Q4 & FY 2013 Results
Update 2014 – 2015

Sustainable delivery

24 February 2014

Business review Q4 & FY 2013

Update on Sustainable delivery, 2014 – 2015

Herna Verhagen

Financials Q4 & FY 2013, outlook

Jan Bos

Q&A

FY 2013 performance in line with increased outlook

€ million	Underlying revenues		Underlying cash operating income / margin	
	Outlook*	**2013**	**Outlook***	**2013**
Mail in NL	- mid single digit	- 4.8%	1 to 3%	3.2%
Parcels	+ high single digit	+ 10.0%	11 to 13%	11.1%
International	+ mid single digit	+ 4.4%	1 to 3%	1.6%
Total	**stable**	**+ 0.3%**	**130 to 160**	**141**

* Most recent outlook of 4 November 2013

Mail in the Netherlands

Cost savings and price increases underpin good results Q4 and FY

(€ million)	FY 2013	FY 2012
Underlying revenue	**2,161** *Q4: 628*	***2,270*** *Q4: 649*
Underlying cash operating income	**69** *Q4: 71*	***20*** *Q4: 39*
Addressed mail volume*	**-11.9%** *Q4: -12.9%*	***-9.0%*** *Q4: -9.1%*
Total cost savings	**95** *Q4: 31*	***39*** *Q4: 16*

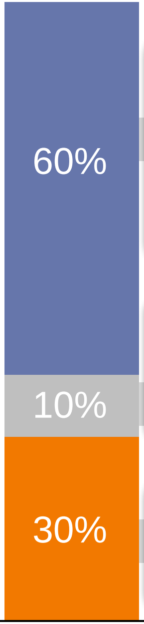
- Cost savings ahead of schedule
- Price increases and cost savings more than offset higher volume decline
- New pension agreement; lower pension contribution and potential top-up payments capped
- Customer satisfaction increased to 85% (2012: 84%)
- Delivery quality increased to 95.9% (2012: 93.9%)

* Adjusted for one extra working day / elections underlying decline in 2013 was 11.6% (Q4: 13.4%)

Cost savings in 2013 ahead of schedule

€95 million cost savings achieved in 2013

2013



€95 million

(original outlook €40 - €60 million)

Operations

2012: 260 → 2013: 145 → 2015: 125 Locations

- Lower housing and transport expenses
- Reduction of overhead

Marketing & sales

- Smaller organisation
- Smaller support organisation retail

Overhead

- Restructuring shared services
- Savings from leaner staff organisation

Execution successful

- More phased and smaller scale approach
- Pilots proved feasibility, outcome used to further adapt rollout
- Enhanced control to maintain quality
- Constructive communication with employees and works council

Regulatory environment

Positive developments in 2013 - challenges remain

Postal Act	• Sunday collection and Monday delivery cancelled
	• Amended Postal Act to be sent to Parliament this summer
	  • reduction in number of letter boxes
	  • reduction in number of post offices

Postal regulation	• New tariff regulation in force
	  • prices more closely linked to volumes
	  • increased transparency

Significant market power	• ACM defines market and (proportional) measures
	  • market consultation: players (including PostNL) invited to present views on potential competition issues
	  • implementation in 2015
	• Impact uncertain

Parcels

Continued strong volume growth

(€ million)	2013	2012
Underlying revenue	**803** *Q4: 219*	***730*** *Q4: 208*
Underlying cash operating income	**89** *Q4: 25*	***100*** *Q4: 22*
Underlying volume	**+6.7%** *Q4: +7.5%*	***+5.6%*** *Q4: +8.1%*

- Q4: continued strong revenue growth and improved underlying cash operating income
- Underlying cash operating income 2012 includes one-off effect of €15 million badwill trans-o-flex
- NLI: 14 depots operational; close to 80% of volume through new network
- Market leader two-men delivery after Fiege acquisition
- First financial impact of subcontractor agreement

International

Improved results excluding E2E and incidentals Germany

(€ million)	2013	2012
Underlying revenue	1,696 Q4: 449	1,624 Q4: 430
Underlying cash operating income	27 Q4: 9	27 Q4: 10

