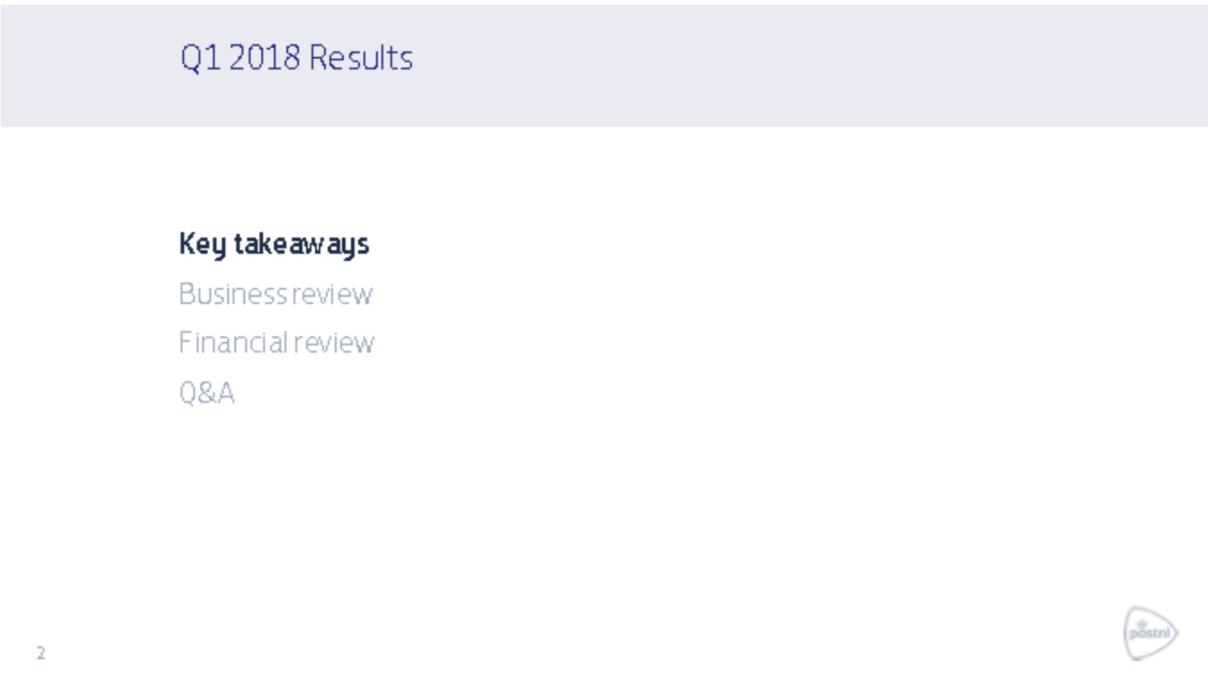

Q1 2018 Results
The Hague, 8 May 2018
postnl

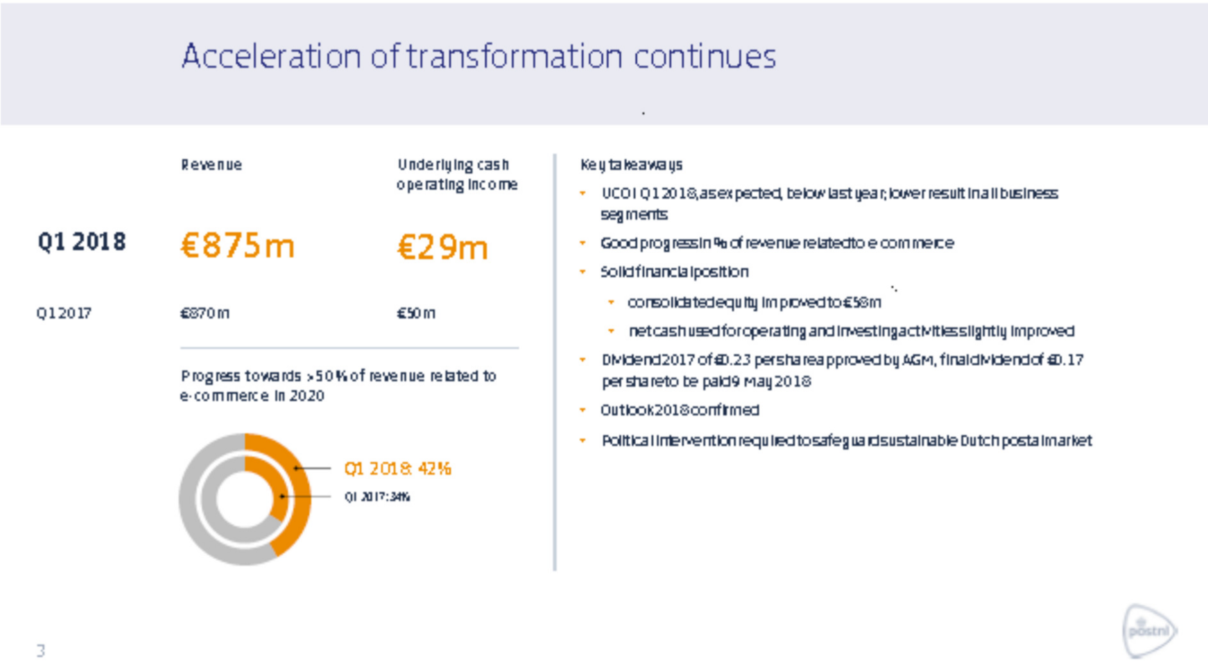
Karen Berg – Investor Relations PostNL: Good morning everyone and welcome to the investor call for the Q1 results 2018 of PostNL. My name is Karen Berg and I am here together with our CEO Herna Verhagen and our CFO Pim Berendsen.

Today, Pim will kick off with an introduction of our numbers. He will give some more background to the business and financial developments and afterwards there will be room for questions from your end.

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



Pim Berendsen – CFO PostNL: Thank you, Karen. I will start with an operational overview of the quarter and then elaborate a bit more on the financials.



Our performance in the first quarter was below last year, as we expected. Yet, at the same time, the acceleration of our transformation continues.

