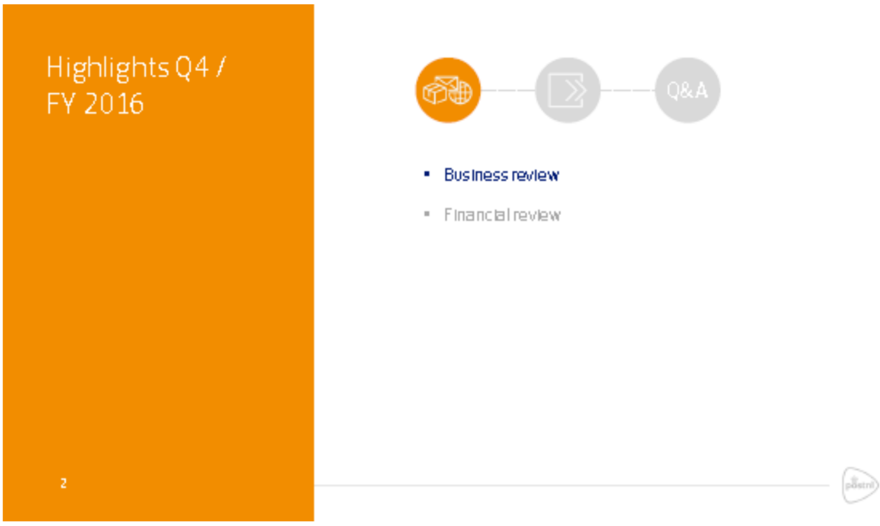

Accelerating
transformation
Q4 & FY 2016 results
27 February 2017
24/7
postnl

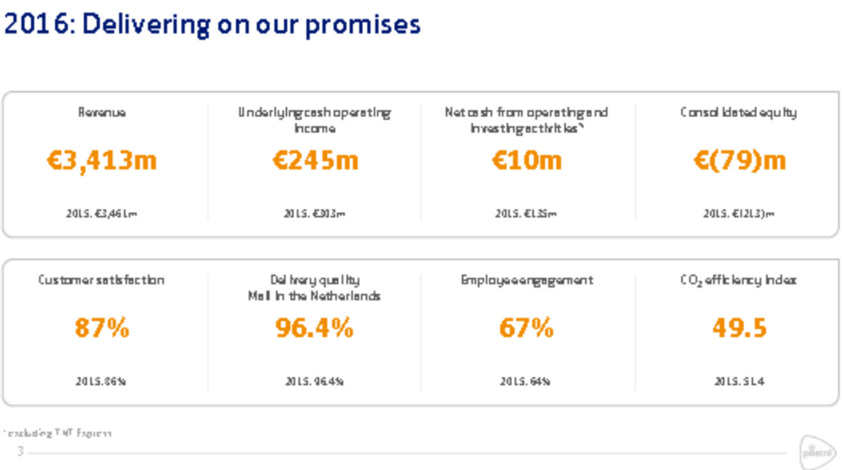
Karen Berg: Good morning everyone and welcome to today's presentation of the Q4 and full year 2016 results and the acceleration of our transformation. My name is Karen Berg and I am here together with our CEO Herna Verhagen en our CFO Jan Bos.

We will start with the presentation of the results and our accelerated transformation and afterwards, there will be room for questions. The meeting can be followed on our website via a webcast. The transcript and the recording are available afterwards.

With that, I would like to hand over to Herna.



Herna Verhagen: Thank you. Of course, we will first start with the Q4 and full year figures and then move on to the accelerated transformation, our presentation of how on the one hand we will change our organisation more speedily than expected into an e-commerce logistics company and on the other hand create value for our shareholders and other stakeholders. But let's first start with Q4 and full year.



Here you have an overview of 2016. 2016 is a year in which we delivered on our promises. When it comes to revenue it is more or less in line with 2015. The underlying cash operating income was EUR 245 million, which is a little bit above the mid-point of the bandwidth that we have given for the year 2016. Our net cash from operating and investing activities was EUR 10 million and consolidated equity improved from minus EUR 213 million last year to minus EUR 79 million. I will come back to consolidated equity in a moment.

Of course, not only our financial KPIs but also non-financial KPIs in 2016 were positive. We saw an increase in our customer satisfaction from 86% to 87% last year. The same was for our employee engagement: 64% in 2015 to 67% in 2016. We did better on our CO_2 efficiency and also on the delivery quality of Mail in the Netherlands, a year in which we delivered on the promises made.

Outlook 2016 achieved

(in € millions)	Revenue			Underlying cash operating income / margin		
	2015	2016 outlook	2016 actual	2015	2016 outlook	2016 actual
Mail in the Netherlands	1,961	- mid single digit	1,877 (-4.3%)	204	8% - 10%	160 (8.5%)
Parcels	917	+ mid single digit	967 (+5.5%)	101	9% - 11%	106 (11.0%)
International	983	+ mid single digit	1,017 (+3.5%)	19	2% - 4%	14 (1.4%)
PostNL Other / eliminations	(400)		(448)	(21)		(35)
Total	**3,461**	**stable**	**3,413**	**303**	**220 - 260**	**245**

- As anticipated, performance Mail in the Netherlands impacted by volume decline, price increases, cost savings, effect ACM measures and adjusted market approach
- In Parcels, strong volume growth translated into revenue growth and increase in underlying cash operating income
- Performance in International at low end of range, partly explained by incidentals

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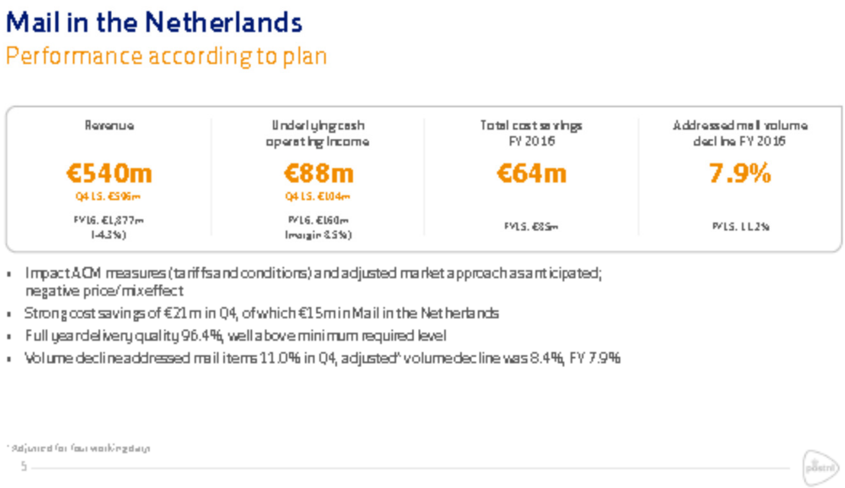
We have achieved the outlook 2016. We gave an outlook on revenue and on underlying cash operating income and margin. There, you see that Mail in the Netherlands in the end realised a margin of 8.5% over the year 2016. In Parcels, this was 11% which is the upper part of the bandwidth. Within International it was 1.4%, at the lower part of the bandwidth. The EUR 245 million, as said already, is a little bit above the midpoint of the bandwidth we have given.

Underlying we see volume decline within Mail in the Netherlands of 7.9% on average over the year 2016. We see steep growth in Parcels of 13% over full year 2016, and the performance in International was, as already said, at the lower end of the bandwidth.

I want to give you a little bit more detail on Mail in the Netherlands, Parcels and then of course International.



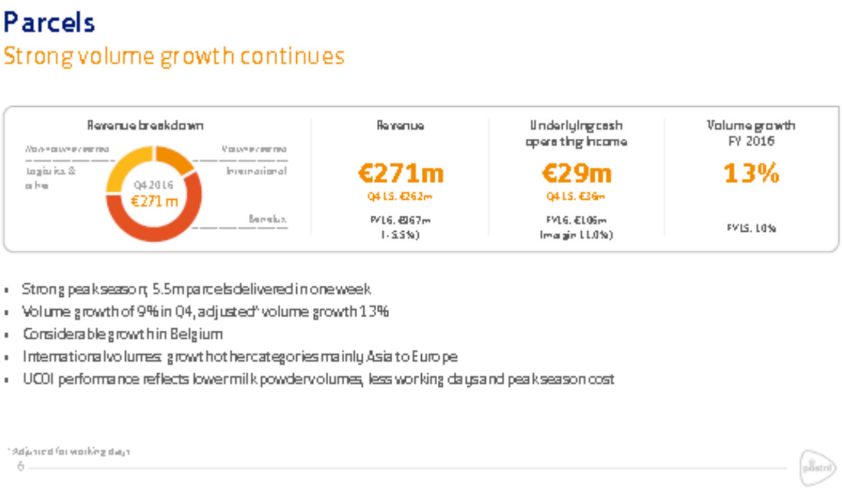
If we look at Mail in the Netherlands in 2016 we say that the performance is according to plan. Revenue was lower in Q4 than of course revenue of the year before and the underlying cash income was EUR 88 million. Over the full year, as already said, a margin of 8.5%.

The total amount of cost savings in the year 2016 was EUR 64 million and the addressed mail volume decline 7.9%.

The underlying cash operating income is less compared to 2015, which is caused partly by measures taken by the ACM, which we already discussed and mentioned when we did the Strategy Update in November 2015, our adjusted market approach, as anticipated, and the negative price/mix-effects. If you look at Mail in the Netherlands, we have bulk mail and single mail. The decline in single mail is higher than it is in bulk mail and that had an effect on the price/mix.

The cost savings in the fourth quarter were EUR 21 million and over the total year EUR 64 million. That is partly realised within Mail in the Netherlands and partly realised in the other parts of PostNL.

Volume decline in the fourth quarter was 11% and adjusted for the four working days it was 8.4%. Over the full year, as already said, 7.9%.

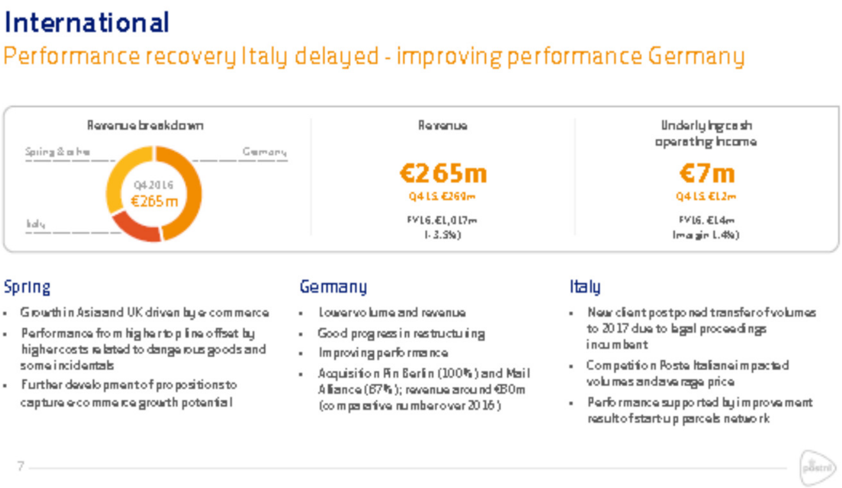


In Parcels, we still see very strong growth and it continues. Revenue in Parcels was up from EUR 262 million last year to EUR 271 million. Margin was 11%, at the upper part of the bandwidth. In the fourth quarter, UCOI was EUR 29 million and there you saw some effects of milk powder that we have discussed already for a few quarters. Volumes in milk powder are going down at this moment in time. Also here, of course, less working days, and peak season cost.

Volume growth of 13% in the year 2016 and that is a true step-up when you compare it to 2015. In 2015, volume growth was of course lower. We see the same considerable growth in Belgium and growth in Belgium is mainly based on Dutch webshops importing parcels into Belgium. But also there, we see considerable growth.

Also international volumes grow and those are mainly coming from Asia and the other parts in Europe.

Overall, a strong year for Parcels in which we continued to see strong volume growth quarter over quarter.



Within International, the performance recovery in Italy is delayed and that is the big explanation between the underlying cash operating income in the fourth quarter, which is lower than the underlying cash operating income we had in the last quarter of 2015. Next to that, we see an improving performance in Germany and also here, we see continuous growth of the amount of e-commerce parcels in Spring.

In Italy, there was a big client who wanted to start to deliver via Nexive in 2016 but because of legal proceedings with the incumbent they had to postpone till the first quarter of 2017. So, we expect them to start to distribute via Nexive in Italy, so via us, in the beginning of this year.

The competition with Poste Italiane continues and of course we are continuing as well the roll-out of our parcel network, which now has a full nationwide coverage.

In Germany, we have good progress in our restructuring and we see improving performance. Next to that, at the end of the year 2016 we did the acquisition of Pin Berlin. Pin Berlin was already for 50% owned by PostNL and we bought the other part of the company. It is a distributing company in Berlin and the environment of Berlin, which is very successful.

In Spring, we see the development of growth from e-commerce parcels from Asia to Europe and from Europe to the Netherlands to Asia. So, the growth we see within Spring is mainly driven by e-commerce. The performance was partly offset by higher cost related to dangerous goods coming from China and to some incidentals. We do see further growth, also for Spring, because of the underlying trend of e-commerce.

So overall, for Mail in the Netherlands it was according to what we expected. Within Parcels, we saw strong growth in Parcels which we do think will continue. In International, we see recovery in Germany. We see strong growth in Spring, also the international e-commerce parcels, which we think will continue. In Italy, we have to make the turnaround in 2017 to recover of course the performance.

Then the financial review and I will hand over to Jan.

Jan Bos: Thank you, Herna. Let's first look at the main KPIs in our financial highlights.

Financial highlights 2016

UCOI FY 2016 above midpoint outlook of €220m to €260m

(in € millions)	Q4 2016	Q4 2015	FY 2016	FY 2015
Reported revenue	**955**	**1,007**	**3,413**	**3,461**
Reported operating income	129	150	291	340
Restructuring related charges	14	3	28	11
Pension curtailments	(11)	(1)	(11)	(1)
Book loss from disposal			4	
Project costs and other	6	4	12	8
Underlying operating income	138	156	324	358
Underlying cash operating income	**110**	**147**	**245**	**303**
Net cash from operating and investing activities	**116**	**149**	**653**	**135**
Excluding TNT Express			10	135

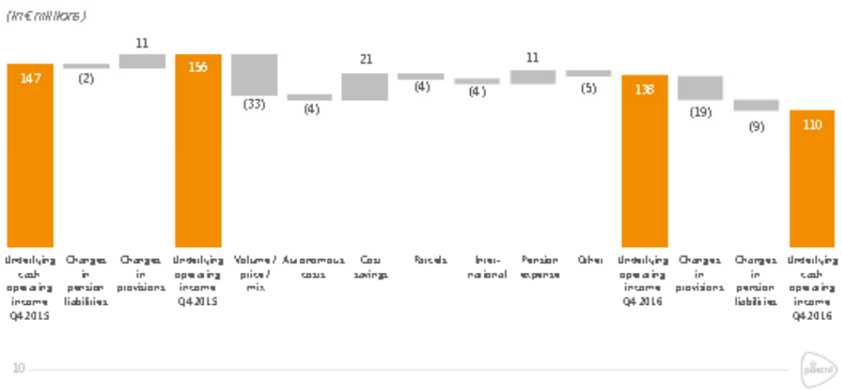
Revenue a bit down compared to last year, explained by less working days, about four. Next to that, the increase in revenues in parcels could not compensate the revenue decline in Mail in the Netherlands.

