# One strong nationwide postal network for the Netherlands


25 February 2019

1

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**Herna Verhagen – CEO PostNL**: Good afternoon. Let me start the presentation. We will first address the announcement we did today on the acquisition of Sandd, which is a proposed acquisition. Secondly, we will do the Q4 numbers, like we regularly do.

I will start with why we announced today that we would like to acquire the shares of Sandd VSP. That is for a few reasons. We think that when it comes to the sustainability of the postal market in the Netherlands, it is important to create one strong nationwide postal network. It is a strong foundation for a sustainable and solid postal sector, which has a positive effect in our view on PostNL as well. It inevitably makes sure that we remain to be an accessible and affordable mail company today and in the future. It gives us the opportunity to create much more job security for the people working for us but also working in the postal market than we can today. It is sustainable and value creative for our shareholders and we will come to that in a few slides from here. It is still subject to regulatory approval, which means that we have submitted our request to the relevant authorities today. So, in our view taking into account the volume decline we have seen in the market and which we think will continue going forward, we think if you want to maintain having a reliable and affordable network in the Netherlands together with job security for the people working in the postal market consolidation is the way forward.

# The postal sector in the Netherlands

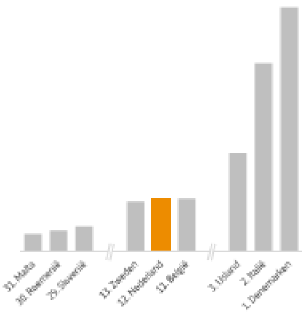
High quality, moderate rates, many jobs

**Service Quality**

| Rank | Country |
|---|---|
| 1 | Switzerland |
| 2 | Netherlands |
| 3 | Japan |
| 4 | Germany |
| 5 | France |
| 6 | Poland |
| 7 | Singapore |
| 8 | USA |
| 9 | UK |
| 10 | Austria |

Source: Global UPU ranking 2018

**USO Stamp Price D+1 (2017)**




Source: Letter price survey – March 2017

**Employment**

65,000
people

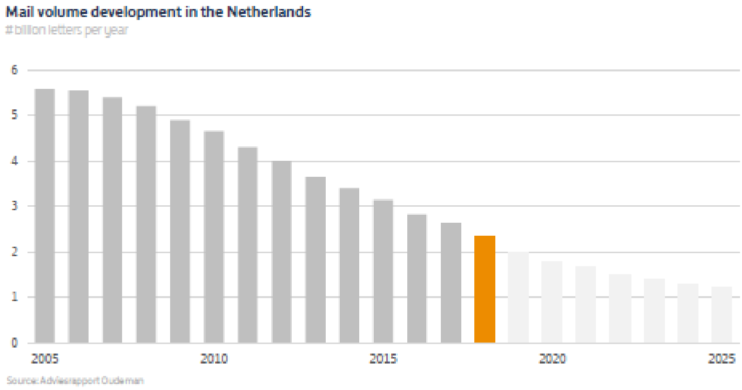
Total employed in the postal sector in the Netherlands (PostNL, Sandd, postal operators and sheltered employment)

4

If you think about the postal sector in the Netherlands there are lots of international comparisons of the Netherlands to the other European or worldwide countries. If you look into service quality you see that the Dutch postal operators are scoring or ranking a number two position in a worldwide survey done on service quality. This means that postal services in the Netherlands are of high quality if you compare that to many other countries.

When it comes to stamp prices we are more or less in the middle of what we see in Europe. Half the number of countries in Europe are above the minimum the price level of a stamp we have in the Netherlands and the other half in Europe is below. It is a very people-intensive sector which is not unknown to you but we have 65,000 people working in the mail market today. The postal sector in the Netherlands is high quality with moderate rates and many jobs.

## Postal volumes continue to decline strongly

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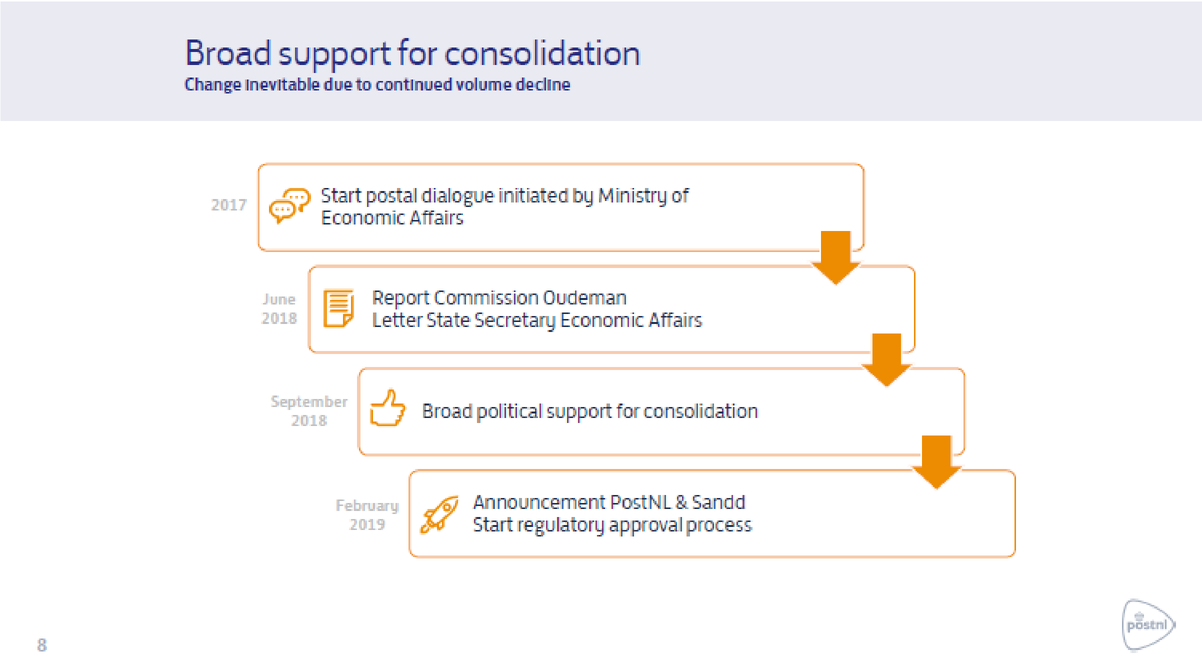
What we have seen for years – and this is what we discuss almost every quarter with you – is that volume decline continues. Looking to the highest point which we have seen around 2005 volume decline is more than 60% till today; where we have started with a volume of almost 6 billion pieces, today the total market is around 2.5 billion pieces. Volume decline will continue going forward, which is one of the main reasons why we think if you want to maintain that affordable and reliable network and create more job security that consolidation is the way forward.

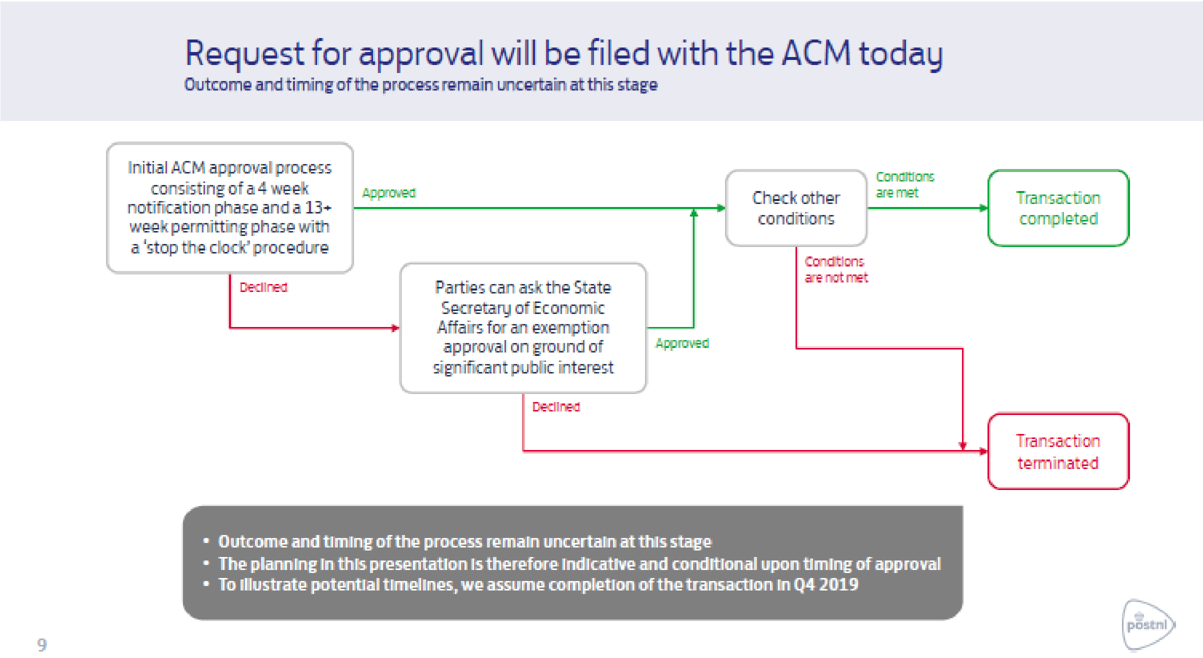

Looking into what we what we have seen over the last few years is that although digitisation is the main influence for volume decline physical mail is still very relevant and appreciated. That means consumers and companies think that physical mail is relevant still relevant for them. There is a desire in society to maintain a 24 hour-service five days a week. That is what we have seen with consumers but also companies and that is also set by the political discussions, which have taken place in 2018 in Parliament, where politicians also confirmed that they would like to maintain a five-days-a-week service delivery in the Netherlands against a high quality. If you want to guarantee that availability and continuity consolidation is the only way forward in our view. That is not news because that is what we have told everyone already for two years. But fortunately, today we made the announcement which is a big step towards the future.


In our view, consolidation will serve all stakeholders. Our customers, because we can offer them a very solid base for quality and continuity. We make sure that there is availability of mail services in the whole of the Netherlands. Also in the non-dense areas and it has a positive influence on the affordability going forward. For our employees, but also the employees working with Sandd VSP we can offer much more job security for our postal deliverers when we are a combined company. Because of the fact that we have more volume we can reduce the amount of work in a more social manner and there is more job perspective. So, also for employees we think that consolidation offers a lot of positives.

For shareholders we forecast a solid synergy potential and we will give you more details in a minute. We create sustainable value going forward and it is earnings accretive. So also for shareholders we think that consolidation offers a positive way forward.




For consolidation it is important to have broad support. Consolidation of the two biggest companies in a market is not the most used way of bringing two companies together. What was very helpful in our view is the fact that the ministry of Economic Affairs started the postal dialogue by the end of 2017 in which they started the question how we can maintain a high quality five-days-a-week postal delivery in the Netherlands in the dense but also rural areas going forward. That has led to a report of Ms Oudeman by June 2018. In this report it was very clear that if we want to have a sustainable postal network going forward, consolidation was the only option, bringing the two biggest networks together to maintain the affordability but also the service level and much more job certainty for the people working in that market. That is also written in the letter of the State Secretary sent to Parliament on which there was a discussion in parliament in September 2018. Fortunately there was broad political support for consolidation and that led to the announcement today, in which we said PostNL and Sandd will join forces on the mail delivery market. We start the regulatory approval process as of today.




Today is the announcement of what we are aiming to do, bringing the two companies together. There is still a process ahead of us and that is the approval process. Today we have sent the approval a request to ACM. ACM in our view will do a Phase 1 and Phase 2 process on this request. That will take at least three to four months, but as you know, ACM can ask questions to us and then stop the clock. For that reason it can take longer than the period just mentioned. If they approve consolidation we still need some other conditions such as a positive advice of the Workers Council, final transaction documents with Sand VSP. All those other conditions to get together with the approval of ACM will lead to a completed transaction.

If the ACM will not approve we have the possibility to ask the State Secretary of Economic Affairs for an approval on the ground of significant public interest. So in current law there is a possibility created that government can take a decision on in this case consolidation because of significant public interest. When she does, the same or another set of conditions needs to be met before we can complete a transaction. If she does not, in that case, so no approval with the ACM and no approval via the ministry of Economic Affairs, the transaction is terminated. As said, the outcome and also timing of this process is totally depending on the period of time the ACM will take to come to a decision. But because of the reason that we want to give you some insight in our financials, we took an illustrative start date which is in Q4 2019. So remember that every number you see going forward is based on the assumption that we get an approval in Q4 2019 but also here with the caveat that it can take longer and then you have to postpone the synergies implementation costs et cetera to the moment of closing.

## Strategic rationale for consolidation is strong

**Sustainable and solid base**
- Continuity for customers
- Better prospects for employees
- Enhanced economies of scale facilitate managing volume declines and keeping mail affordable
- Integrated network can operate at higher occupancy levels

**Strong financial foundation**
- Mail in the Netherlands becomes a more robust and stable business
- Synergies as of first year after completion, offset by one-off costs and delay cost savings plan
- Annual UCOI contribution of €50m - €60m
- Accretive to UCOI as of first year after approval
- Improved mid-term financial basis

**The right thing to do in the public interest**
- Creating a reliable, accessible and affordable postal service for the future
- Managing the volume decline in a socially response manner

10

There is a strong strategic rationale for consolidation. First of all it creates a sustainable and solid base for our customers. It creates better prospects for employees but it also creates enhanced economies of scale, which facilitate that we can manage volume decline and keeping mail affordable. The integrated networks can operate at a higher occupancy level, which has a positive impact on our earnings.

It is also based on a strong financial foundation. Mail in the Netherlands becomes a more robust and stable business. A more stable mail market will lead to a more stable mail company PostNL.

We expect synergies as of the first year after completion, which are in the beginning offset by one-off costs and delay in cost saving plans. I will come back to the numbers we forecast for the one-off cost and how we see the delay in cost saving plans.

The annual underlying cash operating income contribution is EUR 50 million to EUR 60 million euros and it is accretive as of the first year after approval. With this case we see an improved mid-term financial basis.

It also has a very strong public interest and that is that we can create a reliable, accessible and affordable postal service for the future and that we will be able to manage volume decline in a social manner.

## PostNL and Sandd

- 38,000 employees
- Including 18,000 postal deliverers
- Mail volume 2018: 1.781 billion
- Revenues Mail in the Netherlands 2018: € 1,678 million


- 19,000 employees
- Including 16,000 postal deliverers
- Mail volume 2018: 720 million
- Revenues 2018: € 201 million

11

Combining the two companies means combining PostNL which has 38,000 employees but 18,000 postal deliverers together with the 16,000 postal deliverers of Sandd. So it creates a company in which 34,000 postal deliverers will have a job. The total volume – and this is based on 2018 – is around 2.5 billion and the revenue of Mail in the Netherlands 2018, as you can see over here, was EUR 1,678 million and the one of Sandd was EUR 201 million. So combining the two networks of PostNL and Sandd means combining the number one and two in this market.

