herna Verhagen
That is in total five questions.

Robert van Overbeek, Chevreux Amsterdam
Yeah I had a sixth one but yeah I skip that one.

Herna Verhagen
Ok, we do these five first.

Jan Bos
I will start with the net debt development. Yes, we have taken into account the sale of Express in the medium term. We don't disclose expectations about this share price of course and what I have said at the present parameters also on the discount rate, we expect to reach ratios for a triple BBB+ credit rating in 2016.

For the cash out on provisions that stays equal and we have a release. There is a difference between accounting for provisions and the expected cash out, because you can only take a provision when you have a final restructuring plan, also communicated to employees and also unions, and for some of the restructurings we have not yet done that.

Then looking at the pensions, am I understanding your question: what is the difference between pension expense and pension cash out? Or was that not the question?

Robert van Overbeek, Chevreux Amsterdam
Yes.

Jan Bos
Ok, so that depends a little bit, I would say on the development of the interest rate. It will continue the coming years of course due to IAS 19. You have to use the same discount rates on your pension obligations, as well on your expected return on assets and that means that the service costs will continue, will be higher actually. And for the pension cash out, that is a different one. We expect, say at present parameters, a decline of €100 million compared to 2012. Then the last question before we turn to Germany, is on the iBoxx rate. What I have said is that we adjusted the discount method from iBoxx, to a different one, more elaborated, in which Bloomberg data are used and with also a tailor made yield curve, which is not public and that has led to an increased discount rate of 0.3%.

Herna Verhagen
Then your question on Germany. We are fully committed to mitigate the setback we have seen in January but also said that we have to closely monitor during the next coming weeks and months if we are fully able to mitigate.

Cees Visser
We will make an exception for you then, Marc, but that is the only exception.

Mark Zwartsenburg, ING
Thank you, I am new. It is Marc Zwartsenburg from ING. On the potential fine, could you give us any indication, is there a proxy in the past that we could have a sort of idea for what kind of fine that could be and the size of it?
Then, another question on the UK, if no partner is found, should we then expect an additional cash out for the investments needed there? So the split of the €50 million?
Then, continuing with provisional cash outs. If the mobility program is not successful, for the overhead staff functions, should we then expect an extra provision on top of the current guidance?
And then, on the real estate, disposal divestments. Should we expect anything there for the coming years? In kind of numbers?
And then on the volume declines, you said it will decelerate after 2017, so the guidance of the 8-10% decline is not only for 2013 to 2015 but actually then to 2017, is that correct?

I see a no. Thank you.

Herna Verhagen
Potential fine towards the indication its max. €450,000 or 10% of the net related revenue.
When it comes to the UK, when you do find a partner, does that mean that we have an additional cash out because of the roll out? I would not, to be honest, elaborate on that at this moment in time because my first action is to find a partner and to really look into the opportunities we have together.
Then, I will answer your last question and I refer for question three and four on provision and real estate to Jan.

Volume decline to 2015 is guided for 8%-10% Bottoming out is set from 2017, so not after, but from to 2017. That was in the slide. That means the year 2016 is left and we did not guide for that year, which means we did not guide for the 8%-10% but we did also not guide for another number. That is what it is at this moment in time.

Jan Bos

Then back again to your question, so we will do our utmost best to place people from working within PostNL to outside PostNL. We do not disclose in our forecast, so what we expect on mobility and on forced redundancy. But I would say we are cautious in our forecast.

On real estate, so we earlier said that we expected real estate sales between €150 million and €200 million for the coming years. I think that was at the end of 2010, or beginning of 2011 and we also already realised some of that sales, so we are still committed to that forecast.

Cees Visser
Ok, then let us leave the room and go for the people on the phone.

Operator
Just as a reminder for everybody, trying to register a question on the phone. Please press * followed by one on your telephone and wait for your name to be announced. If you wish to cancel the request you can press # or pound key and it was star followed by one to register a question.

The first question comes from William Foggon, please go ahead and ask your question and announce the company name.

William Foggon, Berenberg Bank London
Hi good afternoon everyone, William Foggon from Berenberg Bank in London. Just two questions. First of all, I wondered if you could give a bit of colour, a bit of additional detail on the relative breakdown of transactional mail versus non-transactional mail. How has that split changed over the past couple of years? So are we, are most of them forthcoming from purely transactional mail or is that across the board?
And then, following up on that, what is the acceleration that we have seen over the past three quarters? Meaning how are you looking at your sort of long-term 2020 base mail volumes? Are your assumptions that longer term is now changing or are you just saying an acceleration to 2016 and then flattening out?
And then secondly, on your restructuring, so the change in the restructuring plan, in terms of the forced redundancies which came down from 2,800 down to 500, that is partly compensated by, I think about 1,200 mobility staff reductions. What does that mean for the percentage of your staff, which will now be part-time versus full-time? That would have been part-time previous to this change in the restructuring? That's it. Thanks.

Jan Bos
I will come back to your first question. We do not disclose the breakdown but what I can tell is that on the market developments, transactional mail has a more severe decline than direct mail but in our own volume development the last few years, the main impact on competition was on direct mail. So in our trends we have almost, I would say in our own volume decline the same trends in transactional mail as direct mail. If we look at the longer-term trend, what we said is an expected lower decline after 2015 and 2017.

Herna Verhagen
Then to the third question, which is our restructuring plan. Indeed, the fact that we go down from 2,800 to 450 to 650 FTE's is compensated by the mobility, the 1,050 people to 2,250 people. Fourthly, what does that mean for the balance between part-timers and full-timers? That means that till 2015, we have more full-timers than in the original plan and it means that we will go to, we have at this moment in time 22,000 part-timers, there was an original growth to 25,000 part-timers, that will still be done, only in a more phased manner. That is what it means.

William Foggon, Berenberg Bank London
Sorry, could you repeat the last bit of that? So 22,000 part-timers currently must be moving to 25,000 by 2015, is that correct?

Herna Verhagen
It will be more phased, because we will have more full-time mailmen in our company till 2015. So there is phasing also on the amount of part-timers.

William Foggon, Berenberg Bank London

And does that also mean more full-time, longer-termers as well? Or are you just taking longer to get to the same level that you were wanted to get there before?

Herna Verhagen
We still say that in the long-term we do not expect to have full-timers in our organisation. What we do with the phasing of the reorganisation is that we balance better the experienced people and the non-experienced people. That is the phasing we foresee until the end of 2015, but we do not foresee for the long-term that we maintain to be an organisation with a lot of full-time jobs.

William Foggon, Berenberg Bank London
Thank you.

Cees Visser
Ok, no more questions. Thank you very much!

*** Einde transcriptie