If you then look at the underlying cash operating income, you see it is down EUR 37 million, partly explained by less working days and also by the delayed developments in International, Italy mainly, and also within Parcels.

If you look at the full year underlying cash operating income, you see EUR 345 million, a little bit above the mid-point of our outlook between EUR 220 million and EUR 260 million. That is why we are talking about a solid performance within our outlook and according to expectations.

Q4 2016: underlying (cash) operating income

In line with expectations



If you are looking at the bridge for underlying cash operating income, this explains a little bit the development of the underlying operating income and the underlying cash operating income. The second and third orange bar is the underlying operating income. First you see the negative impact from the volume/price mix effect. Next to our impact of adjusted market approach and also the measures of our Dutch regulator ACM, we also see the impact of less working days in the fourth quarter.

The cost savings could not compensate the whole of that volume price/mix effect, but cost savings were strong with EUR 21 million.

Then you see the impact of lower results from Parcels and International. Within Parcels, the lower milk powder volumes and also the impact of additional costs for our Christmas period explain the negative results, besides less working days also in Parcels.

In International the negative result is mainly explained by the delay in the performance in Italy. Then you see lower pension expense. That explains the movement in our underlying operating income.

The underlying cash operating income is even lower, explained by higher restructuring cash out and also that the pension cash out was not lower but only the pension expense were lower. That explains the EUR 37 million decline in underlying cash operating income.

Statement of income

(in € millions)	Q4 2016	Q4 2015	FY 2016	FY 2015
Revenue	955	1,007	3,413	3,461
Operating income	**129**	**150**	**291**	**340**
Net financial expenses	(10)	(20)	45	(78)
Results from investments in associates and joint ventures	(3)	(1)	(1)	(2)
Income taxes	(32)	(39)	(55)	(77)
Profit/(loss) from continuing operations	**84**	**90**	**280**	**183**
Profit/(loss) from discontinued operations		**11**		**(34)**
Profit for the period	**84**	**101**	**280**	**149**
Excluding TNT Express			135	*147*

- Profit Q4 2016 supported by lower interest expenses

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When we look at the net profit, we see a decline of EUR 17 million. That is less than the development of our operating income and also there, the lower interest expenses contribute to the net profit of course. That is because we did the bond buy-back last year.

Net cash

(in € millions)	Q4 2016	Q4 2015	FY 2016	FY 2015
Cash generated from operations	181	204	282	392
Interest paid	(19)	(29)	(92)	(73)
Income taxes received / (paid)	(12)	2	(80)	(105)
Net cash from operating activities	150	177	110	214
Interest / dividends received / other	(9)	3	611	3
Capex	(38)	(34)	(95)	(91)
Proceeds from sale of assets	13	3	27	9
Net cash from operating and investing activities	116	149	653	135
Excluding TNT Express			*10*	*135*

		Q4 2016	FY 2016	2016 outlook
Capex	Base capex	26	56	
	Cost savings initiatives	10	28	
	New sorting and delivery centres	2	9	
	Total	38	95	100

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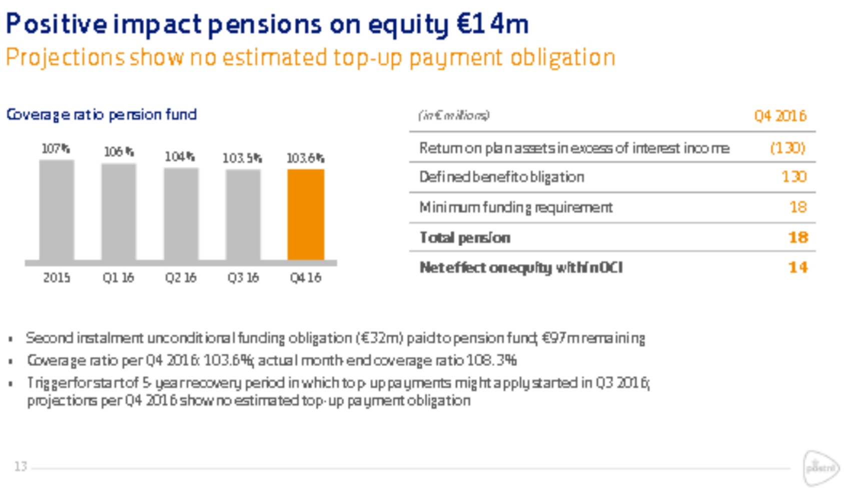
Our net cash from operating and investment activities came out at EUR 160 million. If you look at the cash generated from operations you see it was a good performance, also in working capital. We had a good performance in the fourth quarter and that is partly explained by seasonal patterns, but also by a good performance in working capital.

Then you also see the lower interest paid. Capex was a little bit higher because we invested in coding machines that you see at the low part of the slide. Also, we sold some real estate and we did one acquisition – Pin Berlin – which also influenced our performance in net cash from operating and investing activities.



Then over to pensions. There we had a little bit of a change compared to the last quarter. So, improving interest rates also directly are improving the coverage ratio of our pension fund. At the end of Q4 the actual coverage ratio was a little bit above 108% and in January it even increased to above 110%. So, the twelve months average coverage ratio follows with a little bit of delay, so at the end of Q4 it was 103.6% but in January it even increased above the minimum coverage ratio of 104%. So, that also influences our risk for impact on equity and impact on top-up payments. We say it is a very low risk on top-up payments and also on impact on equity.

What you also see on the transitional plans is that they had a small positive impact on equity of pensions and that is EUR 14 million.

Our last slide for the Q4 and full year 2016 figures is the balance sheet.

Consolidated statement of financial position

Financial position further strengthened

(in € millions)	31 Dec 2016		31 Dec 2016
Intangible fixed assets	201	*Consolidated equity*	*(79)*
Property, plant and equipment	505	*Non-controlling interests*	*3*
Financial fixed assets	57	Total equity	(76)
Other current assets	529	Pension liabilities	410
Cash	640	Long-term debt	227
Assets classified as held for sale	4	Other non-current liabilities	74
		Short-term debt	328
		Other current liabilities	973
Total assets	**1,936**	**Total equity & liabilities**	**1,936**

- Net cash position of €86m
- Consolidated equity improved to €(79)m, close to achieving a positive position
- Corporate equity increased to €2,742m, (€6.19 per share) of which €295m distributable, mainly due to an impairment reversal of €369m of Mail investments. The value increase mainly from improved business plans Parcels and Spring

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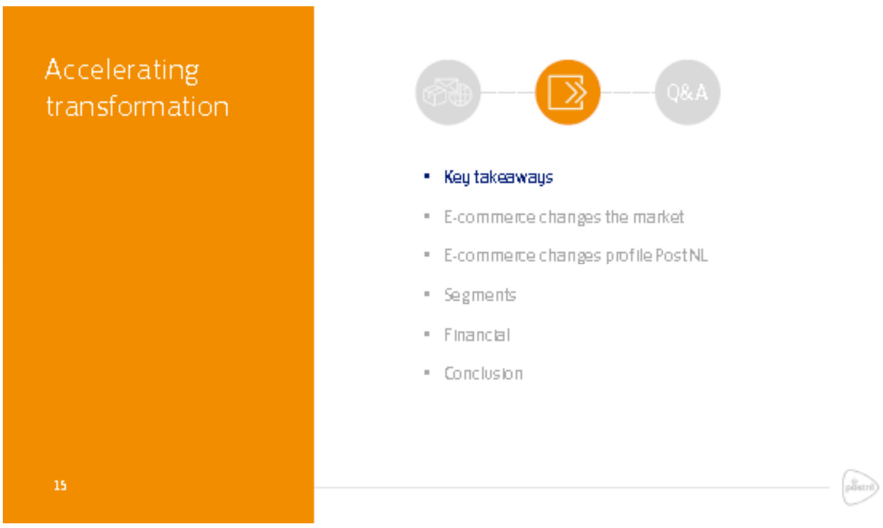
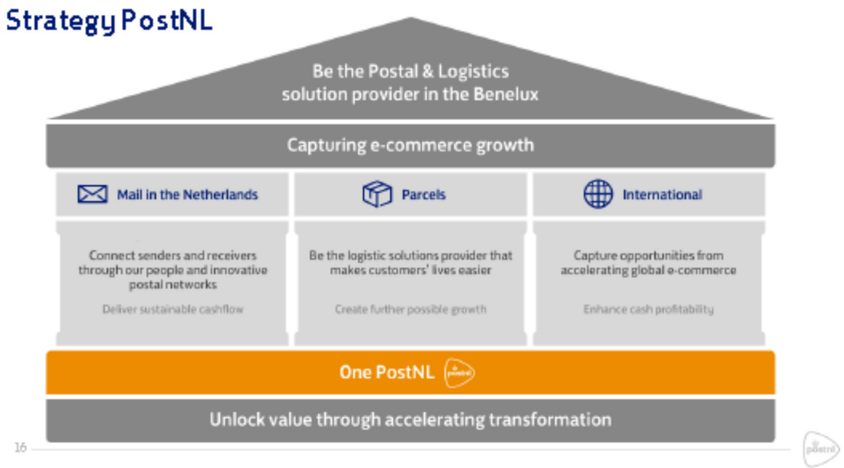
So, improved financial position with then only negative consolidated equity of EUR 79 million. That is a big improvement compared to last quarter and also thanks to the good cash development we also turned our net debt into a net cash position of EUR 86 million. I would also like to point out that we did a revaluation of our corporate equity, thanks to the new business plans with a value of more than EUR 300 million. That is thanks to the improvement of our plans in Spring and Parcels.

With that, I would like to hand over for our Capital Markets Day.

Herna Verhagen: The second part. The second part is about PostNL going towards 2020.



I would like to start with some key take-aways before I step into the changes we see in the market. What are the changes we see as a consequence of that market within PostNL? What will our segments look like in the next four years in Mail in the Netherlands, Parcels, and International? And then of course I will come back to the financial update and underpin all these stories with the financials we have made.



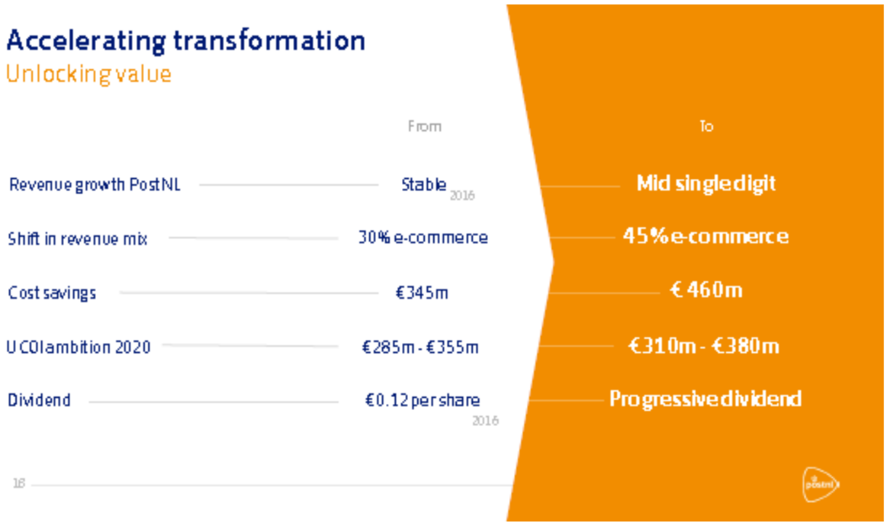
I will start with our strategy and this is a strategy presented also in November 2015, when we did the strategy update in which we said we wanted to be THE postal and logistics solutions provider in the Benelux. We do that via capturing e-commerce growth, which we already did over the last few years and will do in the next coming years. Of course, within Mail in the Netherlands, still focused on delivering sustainable cash flow, with taking into account volume decline of course adjusting the organisation. For Parcels, it is making use of the continuous growth we see going forward and creating the best logistics and e-commerce solution providers that makes our customer life easier. Within International, it is enhancing our cash profitability, for Spring capturing the opportunities we see in the international e-commerce and for Germany and Italy improving of course their profitability.

We do it as one PostNL, which means that we will look at the networks we have, the people we have, the competences we have and use them as best possible over the several units we have. This accelerated transformation will create a value and that is what we will show you over the next slides.

Of course, this strategy was presented more than a year ago, which means 2016 is the first year in which we delivered on that strategy. Here, you find the same numbers as already presented but we delivered on our promises. Important in 2016 were further profitable growth in parcels, in cross-border business driven by e-commerce and innovation but also a successful implementation of the restructuring plans, which delivered cost savings of EUR 64 million, lower pension risk and of course less sensitivity for the declining interest rates.

We strengthened our financial position by the sale of TNT Express and of course also using substantial parts of the proceeds to reduce our debts.

So, an important year for PostNL, a solid year, delivering on our promises.



What are then the key take-aways of the presentation, which will follow? Those key take-aways are of course starting with the title of the whole presentation, accelerating our transformation, and through that unlocking value. What does that mean?

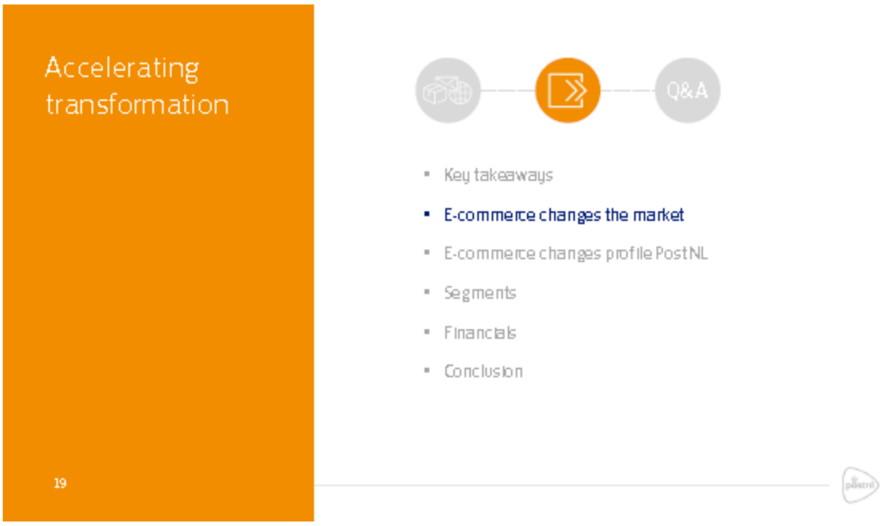
It means that the revenue growth of PostNL will develop from stable in 2016 to mid-single digit. Because of the growth we can capture in our Parcels business and International parcel business. That is what we also see in our revenue mix, so we expect a change in the revenue mix where we had in 2016 around 30% of our business in e-commerce we expect to have around 45% to 50% in e-commerce in 2020.