## Transaction highlights

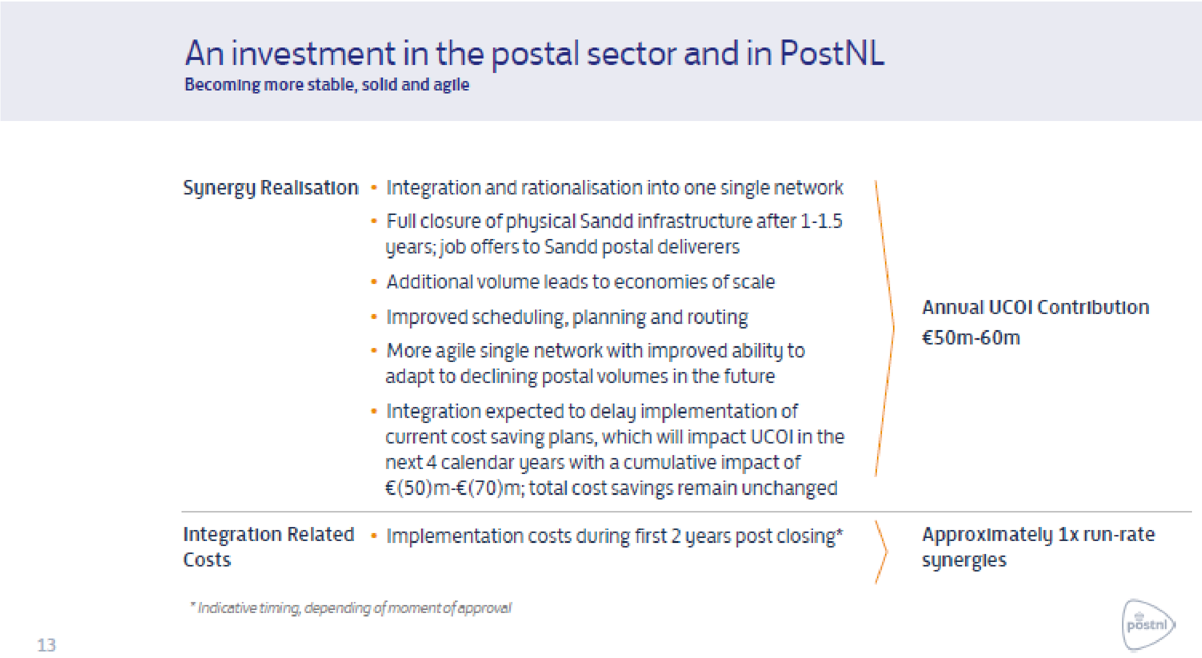
| | |
|---|---|
| Price and funding | • Total transaction value of €130m (Enterprise Value)<br>• Funded through cash on hand and new debt arrangements |
| Financial impact | • Annual UCOI contribution of €50m - €60m, reaching run-rate 3 years post closing<br>• Integration related costs of approximately 1x run rate synergies expected in first two years<br>• Accretive to UCOI in first year after closing |
| Key Conditions | • Closing subject to regulatory approval<br>• Consultation of works councils and unions<br>• Agreement on final transaction documentation |

12

**Pim Berendsen – CFO PostNL**: Now, let's look at the transaction highlights. Price and funding: the transaction value was set at EUR 130 million enterprise value. We will fund that at completion through cash on hand and new debt arrangements that we will organise upwards to the moment of completion. As Herna mentioned the net annual UCOI contribution of scale effects as a consequence of this transaction will be approximately EUR 50 million to EUR 60 million based on the assessments we have currently made and we expect reaching the run rate max of these synergies through the years post-closing.

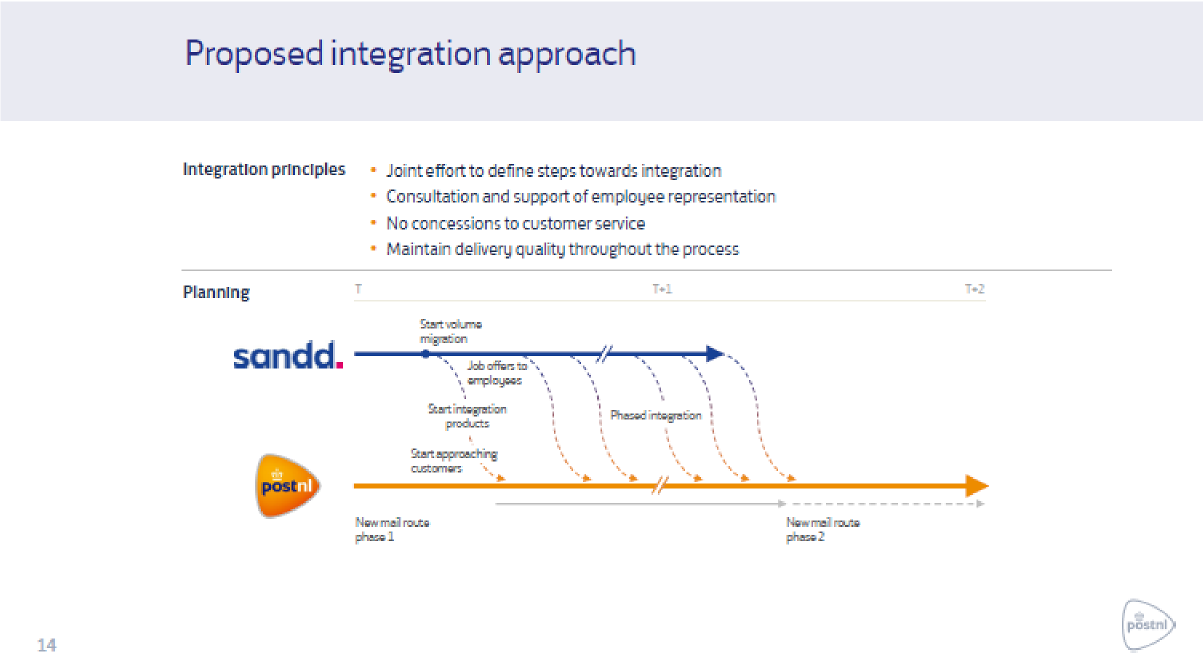
Integration-related costs will approximately relate to 1 times run rate synergies and we expect to incur them in the first two years of the integration. I will tell you a bit more on how that integration is expected to go a bit later on. It will be accretive to UCOI relatively quickly, as in the first year after closing. Key conditions around this transaction obviously relate to the regulatory approvals we just talked about and likewise we need to go through consultation processes with works councils and unions relatively quickly, as in the first year after closing. Key conditions around this transaction obviously relate to the regulatory approvals we just talked about and likewise we need to go through consultation processes with works councils and unions and ultimately we need to agree final transaction documentation with Sandd as well.

This is meant to be and certainly will be an investment in the postal sector and in PostNL and we will get to more stable more solid and more predictable results and cash flow coming out of our Mail business going forward.




If you talk about synergy realisation it is going to be an integration into one network. So this is not a transaction where you value a company on its intrinsic value. Valuation is here based on the fact that will integrate the two different networks into one nationwide network, actually meaning that we will gradually transfer the more than 700 million mail pieces from Sandd to our own network. As a consequence we will create scale effects and cost benefits. We expect that process to take 1 – 1.5 years and we will offer Sandd postal deliverers a job against PostNL terms when we can complete the transaction.

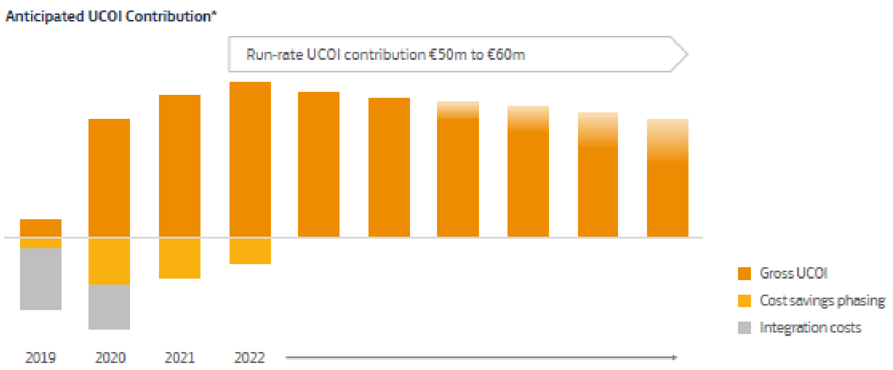
As said, these additional volumes will lead to economies of scale. That will find its way in better utilisation of assets, different transport line hauls, different real estate requirements and with that additional volume we can optimise the mail routes of the joint postal forces. Adding those volumes to one single network will give you more ability to adjust in the years ahead on volume decline that is sure to be continued.




There is a consequence of an integration related to our cost saving plans. What you should understand is that if you add that volume you cannot execute your cost savings plans in the way we have planned for it without a consolidation that will cause some delay in the implementation of those cost savings. We will end up with the same amount of cost savings but the consequence of the delay is that it will cost you approximately EUR 50 million to EUR 70 million in the first or next four calendar years after completion of the transaction. The implementation costs will be incurred in the first two years after closing and, as said, we expect 1 – 1.5 years before we have fully integrated the volumes in PostNL is network.

A few basic principles around the integration approach and please bear in mind that we have made the announcement today but will also certainly use the time between this day and the ultimate completion date to work together with the Sandd people to further detail out our implementation plan. The principles that will apply to that is that it is going to be a joint effort towards that integration. Certainly we will take all the required steps and consultations of all employee representations involved. We are not going to surrender quality of service at all. We want to maintain delivery quality throughout this entire process. if you look at the picture on the slide it will basically say that gradually we will move away volumes out of the Sandd network towards PostNL is network, gradually migrating that whilst at the same time we will introduce the new mail route – phase 1 that we talked about – which will be ready to meet 2019. After we have transferred all those mail volumes from Sandd's network to our network we will accelerate towards the next phase of the new mail route, which will allow us to take costs out going forward and we will be able to apt the organisation with volume decline that, as said before, will continue in the same path that we have seen over last years.

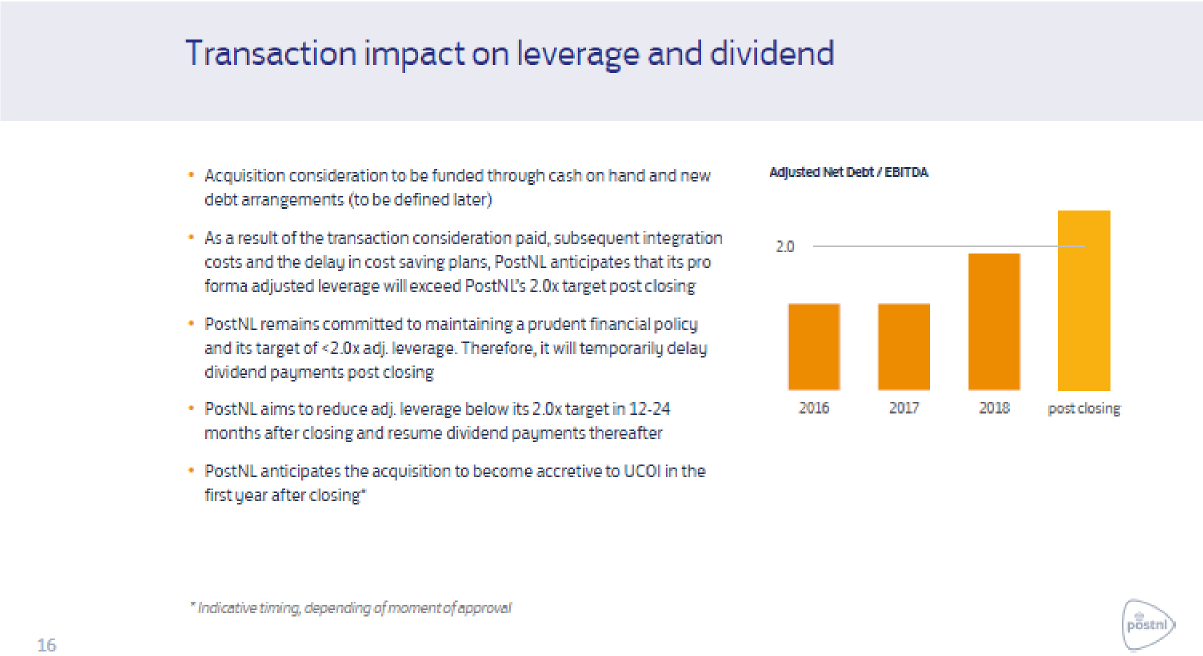
## Synergies anticipated to contribute positively to UCOI as of 2020*, reaching run-rate as of 2022*




* Indicative timing, depending of moment of approval

15

Let me give an explanation on how the synergies will be built up and how they will contribute to UCOI as of 2020, reaching full run rate as of 2022. Again, as Herna pointed out, we have assumed an indicative timing of completion in Q4 of 2019. That will then mean that you will start that integration process in that quarter and that will mean that a part of the integration costs will already be incurred in 2019 with a limited impact on cost savings in 2019 and that impact will grow in 2020. At the same time then, as you gradually move the volumes from one to the other you will also capitalise the synergies. As you see, we expect the full run rate of those synergies to be achieved in 2020. The way it will go afterwards is that it will be following the trend of volume decline so gradually those synergy effects will also decline.




The transaction will have an impact on our leverage ratio and on the dividend. As I said, the acquisition consideration will be funded through cash on hand and new debt arrangements. The choices we make on how to that will be made later. As a result of the transaction and the integration costs and the delay in cost savings, the combined effect of those three elements will lead to a leverage ratio that will exceed temporarily the two-times threshold which is part of our policy. That means that net debt over EBITDA should not exceed 2.0 in order for us to pay a dividend in accordance with the policy.

We will remain committed to maintain a prudent financial policy and therefore will temporarily delay the dividend payments post-closing. We expect to reduce that leverage ratio quite quickly below the two-times target in the 12 to 24 months after closing and as soon as we get there we will resume dividend payments in relation to our policy. As I said the acquisition will be accretive to UCOI in the first year after closing.


So, that basically brings us back to the reason why we started this all off and that is our conviction that to get a mail market that is affordable, accessible and will continue to be so for everybody in the Netherlands throughout the country, the only way to that is through consolidation of these big networks. We believe it is an inevitable step. It will create value for all stakeholders concerned, employees, customers and shareholders alike. Subject to regulatory approval we have submitted the requests to the ACM today.

Then we move on to our Q4 results. Herna?

**Jochem van de Laarschot – Director Communications & Investor Relations**: Maybe we can pause for a moment to see if there are any specific questions on the proposed transaction, either here in the room or on the line. Please wait for the microphone before asking a question and please state your name and company before doing so. Thank you. Mark?

- **Mark Zwartsenburg – ING**

First of all, has there been any contact already with the ACM in the process towards the proposed merger today and is in the cash EBIT contribution you expect already a significant amount of remedies in there that are being asked by the ACM to make a deal more likely?

**Herna Verhagen – CEO PostNL**: The answer on any contact with the ACM is no. We are submitting our request today. We expect in the next coming period lots of discussions, meetings and questions we need to answer. On the cash EBIT contribution, we did not take into account measures or measurements taken by the ACM of whomever.

**Marc Zwartsenburg – ING**: So, there is nothing in there? These are simply cost synergies?

**Herna Verhagen – CEO PostNL**: our normal course of business in which you have search and regulatory developments already.

**Marc Zwartsenburg – ING**: then to the synergies, the EUR 50 million to EUR 60 million cash contribution. If I look at EUR 200 million of revenues for Sandd maybe you can comment a bit on what the profitability of Sandd is and perhaps also what their net debt status is or was at the end of 2018? But also given that there is EUR 200 million and maybe they are slightly profitable that means that there is a huge amount of cost in there, which should lead to a higher cost-saving potential. So taking over for instance all the staff is that included in the EUR 50 million to EUR 60 million cash EBIT contribution that you take all and keep 16,000 mail people, which in the end I think if you will merge them; they cannot walk the street together, I presume. So, there must be in a higher number in terms of cost savings. Can you give me a bit or more indication how you come to the EUR 50 million to EUR 60 million of savings synergies?

**Pim Berendsen – CFO PostNL**: As said, this is not about the intrinsic value of Sandd. This is all about the synergy value we can capture by transferring that volume to our network. that is the basis of the EUR 130 million enterprise value. As you know, enterprise value – I not know exactly and it is more in the likelihood for Sandd how that will be split by debt or equity holders – is the way we value the business given the synergy potential we expect to make. The EUR 50 million to EUR 60 million net UCOI contribution, as we said, is a consequence of that integration approach as we currently can assess. As I said we will take the period from now until completion to work out in more detail how we can that integration best. it es take into account the fact – and the commitment would not have been announced – that we will offer all postal deliverers of Sandd a place to work for at PostNL. Indeed, they will not walk side by side after the integration in the same street; we will gradually migrate the volume from one to the other. Mail people will then join that; we will amend the postal routes. That will drop duplication the distance between a household that you need to pass before you can deliver to the next household will also diminish and those elements together with cost savings in the infrastructure will add up to that EUR 50 million to EUR 60 million based on what we can assess today. Upwards to completion we will have a more detailed implementation plan but this is the assessment we were able to make so far.

**Marc Zwartsenburg – ING**: So to be clear all 16,000 or assumed become postal men for PostNL on your conditions.

**Pim Berendsen – CFO PostNL**: Yes, and you will have in that population as well as our own mail delivery some natural attrition over time that will allow us to combine those workforces without any or too many negative cost implications.

**Marc Zwartsenburg – ING**: But that leaves my question where those people go and what they are going to .

**Pim Berendsen – CFO PostNL**: They are going to deliver 700 mail pieces that Sandd currently delivers in the PostNL network. As said, with natural attrition and with optimising the mail routes and taking out part of the cost base of the combined organisations.