UK

- Results improved excluding E2E implementation costs
- Manchester E2E live since November 2013
- Joint venture partner enabling further rollout of E2E strategy

Germany

- Break-even result achieved
- Continued strong revenue growth
- Compador dispute ongoing, incidentals impacted results

Italy

- Further volume growth Formula Certa
- Packets & Parcels initiative develops in line with expectations

Strong improvement net debt and cash

(€ million)

Net debt
2013: 798
2012: 1,224

- Partial sale stake in TNT Express and bond buy-back
- Strong business performance

Net cash from operating and investing activities*
2013: 32
2012: -212

- Strong cash from operations
- Tight capex control

* Excluding impact partial sale of stake in TNT Express and bond buy-backs

Sustainable delivery

Mail in NL

Sustainable delivery of cash

&

International

Enhance cash profitability

&

Parcels

Further profitable growth

Solid financial position

Digital trends in communication market evolving rapidly

Greater impact of mail substitution

Transaction mail

- Internet banking and mobile payments
- Digital invoicing and notifications

Periodicals

- Magazines on tablets
- Online TV guides

Direct mail

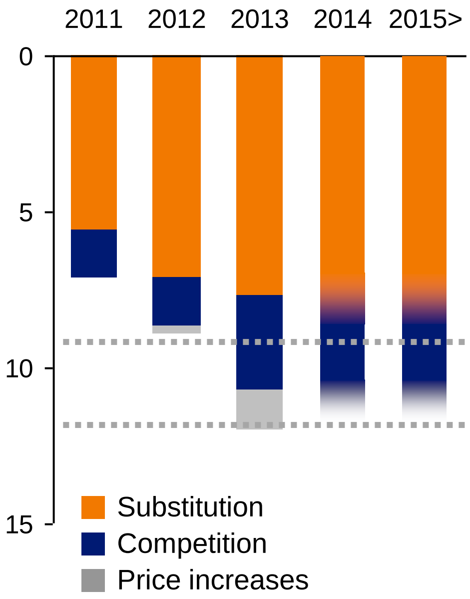
- Online marketing growing fast, but combination with DM still effective
- Pressure on customer budgets partly due to crisis

Single mail items

- Fast development of social media

Stronger volume decline
Substitution increased

Addressed mail volume decline (%)



Outlook 2014 – 2017

Substitution rate	▲	7 - 9%
Competition	≈	2 - 3%
Average volume decline	▲	**9 - 12%**

Volume projections take into account the effect of price increases well above inflation

Price increases to partly offset volume decline

Sustainable profitability of mail products

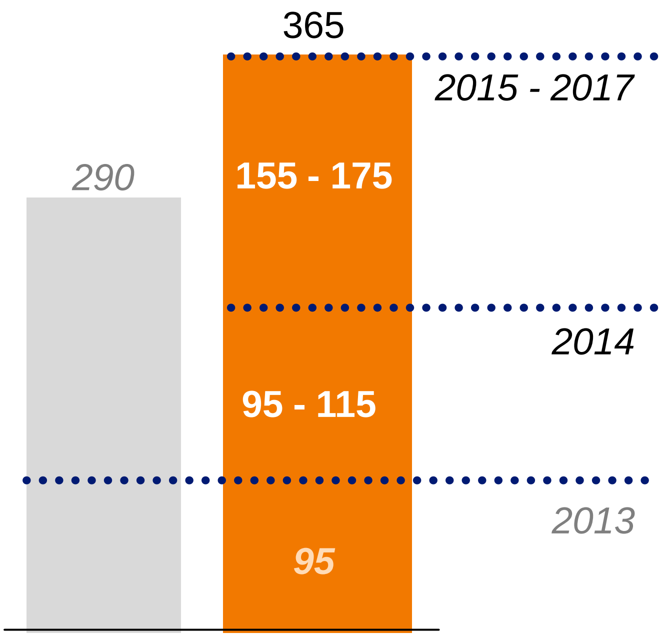
Pricing policy

Pricing	2013 - 2017	2013	2014
Bulk mail	Well above inflation	✓	✓
Domestic single items	Well above inflation	✓	✓