We increased the cost savings to make sure that we can adjust the organisation according to volume decline. That means an increase in cost savings from EUR 345 million to EUR 460 million.

The underlying cash operating income ambition for 2020 also increased to between EUR 310 million and EUR 380 million, mainly coming from Parcels and International.

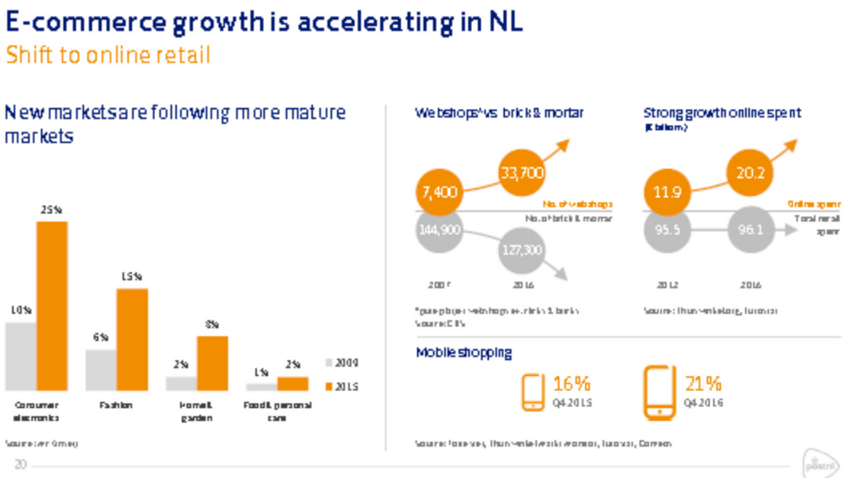
Last but not least, dividend. Confident in getting into a positive consolidated equity in 2017, solved the risk of TNT Express, limited the risk of pensions together with a solid year in 2016 means that we will propose to pay a dividend over 2016 of EUR 0.12 per share and as of 2017 starting to pay a progressive dividend.

The five main conclusions or items of this presentation.



So, what is e-commerce and how did e-commerce change the market over the last few years and how do we think it will change the market going forward?

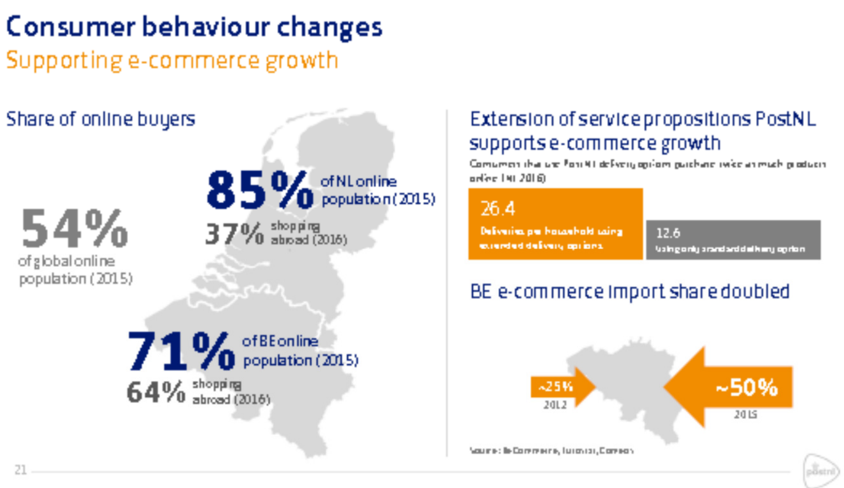
First of all, what did change over the last four years in the e-commerce market? These are market figures.



On the left hand side of this part you see that the category light consumer electronics, fashion but also new categories like home and garden are growing in the amount of online spent.

We also see that new categories start to do business online, for example food. The amount of web shops amounted to almost four times the amount we had ten years ago, a very strong online growth spent of doubling the growth spent in the last four years.

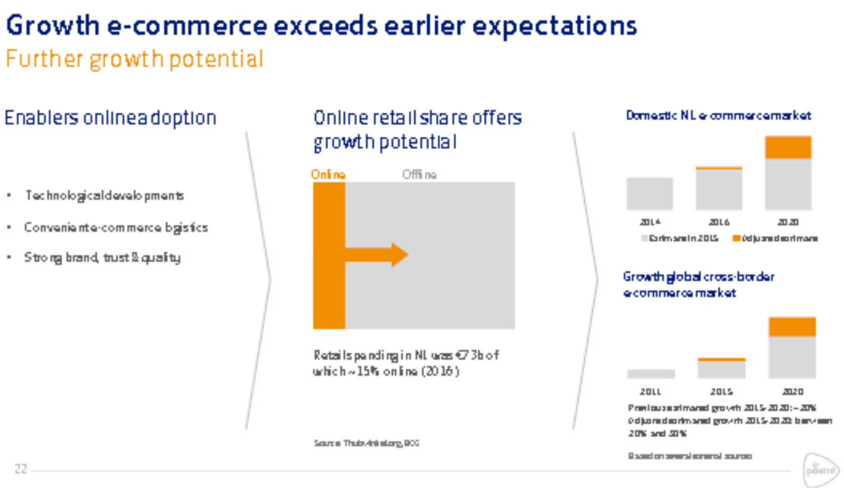
I think also a very important trend is the amount of webshopping which is done via mobile. Here you find the increase of a year. This compares the number in Q4 2015 to Q4 2016 and it does show an increase from 16% to 21%. That means that everyone who has a mobile can shop every minute of the day. This is a trend that will go on. That will help of course e-commerce increase going forward.



If you look specifically into the Netherlands and Belgium, you see that in the Netherlands 85% of the people are online and 37% of Dutch people are shopping abroad. In Belgium, the division is different. 71% of the people online, 64% of them shopping abroad.

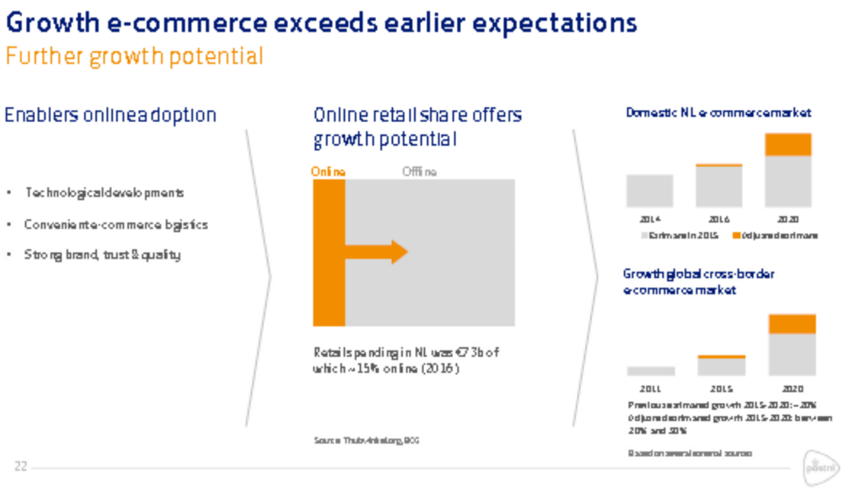
This explains part of the growth we see in parcels from the Netherlands to Belgium. It is the same what you see in the e-commerce import share which doubled over the last three years, from 25% in 2012 to 50% in 2015. Also, the extension of services within PostNL helped the e-commerce market growth.

What do we mean by that? In this graph on the above right hand side of this slide we see that people are only using a standard option, which means: I ordered today, it will be delivered tomorrow. They order on average 12.6 parcels or purchases. When people use options we developed over the last few years, for example evening delivery, early morning delivery or same-day delivery, you see that the amount of purchases they do more than doubles. So, in creating lots of options and opportunities for consumers to do their business easily, that also helps growing the e-commerce market faster.

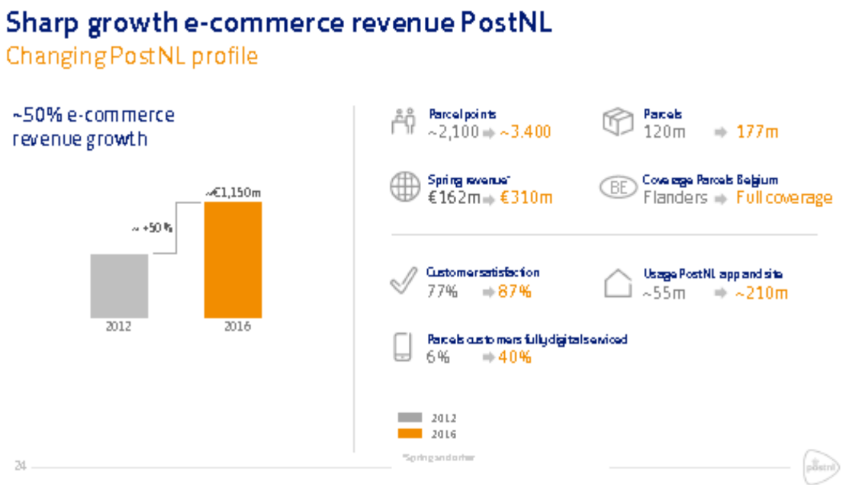


This trend will continue and these again are market figures. At this moment in time, 15% of all spend is done online, so still 85% to go. On the right hand side of this slide you find the numbers coming out of a Forrester survey. That Forrester survey was done by the end of 2015 and again done by the end of 2016. The orange bars are the adds, or the adjusted estimates they did in one year. This gives you a good feeling of how fast they think e-commerce will grow nationally, domestic in the Netherlands but also internationally.

The underlying market trends are trends of growth, which we have seen over the last four years and which we expect to continue to see in the next coming years.



The question then of course is how that changed the profile of PostNL. In other words: how did you make use of all those market trends?

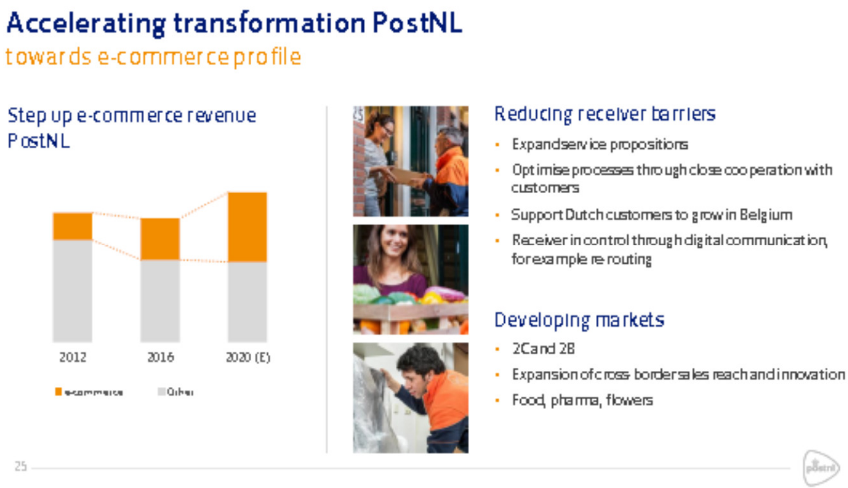


We already changed the profile of our company. For example, in 2012 to 2016 our e-commerce revenue grew by 50%. That is what you see translated into all sort of aspects, for example the amount of parcel points. We increased the amount of parcel points from 2,100 to 3,400. The amount of parcels in the Netherlands has grown by 50% over the last four years.

Spring revenue, where you find a lot of the e-commerce, the international cross-border e-commerce parcels doubled their revenue over the last four years.

In Belgium, we only distributed in Flanders and since 2016 we have full coverage.

Customer satisfaction increased enormously: from 77% in 2012 to 87% in 2016. That has to do with the extensions of products and services. The amount of people using our mobile app and of course using our website quadrupled. More than 210 million times our site and app were visited in 2016. Parcels customers are fully digitally served: almost 40% of our Parcel customers at this moment in time. We see the enormous change in the profile of PostNL.



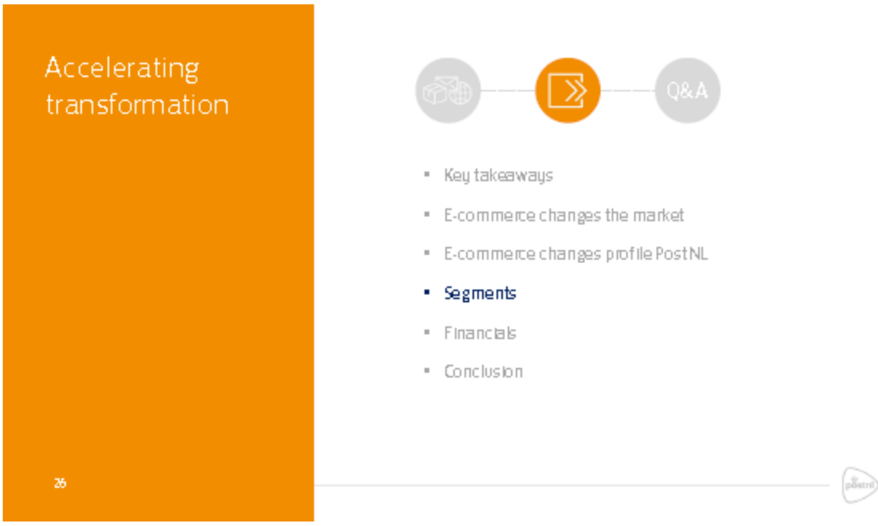
We think this will continue going forward. Also in the next four years we will grow towards an even stronger e-commerce profile. What I said when I talked about the key take-aways is that we think that around 2020 45% of our revenue will be e-commerce related revenue. The way we do it is by reducing receiver-barriers, so making it easier for you as a consumer to receive your parcel. We already introduced many things over the last two years but we will introduce also new propositions going forward.

But also extending and expanding our services, services like we have in the Netherlands, to Belgium and create the same possibility for Belgian consumers step by step.

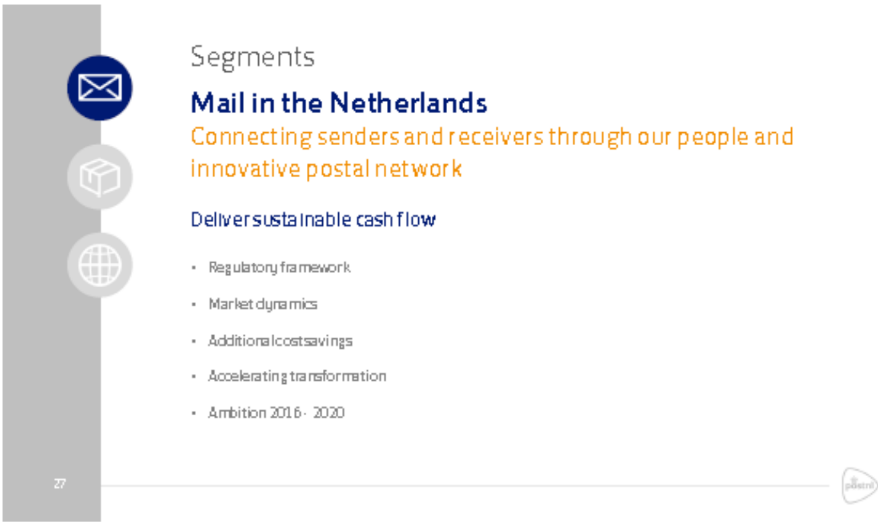
Developing new markets, the food market. I remember when we were in another venue two years ago, we introduced the food box. At this moment in time, five evenings a week we have a fully dedicated food delivery service in the Netherlands. So, we are trying to develop new categories. We will shift offline to online, which helps growing the e-commerce market. That is what we will continue to do going forward.