**Herna Verhagen – CEO PostNL**: Together with the vacancies we have because we have a lot of vacancies as well. So, vacancies, the natural attrition rate together with the fact that 720 million pieces cannot be added to our network without extra hours of people walking on the street, makes that we think that we can offer them a job. As of the day of integration, going forward we will maintain to save cost and that means we have to adjust the organisation and that we have to adjust the workforce. So, we will continue our normal process of cost savings and adjusting the organisation but the first day we start we start with all mail deliverers of Sandd.

**Marc Zwartsenburg – ING**: Then in terms of approval. Is the secretary of state involved in here in this whole merger process and how likely is it that she will, if the ACM opposes for example, draw Article 47 and still push it forward?

**Herna Verhagen – CEO PostNL**: When you want to acquire a company it is a negotiation between the two companies. We first start the approval process of the ACM and hopefully that is where it ends. The state secretary of Economic Affairs sent a letter to Parliament in which she said that only after a negative advice on a non-approval of ACM will she be in a position to act because of a general interest. That is what she confirmed to parliament as well. But only after that process.

**Marc Zwartsenburg – ING**: Maybe a final question. I have asked many but the earnings accretion. Is that 2020 you are referring to? One year after? What is it exactly?

**Pim Berendsen – CFO PostNL**: As said, for the financial analysis in this presentations we have assumed a Q4 2019 completion date and if you if you take it from that assumption within the first year after completion we will see it being accretive to UCOI and that is then 2020.

**Mark Zwartsenburg – ING**: Like slide 15, if you take a balance.

**Pim Berendsen – CFO PostNL**: If you make a balance between those points you have the answer.

**Marc Zwartsenburg – ING**: Thank you.

- **Frank Claassen – Degroof Petercam**

I have a question on your dividend policy, some clarification. Suppose that the approval would take longer than expected, how will that impact your 2019 dividend policy? Will you simply continue with announcing and paying dividends as long as there is no approval?

**Pim Berendsen – CFO PostNL**: We have said that there is no change in the dividend policy and that is exactly what the answer is. The reasons why we state the point here is assuming Q4 2019 in completion, the combination of the purchase price, the integration costs and the phasing of our cost-saving initiatives will get us above the two-times debt ratio and that causes a potential delay in dividend payments. So, if we not exceed the 2.0 we will just continue with the dividend policy we have.

**Frank Claassen – Degroof Petercam**: So, in theory, suppose that the approval would come in the course of next year you will announce a 2019 dividend?

**Pim Berendsen – CFO PostNL**: The dividend policy will stay the same as I said, it will.

**Frank Claassen – Degroof Petercam**: Okay, thanks!

- **Edward Stanford – HSBC**

Regarding the deal, have you had any conversations with the government or otherwise or you expect any undertakings that you may have to give in terms of pricing perhaps or otherwise given that you are effectively creating a monopoly? Has that been factored into your thinking? How has that influenced how much you pay for the business?

**Herna Verhagen – CEO PostNL**: That is difficult to forecast at this moment in time. We submitted our request to the ACM today and for sure in the next coming months we will be able to give a little bit of insight on this. But at this moment in time we will wait for the questions of the ACM.

**Edward Stanford – HSBC**: Thank you.

- **Wijnand Heineken – Independent Minds**

Just for my own understanding, a few questions on what has already been asked. First with the dividend. Let is assume that the deal closes in Q4 and you stick to your dividend policy. That would then mean under that assumption that over to 2019 there will be an interim dividend paid and that will then be the final for the year as well, I presume?

**Pim Berendsen – CFO PostNL**: Yes.

**Wijnand Heineken – Independent Minds**: Thank you.

Then my other questions is about the implementation costs. It has already been discussed. It is pretty similar towards the annual synergy effects you predict. So that might balance each other out short term. On the other end you said earnings accretive within the first year. So how are these two related in the start-up phase? Will the implementation cost be as gradual as the transfer or volume from the Sandd infrastructure into your own or will there be some differences between the two that may be for starters the costs will outweigh the benefits you attempt to realise?

**Pim Berendsen – CFO PostNL**: In general the phasing of those volumes from one network to the other world will be gradual and to a large extent the implementation costs will also be gradual. Certainly there might be some deviations on some cost points but in general terms as you migrate that volume you will incur the biggest part of your implementation costs.

**Herna Verhagen – CEO PostNL**: That is also what is stated in the presentation that we expect the implementation cost to be cost in the first two years. on the slide on the integration of Sandd, we expect the integration of Sandd in 1 – 1.5 year. I would say this is aligned for 95%.

- **Henk Slotboom – The Idea!**

I have a few questions. First of all, I understood that there is no break-up fee that applies to this deal. The first question is, is that correct? Secondly how I interpret that in terms of deal certainty? If there is no break-up fee, I know the people in Apeldoorn well enough that they are not going to accept being left empty-handed to put it in those phases.

**Herna Verhagen – CEO PostNL**: Hello Henk, we miss you here in the room. I will give my answers via the microphone. The exact costs and what is put in agreement with Sandd we will not disclose, so no answer to your first question unfortunately.

I did not hear or understand your second question very well.

**Henk Slotboom – The Idea!**: It was in relation to the break-up fee. This morning I understood that no break-up fee applied. You are saying something else now and that that if there would not be a break-up fee I would interpret that as a high degree of deal certainty. But if you say you not make any comments on that, I think the second part of the question can be skipped.

**Herna Verhagen – CEO PostNL**: But it is exactly the same answer as I gave you this morning. We not disclose the content of the agreement.

**Henk Slotboom – The Idea!**: Then another one. As you know, there are still a couple of loose ends Sandd has to deal with, amongst others the outcome of the ruling there was in a case started by FNV on the fact that Sandd used the company CLA, whereas FNV argued that due to the fact that it was worse that they should have used the transport sector CLA. On the basis of the first ruling, Sandd was ordered to make a payment retroactively. I understood that Sandd went to a higher court, that it appealed against this decision. Have there been any provisions? Is the EUR 130 million a hard amount or am I right to assume that a certain amount is being put in Escrow that if one of these legacy issues falls the wrong way it will be reflected in the takeover price?

**Pim Berendsen – CFO PostNL**: We aware of those proceedings and as I told you it is EUR 130 million enterprise value which certainly means that we have taken account of potential liabilities and have catered for in the terms, in the heads of agreement.

**Henk Slotboom – The Idea!**: then a final question on Sandd. The churn rate amongst its delivery personnel – and I believe you referred to that as well – may solve itself if it may be overpopulation of deliverers on the last mile. What you expect to happen in that respect because if the churn rate is going to spike because you are buying Sandd, assuming that that everything will go as planned it would strike me as rather difficult for Sandd to hire personnel? If I want a delivery job I would apply with PostNL instead, I guess.

**Herna Verhagen – CEO PostNL**: If you look into the deliverers of Sandd I think they are motivated in the same way as deliverers of PostNL and that is because they want to the job as well as possible. So the turnover rate of our mail deliverers indeed is a rule in our way of how we think we can integrate the organisations. As said, integration plans are still to be made by the two companies. As of today, that operational information can be shared to come to that plan. But we are not forecasting spikes or whatsoever because of the fact people are at the same level and in the same way motivated to the job as well as possible.

**Henk Slotboom – The Idea!**: That is it for now.

- **Marc Zwartsenburg – ING**

I have a couple of questions left, maybe on the dividend argument. You say you keep the leverage ratio and you stick to the policy of two times. But have you ever considered a different way of paying the dividend that would still enable a scrip dividend or something like that to just sustain it?

**Pim Berendsen – CFO PostNL**: We want to maintain a prudential stable financial position of PostNL and we have said that we will continue with the dividend policy as it stands. What is part of the deck we will look at is that we when have achieved the run rate savings and as a consequence have reduced our leverage ratio well below the 2.0 again, the capital allocation rules that we have defined is to reinstate our aim to pay progressive dividends as quickly as we can. Subsequently, we will always consider whether or not there are growth options that will be value creative for our stakeholders as well. At that moment in time we intend to consider whether or not there are ways to limit the dilutive effect of our current dividend, policy which is a choice dividend on stock and cash. So later on in that year we will probably consider changes to take out that dilutive element of our current policy.

**Mark Zwartsenburg – ING**: The question was more whether you want to increase the dilution a bit to sustain the dividend, that you pay a full scrip dividend.

**Pim Berendsen – CFO PostNL**: No, the dividend policy will remain unchanged.

**Marc Zwartsenburg – ING**: Then another one. If I look at slide 15 in terms of interpretation as the one with the cash EBIT contribution, the cost savings are on the negative scale. I am not sure how I should read this orange. Normally I should add deep orange with light orange and then subtract the integration costs. Is that how I should look at it?

**Pim Berendsen – CFO PostNL**: No, it is the other way around. You need to add integration costs and a light orange. That will be offset by the dark orange. So, the light orange one is in a way the UCOI cost of a later cost saving. So it is a negative consequence.

**Marc Zwartsenburg – ING**: It is a savings phasing, not the phasing of the synergies.

**Pim Berendsen – CFO PostNL**: No, that is the orange, the dark orange one I should say.

**Herna Verhagen – CEO PostNL**: We will change the wording because now I understand your misunderstanding. It's masterplan saving.

**Marc Zwartsenburg – ING**: Yes, I know we cannot use the word but it is easier. That is clear now.

So, after year four we are back to the old target of masterplan plan savings or we still miss out on EUR 50 million to EUR 70 million after the four years. How should I read that?

**Pim Berendsen – CFO PostNL**: On a UCOI contribution you miss out on the EUR 50 million to EUR 70 million but we will have hit the overall cost savings over those years. But that comes at a price. You take costs out with the same number as we have said before but it will take you longer to get there. That has a cost and that is EUR 50 million to EUR 70 million. We will not exceed that cost savings number to offset this cost. That is not what we are saying.

**Marc Zwartsenburg – ING**: That is clear. Thank you.

**Jochem van de Laarschot**: Between our two companies we should be able to work out the different colours of orange, I am sure. Let is go back to the analysts waiting on line.

- **David Kerstens – Jefferies**

Good afternoon everybody. Just a question to better understand the regulatory approval process. I was wondering, after all the discussion that has taken place within the ministry of Economic Affairs and then in Dutch parliament why you first have to ask permission for the takeover with the ACM when you probably already know what the outcome will be, given how stubborn they have been with regards to the significant market power file? Is it not possible to go directly to the ministry of Economic Affairs and implement Article 47 in order to save time? What will happen if they take four months and then then say no? How long would it take before you can get a positive ruling on the Article 47? That is my first question.

Then the second question would be regarding the market position of Sandd. Do you see already any impact on your on your volume development from customers that are coming back to PostNL and is that baked into your volume guidance for 2019 with a relatively smaller volume decline of 8%-10%?

**Herna Verhagen – CEO PostNL**: Regarding your first question, it is impossible to have a direct route to the ministry of Economic Affairs, so you will have to go through ACM. They are the regulator who is the one that has to approve the consolidation. So, it is first to the ACM and if they not approve then another route is possible. How long the route via the Ministry of Economic Affairs will take we not know but our first focus is on getting it done via or with the ACM.

Then on your second question, the 8% to 10% in relation to the 10.7% of 2018. No, we not see that already volumes are shifting but what we see is that the volume decline in Direct Mail is less progressive than in the last few years. There, you probably see the economic positives we saw over the last years. So that is the main reason behind the lesser volume decline in 2019 compared to 2018.

**David Kerstens – Jefferies**: Thank you. maybe since we are talking about the ACM, can I also ask a question about significant market power? I saw that you have included that already in your 2019 outlook the original impact of EUR 50 million to EUR 70 million. Can you give an indication how much is actually in the 2019 guidance for significant market power now?

**Herna Verhagen – CEO PostNL**: No, we did not give an indication on that and we will not that. The only thing we want to say is when there will be a decision of the ACM and when the decision will not change from what we see of the concept published by them before Christmas then the impact will be again EUR 50 million to EUR 70 million. If that decision will be taken in 2019 part of the hit will be in 2019 and we have taken it into account into our outlook in other ways. If they will come up with a decision this year it is already part of the outlook. But we not want to forecast timing. We not want to forecast what will be the outcome of that decision. This is more a safety measure in giving you a clear outlook for 2019 than that it is a forecast of the outcome or timing.

**David Kerstens – Jefferies**: But last time you appealed with success. What is different this time around that you decided to include this this potential outcome from the consultation et cetera already in your guidance for 2019 when the decision has not been made yet?

**Herna Verhagen – CEO PostNL**: In my view it is the same reason as last time. When they take the decision we can go to court but probably they will take as long as it did last time. That means that implementation needs to be within four weeks or eight weeks, but at least relatively soon and before you will have an outcome of a legal process it will take much more time. So there is always a time lag between a final decision and probably or hopefully winning a court case. that is no different from the last significant market power decision.

**Pim Berendsen – CFO PostNL:** As you have seen in the in the previous instances after a moment of final decision we quite quickly see the consequences of that decision leading to the financial consequences we have seen before. That is the reason why we have taken it into account in our outlook numbers, as Herna just said.

**David Kerstens – Jefferies**: Thank you very much.

**Herna Verhagen – CEO PostNL**: Before we dive into significant market power, I would like to do that when we discuss Q4, so I would like to round up on the consolidation and then move to Q4.

**Jochem van de Laarschot – Director Communications & Investor Relations**: We still have a number of people waiting.

- **Ruben Devos – KBC Securities**

Thank you, I have a short question regarding the transition to adjusted net debt. Could you help us understand the rationale to extend the net debt definition?

We have seen with other companies they sometimes include the unrealised synergies or part of the unrealised synergies in their EBITDA, in their leverage calculation. Could that be a possibility as well with Sandd or know or is that a far stretch?

**Pim Berendsen – CFO PostNL**: On the last point, we have not included unrealised cost savings in the way we calculate our leverage ratio. What take account of the net debt position based on the actual net debt lease adjustments and pension liabilities and then in relation to the phasing of the synergies as you can see on slide 14 that will contribute to the adjusted EBITDA. Those elements together will get us to the leverage ratio that will apply in relation to the dividend policy.

**Ruben Devos – KBC Securities**: it is fair to say that the adoption of IFRS 16 is has inflated the adjusted leverage quite substantially?

**Pim Berendsen – CFO PostNL**: No I not really think so. IFRS 16 leads to a higher EBITDA number and the lease obligations that we have and we have always already taken these into account in the adjusted net debt that we use to calculate leverage on. But also on this point there was a specific slide in our Q4 deck so we can spend a bit more time later on if we go through our Q4 numbers.

**Ruben Devos – KBC Securities**: Thank you.

- **Matija Gergolet – Goldman Sachs**

Good afternoon, a couple of quick questions from my side. First, just a clarification on the interim dividend for this year, the one that you should. I did not quite get whether you be you know I didn't play get whether you intend to pay an interim dividend because it is before the closing of the deal or not.

Secondly when it comes to Sandd, are there any synergies also on your Parcels side. Could you use some of the what you call idle infrastructure in the future for your Parcels operations?

Thirdly, could you give us any factual information about Sandd in 2018? You gave us revenues but anything about profitability? Are they making any positive EBIT or not?

And then just the last question, which is just a bit more conceptual to help us understand. Clearly, you have a lot of mail items, some hundred million but their price per mail item is significantly lower than what you have. Why is that? Is there any option or potential for you to reprice those mail items in the future or not?

**Herna Verhagen – CEO PostNL**: On your first question when it comes to the clarification of the interim dividend in 2019, one of the questions here in the room was assume that this Sandd acquisition will be approved in Q4 then the interim dividend is already paid because it will be paid in in August. That is then the dividend paid for 2019. to that question the answer is yes.

Then Sandd synergies on the Parcels side, the answer is no, no synergies on the Parcels side.

Do we have factual info on the 2018 revenues and profits? Revenues are disclosed and we not have profits.

When it comes to mail items their price is lower and can we reprice? The answer is no. That is also what we said that we will adhere to the contracts they have made with their customers. That is the price for which we will deliver those mail items.

**Matija Gergolet – Goldman Sachs**: Thank you very much! Very clear!

**Jochem van de Laarschot – Director Communications & Investor Relations**: Let’s round it up here and move on to Q4 and full year. After that, there will be more room to ask questions.