Cost savings to partly offset volume decline

Target 2017 increased from €290 to €365 million

(€ million)



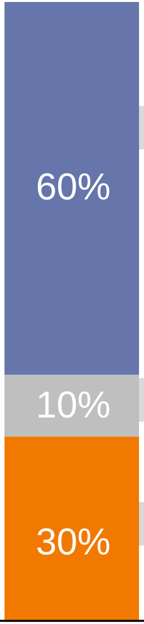
No additional FTE reduction, in total bandwidth earlier communicated (2,700 to 3,500 - Feb 2013)

- Restructuring cash out remain in bandwidth: *(2011 – 2017: €325 – €375 million)*
- Implementation costs remain in bandwidth: *(2011 – 2017: €225 – €275 million)*
- Capex will increase by €20 million *(2011 – 2017: ~€150 million)*

Extra cost savings 2014 – 2017 of €75 million

Higher savings existing plans …

… and savings by new initiatives



Operations

- Lower housing, transportation and facility costs
- Optimisation car unit
- Reduction overhead

- Further automation by new sorting machines
  - sorting larger mail items
  - more efficient sorting

Marketing & sales

- Redesign retail network - more online and click & collect
- Smaller M&S organisation

Overhead

- Leaner management and staff structure
- Higher savings cloud migration – smaller ICT organisation

Outlook 2015 – Mail in the Netherlands

Sustainable delivery of cash

(€ million)	**2015**	*2013* *
Underlying revenue	**- low single digit**	*2,060*
Underlying cash operating income margin	**8 to 10%**	*3.8%*

* Actual 2013 has been restated to reflect the adoption of IFRS 11/IAS 28R

Sustainable delivery

Mail in NL

Sustainable delivery of cash

&

International

Enhance cash profitability

&

Parcels

Further profitable growth

Solid financial position

International – post IFRS adjustments on joint ventures

Joint ventures and UK no longer included in revenue and operating income

Underlying cash operating income target 2015 to be adjusted for expected contribution from UK and JVs Germany

(€ million)	*Reported FY 2013*	**Restated FY 2013**	**Restatement FY 2015 outlook**
Revenue International	*1,658*	**885**	
Underlying cash operating income	*27*	**14**	**▼ 20**

Note: assuming a successful closure of the joint venture agreement with LDC after which UK results will be reported in Investments in Joint Ventures

International – on track for improving cash profitability

Progress continuously monitored – act if needed

UK	• Joint venture partner for rollout of E2E strategy • EU approval received in January • Royal Mail announcement of new tariffs • Ofcom ruling important for closing transaction
Germany	• Break-even achieved in 2013 • Focus remains on volume growth and cost leadership at top quality • Continued support from Bundeskartellamt and Bundesnetzagentur needed to foster a competition-friendly market environment
Italy	• Further growth of Formula Certa • Rollout of retail locations • Efficiency improvement

Outlook 2015 – International

Enhance cash profitability

(€ million)	2015	*2013* *
Underlying revenue	**+ mid single digit**	*885*
Underlying cash operating income margin	**2 to 4%**	*1.6%*

* Actual 2013 restated to reflect the adoption of IFRS 11/IAS 28R and impact UK

Sustainable delivery

Mail in NL

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Parcels

Further profitable growth

Solid financial position

Focus on further extension of services

Strengthen position with additional investments

Home delivery services

- Premium collection: late order, next-day delivery
- Monday delivery added
- Evening delivery added
- Consumer in control with Mijnpakket.nl - 2.8 million users

Extension of service proposition

- 300 additional parcel points in the Netherlands
- 24/7 parcel points
- Early morning pick-up
- Opening 600 retail outlets in Belgium / Luxembourg



Further growth in existing and new 2C and 2B areas

Increased leverage of e-commerce trends

Growth areas in 2C

- E-commerce value chain & fulfilment propositions
- Extra@Home: extending market leadership in two-men delivery (Fiege)
- Growth parcels Belgium including retail