So, also in PostNL we see the change in the profile of our company, because of growth possibilities and opportunities we see in parcels, nationally and internationally.

Let's dive into the segments and see what happens underlying, within Mail in the Netherlands, within Parcels and within International.



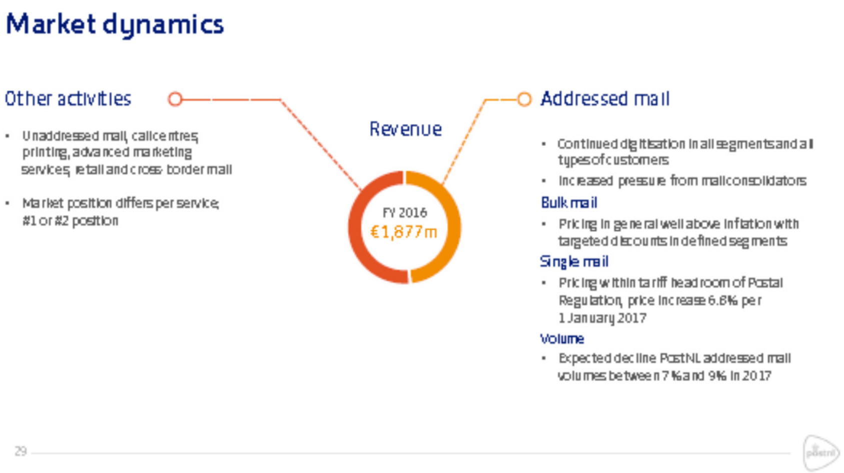
I will start with Mail in the Netherlands.



Mail in the Netherlands, as said, is focused on delivering sustainable cash flow. To talk you through it we will use the same agenda as always. We will talk about regulatory, about market dynamics, cost savings and additional cost savings, and of course what the acceleration of the transformation of Mail in the Netherlands will look like. What does our network look like in 2020?

Let me start with regulatory. In regulatory, there are three important decisions expected in 2017. The first is a long-term view from the Ministry of Economic Affairs on postal markets, the second is an evaluation of the Universal Service Obligation that is also expected this year, and the third is of course ACM coming up with their significant market power decision.

We are concerned about the expected adverse effects because of measures taken by ACM and by the possible outcome of that significant market power. Together with the policy guideline, which was issued by the Ministry of Economic Affairs by the end of December 2016, we expect that the impact of regulatory is between EUR 30 million to EUR 50 million, fully visible in three to four years. The first year was 2016, so we expect it to have its full impact in 2019. Important decisions to come.



Then market dynamics. Looking revenue of Mail in the Netherlands you see that more or less 50% of the revenue of Mail in the Netherlands is related to addressed mail and 50% is related to other activities. Here you find for example Unaddressed, Call Centres, Printing, Advanced Marketing Services, Retail, et cetera.

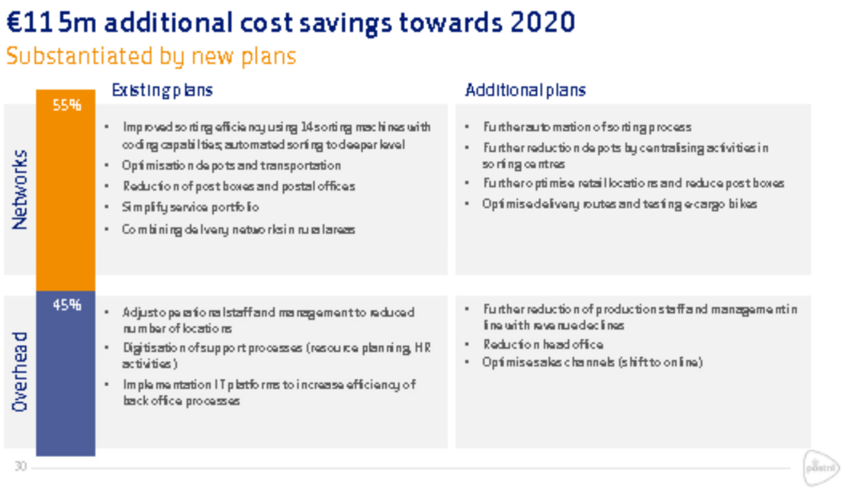
In addressed mail we see a continuation of the digitisation with all types of customers and an increased pressure from mail consolidators, which are active on the 24-hours market in the Netherlands.

Within bulk mail we expect prices to continue to rise well above inflation with targeted discounts in defined segments. For single mail, pricing within the tariff headroom, which is given by postal regulation, we had a price increase by January 1 of 6.8%.

Volume decline expected in 2017 is 7% to 9%.

As already said, we see more decline in single mail at this moment in time than in bulk mail and that has an effect on product/price/mix.

So still a competitive market with more competition from consolidators and expected volume decline of 7% to 9% in 2017.

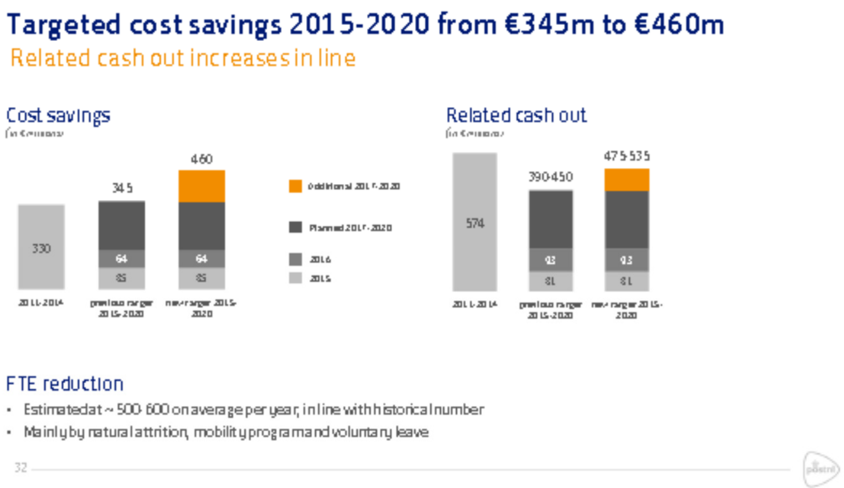


We anticipated this 7% to 9% volume decline also for the years after. That is the reason why we increased our cost savings towards 2020 by EUR 115 million. In total, our cost savings program sums up to EUR 460 million. 75% of that sum is existing plans, 25% coming out of additional plans. Those additional plans are plans that are building further on plans we already have, for example the reduction of depots. So more and more depots will be closed and that is what we will continue to do, also in 2018, 2019, and 2020.

We will further reduce staff within Head Office but also within our units Production and in the commercial department. Within the commercial department we will much more start to focus on online. You will see a shift to online, which means we have less personal selling, less calls and more online. That is part of the cost savings program as well.

We are also testing our e-cargo bikes. This is what an e-cargo bike looks like.

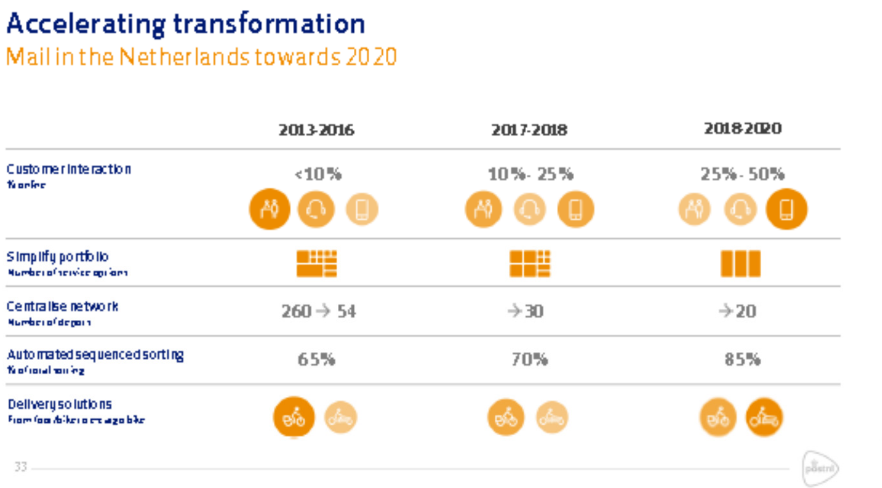
It is a bike on which a mail deliverer can of course deliver mail and small parcels. We are developing new sorts of packages, which are small enough to put through a letter box and can be delivered by our mail people.



So, looking into those cost savings plans, we see here the overview. In the years 2011 to 2014 we have already done EUR 330 million of cost savings. That is over four years. In the years 2015 to 2020, which in total is six years, we will do EUR 460 million of cost savings. Of those EUR 460 million around EUR 150 million is already realised in 2015 and 2016. Then of course there is some coming from our existing plans and EUR 115 million coming from new plans.

The related cash-out is in the same division as always. So, it is a one-off cash out versus a structural cost saving. The one-off cash out is expected to be between EUR 475 million to EUR 535 million and in the same balance, as of course between the previous target of EUR 345 million and the previously related cash out target of EUR 390 million to EUR 450 million.

This also means that we reduce further our number of employees with 500 to 600 FTEs a year. The number of 500 to 600 FTEs a year is what we saw also over the last few years. The last four years we had that average and that is the average we expect to continue, also going forward towards 2020.



What does then the network look like in 2020? We try to show you on this picture. It gives you a little bit of a view of the travel we are making to create and to keep our network state of the art.

By 2020 we expect that the biggest part of our customer interactions will be done online and less via phone and less personal selling. To create a very efficient network we also simplify our portfolio. We already started in 2013 and we will continue doing so towards 2020 to end up with a simplified portfolio.

We are centralising our networks. The amount of depots will be further brought down to around 20 in 2020.

We will also continue with automation to create much better automated sequenced sorting. That means that in 2020 we expect 85% of the bags for mail deliverers will be fully automated and sorted and no manual handling necessary anymore before they can start delivery. That is one of the big projects running at this moment in time. And as already shown to you, we will expand in delivery options and by 2020 there will be much more balance between foot/bike, which is the traditional way of delivering mail, and the e-cargo bikes in which we are able to deliver mail and small parcels.

The acceleration of that transformation within Mail in the Netherlands will deliver of course the state of the art network. Still very engaged and motivated employees with innovative solutions and satisfied customers.

If you turn that into financials it looks like this.

Mail in the Netherlands

Ambition 2016 - 2020

(in € millions)	Revenue			UCOI / margin		
	2016	outlook 2017	CAGR 2017-2020	2016	outlook 2017	ambition 2020
Mail in the Netherlands	1,677	- low single digit	- low single digit	160 (8.5%)	6.5%-8.5%	8%-10%

- Impact ACM measures fully absorbed after 2019
- Increased cost savings > 2017
- Lower restructuring cash out and implementation costs after 2019

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When it comes to revenue, in 2017 we expect a low single digit decline in revenue and that is what we expect as well between 2017 and 2020.

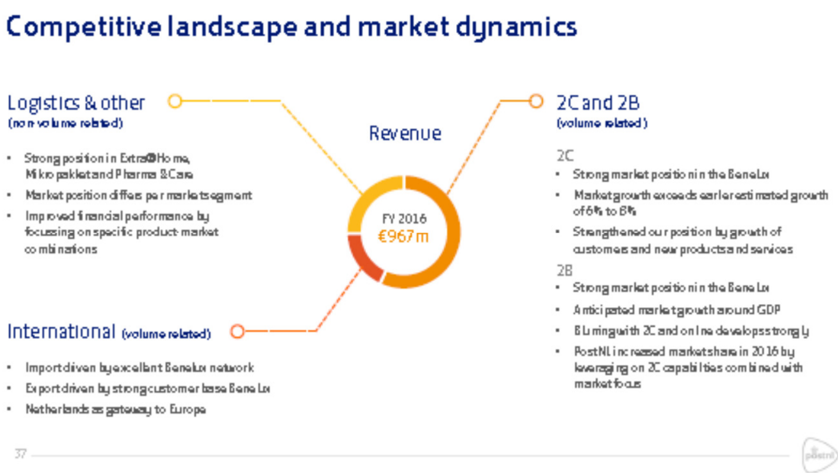
The outlook for the UCOI margin for 2017 is 6.5% to 8.5% and we expect to bring that back into the bandwidth of 8% to 10%.

Jan will tell you in much more detail how we think we can bring it from the 6.5% to 8.5% towards the higher range, partly because the impact of regulatory measures will be fully absorbed after 2019 or in 2019. We have increased cost savings after 2017 an we have of course lower restructuring cash out and lower implementation costs after 2019. So, that bridge will be shown to you.

So, an ambitious plan for Mail in the Netherlands, creating our network in a more efficient network but still a network which is state of the art, and which is a good network if you compare it to many of the other European countries.

Then in more detail of course Parcels.

In Parcels the name of the game is growth. Making use of the growth in e-commerce and of course using the introduction of all sorts of products and services we did over the last few years. I will give you some details around the competitive landscape in which we are active, the acceleration of our transformation, what we need to invest or we have to invest to underpin growth with our network, the extension of our services, and in the end of course also here the ambition for Parcels from 2016 to 2020.



Let's start with the market dynamics. Within Parcels, we have revenues from 2C, from 2B, international revenue and logistics. In 'to consumer' we have a very strong market position in the Benelux and we expect markets to grow much faster than the earlier given estimate of

6% to 8%. We think we can follow the growth, strengthened by the position we have in networks, products and services.

In 2B – and that is what we discussed a few times already before – we did a big step-up in 2014 and 2015 to come up to par with our competitors. At this moment in time we see they are growing much faster than the market does, because of the fact that we are up to par and because we can integrate with the 2C network, which becomes more and more important going forward.

Internationally, we are making use of the network we have in the Netherlands and that attracts a lot of parcels from Asia to the Netherlands but also Asia to Europe, in which the Netherlands is the gateway to the other countries in Europe.

In Logistics, many different smaller networks are combined, like Pharma and Care where we deliver medicines but also Mikropakket, where we deliver very valuable goods. We see that market positions differ per market but we also see that we have improved financial performance. It is a very competitive market in which you can stay ahead of competition by enough innovation and renewals.

If I would translate what is happening within Parcels and what is happening with the e-commerce trend into the network, then this is the network we think it will be in 2020.

In this slide you see the step-up in growth. The average growth between 2012 and 2014 was 8.8%. In 2016, we saw a step-up to the 13% in volume and we expect to continue on a very strong growth going forward.