**Herna Verhagen – CEO PostNL**: Alright, then we move on to the key take aways of the full year 2018.

Q4 & FY 2018 Results

**Key takeaways FY 2018**

Business review Q4 2018 and progress transition

Financial review Q4/FY 2018

Outlook 2019

Q&A

19

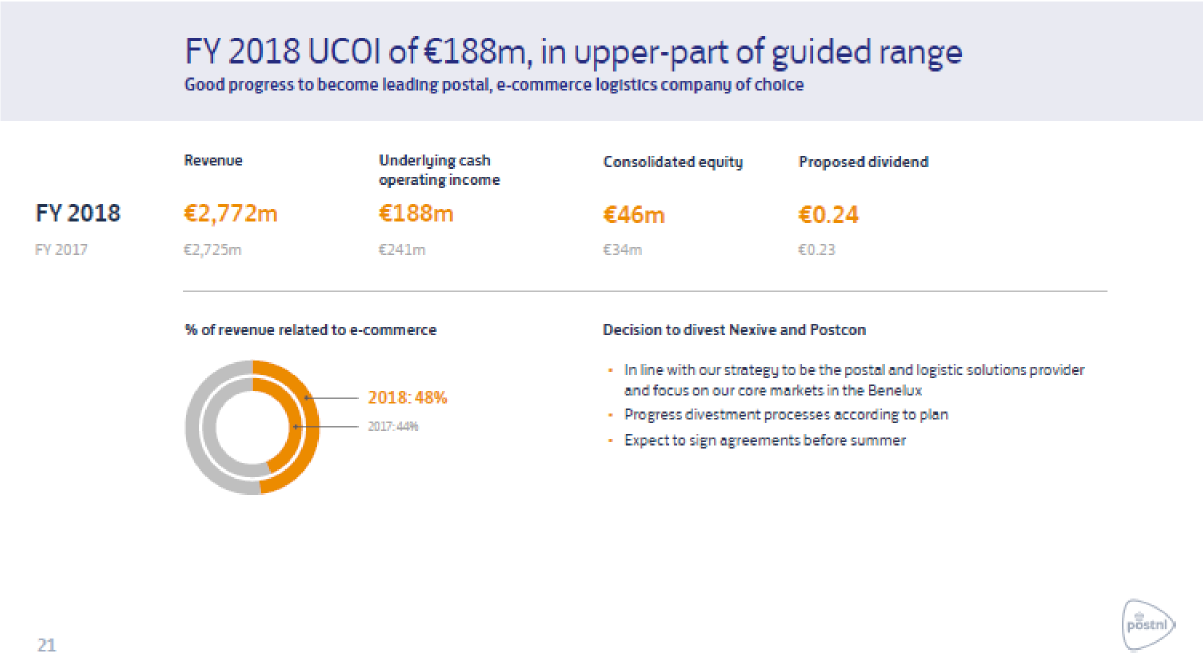
We had a strong performance in Q4 which brings the underlying cash operating income to the higher end of the guided range, which we did also see as an improved run rate of our cost savings in the second half year. We had the intention to pay a progressive dividend over 2018 and that intention is delivered. This needs to be approved by the AGM and we still strive for certainty and stability for all stakeholders in a declining market. That means that consolidation is closer than ever before. But a very strong fourth quarter of 2018.

## Key takeaways

- Strong performance in Q4 brings UCOI 2018 to higher end of guided range
- Improved run-rate cost savings in HY2
- Intention to pay progressive dividend over 2018 delivered
- Strive for certainty and stability for all stakeholders in declining postal market; closer to consolidation than ever before

20

What is also good news is that the run rate of cost savings improved in the second half year. If we take the full year of PostNL into account then the revenue is up 2% to EUR 2.77 billion. Our underlying cash operating income was EUR 188 million, which is EUR 53 million lower than it was in 2017. It is in the upper part of the guided bandwidth. Our last bandwidth was EUR 160 million to EUR 190 million and we have put it in on the upper part.




The proposed dividend over 2018 is EUR 0.24 cents and, as said, needs to be approved by the AGM but it is a progressive dividend as intended. It is good that the percentage of revenue related to e-commerce increased again in 2018. 48% of our revenue is e-commerce related and I think that is a very important signal in the transition of our organisation to an e-commerce logistic company.

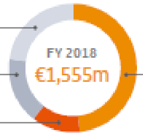

In August 2018 we also announced our decision to divest Nexive and Postcon and further focus on being the postal and logistics solution provider in the Benelux. The progress of that divestment process is according to plan and we expect, as also said in August 2018, to sign the agreements before summer. So a strong fourth quarter helping us to end in the upper part of the guided bandwidth with our underlying cash operating income and, important, good progress to become the leading postal and e-commerce player in the Benelux.

## Parcels

**Challenging peak period with record-high volumes**

| | Revenue | Underlying cash operating income | Volume growth |
|---|---|---|---|
| **Q4 2018** | **€439m** | **€36m** | **20%** |
| Q4 2017 | €393m | €39m | |
| FY 2018 | €1,555m (+12.5%) | €117m (margin 7.5%) | 22% |

**Revenue mix**




**Key takeaways Q4 2018**

- Ongoing strong volume growth, translated into revenue growth, slightly offset by negative price/mix effect
- Improving operational efficiency for example due to higher drop duplication
- Operational result impacted by
  - additional peak season costs to absorb swings in volume; no gradual movement towards spike that started on Black Friday and continued till 5 December
  - IT costs related to further development of digital services increased
- Logistics (for example Extra@home and Fulfilment) continues growth track, performance improved
- Fierce competitive environment Spring, especially in Asia, resulting in pressure on margin and lower performance

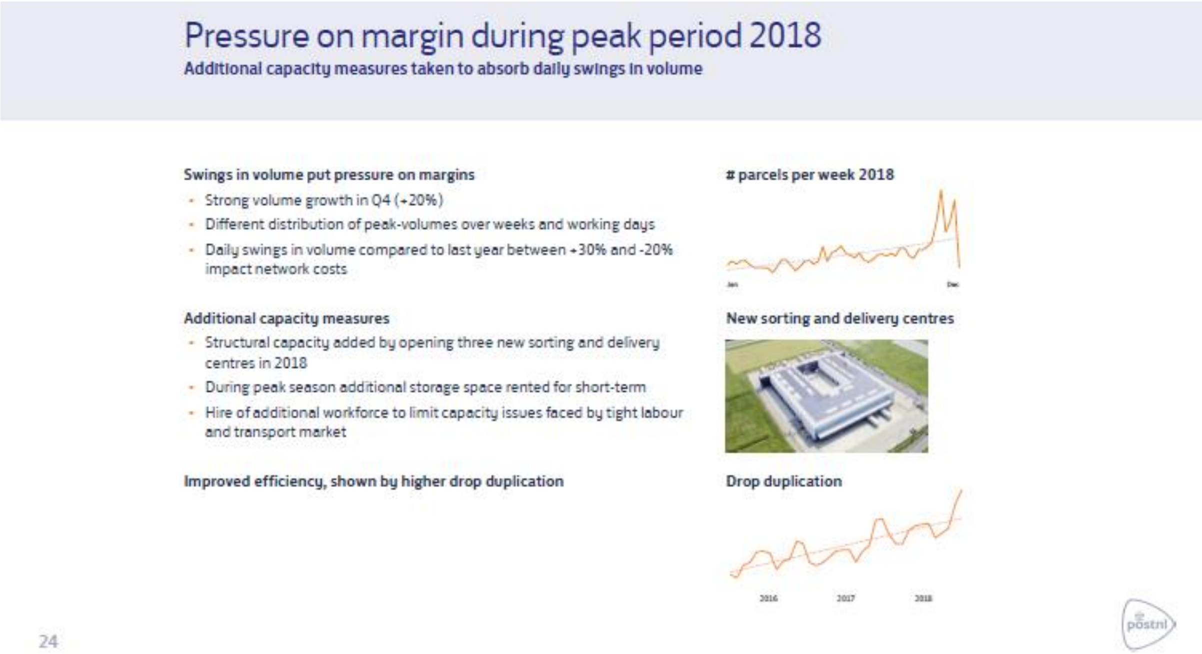
23

Then some of the details on Q4, starting with Parcels. Parcels had record-high volumes in Q4 but also a challenging peak. If you dig into revenue, revenue was up to EUR 439 million. The underlying cash operating income came in at EUR 36 million, which was a bit lower than in 2017 which was caused by the fact that Spring, our international business did not deliver up to what we expected and that declares more than the EUR 3 million difference with Q4 2017.

Volume growth over the full year was 22% and in Q4 was 20%. Total revenue was 1.555 bilion and what is important is that on the right part of the slide is that part of the business is volume-related, meaning Benelux and International, and part of that business is Spring and Logistic Solutions, non-volume related. That is what we say I think every quarter but it also explains partly why the volume increase we see is not fully translated into for example revenue growth, because of this mix.

What we did see is very strong volume growth which is ongoing, still slightly offset by a negative price/mix effect. We are improving our operational efficiency by a better drop duplication. I will give you some highlights on that on the next slide but we also see that our operational costs are impacted by the additional peak season cost we had to absorb in Q4.

In Spring we see fierce competition mainly in Asia and that resulted in margin pressure in 2018.




Then coming to the pressure on margins within Parcels. That is related to the peak season in 2018. The additional capacity measures are taken to absorb the daily swings in volume. During our peak periods our daily swings in volume are up to 20% and we see different distribution of peak volumes of a week and working days than what we normally see. So it is not only peak in volume but also a different pattern of how volumes come in. Those daily swings in volume compared to last year are between plus 30% and minus 20%, which means there is a volume swing of around 50% on certain days. We took a lot of measures to have a good to have a good peak period and those are partly structural, which is adding capacity via our new sorting and delivery centres and partly only during peak seasons like additional storage and additional spaces rented. we had to hire additional work forces to phase the tight labour market and transport market. Underlying we see improved efficiency because by the growth in volume we see a higher drop duplication and that is what you see in the lowest graph. The drop duplication is growing if you compare 2016, 2017 and 2018 and that helps enormously in the efficiency of the network.


Many questions are asked by you but also by shareholders on how you will improve the balance between the continuing volume growth within Parcels, the profitability of Parcels and cash flow. That is what we want to address at a Capital Markets Day, which will be organised on May 7. That is also the day in which we will announce our Q1 figures of 2019 and it will be combined with the Capital Markets Day. During that day we would like to give you insights in the future perspectives of Parcels, starting with market developments, competitive developments but also our commercial position, our strategy and plans, the plans how to adjust our network and what are we going to in innovation and digitisation including the key financial metrics of Parcels. The aim of that update is to give you evidence and to give you a feeling around the improved sustainable value creation we forecast for Parcels going forward. What we will add to the Capital Markets Day is that we will come up with a mid-term outlook for PostNL including guidance on Mail in the Netherlands and Parcels. So, it is an important day for us to give you a further update on Parcels, the improved balance on volume growth, profitability and cash flow and together with Mail Netherlands also gives you a mid-term outlook for PostNL.

## Parcels in 2019

**Key drivers performance in 2019**

- Focus on the growth potential of our business
- Improving balance between volume, profitability and cash flow
- Expanding our network in the Benelux by three new sorting centers
- Impact tight labour and transport market
- Further develop our service propositions, for example in growth areas such as food and health

**Outlook Parcels 2019**

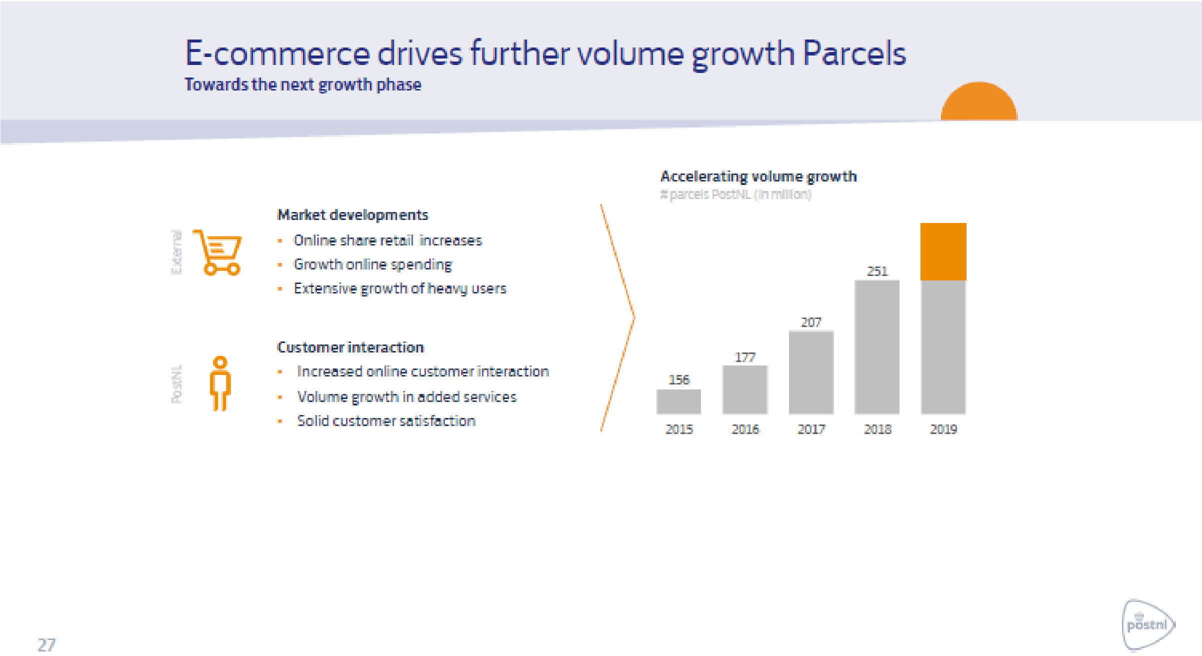
| *(in € millions)* | Revenue | | UCOI / margin | |
|---|---|---|---|---|
| | 2018 | outlook 2019 | 2018 | margin outlook 2019 |
| Parcels | 1,555 | + low teens | 117 (7.5%) | 7.5% - 9.5% |

26

What are the important drivers for growth in Parcels in 2019? First of all, continued growth in volume. So we expect volume growth to continue over the year 2019. Already in 2019 we see an improvement in the balance between volume, profitability and cash flow. We expand our network with three new sorting and delivery centres in 2019 and we also expect a further impact of the tight labour and transport market. We further develop service propositions, for example in growth areas like Food and Health.

Those key drivers will lead to a revenue guidance, which is a low-teens revenue guidance and a margin guidance, which is between 7.5% to 9.5%, which is the same margin guidance as in 2018. As you will remember, it includes Spring.

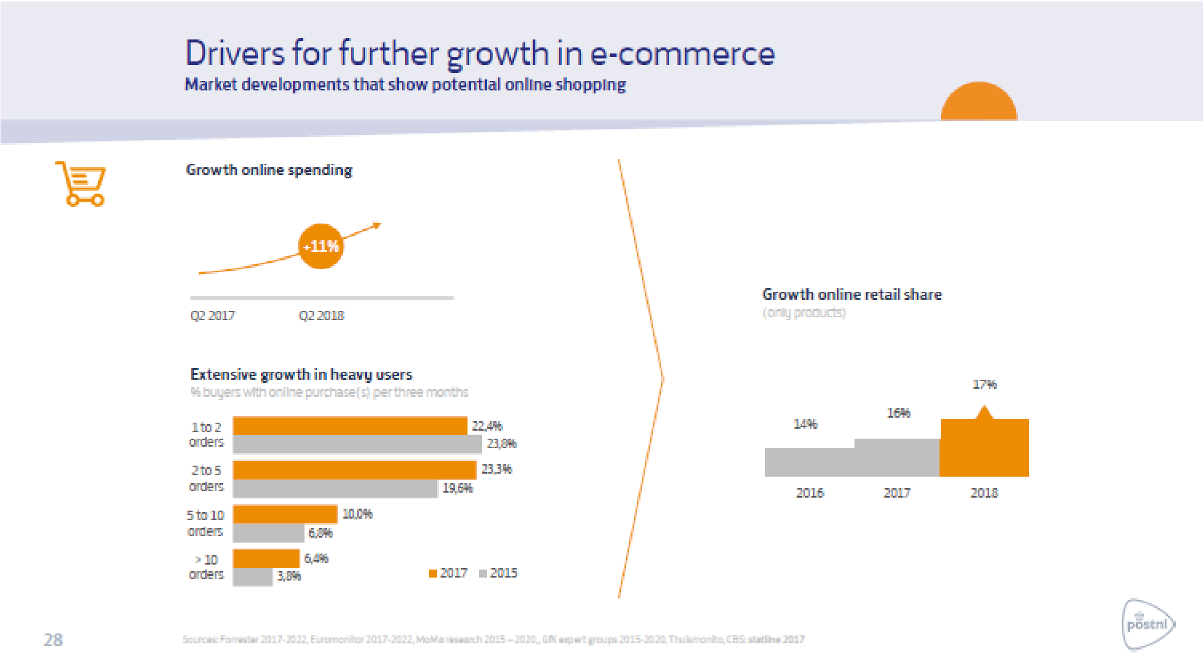
Why are we so certain about continuing volume growth? These are the slides which you saw before but we would like to highlight what changed over the years and what gives us the confidence that growth will continue.