Growth areas in 2B

- Creating solid position in 2B parcels delivery
  - Morning delivery services
- Extension of niche propositions
  - High valuables Benelux (Mikropakket)
  - Pharma & Care Benelux






Adapting to a changing environment

Extension of services and status subcontracting will impact margin

Market developments	• Focus on further extension of services • Strengthen position through additional investments
Status subcontractors	Self-employed status • Almost all self-employed partners provided declarations of independent supplier status (profits from business activities or '*VAR-wuo*') • Self-chosen entrepreneurship highly valued by subcontractors Mutual respect • Increase interaction and communication Operational conditions • Adjusted fees and further optimised routes

Strengthening market position, change in subcontracting mix and associated measures will impact margin

Outlook 2015 – Parcels

Further profitable growth

(€ million)	**2015**	*2013*
Underlying revenue	**+ mid single digit**	*803*
Underlying cash operating income margin	**11 to 13%**	*11.1%*

Sustainable delivery

Mail in NL

Sustainable delivery of cash

&

International

Enhance cash profitability

&

Parcels

Further profitable growth

Solid financial position

Updated outlook 2015

Underlying cash operating income
(€ million)

Outlook 2014

€ million	Revenue		Underlying cash operating income / margin	
	Underlying 2014	Underlying 2015	2014	2015
Mail in NL	- low single digit		6 to 8%	8 to 10%
Parcels	+ mid single digit		11 to 13%	
International	+ mid single digit		1 to 3%	2 to 4%
Total	**+ low single digit**		**180 to 220**	**260 to 330**
			5 to 7%	***7 to 9%***

On track for sustainable delivery of cash

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Financial highlights

Profitability growth on track

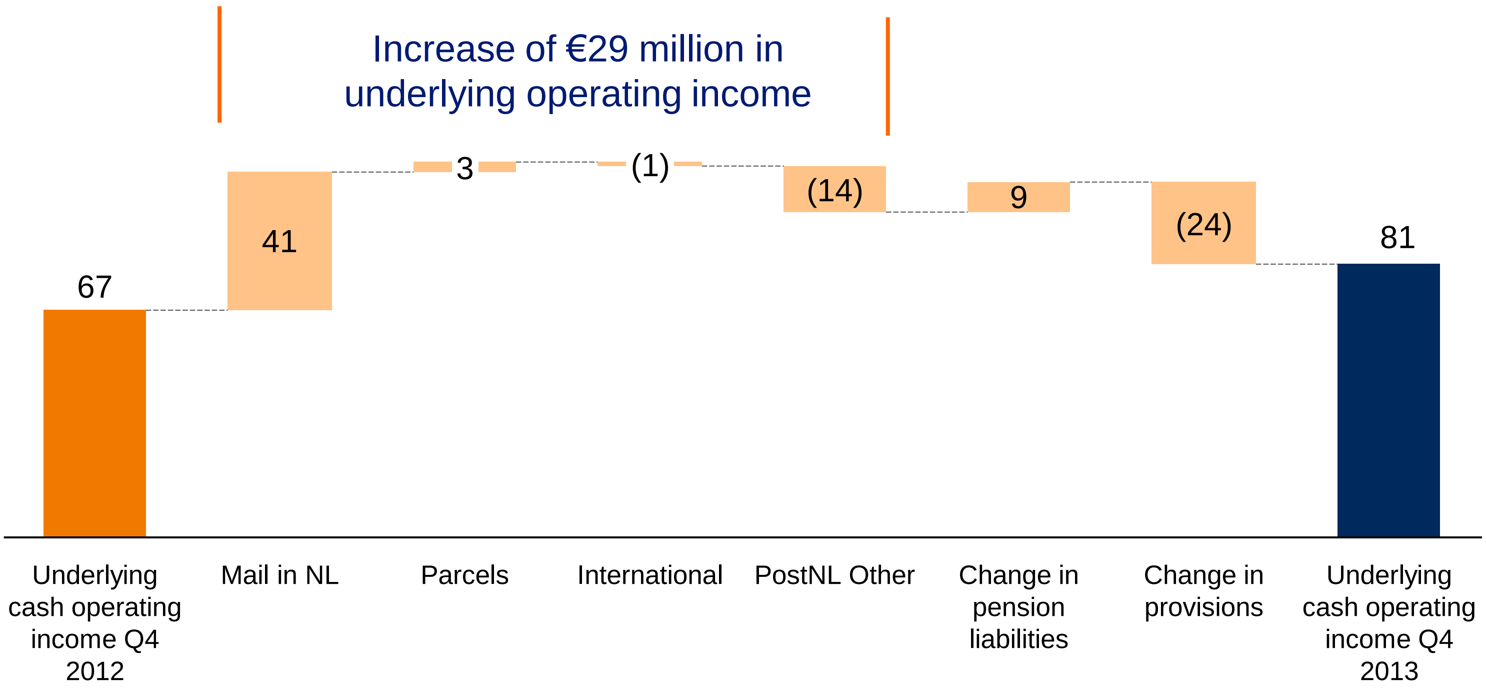
€ million	Q4 2013	Q4 2012	Δ	FY 2013	FY 2012	Δ
Reported revenue	1,206	*1,201*	***0%***	4,307	*4,330*	***-1%***
Underlying revenue	**1,214**	***1,201***	***1%***	**4,345**	***4,330***	***0%***
Reported operating income	258	*174*	***48%***	404	*395*	***+2%***
Restructuring related charges	*11*	*(41)*		*77*	*(26)*	
Rebranding costs		*2*		*1*	*12*	
Impairment assets held for sale	*12*	*9*		*12*	*9*	
Past service pension costs	*(140)*	*(27)*		*(140)*	*(27)*	
Other	*4*	*(1)*		*5*	*(1)*	
Underlying operating income	145	*116*	***25%***	359	*362*	***-1%***
Underlying cash operating income	**81**	***67***	***21%***	**141**	***130***	***9%***
Net cash from operating and investing activities	**539**	***4***		**481**	***(212)***	