Underpinning that growth but also stimulating that growth is the introduction of services and products. Between 2012 and 2014 we implemented the Sunday-delivery but also Extra@Home. In 2015 and 2016 we extended it by Sameday but also new 2B-services, return-on-demand, flowers, and installation services. To give you an example, return-on-demand means that for several customers, under which Zalando, we do a return service within an hour. So, if you push the app of Zalando or PostNL, we will pick up your returns within an hour and then the handling for you at the post office, et cetera. That sort of services in our view are important to, and of course delight, our customers, not only the sending customers but also receiving customers. That is one of the reasons why e-commerce is growing so fast and by introducing new services we can underpin that growth.

Going forward, 2017 – 2020 new services will come in, like re-routing before delivery. Before a parcel driver comes at your door you have the possibility to re-route your parcel and say for example that it should come the next day, on Saturday, bring it to the post office or bring it to my neighbours. But we will also step by step roll out the same services as we have in the Netherlands in Belgium and narrow the delivery windows, so that the time in which a parcel will be delivered becomes much narrower, smaller.

For doing so we expand our networks, our specialty networks but also our network in the Netherlands and in Belgium. I will tell you a few things about that on the next slide. We are also expanding the amount of parcel points. At this moment we have 3,400 parcel points in the Netherlands and in Belgium and we will expand that towards 4,000 parcel points with long opening hours over the next coming years.

So, strong growth expected together with the introduction of new services and new products, to get a width and extension of our network and also retail locations.

Underpinning the growth means that we have to expand our state of the art network. That means that there are increased investments in our networks and services. What does that mean? That means that in the Netherlands we will build at least two more sorting and delivery centres. In Belgium we will build two sorting and delivery centres. In Belgium, growth is even higher than it is on average in the Netherlands. That is the reason why we have to professionalise our network in Belgium further and will build two.

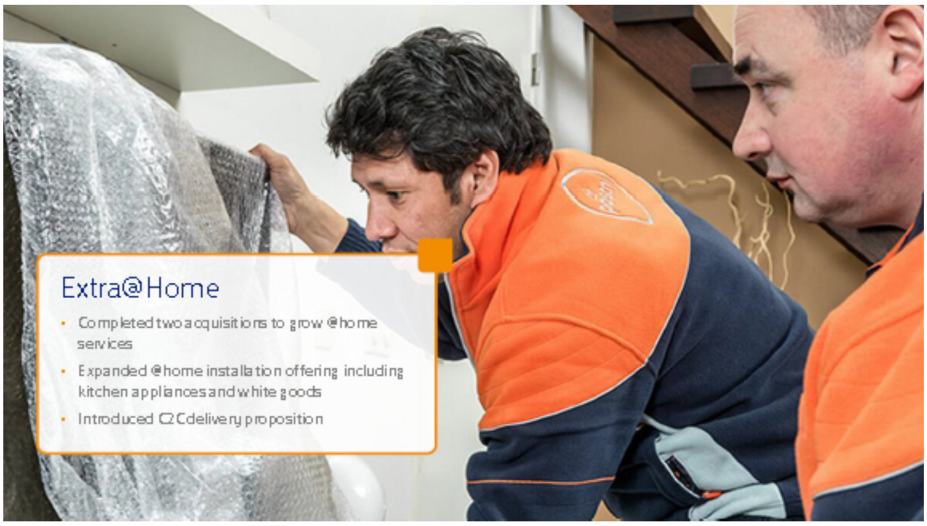
The growth we see in Belgium is based on Dutch customers, delivering to Belgian consumers. And as I already showed you in the numbers, 67% of these 71% of online Belgian consumers are ordering abroad and a big part of them are ordering in the Netherlands.

In the Netherlands, we will invest in at least two new sorting and delivery centres to create or to capture the acceleration of the e-commerce growth. In this picture you see by the coverage of our sorting and delivery centres we build up that state of the art network in the Netherlands able to capture that growth going forward.

Then some examples. Food; two years ago we had a presentation here in which we showed you for the first time our food delivery box, in which temperature-controlled food delivery was possible. At this moment in time, seven days week food delivery, five evenings a week food delivery, key customers in the e-food market are connected and delivering via PostNL, for example Marley Spoon signed up in January to start delivering all their food deliveries via PostNL. It is one of the examples where you can expand and extend your services into new markets and help new markets offline to online.

Another good example is Pharma & Care. This started out of al small acquisition we did a few years ago and it is now a fully temperature-controlled network in Belgium and in the

Netherlands. In the Netherlands we are also opening a fully GDP-controlled hub at this moment in time, mainly delivering at hospitals, at doctors, et cetera, but now we are also starting pilots to deliver subscribed medicines at home. That is the trend we expect to have over the next coming years that with the elderly people in the Netherlands and in Belgium more and more also medicine subscription deliveries will be done. This network is perfect to do that.



Another example is Extra@Home, which is delivery of heavy goods to your home. That is further extended in 2016 with two very small acquisitions, which make it possible to not only bring it but also install it, install your washing machine or your refrigerator, your bed or whatever into your home and take the old one away.

Parcels
Ambition 2016 - 2020

(in € millions)	Revenue			UCOI / margin		
	2016	outlook 2017	CAGR 2017-2020	2016	outlook 2017	ambition 2020
Parcels	967	+ high single digit	+ high single digit	106 (11.0%)	10%-12%	10%-12%

- Topline growth driven by e-commerce
- Contribution logistic services expected to increase
- Change in revenue mix impacting margin

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That results for Parcels in an ambition, on revenue a high single digit growth, which is from mid-single digit in 2016 to high single digit in 2017 and on the UCOI margin 10% to 12% expected in 2017 coming up from 9% through 11% in 2016, 10% to 12% also being the ambition for 2020. It is driven by top line growth because of e-commerce. Because we expect our logistical services to improve, we expect it to be driven by the change in revenue mix of PostNL in total, which we already showed you.

This is part of the ambition going forward.

Segments

International
Capture opportunities of accelerating global e-commerce

Enhance cash profitability

- Spring
- Germany
- Italy

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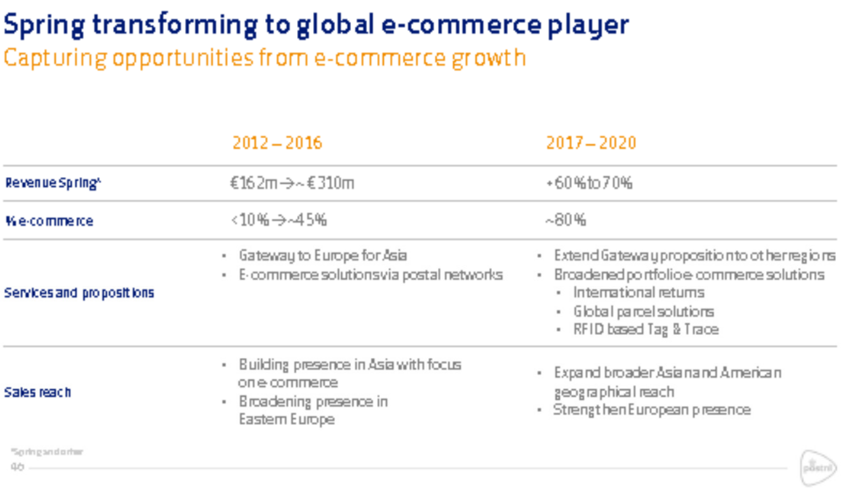
The third part is in International, where the strategic theme is enhancing cash profitability. That is what we do via Spring and that is what we do in Germany and Italy. Let's start with Spring.

Spring is a worldwide solution in cross-border e-commerce and mail, which means that we are bringing parcels from several parts of the world towards Europe or from Europe towards the other parts of the world. We have thirteen offices in the world, some in Asia, some in America and some in Europe and we work via sales agents. Via those sales agents we are active in 25 countries. We are offering cross-border mail and more and more of course cross-border e-commerce solutions. That is what Spring is all about. It leverages on the competencies we have in the Netherlands, the network we have in the Netherlands and it leverages towards the world-wide presence.



Spring transforming to global e-commerce player

Capturing opportunities from e-commerce growth

	2012 – 2016	2017 – 2020
Revenue Spring*	€162m → ~€310m	+60% to 70%
% e-commerce	<10% → ~45%	~80%

Services and propositions	• Gateway to Europe for Asia
	• E-commerce solutions via postal networks
		• Extend Gateway proposition to other regions
		• Broadened portfolio e-commerce solutions
		  • International returns
		  • Global parcel solutions
		  • RFID based Tag & Trace

Sales reach	• Building presence in Asia with focus on e-commerce • Broadening presence in Eastern Europe	• Expand broader Asian and American geographical reach • Strengthen European presence

*Spring and other

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Also here, and that is what you see on this slide, we expect Spring to grow and to double its revenue or almost double its revenue from 2016 to 2020. So, growth in revenue in Spring is expected 60% to 70% going forward.

That will change the profile of Spring substantially. While we have around 45% of e-commerce revenue in Spring in 2016, we expect it to be around 80% of e-commerce revenue in 2020.

It is done via the same way as we do it in Parcels, although of course here internationally or cross-border. In the extension of our services and proposition, for example the international returns, but also in expanding our sales reach to for example other countries in Asia but also to Europe.

A strong story, which is capturing growth in e-commerce also internationally and cross border.

When it comes to Postcon, our ambition in 2020 is to grow market share and to develop sustainable positive cash flow. We capitalise on the commercial opportunities and are leveraging for example on the acquisitions we did in Pin Berlin and with Mail Alliance. Based on that we can do further commercial initiatives, like growing volume by our existing expanding customer base but also improving the product mix to increase margins.

What Postcon already did quite successfully over the last two years is of course making their company more efficient. That is what we will do and continue to do going forward, improving our cost structure by lower indirect costs but also better efficiency in the last mile and also here supported by Pin Berlin and Mail Alliance and the volumes coming out of Pin Berlin and Mail Alliance.

So, further strengthening our position in Germany is the goal we have with Postcon.

In Nexive, which is a smart challenger in Italy on Mail and Parcels, we have two goals. First of all of course improve the performance, due to the recovering mail and the further roll-out of our parcel proposition.

The recovery of mail will partly be done by implementing the new customers, which were unable to be implemented by the end of 2016 and will now be implemented in the beginning of 2017. We will build of course on our expansion of the customer base by for example public and administration segments but also small and medium business accounts. And we expand also here the portfolio. Next to that, we see cost savings in labour, in linehaul and overhead.

Further growth of parcels is important for our business in Italy. We increase volume by existing customers but also are attracting a lot of new customers. We are further developing our parcel network, which at this moment in time already has full coverage in Italy. We can expand it further by expanding our market share, improving our quality and improving service propositions on that same parcel network.

International
Ambition 2016 – 2020

(in € millions)	Revenue 2016	Revenue outlook 2017	Revenue CAGR 2017-2020	UCOI / margin 2016	UCOI / margin outlook 2017	UCOI / margin ambition 2020
International*	1,017	+ mid teens	+ mid single digit	14 (1.4%)	1%-3%	2%-4%

* Note: on 30 December 2016, PostNL acquired the remaining 50% shares of [illegible] resulting in 100% ownership of the shares in the company. For 2017, the acquisition will result in additional revenues (2016 comparable number for revenue: [illegible] million) and underlying cash operating income within International. The acquisition is included in our outlook 2017 numbers.

- Performance expected to be fuelled by further top line growth
- Improvement Germany and Spring to continue
- Anticipated delay recovery Italy expected to be visible as of 2017
- Initiatives started in 2016 will materialise to full impact in 2017 and will support performance improvement

49

By looking into International, our ambition in International is mid-teen growth in 2017 when it comes to revenue. That has to do with the acquisition of Pin Berlin and Mail Alliance. And then, going forward, mid-single digit.

The margin outlook 1% to 3% in 2017 and our ambition for 2020 is 2% to 4%. Important to say is that in International most of our business is consolidating business. That is the reason why margins are different within International then when you look into for example Parcels or Mail in the Netherlands.

So, an ambitious plan also here: growth based on e-commerce trends we see going forward.

Accelerating transformation
Unlocking value

	From	To
Revenue growth PostNL	Stable 2016	Mid single digit
Shift in revenue mix	30% e-commerce	45% e-commerce
Cost savings	€345m	€460m
UCOI ambition 2020	€285m - €355m	€310m - €380m
Dividend	€0.12 per share 2016	Progressive dividend

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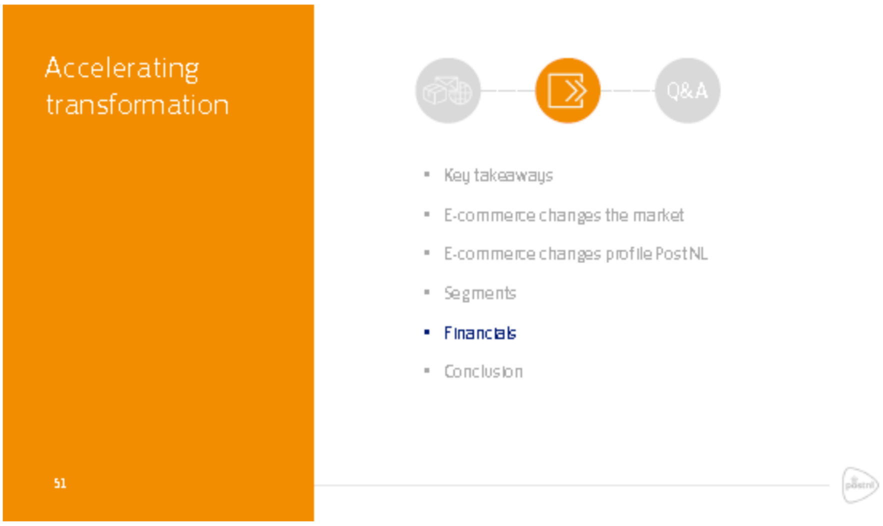
These stories of Mail in the Netherlands, Parcels and International are underpinning the five main elements of our accelerated transformation unlocking value going forward.

I would now like to hand over to Jan.



Jan Bos: Thank you. First of all, I will do a deep dive into the outlook and ambition 2020.