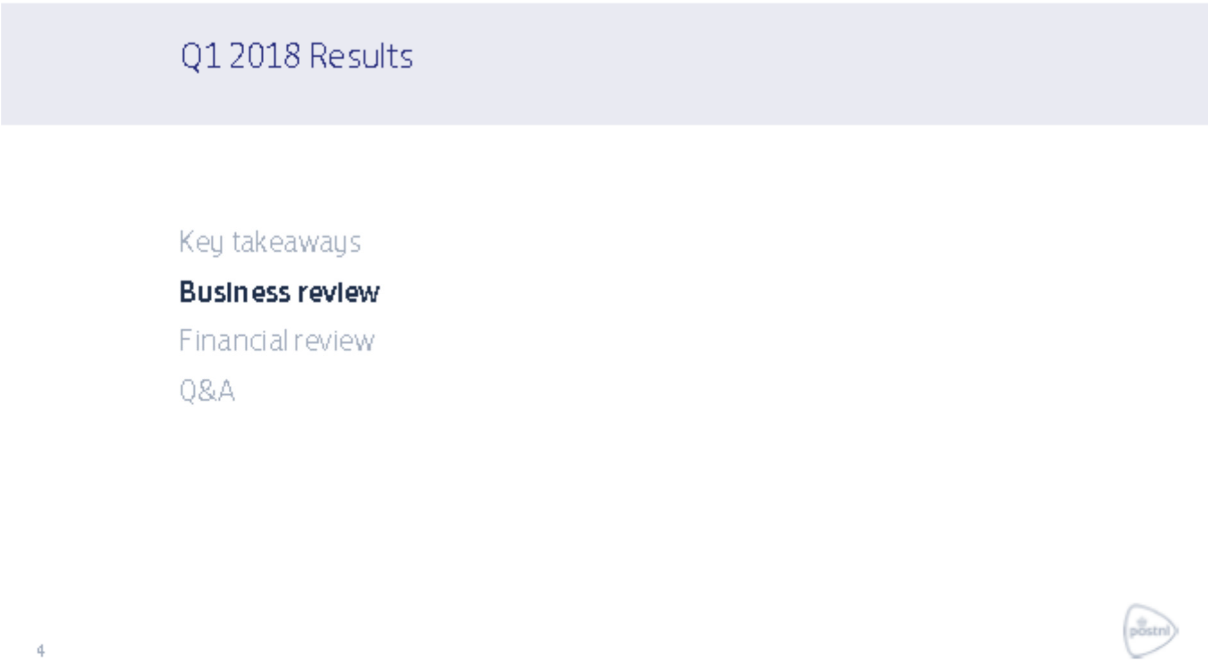
Revenue slightly increased to EUR 875 million, 42% of revenue now comes from e-commerce activities compared to 34% in the first three months of 2017. So, good progress has been made here. The underlying cash operating income was EUR 29 million.

Our financial position is solid. Consolidated equity further improved to EUR 58 million and net cash used for operating and investment activities was slightly better than last year.

On April 18, the AGM approved a dividend of EUR 0.23 per share for the year 2017. The final dividend of EUR 0.17 will be paid tomorrow. We published the conversion ratio this morning and announced that approximately 60% preferred a dividend in cash.

Based on the year-to-date performance, we confirm our outlook for 2018 with an underlying cash operating income of between EUR 160 million to EUR 200 million.

Regulation continues to require a lot of management attention. We repeat our message that political intervention is required to safeguard a sustainable Dutch postal market. Our opinion is that consolidation of postal market players is inevitable.



Mail in the Netherlands delivered results below last year.

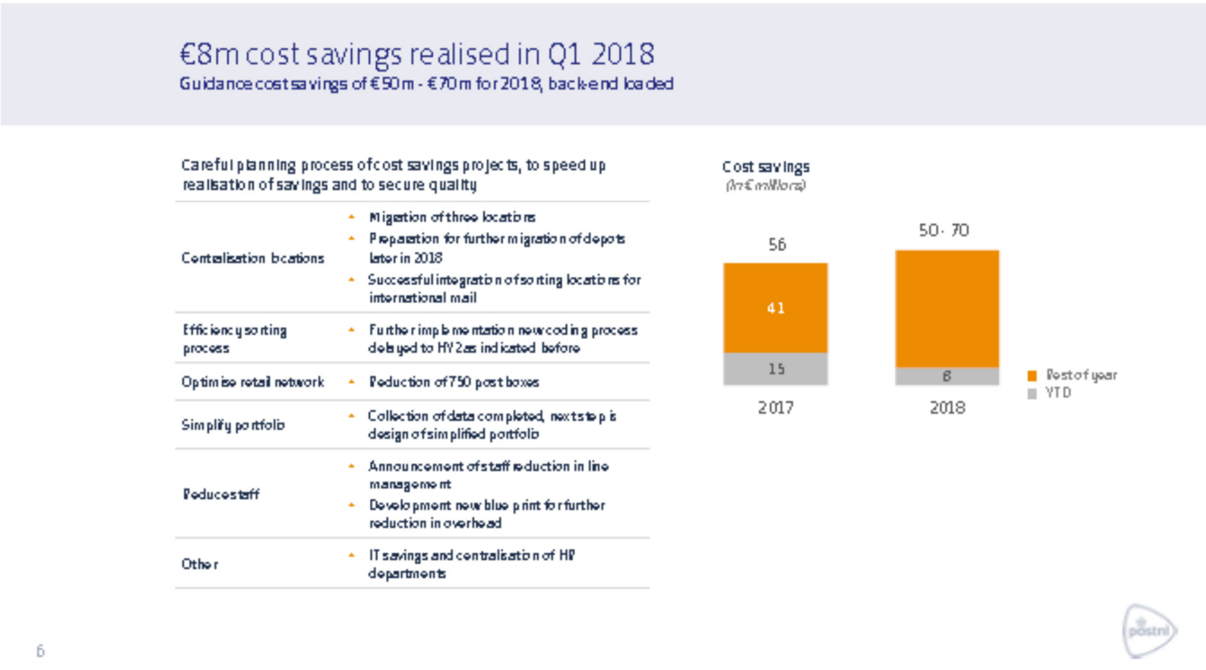
Volume decline more or less continued on the trend seen in 2017 and was 10.3%. Revenue was down to EUR 424 million.

The adjusted volume decline was 9.6%, driven by ongoing high substitution but also continued loss to competition. Just to remind you, supported by the implementation of the decision on Significant Market Power, other postal operators deliver more items through their own networks. Additionally, network access results in pressure on our average price.

Cost savings for the quarter were EUR 8 million, of which EUR 3 million in Mail in the Netherlands. I will explain a bit more on this on the next slide.

Underlying cash operating income amounted to EUR 17 million. The impact of the volume price/mix-effect, including the effect from regulation and autonomous cost increases was not fully compensated by cost savings and less cash out for provisions and pensions. The delivery quality was 95% this quarter.

We have reached agreement for a new collective labour agreement for our postal deliverers. Their salary will increase in five steps of 1% and the postal deliverers will also be entitled to a one-time bonus.



Cost savings in this quarter were EUR 8 million, so the run rate was more or less in line with Q4 last year, when cost savings were EUR 9 million.

The cost savings projects require a careful planning process to speed up the realisation of savings in a controlled way, but also at the same time to secure quality.

During the first quarter, savings were realised for example in the centralisation of locations, where we are preparing for further migration later this year and the optimisation of our retail network.

Also in Head Office we have achieved savings in IT and centralisation of HR departments. We expect increasing savings from the Head Office projects in the course of the year.

We are implementing our plans to simplify our portfolio step by step and have integrated our sorting locations for International mail, which will contribute to the realisation of savings as of now. We will further implement the new coding process later this year. As indicated before, we have some delay in this project, which is an important explanation for the savings being more back-end loaded in 2018. Our target is to realise EUR 50 million to EUR 70 million cost savings this year.

As you remember, ACM decided that PostNL has significant market power in the 24-hour bulk mail segment and must grant postal operators in this segment network access. New tariffs and conditions were implemented as of 1 December 2017 and still have to be approved by ACM.