Note: 2013 impact on net cash from operating and investing activities of partial sale of stake in TNT Express (€505 million) and interest expense on bond buy-back (€(56) million)

Better Q4 2013 underlying cash operating income

Driven by strong cost savings

€ million



Underlying results per segment

€ million	Underlying revenues			Underlying operating income		Underlying cash operating income / margin			
	Q4 2013	*Q4 2012*	Δ	Q4 2013	*Q4 2012*	Q4 2013		*Q4 2012*	
Mail in the Netherlands	628	*649*	*-3%*	116	*75*	71	*11.3%*	*39*	*6.0%*
Parcels	219	*208*	*5%*	25	*22*	25	*11.4%*	*22*	*10.6%*
International	449	*430*	*4%*	9	*10*	9	*2.0%*	*10*	*2.3%*
PostNL Other / intercompany	(82)	*(86)*		(5)	*9*	(24)		*(4)*	
Total PostNL	**1,214**	***1,201***	***1%***	**145**	***116***	**81**	*6.7%*	***67***	*5.6%*

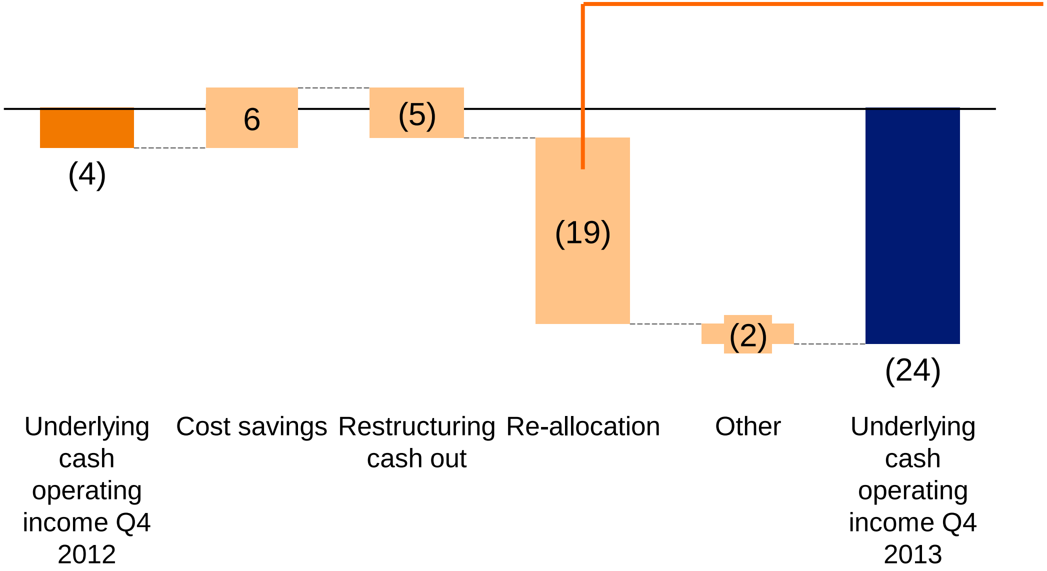
	FY 2013	*FY 2012*	Δ	FY 2013	*FY 2012*	FY 2013		FY 2012	
Mail in the Netherlands	2,161	*2,270*	-5%	217	*178*	69	*3.2%*	20	0.9%
Parcels	803	*730*	10%	94	*103*	89	*11.1%*	100	13.7%
International	1,696	*1,624*	4%	26	*27*	27	*1.6%*	27	1.7%
PostNL Other / intercompany	(315)	*(294)*		22	*54*	(44)		(17)	
Total PostNL	**4,345**	***4,330***	**0%**	**359**	***362***	**141**	*3.2%*	**130**	3.0%

PostNL Other

Impacted by re-allocation of costs

Re-allocation of costs in Q4 2013 due to lower head office cost base

€ million



Opposite effects visible in business

€ million	**Q4 2013**	***FY 2013***
Mail in NL	17	*24*
Parcels	2	*1*

Statement of income

€ million	**Q4 2013**	*Q4 2012*	**FY 2013**	*FY 2012*
Revenue	1,206	*1,201*	4,307	*4,330*
Operating income	**258**	***174***	**404**	***395***
Net financial expenses	(86)	*(24)*	(174)	*(99)*
Results from investments in associates	-	*(21)*	(36)	*(13)*
Reversal of / (Impairments) of investments in associates	(106)	*78*	(369)	*448*
Income taxes	(47)	*(40)*	(67)	*(74)*
Profit for the period	**19**	***167***	**(170)**	***657***
Profit for the period (excluding TNT Express)	*125*	*110*	*164*	*222*

Net cash from operating and investing activities

€ million	Q4 2013	Q4 2012	FY 2013	FY 2012
Cash generated from operations	**163**	***117***	**160**	***83***
Interest paid	(91)	*(36)*	(150)	*(99)*
Income taxes received / (paid)	(7)	*(20)*	55	*(40)*
Net cash from / (used in) operating activities	**65**	***61***	**65**	***(56)***
Interest / dividends received / other	1	*(4)*	14	*6*
Capex	(37)	*(57)*	(117)	*(204)*
Proceeds from sale of assets	5	*4*	14	*27*
Acquisitions and disposals	505		505	*15*
Net cash from operating and investing activities	**539**	***4***	**481**	***(212)***
Excluding partial sale TNT Express and bond buy-backs	*90*	*4*	*32*	*(212)*

Note: 2013 impact on net cash from operating and investing activities of partial sale of stake in TNT Express (€505 million) and interest expense on bond buy-back (€(56) million)

Continued focus on cash

€ million		**Q4 2013**	**FY 2013**	***2013 (updated outlook)***
Cost savings initiatives	Savings	31	95	*90-110*
	Restructuring cash out	36	94	*80-100*
	Implementation costs	8	34	*40-60*