Outlook 2017 and ambition 2020

(in € millions)	Revenue			UCOI / margin		
	2016	outlook 2017	CAGR 2017-2020	2016	outlook 2017	ambition 2020
Mail in the Netherlands	1,677	- low single digit	- low single digit	160 (6.5%)	6.5%-8.5%	8%-10%
Parcels	967	+ high single digit	+ high single digit	106 (11.0%)	10%-12%	10%-12%
International*	1,017	+ mid teens	+ mid single digit	14 (1.4%)	1%-3%	2%-4%
PostNL Other / eliminations	(446)					
Total*	3,413	+ mid single digit	+ mid single digit	245	220 - 260	310 - 380

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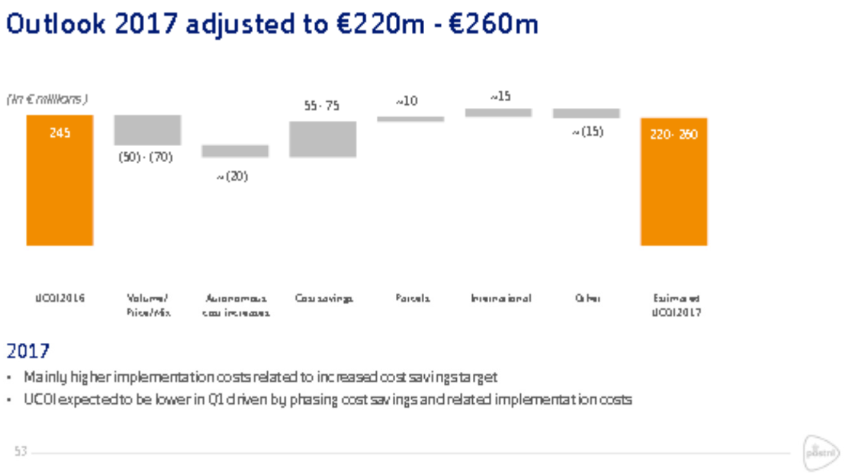
For Mail in the Netherlands we expect a low single digit decrease of revenue, built up by the volume decline of Mail in the Netherlands and partly compensated by price increases and also by the development of the other activities in Mail in the Netherlands.

For 2017, we expect an underlying cash operating income margin of between 6.5% and 8.5%, a little bit lower than in 2016. Our vision for 2020 will be an improvement towards the level of between 8% and 10%. I will come back to that later on with a more detailed explanation.

For Parcels, we expect – as Herna said – a high single digit increase of revenue the coming years, built up by the e-commerce development but also by extension of logistical activities and a margin for 2017 of between 10% and 12%. We keep that margin going forward, also partly explained by the change in mix of our business.

For International, the mid-tens is also built up by the acquisition of Pin Berlin and Mail Alliance, which approximately add about EUR 80 million of revenues to our company and for the years thereafter, the forecast will be a mid-single digit growth of revenue. So, the margin will improve in 2017 between 1% and 3% and will also improve the coming years to an ambition of margin between 2% and 4% for 2020.

All in all, this leads instead of a stable revenue to a mid-single digit growth of revenue the coming years and also to an improvement of our underlying cash operating income towards the level of between EUR 310 million and EUR 380 million. Previously, that was EUR 285 million to EUR 355 million, so an improvement of EUR 25 million.

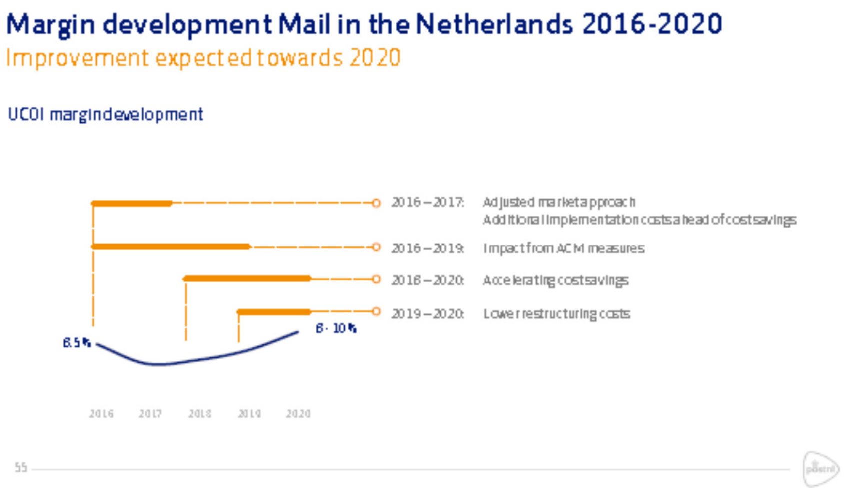


Looking at the outlook for 2017 and the next bridge explains in summary what the main developments are. That is first of all a negative volume price/mix effect in Mail in the Netherlands of between EUR 50 million and EUR 70 million. That includes a volume decline of 7% to 9%, the further impact of the ACM measures, and a small part of the adjusted market approach, partly compensated by price increases on our USO and non-USO mail.

So, the negative volume price/mix effect and autonomous cost increase will only partly be compensated by cost savings. The cost savings level for 2017 will be between EUR 55 million and EUR 75 million. Next to that, you see improvement coming in from Parcels and International with respectively EUR 10 million and EUR 15 million.

We have adjusted our outlook for 2017 by EUR 10 million towards the level of EUR 220 million to EUR 260 million and that is explained by additional implementation cost for our added cost savings of EUR 115 million.

Looking at our ambition for 2020, the main change in our ambition is coming from Parcels. So, the add-on of EUR 25 million is coming from Parcels fuelled by additional e-commerce growth and also by the improved expected margin from Parcels between 10% and 12%.



Looking at the margin development of Mail in the Netherlands, so the development of 8.5% in 2016, the decline to a level of a bandwidth between 6.5% and 8.5% in 2017 and an improvement towards 8% to 10% in 2020 is explained by four elements. This slide tries to explain that.

First of all, in 2016 and 2017 you have seen the negative impacted of our adjusted market approach and next to that of additional implementation cost for our cost savings plans.

Also you see in the period 2016 till 2019 the negative impact year on year of the ACM-measures.

As from 2018, we expect acceleration of our cost savings, more in the level of EUR 80 million than in the level of EUR 60 million we have seen this year and last year.

Next to that, we see lower restructuring cost out after 2019.

All in all, that explains that we expect to improve our underlying cash operating income margin towards 2020 to a level of 8% till 10%.

So, given the positive development of our financial position and also adjusting our financial strategy to the new plans, this gives you an update.

We want to maintain a strong financial position and we are doing that by strict cash flow management of course and also by striving for a solid balance sheet, first of all by creating a positive consolidated equity and also by the aim for a leverage ratio of adjusted net debt against EBITDA of not exceeding 2. That is a change compared to the credit rating we were striving for, the BBB+ and Baa1.

Within these boundaries we have two priorities for capital allocation, first of all of course paying a sustainable dividend and aim for a progressive dividend. Next to that, investing in further growth and for that we see opportunities close to the core, which you have seen last year but also adjacent activities, which we explained also in our strategy update in November

2015, that are in the area of amongst others network logistics, convenience shopping and connected community.

Strict cash flow management

Tightened base capex and working capital

(in € million)	Previous guidance 2015-2020	New guidance
Base capex as % of revenue	<2.0%	< 1.8%
Related to cost savings plans Related to NLI	80-100	~190 - 210

Working capital	% of revenue (2016)	after 2016 investment in working capital
Mail in the Netherlands	-23%	~
Parcels	-7%	↓
International	7%	~
PostNL	-11%	↓

- Additional investments cost savings plans and NLI of ~ €110m
- Excluding investments in small acquisitions

- Change in revenue mix going forward results in limited investment in working capital
- Development working capital more favourable than anticipated

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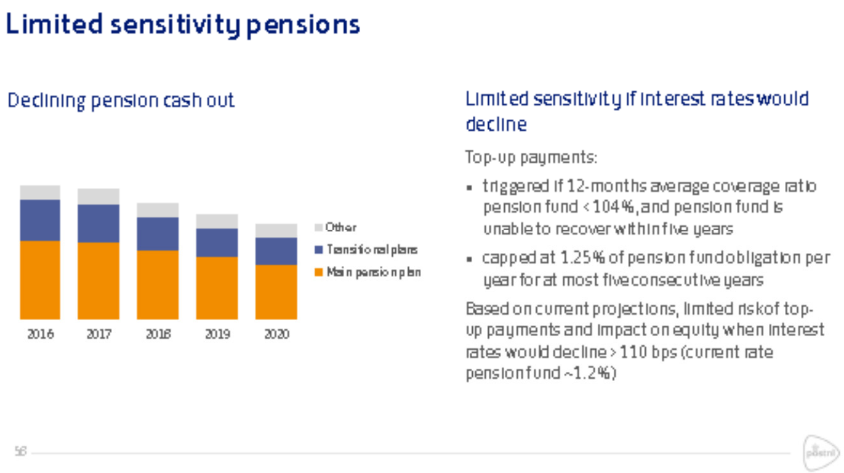
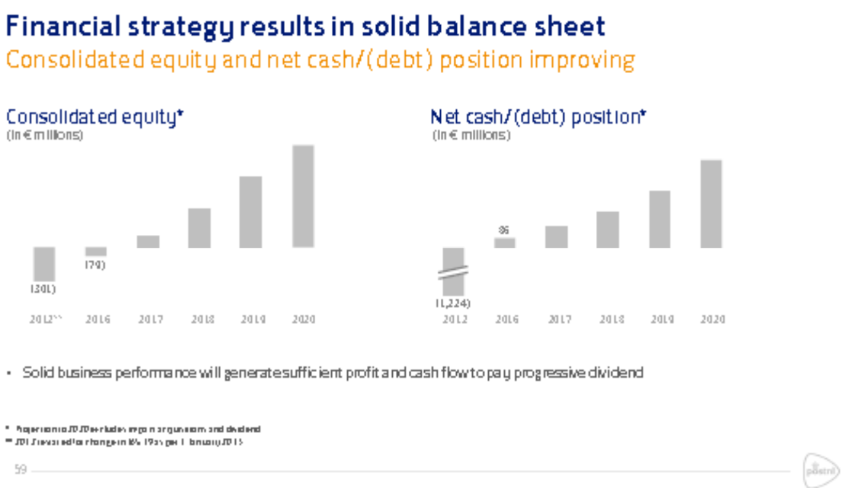
We have also adjusted our forecast for capex and working capital. So, we tightened our boundaries for base capex to a level lower than 1.8%. We also expect lower investments in working capital, as earlier guided. So, we are now on a level of minus 11% and we only expect small investments to do in working capital the coming years till 2020.

So, for the cost savings plan but especially for the revenue growth in Parcels we also think we have to invest further than we have guided for in 2015. That is a number of EUR 110 million additional investment in new locations for our new logistic infrastructure, for parcels in Belgium as well as in the Netherlands. Next to that, we are also investing for our cost savings plans, in things as bikes. That is the new e-cargo bike.

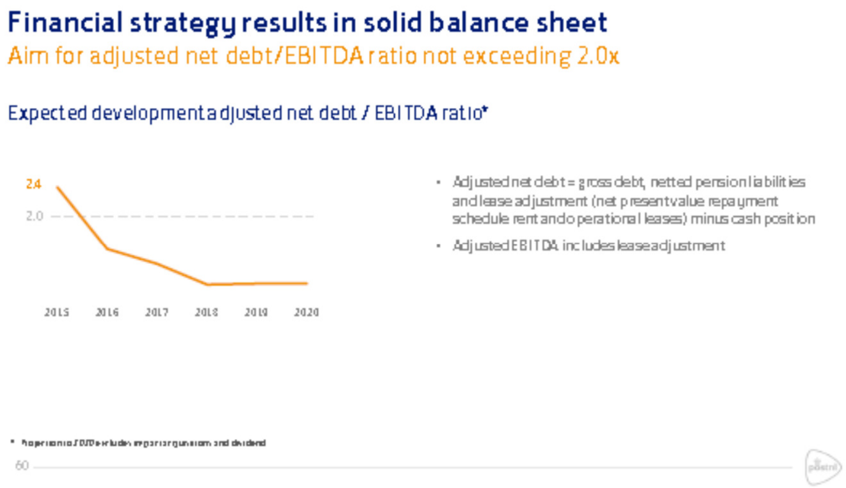


Looking at pensions there is nothing new to tell. It is actually just a confirmation of a declining pension cash out going forward, also fuelled by a lower number of people working in our company in the Netherlands. Next to that I repeat the limited sensitivity for interest rates on our pension situation that was also helped by the increased interest rate the last quarter.

If you look at our sensitivity and the current interest rate of the pension fund at 1.2% we have the ability for a further decline of interest rate by around 110 basis points. That explains why we call it a very limited risk for pensions on declining interest rates. That is an improvement compared to earlier guidance.



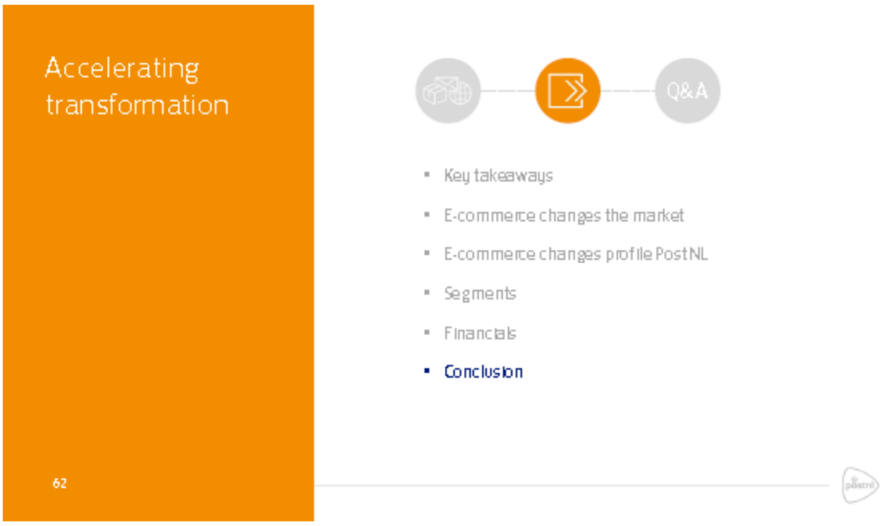
What does that result into? First of all, our financial strategy results in an improved and expected improvement in consolidated equity and also in our net cash position. These figures illustrate that. These exclude the dividend payments and acquisitions. So, our company becomes more healthy than it was a few years ago.



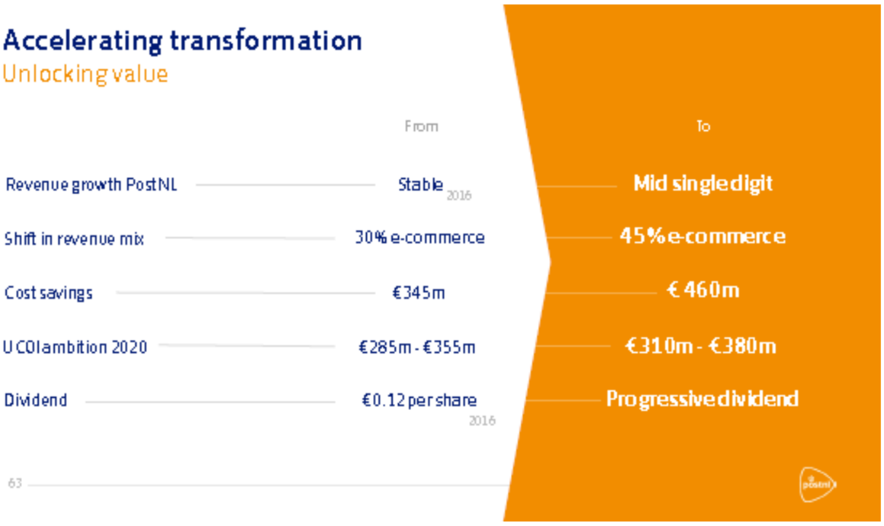
What does the ratio adjusted debt/EBITDA mean? We make adjustments on the gross debt position for pension liabilities and also for lease. The same applies to EBITDA. We strive to not exceed that ratio above 2 and also from this illustration you can see that we will reach that or are reaching that level already in 2016. It will improve going forward.