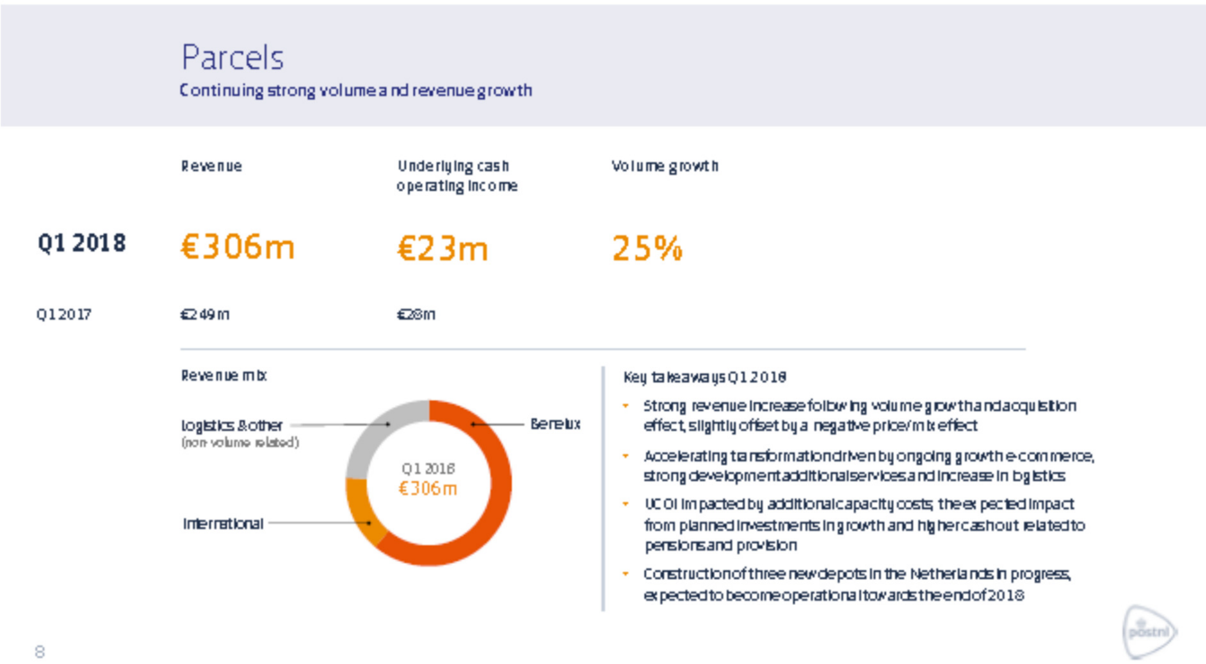
As earlier indicated, the financial impact of ACM measures is expected to be between EUR 50 million and EUR 70 million on an annualised basis, subject to final implementation.

At the same time, the changing Dutch postal market impacts our operations and results. The market has changed fundamentally, and volume will continue to decline.

Combined with the increasing impact of the ACM measures this endangers the quality of the postal delivery, the reliability and the accessibility of the postal network. To safeguard reliability and accessibility of the postal service and to preserve decent labour conditions in a shrinking market, in our view consolidation of players is inevitable.

Recently, the postal dialogue started, initiated by the Dutch government. This is a stakeholder process to develop a shared view on the future of the Dutch postal market, including evaluation of the USO. PostNL is actively participating in this postal dialogue. Recommendations to the State Secretary are expected before summer.

Political intervention is required to safeguard a sustainable postal market.



The trend in Parcels continues to be strong. To give you a bit of extra flavour: stronger than expected. Volume growth was 25%, driven by domestic parcels and this does include Belgium. Also, our international volumes increased. Strong growth in our domestic-to-C-volume followed the continued positive trend of the e-commerce development.

Revenue increased to EUR 306 million, so growth was 22% for this quarter.

Volume growth was only slightly offset by a negative price/mix-effect and demand for additional services increased again. Also in Logistics revenue increased organically as well as through the two acquisitions that were done in 2017.

The performance in Parcels was impacted by additional capacity costs, necessary to accommodate the volumes and the cash-out related to pensions and provisions was higher than last year.

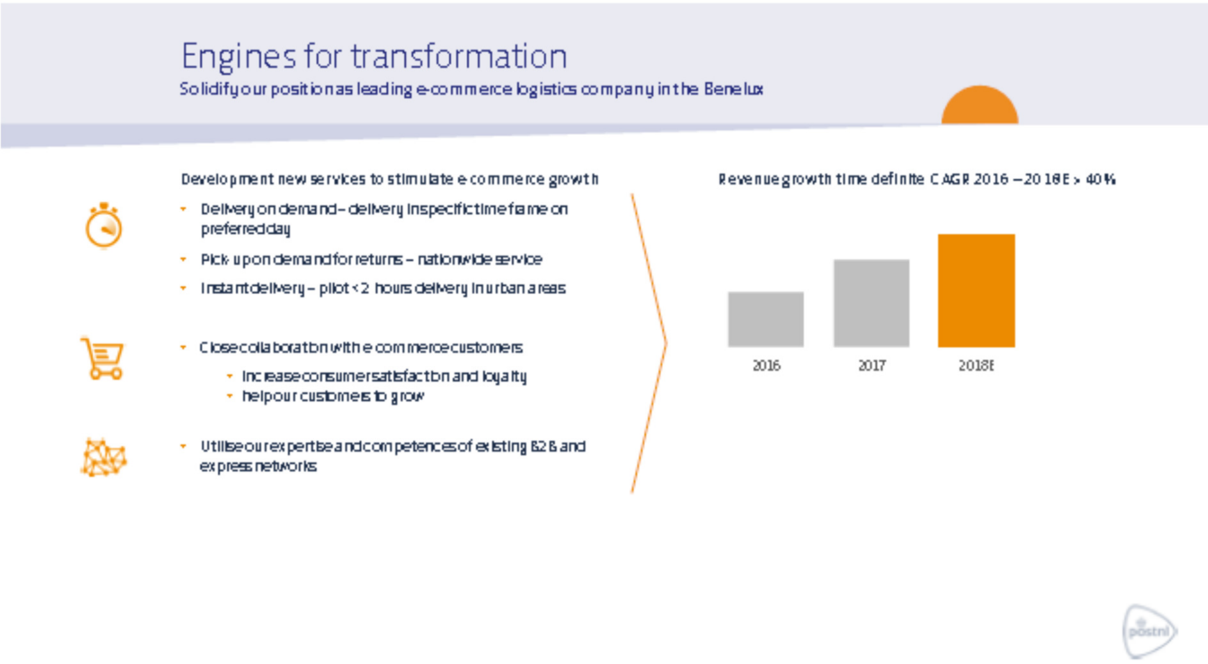
We also see impact from the planned investments in growth. To remind you, in February we indicated that for the full year 2018, we expect a step-up in the cost level of Parcels. Part of that is visible in the Q1 numbers. In the next quarters, this will also play a role. As a result, underlying cash operating income in Parcels was EUR 23 million, which is EUR 5 million below last year's result.

By now, the construction of three new sorting centres is in full progress. It is expected that the centres will become operational towards the end of 2018, in due time for peak season and by then will contribute to improving efficiency.

Each quarter, we highlight one or more engines for our transformation which proves that we are truly transforming into a company that provides postal and logistic solutions in the Benelux.

Today, I want to focus on our time definite delivery services. With these services, the objective is to meet the wishes of consumers, so the people that receive the parcels.

Research and surveys recognised the trend that consumers want to control the time of delivery or pick-up. Developing services that meet these customers' wishes will definitely support e-commerce growth and will further solidify our position as a leading e-commerce company in the Benelux. The easier is becomes for consumers to have their demands fulfilled online, the more they will make use of the options the e-commerce market offers. Consumers using these extra options will buy more and more frequently online.