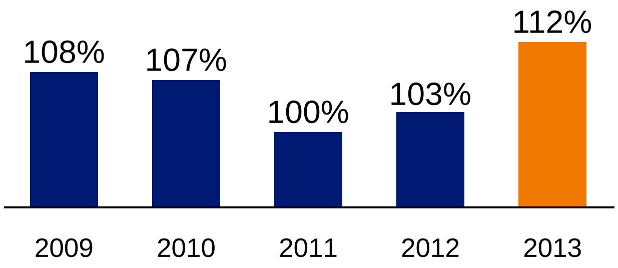
€ million		**Q4 2013**	**FY 2013**	***2013 (updated outlook)***
Capex	Base capex	26	53	
	Cost savings initiatives	-	7	
	New Logistics Infrastructure Parcels	11	57	
	Total	**37**	**117**	*Around 130*

	FY 2013	***2015 outlook***
Working capital (as % of annualised revenue)	~ - 9%	*- 4% to - 6%*

Pension developments

Coverage ratio up – short term recovery plan ended

Coverage ratio main pension fund



Coverage ratio 2013: 112%

- Impact unconditional commitment €150 million
- Longevity
- Asset performance
- Increase interest rates
- Short-term recovery plan ended

Pensions* *€ million*		**FY 2013**		***FY 2012 restated***	
		Expenses	**Cash**	***Expenses***	***Cash***
Business segments	(A)	172	247	171	265
IFRS difference	(B)-(A)	(40)		(62)	
PostNL	(B)	**132**	**247**	**109**	**265**
Interest		19		(5)	
Total		**151**		**104**	

* Excluding top-up payments and past service pension costs

Partial sale of stake in TNT Express

Followed by reduction of outstanding debt

Stake in TNT Express

- Sale of ~82 million shares
- Proceeds of €507 million
- Remaining stake of 14.8% of outstanding shares in TNT Express – intention to sell in the medium term

- Book value at end of Q4: €542 million

Debt reduction

- €400 million including accrued interest
- Remaining proceeds retained for debt reduction

Annual interest savings ~€20 million

Consolidated statement of financial position

Net debt decreased by €426 million compared to 2012

€ million	**31 Dec 2013**		**31 Dec 2013**
Intangible assets	143	Consolidated equity	(679)
Property, plant and equipment	539	Non-controlling interests	7
Financial fixed assets	609	Total equity	(672)
of which TNT Express	*542*	Pension liabilities	544
Other current assets	510	Long-term debt	1,263
Cash	469	Other non-current liabilities	166
Assets held for sale	194	Short-term debt	7
		Other current liabilities	1,039
		Liabilities rel. to assets held for sale	117
Total assets	**2,464**	**Total equity & liabilities**	**2,464**

- Net debt of €798 million
- Corporate equity of €1,925 million

Impact joint venture accounting / UK on 2013 figures

Direct equity accounting compared to partial consolidation

€ million	Revenue		Underlying cash operating income / margin			
	Restated 2013	*Reported 2013*	**Restated 2013**		*Reported 2013*	
Mail in NL	2,060	*2,161*	**78**	***3.8%***	*69*	*3.2%*
Parcels	803	*803*	**89**	***11.1%***	*89*	*11.1%*
International	885	*1,658*	**14**	***1.6%***	*27*	*1.6%*
PostNL Other / Intercompany	**(313)**	*(315)*	**(44)**		*(44)*	
Total	**3,435**	*4,307*	**137**	***4.0%***	*141*	*3.2%*

Underlying cash operating income target 2015 to be adjusted for expected contribution of UK and the JVs

Indicative effect : - €20 million

* Restatement International mainly UK activities

Outlook 2014 and 2015

€ million	Revenue			Underlying cash operating income / margin		
	Underlying 2014	Underlying 2015	*Restated 2013*	2014	2015	*Restated 2013*
Mail in NL	- low single digit		*2,060*	6 to 8%	8 to 10%	*3.8%*
Parcels	+ mid single digit		*803*	11 to 13%		*11.1%*
International	+ mid single digit		*885*	1 to 3%	2 to 4%	*1.6%*
Total	**+ low single digit**		***3,435***	**180 to 220**	**260 to 330**	***137***
				5 to 7%	***7 to 9%***	***4.0%***