Given the improved financial position and also the fact that we have closed the TNT Express book and the lower risk on pensions, based on the adjusted financial position we have also adjusted our dividend policy, also being more in line with market practice. The main adjustments are changing from being a Baa1 and BBB+ credit ratio requirement to a condition that we will not exceed the adjusted debt/EBITDA ratio by 2. Also, we are more specific on paying interim dividend.

So, we aim for progressive dividend going forward. That is also what you can derive from the numbers we have presented today, that our expectation is of course a progressive dividend per share. Our proposal for 2016 is a dividend payment of EUR 0.12 per share. As I said, we expect an improvement. With the payment, I can say we reached a milestone, given the fact that we have not paid dividend as from 2012.



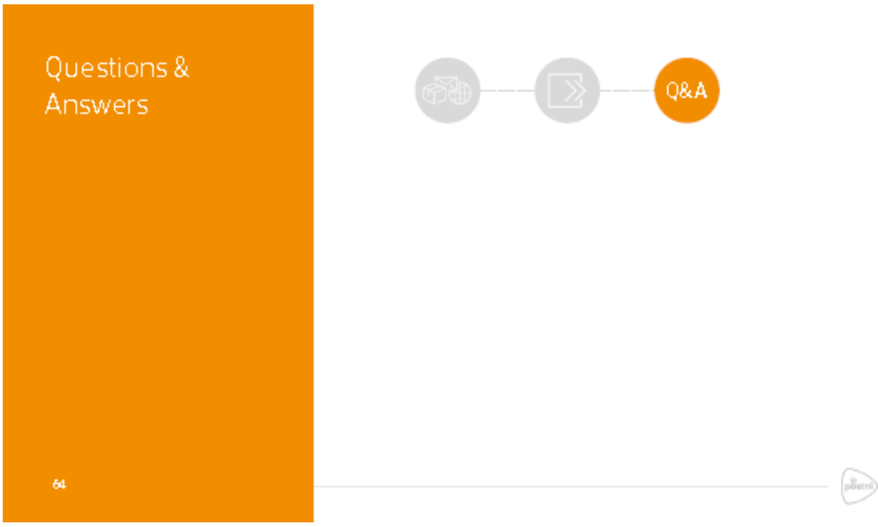
Let me turn to the key messages of today.



So, going from stable revenue development to mid-single digit revenue growth, the change in revenue mix, turning to a more e-commerce driven company with 45% of our revenue coming in from e-commerce, increasing our cost saving targets with an additional EUR 115 million, and also helping to grow our underlying cash operating income ambition to a level between EUR 310 million and EUR 380 million.

Based on all those factors, we can pay a dividend of EUR 0.12 over 2016 and expect to pay a progressive dividend going forward.

With that, I would like to hand over to Karen for the Q&A.



Karen Berg: Thank you Herna and Jan. I would like to start with a question here in the room. I see Marc is very anxious.

Marc Zwartsenburg – ING

Good afternoon. I have quite a number of questions and I will limit myself a bit. First of all on the mail volume decline. Changing the guidance from 5% to 7% and from 7% to 9% is quite a job. I would like to have a bit more explanation why that is. The WIK is guiding for something like 3% to 5% over the coming years. I know that is for the full market, with a slightly different mix. That is still quite a gap.

Also, when I look at your guidance for Mail in the Netherlands, you say that your 2020 guidance has changed mainly due to Parcels. If you guide for lower mail volume decline, of course you have some more savings to come but it also seems with your revenue guidance for Mail NL that there is a significant price component in there, which is a bit conflicting with your ambition to be more focused on market share. So, could you perhaps give me a bit more flavour on the mail volume declines combined with revenues and your pricing strategy?

That is my first question.

Herna Verhagen: When it comes mail volume decline, we gave guidance for 2017, which is 7% to 9%. We anticipate the 7% to 9% going forward to be on the cautious side, also speeding up our cost savings plans.

Volume development over the next five to ten years will not be that much different from the WIK-report. We think that there will be a little bit more of course in the next years than the years there after. It will not be equally divided. That is also the trend we see in the market. If you look into the declining bulk mail and the declining single mail, which we have seen in 2016. We see a change in how of course the volumes are substituted and that has an effect on also price/mix as already said.

Towards 2020 we see a recovery in of course our underlying cash operating income coming out of Parcels and International. As you did see in the bridge, which was explained by Jan it was also part of the recovery that comes out Mail in the Netherlands. That is partly based on our pricing strategy, which is not to be changed over the next coming years and partly based on cost savings and of course partly based on, as already said, the fact that the cost for cost savings are much more front-end loaded than back-end loaded for example, and the fact that the impact from ACM stops after 2019.

Marc Zwartsenburg – ING: But if look at the mail volume declines in the second half of last year, that is on average minus 7%, which is already at the low end of your bandwidth. So, your guidance in taking mid-point it means a bit of an acceleration. It is a bit difficult to understand.

Herna Verhagen: If you look at the quarters of 2016, you see that the last quarter – which was the 8.4% without the working days effect – volume decline is a little bit higher than in the quarters before. That is also the reason why the average over the full year is minus 7.9%. That is taken into account for 2017 as well, coming up with the bandwidth of 7% to 9%.

Marc Zwartsenburg – ING: Okay. Maybe then on strategy. If you say that minus 7% to minus 9% is still competitive in the markets would it strategically not be a better decision to push even harder on the prices to make their lives more miserable? Now, they perhaps have time if you do not push it further and get maybe some time to recover or at least continue the way they currently are and maybe also come up with new initiatives in some segments of the markets? Is that strategy not better than to push hard and make sure that the market is coming more your way?

Herna Verhagen: The mail market in the Netherlands is a regulated market and it is a market controlled by the regulator. We are pushing the boundaries as far as we can.

Marc Zwartsenburg – ING: Then on the dividend. For 2017, can you give a bit more guidance on your interest line and your tax line how to get to the dividend? If I try to recalculate back the EUR 0.12 to a net cash profit per share I get to EUR 0.24. That is quite a big gap with the EUR 0.63 reported. So, can you give us a bit of help with the 2017 calculation?

Jan Bos: The help I can give you is that in the underlying net cash income, which is the basis for the dividend calculation, over 2016 also included the cost of the bond buy-back and also the high interest costs. For 2017, we expect of course lower interest costs and for the underlying cash operating income it is more or less in the same bandwidth as 2016.

Marc Zwartsenburg – ING: I am sorry, can you repeat the last bit?

Jan Bos: For the underlying cash operating income it is more or less the same, so the bandwidth EUR 220 million to EUR 260 million. Next to that, we expect far lower interest cost.

Marc Zwartsenburg – ING: And the tax rate?

Jan Bos: The tax rate is the same at 25%.

Karen Berg: One more question?

Marc Zwartsenburg – ING: Yes, a final question, a follow-up on this one. Is there currently any restriction in your equity that you would limit your normal dividend policy for 2017 onward?

Jan Bos: No, we have distributable reserves at the end of 2016 of almost EUR 300 million.

Marc Zwartsenburg – ING: So enough room. Thank you.

Matija Gergolet – Goldman Sachs

My first question is on Parcels. Can you help us a bit understand what this mix impact is that you mentioned? You have already 11% margin, you are growing high-single digit and I would expect a little bit of positive operating leverage but you are keeping the margin basically at the same levels, also for this and for next year.

Secondly, you mentioned you could do some small acquisitions in the Parcels and International bit. Could you tell us whether you are happy with your current geographical exposure or are you may be looking to expand in neighbouring countries with a small bolt-on acquisition or so?

Lastly, just on Italy. The market in parcels there is quite fragmented. You are pursuing an organic growth strategy but would it make more sense to try some M&A? Are you not a little bit worried that the market is really too fragmented to be able to get to the size and position to get economies of scale? It would take a long time before you get there, specifically in parcels.

Herna Verhagen: Your first question is on understanding the mix impact in Parcels. Part of the revenue in Parcels is based on volume-related business and part of it is non-volume related. That is our logistical business. We expect our logistical business to grow over the next coming years as well and that is also a part in which margins are good but less than 10% to 12%. So, it is the average of the two, which makes that we keep it 10% to 12%. Next to that – and that is a trend you already saw over the last few years – the average price per parcel comes down slightly. It is not because it is competition but it has to do with the fact that big customers are growing much faster than the smaller ones. That means that we have a negative effect there as well. The two together mean that we expect to be in the bandwidth of 10% to 12%.

The small acquisitions and whether we are happy with the geographical exposure: yes, we are. We are not forecasting to do acquisitions in Parcels outside the Benelux, at least not in our main network. We are happy to be in the Benelux as we are and we are trying to expand to position which we have in the Benelux much further.

Italy is indeed a very fragmented market, especially in the 2C-delivery. We see a lot of small players and a few big ones but still fragmented. We see two things happening in Italy. First of all, also the big webshops in Italy are gaining market share like Amazon. That is one. We see a collection of volume under a few bigger players. Secondly, we are successful in 2C-delivery in Italy at this moment in time because we can deliver in the whole of Italy at relatively high quality compared to other players and we have relatively short delivery times.

An acquisition or small acquisitions which fit to what we do in Italy could fit into our strategy but at this moment in time, everything is focused on making sure that we have a full roll-out of our own network, that is the state of the art network, a high quality network. We can serve customers and new customers are coming in. That is focus area no. 1. When that is there – 2018 probably – then you have to look into further possibilities of development in the Italian market, but not for this moment in time.

Matija Gergolet – Goldman Sachs: Just a quick follow up. In the fourth quarter you mention that profitability was up at par and now with the new customers on board, do you expect 2017 to have a better performance in that region?

Herna Verhagen: Yes.

Matija Gergolet – Goldman Sachs: Thank you.

Can I start with a question for Jan? The EUR 360 million uplift of Mail investments seems a very large number. The impairment reversal, can you just explain what methodology you use to get there and how big a proportion uplift that is on the investments on that corporate balance sheet? Is it a 10% move, a 15% move or some idea of the order of magnitude?

Jan Bos: It is a EUR 360 million movement and it is in Mail investments. It relates to Parcels because of Mail investmensts also relate to the Parcels business and Spring business. It is EUR 360 million and it is a substantial part, coming through an equity of EUR 2.7 billion.

Matija Gergolet – Goldman Sachs: But how big a movement is that? Is it a 20% uplift in the valuation of those assets?

Jan Bos: We do not give those details but if you relate it to the EUR 2.7 billion it is a big movement.

Matija Gergolet – Goldman Sachs: Thank you. My second question was about the EUR 295 million of distributable reserves. Could you also use part of that if you wanted to get rid of the rest of the bonds early? Can you use that to take some of the hit or not?

Jan Bos: It does not relate to the bonds. If we would we could buy back bonds but the bonds are ending in 2017 and 2018. We have tried to do the bond buy-back as much as possible last year, so I think we will wait until the bonds are elapsing.

Matija Gergolet – Goldman Sachs: Thank you.

Edward Stanford – HSBC

I have a couple of questions. You are talking about your ambitions for Germany and Italy. Could you remind me how much is currently letters and how much by 2020 you expect it to be in parcels?

You also talked at some moment in the Mail division about simplifying the portfolio; could you eleborate on what you mean by that?

Thirdly, a general question. Looking at your guidance for 2020 am I right in assuming that a lot of the uplift in your margin target will actually occur in 2020, given all the costs you are incurring before that?

Herna Verhagen: When it comes to the ambition of Germany and Italy, Germany is a mail company, no parcel or almost no parcels in Germany. That is also the expectation for 2020. In Italy by 2020 we expect 30% to be from parcels, e-commerce and 70% from mail.

On simplifying portfolio for Mail in the Netherlands let me give you a few examples. If you have a direct mailing in the Netherlands, which you can deliver at 12 o'clock, 2 o'clock, at 4 or at 6 at our sorting centres. So we have several levels of service in that and that is one of the things we want to simplify. We want to say that there is a certain specific moment and everyone can deliver at that moment in time. Another example of simplifying services or products is that all those products are translated into operational specifics into a system. At this moment in time, it is translated into 900 different operational products with different specifics. We will bring them down to much less than for example those 900. So, it is mainly related how we operationally handle your mail and only partly related to customers.

Jan Bos: And on the margin development we try to draw a beautiful line, to illustrate that we expect improvement in 2019 and 2020.

Henk Slotboom – the IDEA!

I have three questions. First of all, I am a bit intrigued about the new dividend strategy, which is linked to the debt ratio. Now, you are paying out 75% of your UNCI in the next few years. That means that there is still cash remaining in the company whilst you were already net cash positive at the end of last year. Does the two times debt ratio imply that you are considering upon an acquisition strategy? If so, what kind of acquisition should we think of, domestic, Belgium, whatever?

Jan Bos: The strategy is based of course on priority for a sustainable and progressive dividend. Next to that, as the second priority we see acquisitions close to the core and also some adjacent. Then we call this territories-convenient shopping, connected community and network logistics.

Henk Slotboom – the IDEA!: My second question is on mail and especially on mail volumes. Either I have not listened well last time or have not listened at all, I do not know but you are elaborating about the fact that your mix has deteriorated because the volumes in single mail declined much faster than the volumes in bulk mail. Obviously, you have won some market share from Sandd in the past year but am I right to assume that for example Christmas cards have contracted quite rapidly or is there something else? Is it for example competition? Sandd has started for example with the franking machines.

Herna Verhagen: It is not competition and it is also not per se in the Christmas cards. The main effect that we see is that small and medium customers start to digitise their volumes as well. That is for example based on automation or on software in which they can build their customer base much easier via an email instead of physically. So, it is the general trend we saw in banking letters, within the telecom industry, the utilities industry, so the bigger customers. That is what we see with the smaller customers at this moment in time as well.

Henk Slotboom – the IDEA!: My last question would be on Parcels. It looks as if you are looking to find most of your growth in cross-border and in international parcels. My natural reaction would be that the likes of DPD or DHL with an international network would be best positioned to benefit from it. The other area where you are aiming for growth is in Spring. Now, bpost – obviously a dirty word in this meeting – have a similar operation, called Landmark Global. I do not have the impression that the barriers to enter that market are pretty difficult. What makes you believe that you can grow so rapidly in this market? How do you manage it? I remember that in the early days TNT lacking its own fleet rented capacity on commercial airliners. That went well when the economy was flat on its back and oil prices were low but all of a sudden you saw growth returning in the market and freight tariffs were going through the roofs, tariffs that they could not pass on to their clients. Could you shed some more light on that?

Herna Verhagen: Revenue growth in domestic parcels or parcels Benelux is much bigger than it is in International. If you take the current margin of Parcels and add high single digit growth for the next coming four years you can make the calculation yourself. So, I think that is an important remark, that the biggest part of that growth is coming from our Benelux business.