What kind of new services are we offering and developing? We have delivery on demand, which means that we offer the possibility for consumers to choose the day and time on which they want to have their goods delivered at their home or at any other place requested by them. We introduced this services with a well-known retail store in the Netherlands.

We also offer pick-up parcels on demand, a nationwide return service that we developed together with another large customer. Surveys indicate that a smooth return process is very important for consumers in choosing their preferred web shops.

We are piloting instant delivery in urban areas. If successful, this will result in further growth of the share of e-commerce.

We developed these services in close cooperation with our customers. By smartly using our current network we are able to introduce these services rapidly. Web shops that are actively offering time-definite services show better results on satisfaction and loyalty and thus have better growth rates than the market.

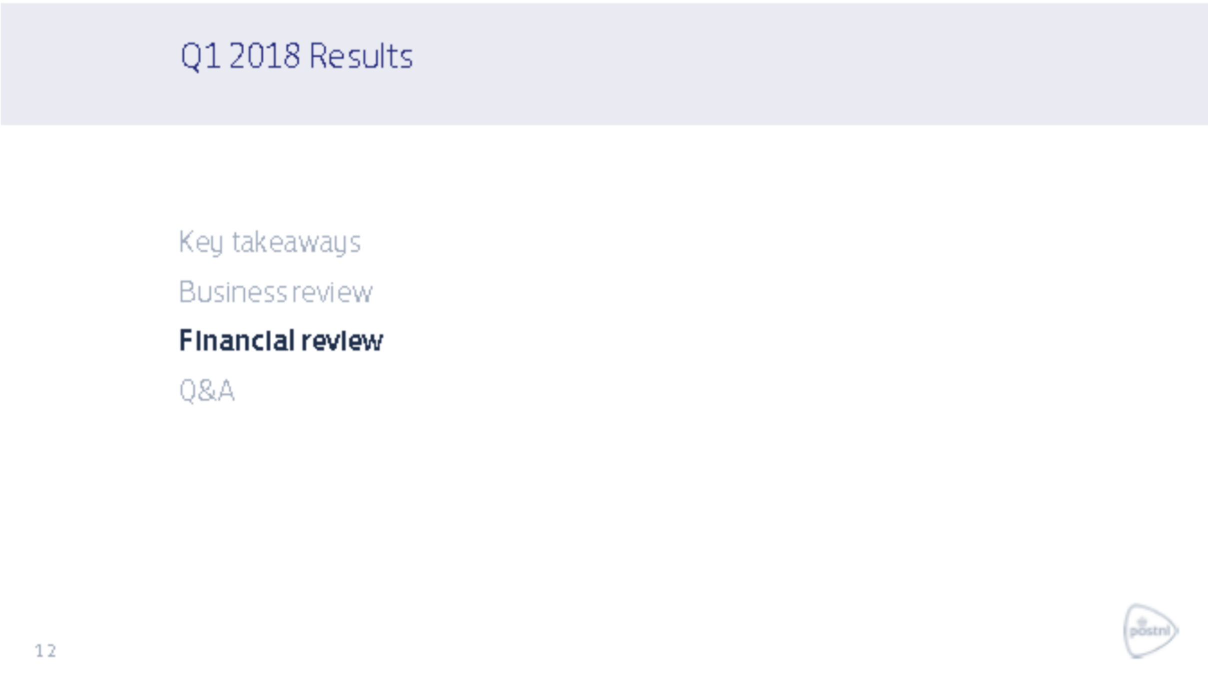
The graph on the right-hand side of the slide shows that revenue from time-definite services is expected to increase rapidly.

If we then look at International we see that revenue decreased to EUR 270 million, adjusted for FX effects, revenue decreased by 3%. Fierce competition continued to impact performance.

Let me dive into the business performance. First, revenue for Spring, adjusted for FX, was slightly above last year. Growth from global e-commerce customers continued. Mail volumes in Spring continued decline, as expected. Given the competitive landscape it was decided to postpone the implementation of rate increases to March. At the same time, the margin was negatively impacted by cost increases from other national postal operators as of the start of the year.

In Germany, revenue was down by 8% to EUR 142 million. Revenue and productivity in our final mile activities improved but this was more than offset by developments in our consolidation activities, driven by volume decline and price pressure. We secured a large contract that will be implemented and that we are implementing step by step as of the first quarter.

In Italy, revenue was stable. We see strong growth in our parcel activities. In the mail activities we saw overall volume decline and price competition remains to be fierce. At the same time, we were able to expand our customer portfolio. In the first quarter, underlying cash operating income in International was minus EUR 4 million compared to EUR 5 million positive last year, which is unsatisfactory.



Let's now have a closer look at the financials.

Financial highlights Q1 2018

Underlying cash operating income below last year

(In € millions)	Q1 2017	Q1 2018
Reported revenue	870	875
Reported operating income	66	30
Restructuring related charges		5
Project costs and other	2	3
Underlying operating income	68	38
Underlying cash operating income	50	29
Net cash used in operating and investing activities	(20)	(18)

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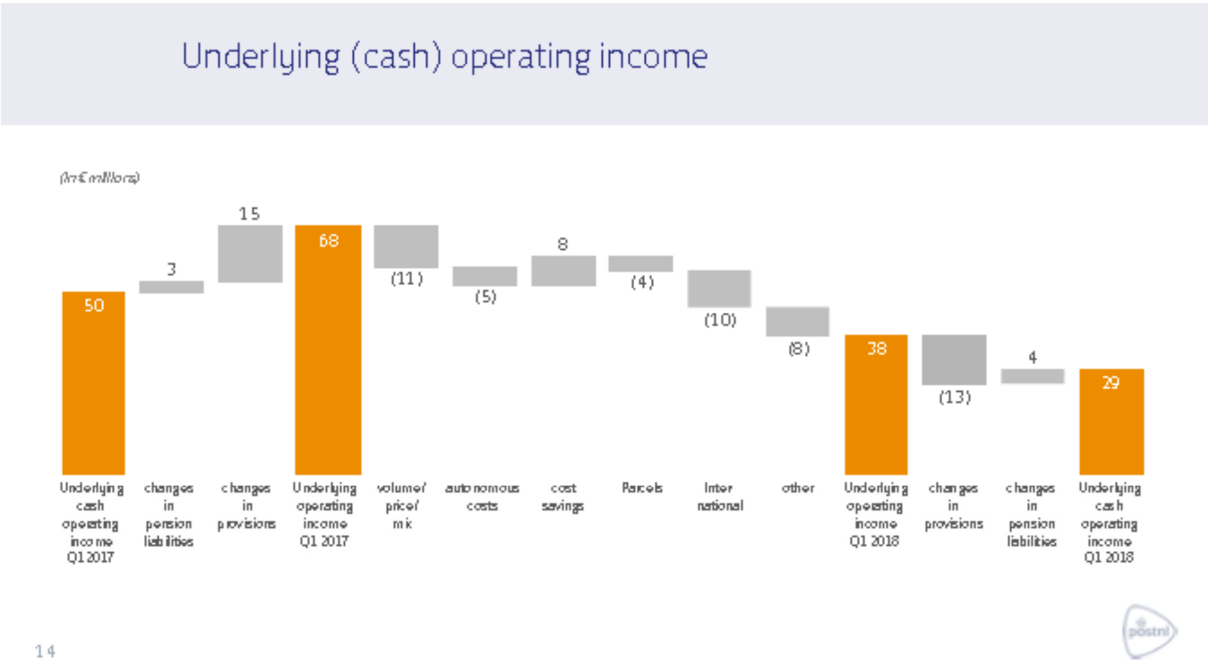
First, the financial highlights showing our main KPIs. Revenue was a bit higher, explained by strong growth in Parcels. That more than compensated for the revenue decline in Mail in the Netherlands and International.