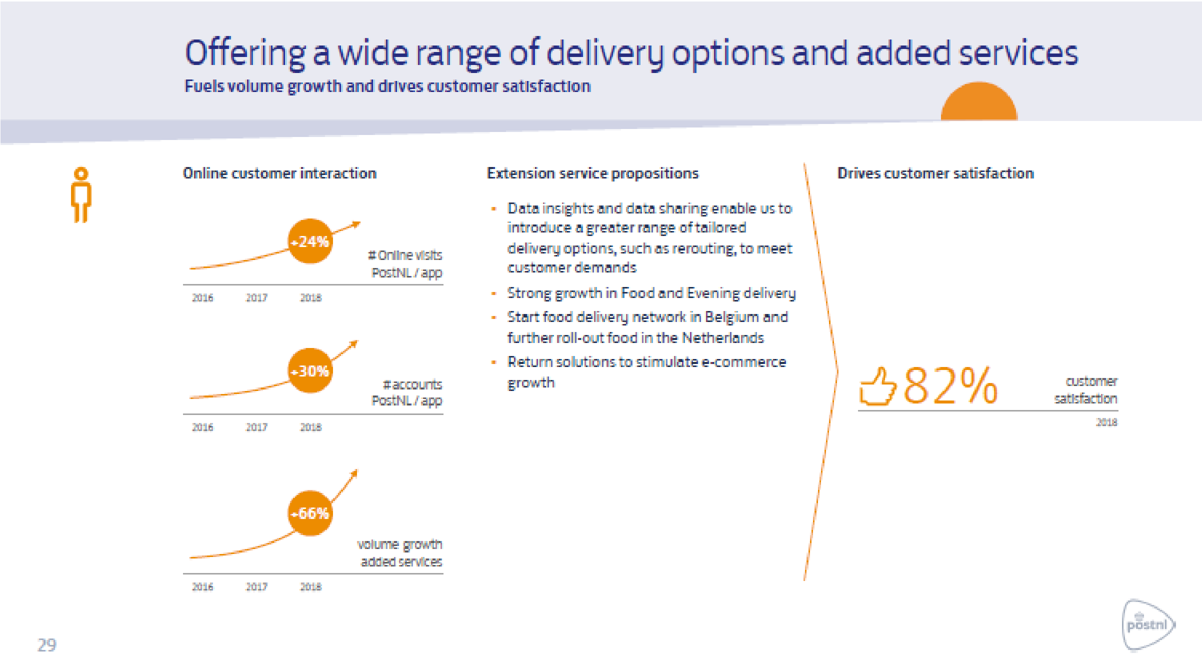

E-commerce drives most importantly the volume growth or of Parcels. We see that market developments are still relevant and still positive. The online share of retail is increasing, the online spending is increasing and we see an extensive growth in the amount of parcels which are ordered by heavy users. So market developments are still positive and guiding in a growth direction.

Secondly, there is still lots of customer interaction and we see even increased online customer interaction with PostNL. We see volume growth in added services and we have a solid customer satisfaction leading to – and that is what you see in the orange part of the right bar – leading to an accelerated volume growth, also in 2019.

To give you a few numbers, you saw these graphs before but what we have added are the numbers for 2018 to underpin our message that we believe that further growth in the amount of Parcels is pushed by growth in e-commerce.

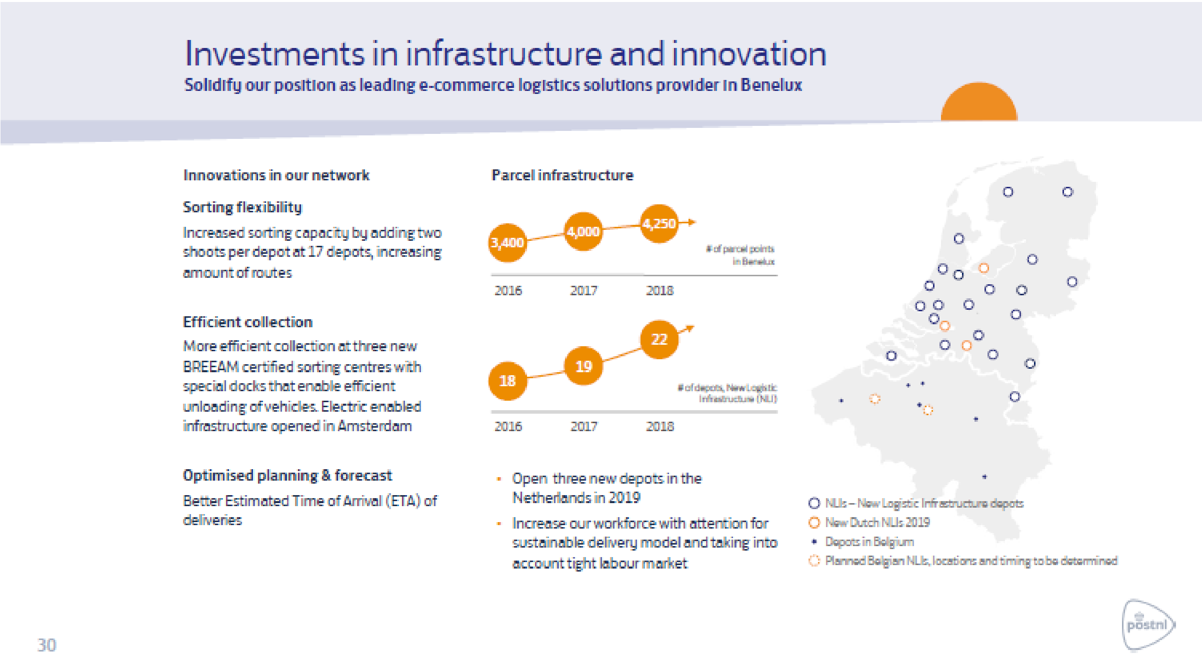



Growth in online spending was plus 11% from Q2 2017 to Q2 2018. What you also see – maybe you have to look into that part of the chart a few times – is that the heavy users in Parcels are ordering much more and the growth in the amount of what they order is growing much faster than with the people who order a lesser amount of parcels. It shows you in two ways the growth potential. The people who are now more in the part that order lesser amounts of parcels some of them will go to these heavy users – which creates extra growth – and secondly the growth in heavy users in our view will continue going forward, leading to – and this is the graph you already see for the third year – that 17% from retail is online. That means that there is still 83% of retail not online. So it shows your growth potential in two ways.



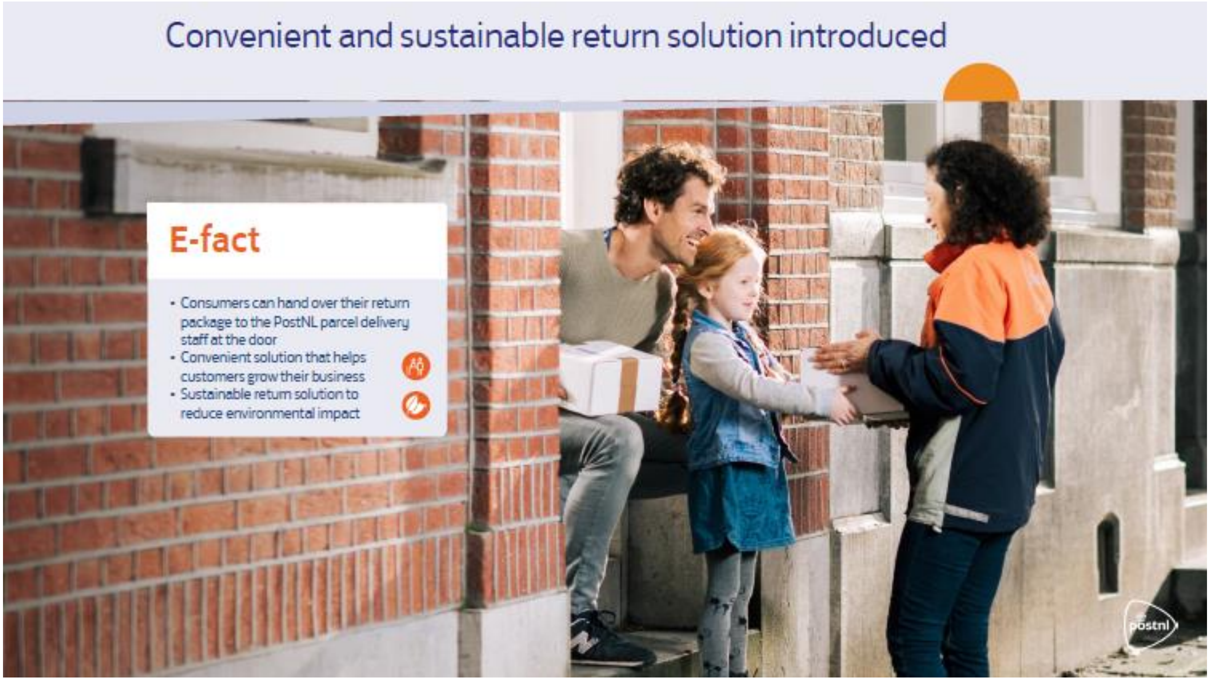

It is the same we see with our customer interaction. We offer a wide range of delivery options and added services. Those fuel volume growth but also have an important impact on customer satisfaction. When you look into customer interaction and customer interaction are the online contacts with our customers you see a growth from 2017 to 2018 of 24%. The amount of accounts on the PostNL app shows growth of 30% and at this moment in time more than 4.5 million unique consumers in the Netherlands have the PostNL app and use it.

Volume growth in our added services, for example evening, early morning and same day, 66% of growth in 2018, leading to a higher customer satisfaction of 82%, also underpinning the growth of e-commerce volume going forward.



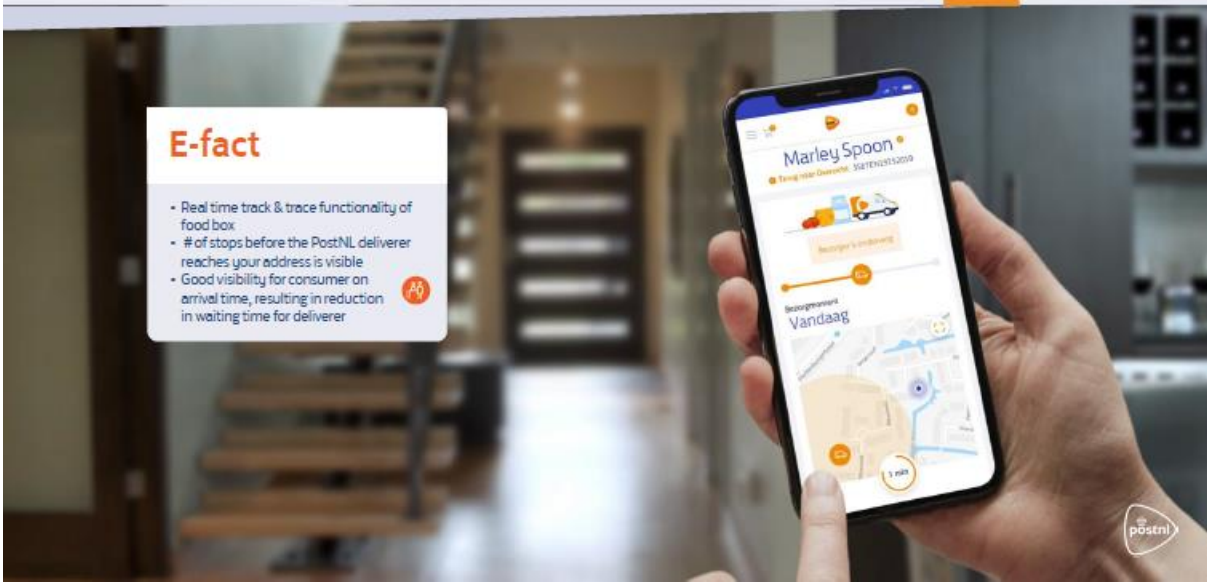

That also means there is an ongoing need to invest in our infrastructure. We are planning to open three new sorting and delivery centres in 2018, which will bring the number of sorting and delivery centres to 22. But we also keep expanding the amount of retail locations. The proximity of a retail location is one of the reasons why customers are so satisfied with the services of PostNL, so we will add 250 shops to our capacity already 4,000 retail stores or Parcel retail stores we did in 2018. We will continue to do that in 2019.

Also important to say is that we are innovating in our network as well. For example in 2018 we increased the sorting capacity of the centres we have by adding two shoots per depot which is increasing the amount of routes which can start their delivering from the sorting and delivery centre. A very important element is that we are not only increasing the amount of sorting and delivery centres but also creating better efficiency in the current sorting and delivery centres.

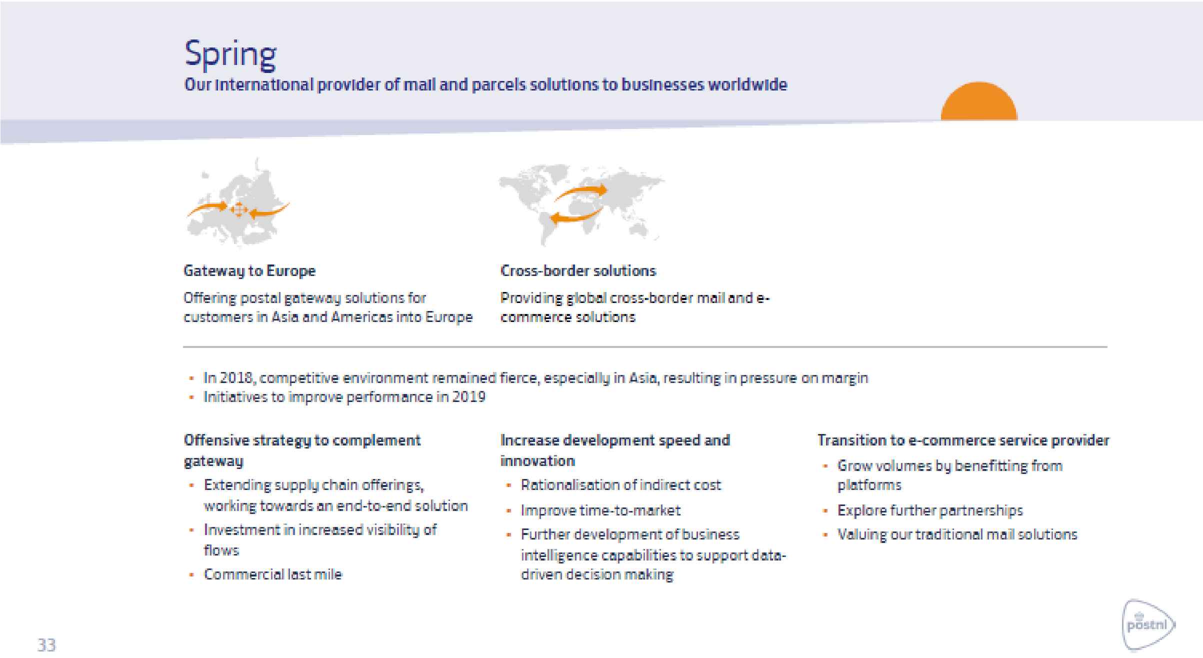



To give you a flavour of the innovations: a very important innovation in 2018 is the return solution which means that when a parcel driver delivers your parcel you can give the parcel you want to return give it with the parcel driver. It is an option which is important and which creates less hurdles in ordering online because most of the people are irritated when they have to bring their parcel they do not want to have bring to a certain location. Now you have the solution to give it with your parcel driver and he will do all the return hassle. A very important innovation in keeping customers happy on the one side and on the other side also creating business.