On track for sustainable delivery of cash

2014 outlook - other indicators

	2014	*2013*
Volume decline addressed mail	9 – 12%	*11.9%*
Cost savings	€95 – 115 million	*€95 million*
Related cash out from provisions	€50 – €70 million	*€94 million*
Capex	Around €140 million	*€117 million*
Regular employer pension contributions*	Around €180 million	*€247 million*
Employer pension expenses	Around €140 million (including around €20 million in financial expenses)	*€151 million*

Note: pension top-up payments not included in the outlook

Resuming cash dividend

Cash and equity managed towards resuming cash dividend in 2016

Dividend policy - neither condition is met

- Certainty of credit rating BBB+/Baa1
- Positive consolidated equity

Based on current projections cash dividend will be resumed in 2016

Efficient and reliable mail and parcel company

Predictable and solid business

2014

Further solidify the foundation

- Further adjust mail operations to maintain profitability
- Build to expand Parcels and International
- Towards sustainable delivery of cash and lower financial risk

2015

Fit for the future

- Running efficient and high-quality mail and parcel networks
- Further restore credit rating
- Clear strategy towards dividend payments in 2016

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Appendix

- Impact new joint venture accounting / UK – overview
- Impact new joint venture accounting / UK – income statement
- Impact new joint venture accounting / UK – financial position

Impact new joint venture accounting / UK – overview
Direct equity accounting compared to partial consolidation

€ million

Revenue	Reported 2013	JV Bruna	JV Germany	JV UK	2013 restated
Mail in NL	*2,161*	*-101*			2,060
Parcels	*803*				803
International	*1,658*		*-43*	*-730*	885
PostNL Other / Intercompany	*-315*			*2*	-313
PostNL	***4,307***				**3,435**

UCOI *(UCOI margin)*	Reported 2013	JV Bruna	JV Germany	JV UK	2013 restated
Mail in NL	*69 (3.2%)*	*9*			78 *(3.8%)*
Parcels	*89 (11.1%)*				89 *(11.1%)*
International	*27 (1.6%)*		*-3*	*-10*	14 *(1.6%)*
PostNL Other / Intercompany	*-44*				-44
PostNL	***141 (3.2%)***				**137 *(4.0%)***

Impact new joint venture accounting – income statement
Direct equity accounting compared to partial consolidation

€ million	***2013***	***Joint ventures***	***UK***	**2013 restated**
Revenue	*4,307*	*-144*	*-728*	3,435
Operating income	***404***	***-4***	***2***	**402**
Net financial expenses	*(174)*	*-*	*1*	(173)
Results from investments in associates	*36*	*2*	*PM*	38
Reversal of / (Impairments) of investments in associates	*(369)*	*-*	*-*	(369)
Income taxes	*(67)*	*2*	*2*	(63)
Profit for the period	***(170)***	***-***	***5***	**(165)**
Profit for the period (excluding TNT Express)	*164*	*-*	*5*	169

Impact new joint venture accounting – financial position

Direct equity accounting compared to partial consolidation

€ million	31 Dec 2013 Restated	31 Dec 2013 *Reported*		31 Dec 2013 Restated	31 Dec 2013 *Reported*
Intangible assets	130	*143*	Consolidated equity	(679)	*(679)*
Property, plant and equipment	536	*539*	Non-controlling interests	6	*7*
Financial fixed assets	641	*609*	Total equity	(673)	*(672)*
of which TNT Express	*542*	*542*	Pension liabilities	545	*544*
Other current assets	500	*510*	Long-term debt	1,260	*1,263*
Cash	451	*469*	Other non-current liabilities	166	*166*
Assets held for sale	194	*194*	Short-term debt	21	*7*
			Other current liabilities	1,016	*1,039*
			Liabilities rel. to assets held for sale	117	*117*
Total assets	**2,452**	***2,464***	**Total equity & liabilities**	**2,452**	***2,464***

Note: table includes UK assets (€167 million) and UK liabilities (€117 million) postnl