Our main performance in the underlying cash operating income was EUR 29 million in Q1 2018, EUR 21 million below last year, as I just explained when discussing the developments per segment.

Net cash used in operating and investment activities slightly improved, explained by lower tax payments and a favourable development in working capital.



This slide explains the development of the underlying operating income and the underlying cash operating income in Q1. First, we look at the underlying operating income, the second and third orange bar. We see a decrease of EUR 30 million. Volume/price/mix effect was negative, impacted by the volume decline of 10.3%, price effects and of course the impact of the ACM measures.

This effect, combined with autonomous cost increases, was only partly compensated by cost savings of EUR 8 million. As explained, also Parcels and International were below last year.

The line ‘Other’ is a mix of some positive but more negative results, for example less bilaterals and higher pension expenses. The change in pensions and provisions showed an improvement of EUR 9 million. In total, the decrease in underlying cash operating income was EUR 21 million.

Results by segment

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018
Mail in the Netherlands	450	424	41	29	28	17
Parcels	249	306	28	24	28	23
International	285	270	6	(4)	5	(4)
PostNL Other	18	19	(7)	(11)	(11)	(7)
Intercompany	(132)	(144)				
Total PostNL	870	875	68	38	50	29

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Let's now have a more detailed look at the results per segment. Revenue Mail in the Netherlands in the quarter was down by 6%. Underlying cash operating income decreased from EUR 28 million to EUR 17 million. A negative volume/price/mix effect, including the impact of ACM measures, and autonomous cost increases were only partly compensated by cost savings.

Parcels revenue increased by 23% and the underlying cash operating income in the first quarter was EUR 23 million, impacted by additional capacity costs, planned investments in growth, and higher cash-out for pensions and provisions.

International revenue decreased by 5% to EUR 270 million, mainly driven by Germany and a negative FX effect.

Underlying cash operating income was minus EUR 4 million. The underlying cash operating income in PostNL Other improved by EUR 4 million, mainly explained by cost savings.

Statement of income

Profit for the period Q1 2018 €14 m

(in € millions)	Q1 2017	Q1 2018
Revenue	870	875
Operating income	66	30
Net financial expenses	(10)	(8)
Income taxes	(15)	(8)
Profit for the period	41	14

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This slide shows the development of our net profit. Profit for the period was EUR 27 million lower than last year. The declining operating income was partly offset by less income taxes and lower financial expenses.

Net cash from operating and investing activities

Slight improvement in net cash movement

(in € millions)	Q1 2017	Q1 2018	
Cash generated from operations	59	46	
Interest paid	(1)	(2)	
Income taxes paid	(60)	(47)	
Net cash (used in)/from operating activities	(2)	(3)	
Interest / dividends received / acquisitions / other	1	1	
Capex	(23)	(20)	
Proceeds from sale of assets	4	4	
Net cash used in operating and investing activities	(20)	(18)	
Base capex		9	
Cost savings initiatives		1	
New sorting and delivery centres		10	
Total capex		20	at most 120 (FY outlook)

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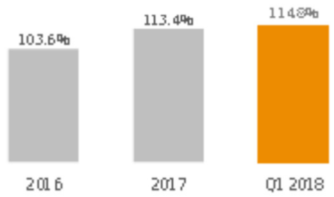
Our net cash from operating and investment activities was minus EUR 18 million, which is EUR 2 million better than last year. Cash generated from operations included a favourable development in working capital. Capex was a bit lower than last year; half of the Capex in Q1 2018 was related to investments in new sorting centres in Parcels. All in all resulting in net cash of minus EUR 18 million.

Coverage ratio pension fund further improved to 114.8%

Higher pension expense balanced in Other Comprehensive Income

(in € millions)	Q1 2018
Return on plan assets in excess of interest income	139
Defined benefit obligation	(119)
Minimum funding requirement	(8)
Total pension	12
Net effect on equity within OCI	9



- Increase in pension expense (visible in underlying operating income) mainly explained by higher rate of expected benefit increases, reflecting development of coverage ratio pension fund
- Compensated by actuarial gain recorded in other comprehensive income (OCI) as net pension liability related to pension fund is limited at outstanding unconditional funding obligation
- Will be also visible in next quarters

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Then to pensions. given the interest rate development and the asset performance of the pension fund, the actual coverage ratio end of March was around 115%, which brings the 12-months average ratio to 114.8%, which is well above the minimum required level. As just explained, pension expense was EUR 5 million higher than last year, impacting our underlying operating income. The increase in expense is mainly explained by a higher rate of expected benefit increases, reflecting the development of the coverage ratio of the fund. Within equity, the higher expense is more than compensated by an actuarial gain, recorded in Other comprehensive income. This effect will also be visible in the next coming quarters.

Consolidated statement of financial position

Consolidated equity further improved

(in € millions)	31 Mar 2018		31 Mar 2018
Intangible fixed assets	257	*Consolidated equity*	*58*
Property, plant and equipment	517	*Non-controlling interests*	*3*
Financial fixed assets	46	Total equity	61
Other current assets	625	Pension liabilities	353
Cash	627	Long-term debt	403
Assets classified as held for sale	9	Other non-current liabilities	67
		Short-term debt	226
		Other current liabilities	971
Total assets	2,081	Total equity & liabilities	2,081

- Net cash position of €5 m
- Corporate equity of €2,727 m, of which €359 m distributable