Further expansion food services




The second important example is the further expansion of our food services. Currently, we have five-days-a-week or six-days-a-week delivery service for food in the Netherlands and Benelux. It was an evening delivery service. That is what we still do but we added morning delivery as well because the amount of deliveries is growing fast. What we also added – here you find the example of Marley Spoon for which we distribute meals and of course groceries – is that you can follow your driver within a timeframe of 15 minutes. So, you can follow the driver when he is coming into your neighbourhood. So, you have a very exact time when the driver will arrive at your door which is also operational efficiency for us because a driver almost never comes to a closed door.




Last but not least a few words on Spring. Spring is our international provider of mail and parcel solutions to businesses worldwide. In 2018, the results of Spring were not what we expected or wanted to be which was mainly because of very fierce competition on Asia. In 2018 we adjusted the organisation how we did it is what you see on this slide: as well as a gateway to Europe which is Parcels coming in from other parts of the world into Europe as our cross-border solutions. What we tried to do next to cost savings, which is the middle column, is to create an offensive strategy which complements our gateway and which gives companies and our customers the ability to the distribution of their parcels in Europe via Spring.

## Mail in the Netherlands

**Strong quarter with good quality in peak season**

| | Revenue | Underlying cash operating income | Total cost savings | Addressed mail volume decline |
|---|---|---|---|---|
| **Q4 2018** | **€483m** | **€71m** | **€14m** of which €5m in Mail in the Netherlands | **10.2%*** |
| Q4 2017 | €504m | €73m | | |
| FY 2018 | €1,678m (-5.9%) | €93m (margin 5.5%) | €48m of which €26m in Mail in the Netherlands | 10.7% |

**Key takeaways Q4 2018**

- Strong quarter, result back-end loaded in line with our initial guidance
- Volume decline mainly driven by substitution and competition; again high decline in single mail
- Revenue and result supported by retroactive invoice to postal operators (€7.5m)
- Improved run-rate cost savings in HY2 2018 as indicated before
- Favourable effect from less cash out for restructuring
- Delivery quality FY2018 at 95%

* 10.8% in Q4 2018, adjusted for one working day

34

Then over to Mail in the Netherlands. The fourth quarter of Mail in the Netherlands you saw revenue decline, which was 5.9%. You also saw a decline when it comes to the underlying cash operating income which was only a slight decline: EUR 73 million in the Q4 2017 and EUR 71 million in Q4 2018.

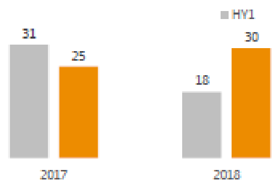
## €14m cost savings realised in Q4 2018 (€48m FY 2018)

**Development in line with our expectations**

**Realised in Q4**

- Reduction in line management, supported by our mobility program, according to plan
- Reduction in overhead
- Restart further roll-out sorting code and adjustments in operational process
- Reduction of 300 post boxes
- Further integration of international mail activities
- Centralisation of three locations, 38 locations operational as at YE 2018

**Cost savings**
*(in € millions)*




35

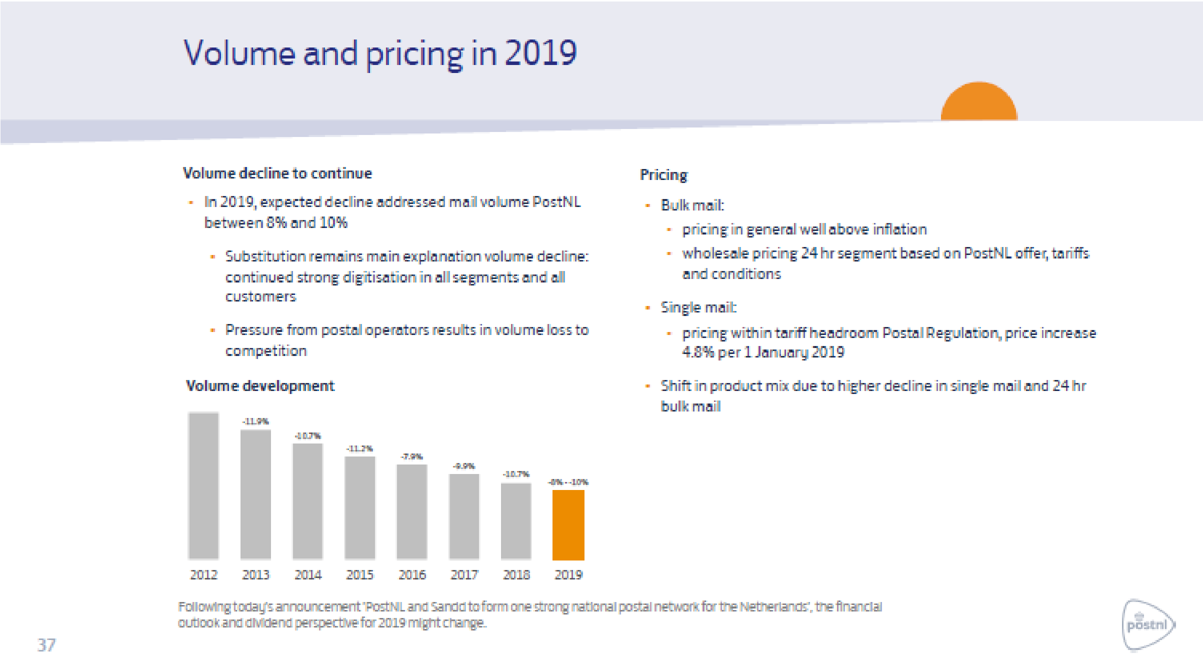
The total cost savings in the fourth quarter came in at EUR 14 million and added up for the full year to EUR 48 million, which is just below the bandwidth given at the beginning of the year. That guidance was already changed with our Q2 numbers. The volume decline full year was 10.7%. They had a very strong Q4 and that means that the results are back-end loaded, as we also forecasted in our initial guidance. They delivered their Christmas mail against a very high quality and this is the second best delivery quality in the last 18 years. So they did very well. They had a good Q4, which was translated in a good outcome when it comes to the underlying cash operating income as well as total cost savings in the fourth quarter.

Those cost savings are important because we use the cost savings to offset part of the volume decline we have yearly. EUR 48 million for the full year is just below the bandwidth we have given. What you see and what we are satisfied with is the fact that the run rate of cost savings in the second half year were much better than that of the first half year. That is what we what we guided for and fortunately it also is now shown as a realisation over 2018.

The cost savings plans we had in 2018 are already discussed a few times with you over the course of 2018 and you should think of a reduction in line management, a reduction in overhead, a further rollout of the sorting code, a further roll-out of the combi-bundle, a reduction of post boxes, et cetera. That sums up to the EUR 14 million of cost savings in the fourth quarter.


The key drivers for Mail in the Netherlands in 2019. A key driver is volume decline which is forecasted at 8% to 10% and price increases, which are increases well above inflation. Important in 2019 is also the switch to the new mail route. That is a big change in the setup of Mail in the Netherlands, which will allow us to adjust the organisation to volume decline for the next coming years. I will come to it in a few minutes on a separate slide to give you a little bit of insight what this big change will mean. We have ongoing focus on cost savings and we have a potential new conclusion of the regulator on significant market power.

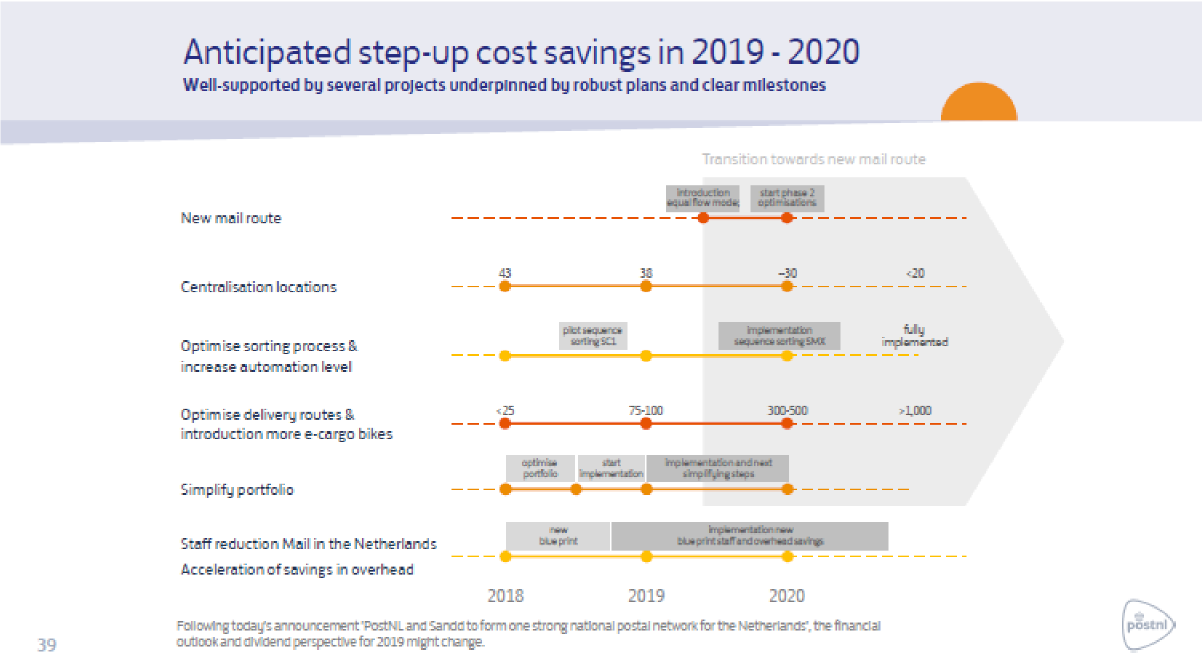
That leads to an outlook of revenue of mid-single digit in 2019 and an UCOI margin expected between 3% to 5%, which is the same level as we have seen in 2018.



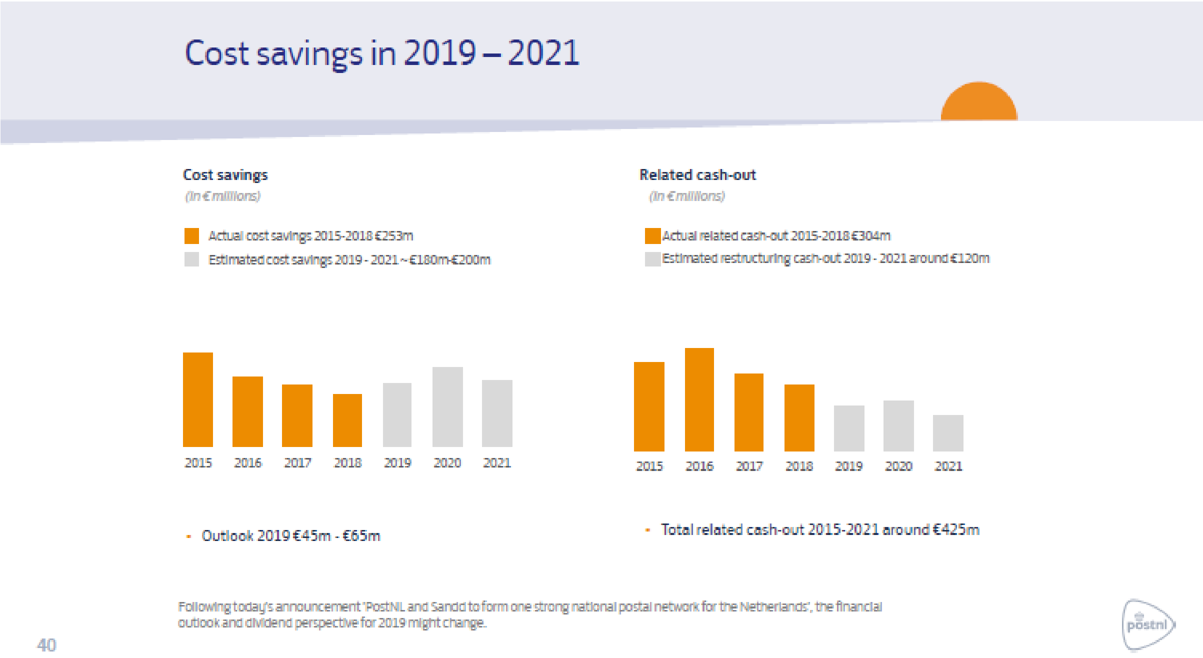

An important driver in the results of Mail in the Netherlands is volume and pricing. As already said, the volume forecast 2019 is 8% to 10%. This is mainly explained by the fact that on the one hand we see very strong and continued digitisation in all segments and on the other hand we also see less volume decline in Direct Mail and that probably has to with the economic upswing. Still, 8% to 10% is quite a lot. It will be partly offset by cost savings and of course by pricing in Bulk Mail. We will price well above inflation for the year 2019 and in Single Mail we already announced the increase which was 4.8% for January 1, 2019.


As said, it remains important to have sufficient cost savings and that is the reason for a transition towards the new mail route. What we have tried to do is to explain on this slide what the new mail route means. The new mail route means much more flexibilization of the business model we see within Mail in the Netherlands. It is a simplification of sorting and delivery processes and improved automatic coding, which are already implemented in 2018 and those conditions are successfully met. Those conditions were important for the introduction of the new mail route. The mail route, if I say it very simple, is switching from a peak--trough model we have today to an equal flow model, which we will use going forward. Why is that equal flow model so beneficiary for all of us? For customers because of the fact that also the non-time-critical mail can be delivered five days a week instead of currently three days a week. By doing that they are better able to manage the flow of their processes over the weekdays and we can offer them high quality against affordable prices. For our employees there are benefits in it as well because we expect that we can create longer walking routes. As you see we go from long routes, short route, long route, short route, which is the current model into five days a week the same route with the same or more or less the same amount of time. That means that we can offer longer contracts with more working hours a day. To make sure that people can do the work and that they can do those long routes we also are changing into e-bikes.

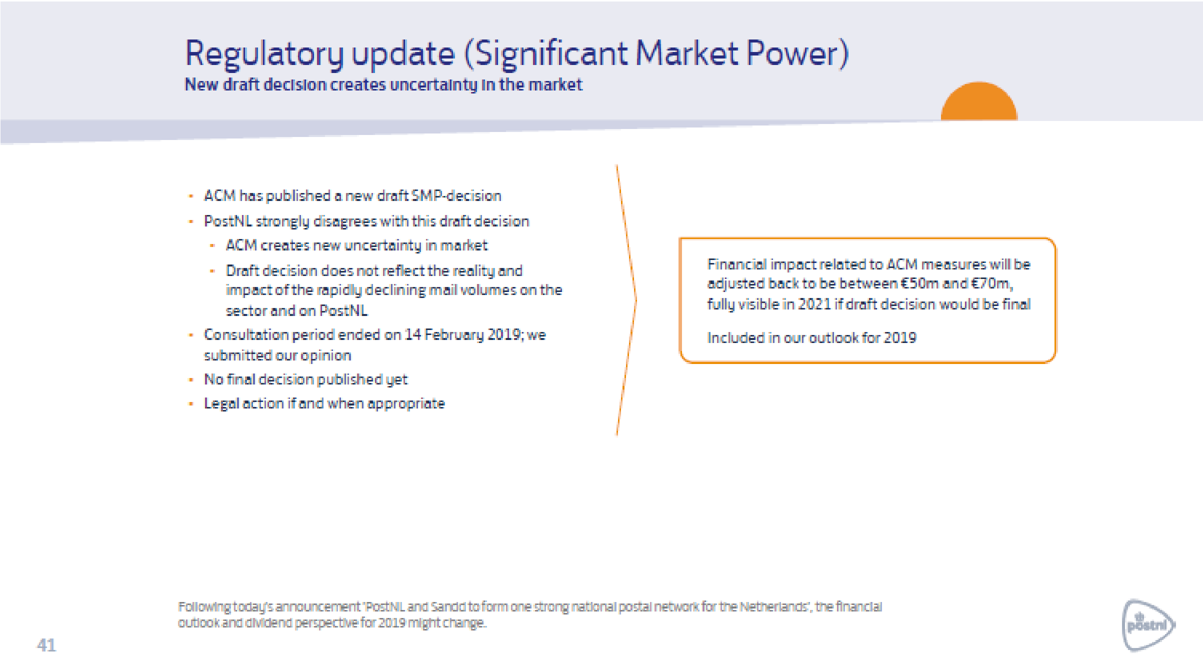
What are the benefits for PostNL? With the change, we are better able to absorb future volume decline. It will be it will be easier for us to adjust the organisation year over year to the volume decline we still expect. We achieve more cost savings because we can divide the amount of volume better and more equally, not only over our people but also over our assets like the locations we are in, like our sorting machines which can be much more equally used over the days, which is a more efficient allocation of resources. We expect a contribution of this to cost saving as of 2020 onwards.