Secondly, when it comes to the international and cross-border business, the reason why we think we can be successful is because of the success we already had. We already saw a doubling revenue there over the last four years, which is based on partly the network we have in the Netherlands. We are mainly attracting parcels from abroad towards the Netherlands, which need to be distributed in the Netherlands. There of course you can leverage on the network you have over here.

Secondly, we are focusing on specific streams which fit well and thirdly we are also expanding our coverage towards the European countries and not only the Asian and American countries.

Based on the fact that where we are today, the network we have today but also the propositions we are developing, we think that we will be attractive in that market for the coming years.

As you already mentioned, it is a consolidating market with lower margins but also very asset light. That gives you the opportunity or the possibility to grow fast without having the biggest risks as you see in networks where you do have to do a lot of investments. So, it remains a very low asset business going forward.

Bart van de Wijngaard – Ratio Capital

Yes, on the labour contracts in the Netherlands. Do you see Sandd already taking actions towards the 80% requirements or are they currently just in a wait-and-see mode until there is a final voting in parliament?

Secondly, what do you expect in terms of market share related to your targeted price actions going forward?

My third question is on the pension cash out. I saw that on page 58 that it is expected to decline materially in 2018 and not so much in 2017 versus 2016. Why is that?

Herna Verhagen: What Sandd is doing around labour contract regulation I do not know, to be honest. I assume they wait how the voting will end but I do not know.

Our expectations in terms of market share: we stopped giving clarity on market share we have for the reason of competition. That is what we will do going forward as well, so we will not guide or tell anything around market shares. I think the only thing that was in the presentation is that we continue our adjusted market approach and have targeted prices in certain markets where we have a lot of competition.

Jan Bos: Your third question was on pensions. One of the explanations is that the acceleration of our cost saving plans resulted in a reduction of employees. As from 2018 and next to that there is also some phasing of the payments on our transitional plans.

André Mulder – Kepler Cheuvreux

I have four questions, first about the building blocks of the extra EUR 25 million. We have savings of EUR 115 million, we have a cash out of EUR 85 million and that leaves around EUR 30 million – just a small difference with the EUR 25 million that you mentioned – but there is also extra capex of EUR 110 million. How should we view that in relation to the cash out of EUR 85 million? Are these completely loose items?

Secondly, you are seeing stronger growth in Parcels. In the past you have mentioned the rates. What is the reason for not mentioning that rate now?

My third question is about the exceptionals included in 'Other'. Can you give us a view on what the impact is for some of the advisory costs and other incidentals, which have not been detailed?

My last question is about the graph on decline in net debt to EBITDA. You would have expected a further fall there due to better results there. Where does the net debt to EBITDA be stable after 2018?

Herna Verhagen: Your first question on the cash out in relation to capex: the cash out is a one-off, so it is a one-off versus a structural cost saving and the relation is more or less correct. The extra capex is not fully disconnected because the capex for Mail in the Netherlands comes from the e-cargo bikes, where we have to do an investment. That is of course in relation to part of the cost saving going forward. The biggest part of capex was, as Jan explained, related to the opening of a minimum of two sorting centres for parcels in the Netherlands and two in Belgium.

Jan Bos: You make the comparison between the EUR 115 million, but that is a year-on-year impact, and the EUR 80 million, which is a one-off spread over the years.

Herna Verhagen: Regarding your question why we do not mention a rate for the stronger growth in Parcels: we never give guidance on the growth rates in Parcels. We do it backwards. We tell the growth rate in the amount of parcels. In Parcels we give guidance on revenue and that has increased from mid-single digit to high-single digit in 2017 and for the years after but that is what we did in the past and that is what we also did going forward.

Jan Bos: The one-offs partly related to International, to the strategic review costs, and partly to our discussions with bpost and the cost we made for that. On the debt-EBITDA and adjusted debt line it also includes pensions and lease. That explains more or less the more flattish line going forward.

Karen Berg: Let's move to the callers.

Tobias Sittig – MainFirst

I have three questions, firstly on the sale of real estate. Can you confirm that the EUR 8 million gain in Q4 contributed to the underlying cash operating income and can you give us some idea on how you look at the amount and phasing of real estate disposals for the next years?

Secondly one of the big disappointments in the last longer-term guidance was how the market was viewing the 2015 results. That is base for future growth and you had to step down thereafter. When we look at 2020 and beyond do you think what you achieve by 2020, will then be the base for growth beyond 2020 as well?

Lastly, how do you look at the structure of the parcel market changing? Do you think that there is going to be a bigger Amazon in the Netherlands over the next couple of years or will it remain as fragmented as it is? Also from competition, do you expect inpact from other competitors into the Dutch market or do you see market shares pretty stable?

Jan Bos: On real estate I can confirm that the EUR 8 million is included in our underlying cash operating income. We still expect some gains from real estate in the years going forward and that expectation for book profit is between EUR 50 million and EUR 100 million.

Tobias Sittig – MainFirst: Included in the 2020 plans?

Jan Bos: Or 2019, or 2018, or 2017.

Herna Verhagen: You asked if 2020 is the base for the years after 2020. It is difficult to forecast for what will happen in five years from now, but at least it is what we think it will be the base going forward.

Then you asked if the structure of the parcel market is changing or if it is still fragmented. Amazon in the Netherlands has a much smaller role than it has in many of the other European countries. Will that maintain over the next coming years? It is a question mark; I do not know. What you see is that the other big webshops in the Netherlands like bol.com and Coolblue are defending this market and are trying to keep the market as closed as possible for companies like Amazon. I think that if they truly want to step in they have possibilities to step in. it does not mean that for PostNL it is per se a bad development. So, for the next coming years I expect the market to be quite fragmented as it is today but always look at what happens in the other countries and what the consequences could be for the Netherlands and think about what that could mean for our company as well. So, do not close your eyes.

Secondly, competition in the parcels market is already quite severe for many years. That is what we expect going forward as well, where DHL but also DPD and UPS play an important role in the consumer market of parcels. In the 2B market for parcels it is mainly DHL. But already very competitive at this moment in time and that will not change going forward.

Karen Berg: We have David online.

David Kerstens – Jefferies

First of all on Mail in the Netherlands. You are guiding for low single digit revenue decline for 2017 versus mid-single-digit decline last year. What is explaining the improvement? Is that mainly in your other activities and what has improved there that you have become more optimistic on your revenue development in Mail in the Netherlands?

Secondly, regarding the volume. It seems that the market in the Netherlands overall, the volume decline is deteriorating from 8% in 2015 down to 11% last year. What is driving this? Is this explained by the fast e-substitution in single mail items that you were referring to earlier? Is this is also the reason why you are no longer basing your 2020 ambitions on easing of mail volumes to 5% to 7% from 2018 onwards i.e. have you become more cautious on the volume development in the Dutch mail market?

Finally, could you provide some additional guidance on how to get from UCOI to EBIT with regards to the change in pension liabilities and change in provisions with your increased cost savings plans? That would be very helpful.

Herna Verhagen: The low single digit revenue decline we expect to be in 2017 is the consequence of our adjusted market approach. That is the reason why it changes.

David Kerstens – Jefferies: But your volume is unchanged. Why do you still guide for your volume to be down by 7% to 9%, similar to last year?

Herna Verhagen: But this is revenue. It is a mid-single digit or low single digit revenue decline.

David Kerstens – Jefferies: Okay.

Herna Verhagen: You asked what is driving volumes. If you take Q4, because that is the 11% and if you take out the working day effect, you see it is 8.4% of volume decline. Over the full year it is 7.9% of volume decline. That 7.9% consists of a volume decline which is a little bit steeper in single mail than it is in bulk mail. We said that the 7% to 9% is what we guide for, for 2017 as well and we anticipate on the same volume decline for the years after, to be cautious and to make sure that we enough plans available to save our cost and adjust the organisation, if necessary.

David Kerstens – Jefferies: I was actually referring to the decline in the market overall, which you mentioned declined by 11% in 2016. That is a lot weaker than in 2015 when the market was down around 8%. Your guidance for volume was previously focused on the market overall and suggesting that volume decline would ease to 5% to 7% from 2018 onwards. It seems that the market overall has become weaker. Is that correct?

Herna Verhagen: Yes, market decline was 11% and the difference is the adjusted market approach. When you look at markets you see the same effect as the big effect within PostNL. This means that for bulk mail and to a somewhat bigger extent single mail items it is what we expect for 2017 as well for PostNL, the 7% to 9%. We did not guide for market decline. I already answered your question when I said before that substitution of course also now takes place with the small and medium-sized business accounts. Where in the beginning you mainly saw it with the big customers and to a smaller extent with the small customers you now see the opposite, with small customers and then with big customers. That is the trend we see in the market and that is also the reason why we mention that it has an effect on our product mix.

Jan Bos: The difference between pension expenses and pension cash out is not as big anymore, also in 2017. The biggest difference is the restructuring of cash out. Indicative the level is between EUR 35 million and EUR 45 million for 2017.

David Kerstens – Jefferies: Thank you very much.

Karen Berg: There are no more callers. So, if there are any questions for the people on the phone, please press *1. But here we have Marc.

Marc Zwartsenburg – ING

Maybe a final question on Spring. You are guiding for EUR 310 million in terms of revenues, growing by 60% to 70% and that will become 80% of e-commerce. E-commerce as a total will become 45% of the group. Can you add those numbers up for me? If I take EUR 310 million times 1.65 and I assume that this is 80% of e-commerce I do not get to a really high revenue number for the group. Where does this go wrong?

Jan Bos: You also have to include Parcels.

Marc Zwartsenburg – ING: But this is 80% of what?

Jan Bos: 80% only of Spring.

Marc Zwartsenburg – ING: Okay, there it adds up. Thanks.

Maybe to come back on David's last question. I also struggle with that calculation, the guidance for next year. Low single digit revenues but the same sort of volume declines. Somewhere along the line there needs to be either better pricing or there needs to be higher service revenues. So, it is on the pricing, is it on the services or am I missing something?

Jan Bos: You are not missing something. Last year, we had a big impact from our adjusted market approach. That impact will be lower in 2017.

Marc Zwartsenburg – ING: That is clear. Thanks.

Henk Slotboom – the IDEA!

I am sorry to be such a pain on Parcels, but you are expecting most of the growth domestically? But the world does not stop in Holland or Belgium. We see a general tendency that more and more traffic is coming cross-border. You showed that in one of your slides as well. How long do you think you can remain independent on the Parcels side of the business? Is it imaginable that sooner or later you are trying to do something to get more entangled with foreign operators in order to be better equipped to benefit from cross-border parcel traffic?

Herna Verhagen: I think the advantage we have is that of course we do a lot of parcels that are cross-border parcels from other postal companies, which is not that easy to tackle for some of the other players. That is what we do from outside the Netherlands but also from the Netherlands to abroad. Either we tackle the fact that we do not have big foreign operations, partly because in Europe for example we have an outsourced network, which means that we work with partners in other countries who will do the parcel delivery for us. That means that we are not attractive for the big market players because they will find other solutions. But for a lot of the other players this is a very interesting solution because it gives them a European-wide operating network at a high quality at a relatively good price which is offered via PostNL. So, there are some advantages also in being a postal operator and postal-related packages. That is one of the advantages we have as an incumbent. There is an advantage in my view in the relation you have with the other parcel network in Europe.

Matija Gergolet – Goldman Sachs

I have three more quick questions. The first is just focusing on the risk side. You mentioned the regulatory framework, which has taken a lot of management time you mentioned in the past. Can you give us a little bit of flavour about expected timings for the decision on the USO as well as for the ACM decision?

And then, related to the risks, how confident do you feel about your guidance? Do you think there is any tail risk that could be significantly worse?

You mentioned that you are going to shrink the number of depots in mail delivery. Does that also imply that there could be some additional real estate disposals or it is not material?

Lastly, just a bit out of curiosity, do you have the number about the food box that you started a year or two ago. What kind of revenues are we talking about at the moment on an annualised basis?

Herna Verhagen: On the risk side the expected time line: the Ministry of Economic Affairs expect to give their long-term view on the postal market before the summer, including the evaluation of the Universal Service Obligation. But take into account that there are elections in a few weeks' time in the Netherlands and we do not exactly know what the impact of these elections will be on what will happen going forward. The ACM expects to give it significant market power view before summer. Those are the expected timeline.

Confidence around the EUR 30 million to EUR 50 million and the tail risk: what I said in my presentation was the knowledge we have today, knowing what is going on, knowing what sort of legal cases we have and knowing that there is a policy guideline from the Ministry of Economic Affairs this is the best estimate we can make at this moment in time, based on what we know today.

Then less depots: there will of course always be a little bit of disposal of real estate but those are not the most valuable.

On the food box we did not give guidance on revenues or amounts. Sorry!

Karen Berg: André?

André Mulder – Kepler Cheuvreux

Again on these three decisions. On the last you have already given a detailed view of what things should look like. With the measure of government and ACM that is roughly ending up at the low side of that.

On the Dutch postal market I do not expect government will make a big difference versus the views explained in the WIK report, but how about the USO? What kind of things could we expect there? Can you comment on that? What is possible with the USO?

Herna Verhagen: Not yet, to be honest, because the Ministry of Economic Affairs still have to decide on which items they will start their evaluation. So, we do not exactly at this moment in time.

Karen Berg: Okay. Thank you all very much for coming and listening in. Herna and Jan will be available for a for some questions one on one and then we will see you next time.

Thank you!

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End of call

Appendix

- Q4/FY 2016 results per segment
- Breakdown pension cash contribution and expenses
- Average UCOI split per quarter and working days

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Q4 2016: results per segment

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	Q4 2016	Q4 2015	Q4 2016	Q4 2015	Q4 2016	Q4 2015
Mail in the Netherlands	540	596	109	117	88	104
Parcels	271	262	33	37	29	36
International	265	269	7	11	7	12
PostNL Other	46	51	(11)	(9)	(14)	(5)
Intercompany	(167)	(171)				
Total PostNL	**955**	**1,007**	**138**	**156**	**110**	**147**
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Mail in the Netherlands	1,877	1,961	217	263	160	204
Parcels	967	917	112	105	106	101
International	1,017	983	15	19	14	19
PostNL Other	178	188	(20)	(29)	(35)	(21)
Intercompany	(626)	(588)				
Total PostNL	**3,413**	**3,461**	**324**	**358**	**245**	**303**

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Breakdown pension cash contribution and expenses

Pensions	Q4 2016		Q4 2015	
(in € millions)	Expenses	Cash	Expenses	Cash
Business segments	27	35	28	35
IFRS difference	(1)		9	
PostNL	**26**	**35**	**37**	**35**
Interest	2		3	
Total	**28**		**40**	

Average UCOI split per quarter and working days

Average UCOI split 2011 - 2016
(%)

Working days

	2016	2017
Q1	64	65
Q2	62	61
Q3	65	65
Q4	64	63
Total year	**255**	**254**

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Warning about forward-looking statements

Some statements in this presentation are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this presentation and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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