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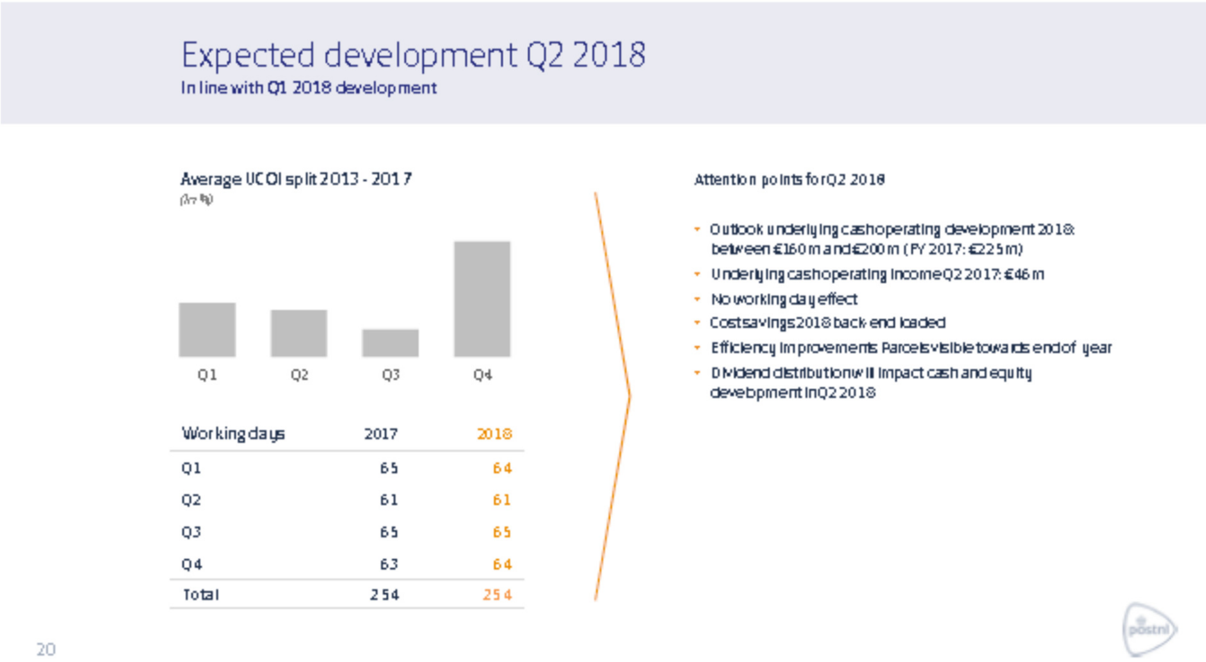
When translating this quarter's performance into our balance sheet, we see the following. Our consolidated equity improved to EUR 58 million and our net cash position now is EUR 5 million, which is EUR 23 million less than at the end of 2017. All in all, a solid financial position and a BBB+ rating that was recently confirmed by S&P, although with a negative outlook.



Let's then conclude with a couple of forward-looking remarks. First, some attention points for the second quarter of 2018.

Please take into account the seasonal pattern will be the same as in the years before, with Q2 results most likely to be below Q1. Compared to last year, there is no working-day effect.

I trust I was clear in explaining that cost savings are more back-end loaded in 2018.

Also, in Parcels the expected improvement in efficiency will kick in towards the end of the year when the new depots will start operations.

For the underlying cash operating income the development in Q2 compared to last year should be more or less the same as what we have seen in the first quarter.

For the cash and equity development in Q2, these will show the impact of the distribution of the final dividend in May.

Outlook 2018 reconfirmed

(in € millions)	Revenue		UCOI / margin	
	2017	outlook 2018	2017	outlook 2018
Mail in the Netherlands	1,783	- mid single digit	125 (7.0%)	3%-5%
Parcels	1,110	+ mid teens	120 (10.8%)	9%-11%
International	1,051	+ high single digit	6 (0.6%)	0%-2%
PostNL Other / eliminations	(449)		(26)	
Total	3,495	+ mid single digit	225	160 - 200

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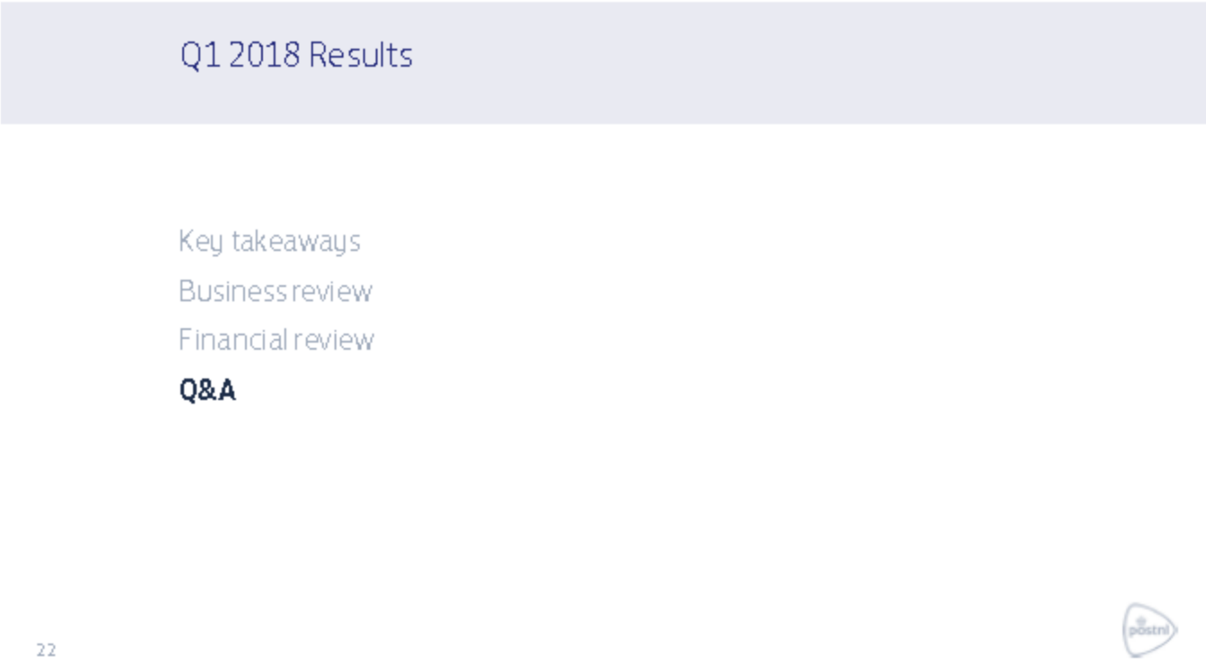
Looking at our full-year outlook, I confirm the guidance given in February. Our performance in the first quarter was below last year, as expected. Our financial position is solid. Consolidated equity further improved to EUR 58 million.

As you know, Q1 is never our strongest quarter. If I combine that with our expectations we see improvement in the run rate in cost savings in the second half of the year: with the three new sorting and delivery centres in Parcels becoming operational towards the end of the year, rate increases in Spring starting to kick in as of March, securing a large contract in Germany and continued growth of our parcel activities in Italy, we confirm our outlook for 2018. We expect underlying cash operating income to be between EUR 160 million and EUR 200 million for the full year 2018.

Other guidance also remains unchanged and, of course, regulation continues to require a lot of management attention. We repeat our message that political intervention is required to safeguard a sustainable Dutch postal market. Our opinion is that consolidation of postal market players in inevitable. The next steps in regulation will be important.

Karen Berg – Investor Relations PostNL: Thank you, Pim. It is now time for questions.



- **Ruben Devos – KBC Securities**

Good morning. My first question is on Parcels. I was surprised by the increase in costs in Q1. The press release mentions additional capacity costs and the expected impact from planned investments and higher cash-outs. Would it be possible to give some additional colour on these elements, please? I was wondering as well how we should look at interim personnel and work contracted out going forward to accommodate strong growth in Parcels volume. To what degree could that be absorbed by existing personnel?

My second question is on working capital. The working capital evolution was significantly better than last year in Q1. I think a delta of about EUR 16 million. At the full year results it was said that PostNL would expect additional investments in working capital, being around 2% of the group revenues, if I am not mistaken. Did that change at all since late February and if not, could you give any indication of the intra-year phasing of these investments?

Herna Verhagen – CEO PostNL: Let me start with your first question, the increasing costs, the capacity costs, the higher cash out and additional colour to this. When we look at Parcels, we expect an improvement towards the end of the year, which is mainly due to expected higher efficiency, partly because we are opening three new sorting and delivery centres, which will help us of course to make our operational system more efficient. Secondly, we are implementing some for example IT tools as well, which will help us in our hit rate. Helping us in our hit rate also has a positive impact on operational efficiency.