On the next slide you find the cost saving plans for 2019 and 2020. Many of them did not change. So we are still in the centralisation of locations which will continue in 2019. We are still optimising our sorting processes and increase the automation level. We optimise our delivery routes and we introduce more cargo bikes. We simplify our portfolio and are reducing staff. Those plans did not change and have been discussed with you already for a few years but they will continue to deliver cost savings in 2019. What will be added in 2019 is the new mail route, so going from the peak-trough model we have to have today to much more an equal flow model. The change will take place in the beginning of June.

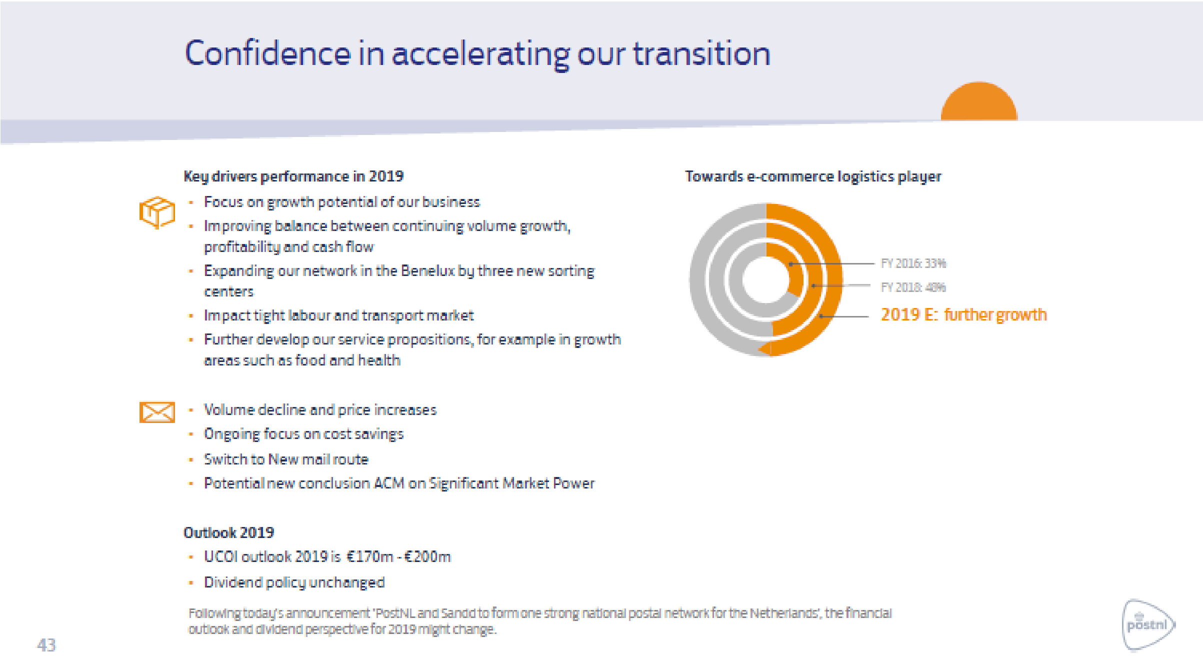



That brings us to the cost savings. In 2019 we expect a cost saving between EUR 45 million and EUR 65 million. That is what you see forecasted here in the grey bar on the left side. The total related cash out between 2015 and 2021 is EUR 425 million and it is still around the same division. When we have one year of cost saving it is more or less related to one year of related cash out. When we take into account what we announced 'a possible consolidation', if consolidation will take place these numbers will change slightly because of the fact that we have a different phasing of some of the reorganisation plans, which will lead to less cost savings out of these cost saving plans in the first four years. By the end of the horizontal all cost savings will be delivered but with different phasing.




Last but not least on Mail in the Netherlands is a regulatory update. When we presented our Q3 numbers we had the good news that we won the court case with the CBB – I do not know the translation in English – a legal authority in the Netherlands. ACM came up with their new concept decision of significant market power just before Christmas. The consultation period ended on February 14 and we submitted our opinion. We disagree with this draft decision for a few reasons. It creates new uncertainty in the market. That is one. Secondly, there is clearly guidance given by government that they want to that they want to move into a market with less competition because of the fact that market is so strongly declining. In a market that is so rapidly declining it also has a very negative effect. If the ACM will take the decision and based on what we see in their draft, the impact will be EUR 50 million to EUR 70 million and as already answered to one of the questions we included part of that in our outlook 2019, to be very clear on that the outlook we have given is an outlook that will that will keep up, also when the decision will be taken finally.


If you look at all the things I have told you, on the changes we see in Parcels, the enormous transition we have, the changes we see in Mail in the Netherlands, the fact that we go to the new mail route in Mail in the Netherlands, we have confidence in our strategy and our strategy is to be the postal and e-commerce logistics solution provider in the Benelux. The ambition is to be your favourite deliverer. That is what we would like to be: the favourite deliverer in the Benelux. To give special moments to everyone.




What is necessary, what are our strategic objectives? First of all, to help customers grow their business which is important to keep volume growth in online. We enhance sustainable employability, we secure also the accessible and reliable postal services which remain to be imported, we deliver profitable growth and generate sustainable cash flow and reduce our environmental impact. So there is still confidence and lots of confidence in the strategy announced to become the leading postal and logistics solution provider in the Benelux.

What are then – and this is a little bit of a repetition of what I have already said – the key drivers for the performance in 2019 for Parcels? These are focus on growth in volume, improve the balance between continuing volume growth profitability and cash flow, expand our networks, expect some impact from tight labour and transport market, further develop our service propositions, be innovative and make sure that we also grow in our growth areas like Food and Health. Within Mail in the Netherlands it is volume decline and price increases which will be key drivers in 2019. The ongoing focus on cost savings together with the switch to the new mail route, which is in our view of the utmost importance when it comes to future cost savings and potentially a new conclusion of the ACM on significant market power.

That brings us to the outlook of EUR 170 million to EUR 200 million and our dividend policy for 2019 is unchanged.


**Pim Berendsen – CFO PostNL**: Thank you, Herna. Let's go to the financial review and first look at side 45.

## Financial highlights Q4 & FY 2018

**Underlying cash operating income in upper-part of guided range**

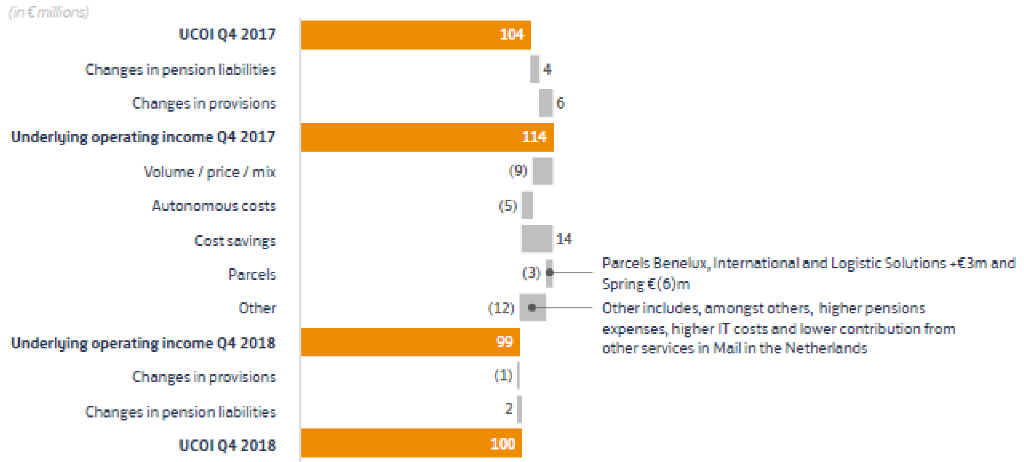
| *(in € millions)* | Q4 2017 | Q4 2018 | FY 2017 | FY 2018 |
|---|---|---|---|---|
| **Reported revenue** | 782 | 794 | 2,725 | 2,772 |
| Reported operating income | 114 | 93 | 284 | 185 |
| Restructuring related charges | 8 | 3 | 25 | 3 |
| Project costs and other | (5) | 4 | (2) | 28 |
| Elimination intercompany results from discontinued operations | (3) | (1) | (10) | (7) |
| Underlying operating income | 114 | 99 | 297 | 209 |
| **Underlying cash operating income** | 104 | 100 | 241 | 188 |
| Net cash (used in)/from operating and investing activities | 74 | 57 | 11 | (19) |

45

As of the beginning of this year we said that 2018 would be a year with results being back-end loaded and indeed that proved to be the case. I think a strong fourth quarter performance brought us to EUR 180 million of UCOI for the year, which is in the upper end of our guided range. In that Q4 number we included the retroactive effect of the invoice we have sent to the postal operators as a consequence of the CBB tribunal's decision on the court case we successfully completed.

In Mail in the Netherlands we had volume decline effects, ACM measures and price increases and in the second part of the year – and that is important to note – an improvement in cost savings compared to the first part of the year. Although an improvement compared to Q3, net cash was below our expectations mainly impacted by negative changes in working capital which I will address a little bit later on in the presentation.

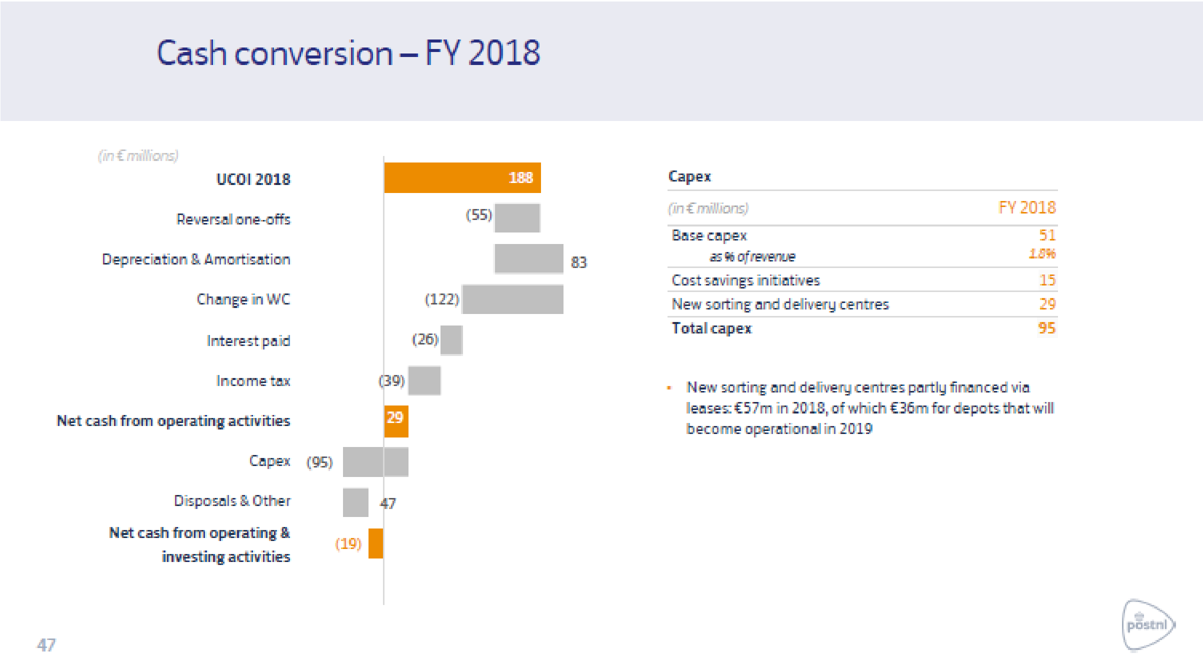
## Underlying (cash) operating income Q4 2018




46

Then over to the bridge going from Q4 2017 towards the underlying operating income and towards the underlying operating income in Q4 2018 and back to UCOI. In the second and third orange bars here you will see the reconciliation of underlying operating income, which has a delta of EUR 15 million negative compared to 2017, volume price/mix effects in Q4 based on 10.2% volume decline and this EUR 9 million effect takes into account the impact of significant market power and of course also the positive impact related to the invoice we have sent to the postal operators. This effect combined with the autonomous cost increases we saw was fully compensated in the quarter by cost savings. We have realised EUR 14 million of cost savings of which EUR 9 million in Mail in the Netherlands and the remainder on overhead savings in the group.

The result of Parcels in the year was slightly lower than last year. Just to be clear, we have made an additional split in that Parcels number. You can see on the slide where basically our Parcels International Logistics Solutions businesses have improved compared to last year with EUR 3 million but it is compensated in a negative way by the performance or Spring of minus EUR 6 million compared to Spring's performance in 2017 which is, as we have seen, throughout the year as a consequence of the increase in competitive position or in competitiveness particularly in the Asia-to-Europe gateway trade lanes.




Then on the cash conversion for the full year, starting with the UCOI of EUR 188 million and bridging it to the net cash from operating and investment activities. Of course, first we need to reverse the one-offs and add back the non-cash depreciation amortisation points here on the slide. The biggest component of those one-offs are obviously the top-up payments on pensions of EUR 33 million that we have made in the fourth quarter of 2018 together with AMM legal costs and costs to sell Nexive and Postcon businesses. We have invested EUR 120 million in working capital throughout 2018 and I have a specific slide on that point in a few minutes.

Capex resulted in a net cash of minus EUR 95 million of which EUR 29 million related to new sorting and delivery centres of Parcels and EUR 15 million related to the cost saving initiatives. Disposals and Other resulted in a cash inflow of EUR 47 million, part of which relates to real estate sales. All in all net cash from operating and investment activities was minus EUR 19 million over 2019. As we have said before, within 2018 we were not able to generate enough operating cash flow to pay our dividend; that is the one-time exception that we have indicated 2018 and going towards 2019 you will see an increase in net cash from operating investment activities going forward.

## Working capital development in 2018

| (in € millions) | Q4 2017 | Q4 2018 | FY 2017 | FY 2018 |
|---|---|---|---|---|
| Δ Inventory | | 1 | (1) | |
| ΔTrade accounts receivable | (62) | (81) | (22) | (40) |
| Δ Other accounts receivable | 3 | 4 | 2 | 15 |
| Δ Other current assets | 13 | 8 | (25) | 2 |
| Δ Trade accounts payable | 38 | (10) | 24 | (24) |
| Δ Other current liabilities excl. short-term financing and taxes | 54 | 61 | (17) | (75) |
| **Changes in working capital** | **46** | **(17)** | **(39)** | **(122)** |

- Change in working capital in 2018 is larger than in previous year due to:
  - Change in revenue mix, shift towards Parcels
  - Higher final payments to other countries for mutual postal services
  - Higher accounts receivable partly related to retroactive invoice to postal operators
  - Volume growth of parcels
  - Lower employee related accruals

48

Then more specific insights in the working capital development. Here you see a comparison of full year 2017 with full year 2018 numbers. As explained a change in working capital of EUR 122 million. That changes had caused several effects. Of course you see a change in revenue mix. Mail revenue is declining. Mail has a negative working capital and Parcels is growing and has a positive working capital, so given the organic developments in the portfolio we have always indicated that we will see an increase in working capital requirements. In addition to that there is also the case you can see in the price/mix effects in Parcels' performance that the bigger customers grow faster than the smaller customers. That will not only have an average price impact but also a working capital requirement impact. An important point to note is that our working capital is also significantly influenced by terminal due settlements and they will not always be average numbers. That all depends on the relative settlement position. We have big settlements done in 2018, on big trade lanes, on bilaterals for instance with Germany and France. That has had implications on working capital debt that we see here on the slide.