Do we have more interim personnel or work contracted out in Parcels? Part of the growth can of course be absorbed by our current people but partly because of the growth of 25% also means that we have to make new routes, it requires new people. But first, of course, we always try to put the extra volume into the contracts we already have.

Your last question was on working capital.

Pim Berendsen – CFO PostNL: The working capital was better than expected in Q1. The full year view has not changed materially, so it is predominantly phasing. On how it is going to be phased over the next quarters I cannot give you much more guidance than this.

Ruben Devos – KBC Securities: Just one additional question if I may. On the labour conditions in the Dutch mail market it appears that one of your competitors is now compliant with the 80-20-rule. I was wondering whether anything had changed in terms of competitive pressure in Q1, for instance have they taken the foot of the gas during Q1 on the mail market you have you really not seen any impact from their compliance with the labour rule?

Herna Verhagen – CEO PostNL: We did not see any impact of the compliance with the labour law. Did competition change in the mail market? Not really. What we see that there is more pressure from postal operators and they are delivering more mail volume via their own networks. That has of course an impact on our volume decline, but that is not a change compared to the last quarter of last year, but it is a continuation, as expected.

Ruben Devos – KBC Securities: Thank you.

- **Marc Zwartsenburg – ING Bank**

Good morning, I have quite a few questions. Can I take them one by one, please?

You mentioned the impact in Parcels from some one-offs, from phasing, double running costs and the provisions and the pension cash-out. Can you give me details on the impact on those separate items on the cash EBIT, please?

Pim Berendsen – CFO PostNL: I am afraid I cannot give you much more guidance than the explanation I have given on these points during the presentation, Marc.

Marc Zwartsenburg – ING Bank: You cannot give me a number, say for the double running costs you have from the three Parcels centres?

Pim Berendsen – CFO PostNL: No, I cannot give you a number but let's say it is 50-50 impact if you look at the delta.

Marc Zwartsenburg – ING Bank: 50-50 from what delta?

Pim Berendsen – CFO PostNL: In the delta of performance.

Marc Zwartsenburg – ING Bank: Compared to last year, you mean?

Pim Berendsen – CFO PostNL: Compared to last year. You could compare the decline in results and 50-50 is phasing and real development of costs in relation to the volume growth.

Marc Zwartsenburg – ING Bank: So basically, you are saying that the additional 23% revenue growth would not have led to any additional operational leverage, correct?

Pim Berendsen – CFO PostNL: If you look at the volume of the revenue growth, obviously that revenue growth is comprised by several elements. There is also a logistical solutions growth in there. There are acquisition effects for the acquisitions that we have made last year. That contributed lower margins than our domestic parcels business does, so those are elements to take into account as well. Clearly, as said, growth was slightly higher than anticipated, which results in higher costs in making sure we deliver those volumes properly within also the quality standards that we adhere to.

Marc Zwartsenburg – ING Bank: Fair enough, but if the volume growth continues, then basically you are now saying that we probably will not see any operational leverage from the additional growth because of the costs that are related to make sure the service levels are up to standard.

Pim Berendsen – CFO PostNL: No, I think that certainly towards the end of the year, when the three parcel delivery and sorting centres will be live, we will see the improvement in efficiency there. Next to those big sorting centres there are several initiatives improving hit rates, improving planning and alike that will improve for the next quarters.

Marc Zwartsenburg – ING Bank: Then on the cost savings. You mentioned in the presentation there were some delays in the coding machines. Does that imply that also in terms of the cost savings target for the full year – the EUR 50 million -EUR 70 million – that we are more looking towards the lower end of that range?

Pim Berendsen – CFO PostNL: We still anticipate the EUR 50 million -EUR 70 million to be the number. If you look at the first quarter, the delay has indeed been caused by the coding process yet at the same time, also higher operational costs in the Mail division and also partly due to work force issues and influenza having an impact there, too, so over the next quarters we will anticipate further migration and centralisation of locations and also towards the end of the year or the second half of the year implementation of the new coding process. So we still anticipate being able to save EUR 50 million to EUR 70 million in 2018.

Marc Zwartsenburg – ING Bank: Yes, because on the work force, one of my questions was about sickness. I did not see it in the press release but your competitor, for instance in Belgium, mentioned it had quite an impact. Can you give us an indication of what the impact was with your company?

Pim Berendsen – CFO PostNL: No, I cannot give you an indication, but it is an argument on the slightly lower level of cost savings in this quarter.

Marc Zwartsenburg – ING Bank: Then maybe one for Herna. Do you have any indication of the timing of the outcome on the tariffs decision from the ACM?

Herna Verhagen – CEO PostNL: To be honest, no. We expect it before summer but first there will be a concept final tariff decision. That concept can be reviewed by all market parties and that will lead to a final tariff decision. But it is still expected in summer.

Marc Zwartsenburg – ING Bank: Then on the dividend. The coverage of the dividend from the free cash flow, how should I see this development, also of your cash position, net debt if you will. Could you give a bit more indication how you are planning to pay for the dividend this year?

Pim Berendsen – CFO PostNL: The future business performance is expected to generate sufficient profit and cash flow to finance the progressive dividend policy that we have.

Marc Zwartsenburg – ING Bank: And this year, will you still leverage up then?

Herna Verhagen – CEO PostNL: To make sure that we can pay a progressive dividend we have to increase our pay-out. That is what we will do. As already said, the expectation is that we can keep a positive consolidated equity at the end of the year. That is our expectation for this year.

Marc Zwartsenburg – ING Bank: Then a final question. On the postal dialogue, what is a time line of the sessions that are planned and how certain are you, Herna, that we can get some realisation of the current rulings or consolidation?

Herna Verhagen – CEO PostNL: The time line is that the report is expected to be finalised by the end of June and then of course it is an advice to the ministry or the State Secretary of Economic Affairs. She will come up with her conclusions. Those will be sent to parliament and the timing of that is unknown, but that is what I expect to be in the summer or after the summer. Then the political process takes place for the discussions. I think the postal dialogue is currently running. Discussions take place and in my view that postal dialogue is best served by keeping the content of those discussions in the postal dialogue.

Marc Zwartsenburg – ING Bank: It will probably last all year.

Herna Verhagen – CEO PostNL: Not the postal dialogue. That will be finished by the end of June. Then the process will start with the ministry of Economic Affairs.

Marc Zwartsenburg – ING Bank: And on the chances that we will see any changes or adjustments?

Herna Verhagen – CEO PostNL: As I said, in my view it is best served to have that discussion in the postal dialogue and to not speculate about it externally.

Marc Zwartsenburg – ING Bank: Thank you very much.

- **Henk Slotboom – The Idea**

Good morning. I have a couple of questions, which I would like to take one by one. First of all with regards to the growing pains in Parcels. Could you give me some more comfort as to what is what exactly? I have been asking about granularity and those kinds of things and on the one hand it is elevated Opex because of the extra hours you had to put in and the extra hands you had to make available and on the other hand it is partly the one-off preparation costs but there is also a pressure on gross margin, which has been lingering on for the past ten years or so. Could you, just to give a global figure, indicate what is what? To what extent could the NLIs could provide comfort? How much capacity is being added by the three depots you plan to open this year? If the first quarter is already a problem with what is subdued volumes in e-commerce, then how should I look at the fourth quarter, which is the peak season in Parcels? Are you comfortable enough that the three NLIs will solve the problems here?

Let me continue with my other question straight away, then we have had it. My second question is on the delivery quality in mail. I noticed it has fallen to 95%, which is the bottom level you need to comply with according to the USO. Is this merely a coding problem or is there more? Are we seeing the borders, the frontiers of the cost savings putting on some restraints here? You expect a more elevated level of cost savings in the next couple of years.

My final question is on the acquisition of CheapCargo and Shops United and is basically twofold. Both are parcel consolidators, and both target the small and medium-sized enterprises where, as we all know, prices are a little bit higher than for senders of bulk mail. To what extent has that contributed to the margin pressure? Is this not part of the reason why the volume went up so much? How much of the volume increase in Parcels is caused by CheapCargo and the Shops United acquisitions?

Pim Berendsen – CFO PostNL: Let's try to take your questions one at the time. Looking at the Q1 performance of Parcels, as I said also answering Marc's question, half of the delta compared to last year was related to the phasing of the pension cash-out and the other half was related to real business drivers and those are related to the extra operational costs, to handle the volume and to prepare for further growth. Those are the elements that come into play there.

Growth comes obviously in a mix. Roughly speaking, EUR 20 million of that EUR 57 million is related to logistical services and acquisition effects. Those contribute a lower profitability margin than our core Parcel delivery business does. That is one.

If you look at the remaining quarters of the year and why we believe operational efficiencies increase is not only because of the three NLIs that will come live before the peak season of Sinterklaas and Kerst, but also related to other improvement measures that we are currently undertaking, so improvement of hit rates, improvement of the planning of our delivery routes and a number of other elements will contribute to that efficiency improvement that we seek. We still anticipate the margins that we set to be realised for the full year 2018.

Herna Verhagen – CEO PostNL: Your second question was on the delivery quality. Is the 95% because of coding? The answer is no. Neither is it because we reached the borders of cost savings. When it comes to delivery quality it is mainly what we already said. Around New Year we had vacancies in certain areas in the Netherlands. Those vacancies are filled and that also means that over the last few months we again saw an increase in quality, which is good.

You asked a question on the acquisition of CheapCargo and Shops United: are they contributing to margin pressure? The answer is no. Margin pressure or the decrease in the average price per parcel is caused by the fact that the big senders in the Netherlands, so the big e-commerce companies, are growing much faster than the smaller ones. That is the main reason for volume growth. That is also the main reason for the decrease in average price per parcel we already saw over the last 12 to 14 quarters. That has nothing to do with CheapCargo and Shops United.

Henk Slotboom – The Idea: Can I add one more question about the NLIs? How much capacity does that add in terms of millions of items or is that a wrong way of expressing it?

Herna Verhagen – CEO PostNL: It is partly a wrong way of expressing it. I think it helps us in reaching a higher operational efficiency because then more volume can be done automatically or more automated. That is one. Secondly, the way we increase our volume within Parcels is another part because we can better use and use in a more optimal way the current centres we have. Moreover, we add new sorting centres to that, which is an expansion of our capacity. We think that with the adding of three new sorting and delivery centres by the end of 2018, there will be enough volume capacity for the busiest season of the year. But as we also said in February, we need another eight; two in Belgium and therefore another six in the Netherlands, three of those in 2019 and three in 2020. So, we expect volume growth to continue.

Henk Slotboom – The Idea: Thank you.

- **André Mulder – Kepler Cheuvreux**

Good morning. I have a few questions. Can you mention who is losing money in International?

My second question is on Italy. How fast has parcel growth been? Can you mention any split of those sales between mail and parcels?

You are calling the results unsatisfactory; should we expect any short-term measures? Are you still satisfied with the strategic rationale of holding these things longer term?

On the same level, can you make a split between the volume decline and the pricing pressure for each of the three constituents?

Pim Berendsen – CFO PostNL: First and foremost, indeed, we believe the performance of International was unsatisfactory. The total was a negative result compared to a EUR 5 million positive result in 2017. I am afraid I cannot and will not give you a split of each separate element on that level, but I will give you a bit more explanation on the relevant parts.

If you look at Germany, we saw our revenue improving in our last mile but that was more than offset by our consolidation activities, where competition remains fierce. So, we are losing volume and margin there, particularly also compared to the first quarter of 2017.

In Italy, our parcels business is growing very nicely, probably with higher growth numbers than the growth numbers we see in our Parcels business in the Netherlands. So, that is going well. On the mail side in Italy there is a combination of substitution and price pressure in some segments, particularly from Poste Italiane. The combination of those two leads to the result that we have just showed.

Spring is all about capturing opportunities from global e-commerce growth. We see that transformation towards the global e-commerce player happening. Competition is fierce, particularly also in Asia and the result of this quarter is significantly impacted by our own decision to have cost increases from other national operators as of 1st January, compensated by a rate card increase in the first months, a price increase from our side in the first months of the quarter. We have waited to implement that till 1 March to secure the volumes. That has had a significant impact in the first two months of this quarter. The rest of the year will certainly look different.

André Mulder – Kepler Cheuvreux: Then I have some further questions. You talked about an actuarial gain that was included in the results. Can you mention the size of that?

On the lease accounting effect: I am sure you have looked into that, so can you give us any clue as to what you see in the impact on EBIT and profit?

Pim Berendsen – CFO PostNL: On the pensions: as part of the underlying operating income I have indicated EUR 5 million increase. In the other comprehensive income you actually see the actuarial gain of EUR 9 million, which is also on slide 18 of the presentation.

Herna Verhagen – CEO PostNL: Can you please repeat your question on lease accounting?

André Mulder – Kepler Cheuvreux: Lease accounting will change next year and with the operating lease expenses taken out of EBITDA and also the operating lease commitments included in net debt, can you give us any clue as to what the effects will be?

Karen Berg – Investor Relations PostNL: Not at this moment, André.

Pim Berendsen – CFO PostNL: No, I cannot give you any guidance right now on that. We will do that in due time.

André Mulder – Kepler Cheuvreux: Then a last question on Parcels: you maintain the outlook for the full year with a cash EBIT of EUR 160 million to EUR 200 million. Would that also hold true for all the constituents? Do you still feel that you can reach the lower limit of the 9% for the Parcels margin? On the other hand, you have seen turnover growing mid-teens and we are now at plus 23%, although it is just the first quarter. Do you see any possibilities to move that up?

Pim Berendsen – CFO PostNL: It is the first quarter, so we reiterate that we confirm the outlook given. That relates to all constituents.

André Mulder – Kepler Cheuvreux: Thanks.

Karen Berg – Investor Relations PostNL: If there are no more questions, I would like to thank you all for joining this call. You are probably now all heading to Deutsche Post, so enjoy things there! We will talk to you next quarter.

Thank you and good bye!

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End of call

Q1 2018 Results

Appendix

- Breakdown pension cash contribution and expenses

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Breakdown pension cash contribution and expenses

Regular pension expenses and cash

(In € millions)	Q1 2017 Expenses	Q1 2017 Cash	Q1 2018 Expenses	Q1 2018 Cash
Business segments	25	30	25	28
IFRS difference	2		7	
PostNL	27	30	32	28

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