## Statement of income

**Lower operating income partly compensated by lower financial expenses and income taxes**

| *(in € millions)* | Q4 2017 | Q4 2018 | FY 2017 | FY 2018 |
|---|---|---|---|---|
| Revenue | 782 | 794 | 2,725 | 2,772 |
| **Operating income** | **114** | **93** | **284** | **185** |
| Net financial expenses | (11) | (3) | (42) | (24) |
| Results from investments in associates and joint ventures | (5) | 0 | (10) | 0 |
| Income taxes | (26) | (14) | (53) | (34) |
| **Profit from continuing operations** | **72** | **76** | **179** | **127** |
| Loss from discontinued operations | (13) | (26) | (31) | (94) |
| **Profit for the period** | **59** | **50** | **148** | **33** |

- Loss from discontinued operations was €(94)m in 2018 (€(26)m in Q4) and includes a fair value adjustment, a consolidation effect with continuing operations and a negative business result
- Fair value re-assessed per YE 2018, resulting in a fair value adjustment, taking into consideration business performance as well as current status of sale processes

49

Then to the statement of income. We see a lower operating income partly compensated by lower financial expenses and lower income taxes. The profit from continued operations in this fourth quarter was EUR 76 million, which is slightly higher than last year. Our full-year profit was EUR 127 million.

Net financial expense was lower than last year, of course due to the redemption of the bonds we have done in November 2017 and August 2018. The result on discontinued operations – our activities in Italy and Germany – was negative, also in Q4. We have made an additional fair value adjustment of approximately EUR 19 million and there were negative business results in discontinued. But at the same time those negative business results were less negative than in 2017. The fair value adjustment that we have taken into account resembles the current status of the sales processes of both Nexive and Postcon and we expect to sign deals before the end of Q2 2019.

## Positive consolidated equity at YE 2018

**Consolidated statement of financial position**

| *(in € millions)* | 31 Dec 2018 | | 31 Dec 2018 |
|---|---|---|---|
| Intangible fixed assets | 212 | *Consolidated equity* | *46* |
| Property, plant and equipment | 494 | *Non-controlling interests* | *3* |
| Financial fixed assets | 92 | Total equity | 49 |
| Other current assets | 431 | Pension liabilities | 296 |
| Cash | 269 | Long-term debt | 420 |
| Assets classified as held for sale | 200 | Other non-current liabilities | 54 |
| | | Short-term debt | 4 |
| | | Other current liabilities | 754 |
| | | Liabilities related to assets classified as held for sale | 121 |
| **Total assets** | **1,698** | **Total equity & liabilities** | **1,698** |

- Net debt position of €149m

50

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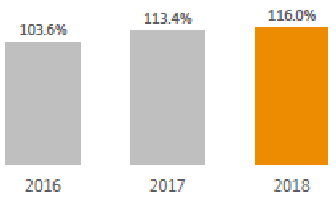
Then let's move on to our balance sheet. With our operational results in Q4 we have achieved again the positive consolidated equity of EUR 46 million positive. Our net debt position is now EUR 149 million, which is EUR 34 million better than at the end of Q3. Later on I will explain how you adjust net debt to our leverage ratio required relevant debt position on the next slides.

## Coverage ratio pension fund further improved to 116.0%

**Positive impact of pensions on equity €13m**

| *(in € millions)* | Q4 2018 |
|---|---|
| Return on plan assets in excess of interest income | (261) |
| Defined benefit obligation | 277 |
| Minimum funding requirement | 1 |
| **Total pension** | **17** |
| **Net effect on equity within OCI** | **13** |

**Coverage ratio pension fund**




- Fourth instalment unconditional funding obligation (€33m) paid
- Netted pension liabilities YE 2018: €296m
  - €33m Fifth and last instalment unconditional funding obligation to be paid in Q4 2019
  - €263m Transitional plans
    - regular pension cash contribution around €30m, in 2019 and in 2020
    - remaining amount will be paid in Q4 2020 is dependent on actual number of employees entitled to soft pension by the end of 2020 and discount rate
    - after 2020 pension only relates to main pension plan

51

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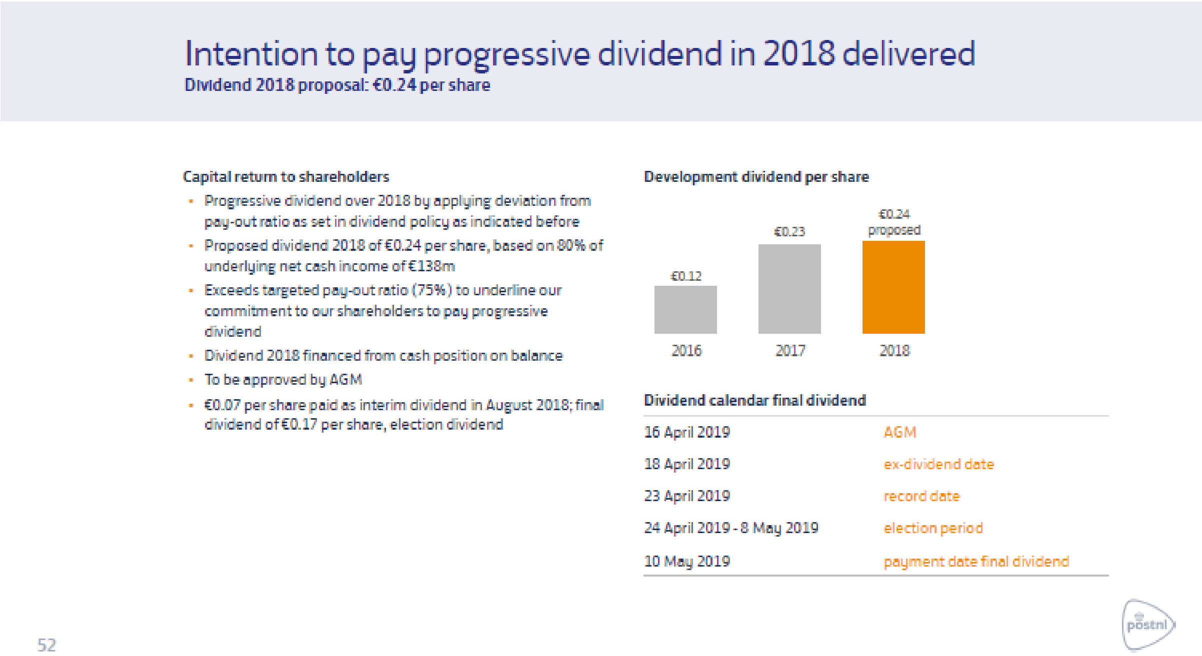
But first to pensions. The coverage ratio of the pension fund further improved to 116%, which has a positive impact of pensions on our equity position of EUR 13 million. Given this coverage ratio there is very limited risk of further top-up payments than the ones that we are already incurring, of which the EUR 33 million we have paid for in Q4 of 2018. There is still one tranche left to be paid in the fourth quarter of 2019, which is the last instalment of our unconditional funding obligations. The remainder then of the pension liabilities – EUR 263 million – relates to the transitional plans or soft pension plans for early retirement. We have two more years to go for regular payments related to those plans and ultimately at the end of 2020 we will have a large one-off payments of the remaining liability on the soft pension plans.




Then over to the last slide of this part before I go to the outlook. This is on dividends. The intention to pay progressive dividends in 2018 will be delivered. Our dividend proposal will be EUR 0.24 cents per share based on a net cash income of EUR 138 million and, as we have said before, we will increase the pay-out ratio from 75% to approximately 80% to get to the EUR 0.24. Of course, our shareholders will have to approve this proposal during our AGM that will take place on April 16th. Taking into account the interim dividend of EUR 0.07 this means a final dividend of EUR 0.17.

## Q4 & FY 2018 Results



53

Herna already explained the outlook for the different parts. Here you see it for the group.

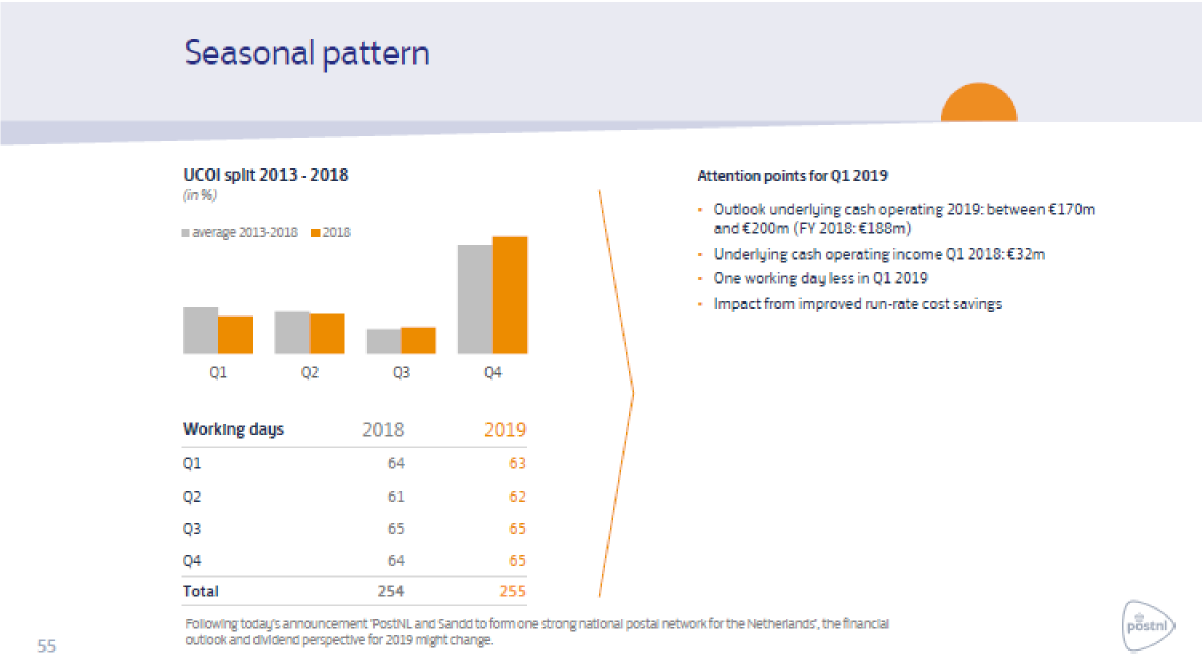
## Outlook 2019

| *(in € millions)* | Revenue | | UCOI / margin | |
|---|---|---|---|---|
| | 2018 | outlook 2019 | 2018 | margin outlook 2019 |
| Parcels | 1,555 | + low teens | 117 (7.5%) | 7.5% - 9.5% |
| Mail in the Netherlands | 1,678 | - mid single digit | 93 (5.5%) | 3% - 5% |
| PostNL Other / eliminations | (461) | | (22) | |
| **Total** | 2,772 | **+ low single digit** | 188 (6.8%) | **170-200** |
| **Capex** | | **max. 100** *(base capex < 2.0% of revenue)* | | |

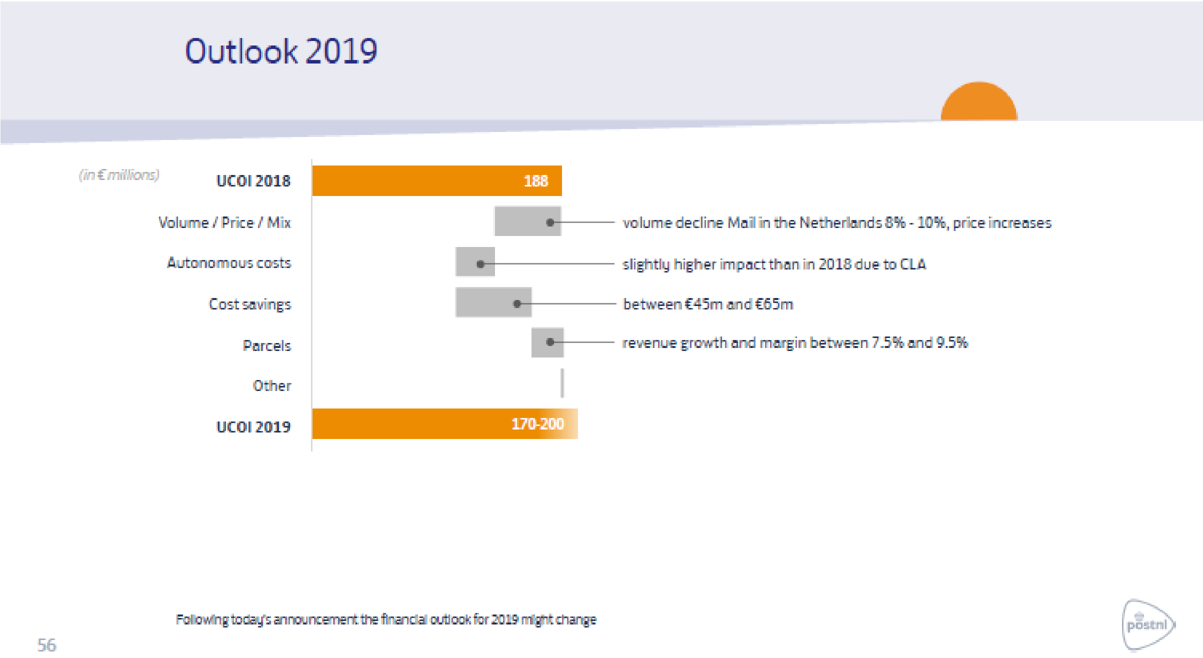
Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

54

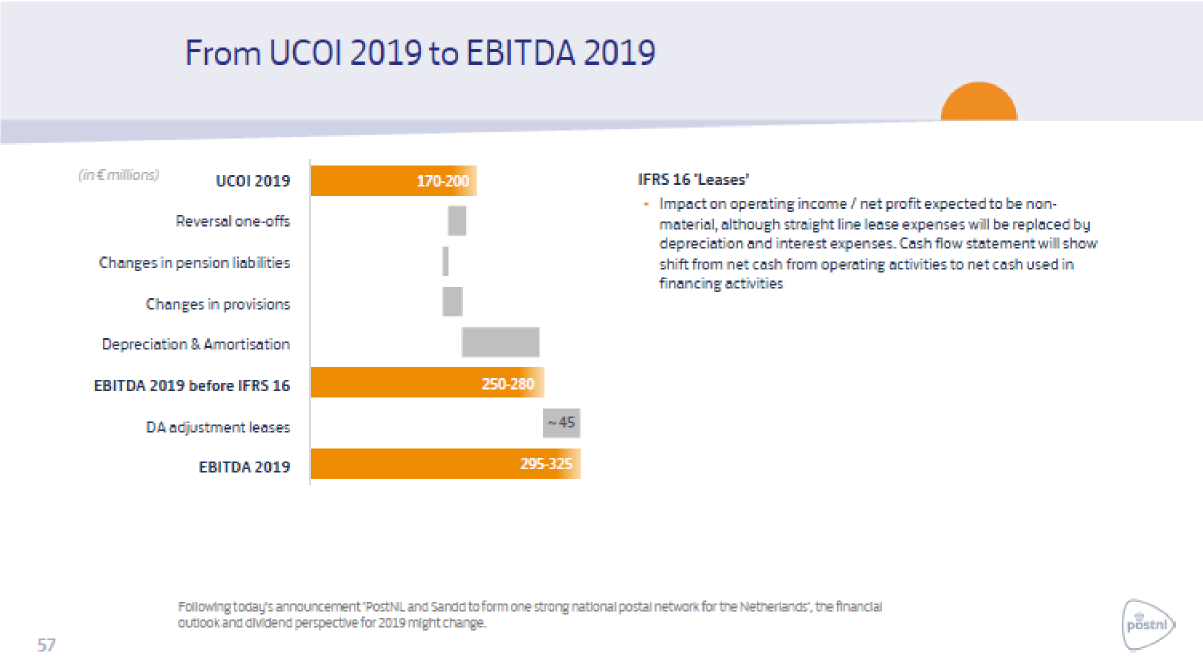
We anticipate an UCOI contribution of EUR 170 million to EUR 200 million for 2019, more or less comparable to the 2018 results whereas we expect Parcels' revenues to grow low teens with a 7.5% – 9.5% margin bandwidth. Mail in the Netherlands' revenue will decline mid-single digits and will keep you margin between the 3% to 5% bracket that we that we have also guided for in 2018. Regarding Capex we expect not to spend more than EUR 100 million. During our Capital Markets Day we will give more insights on the best composition of volume growth profitability and cash flow and as a consequence also investments of Parcels going forward.




I know you are well aware of the fact that we have a strong seasonal pattern. As this picture shows Q4 contributes to a large part of the full year results and clearly also in 2018 that was the case. back-end loaded. For Q1 2019 we assume a development in line with full year expectations, so more or less stable or comparable to what we have seen in 2019. Please note that there is one working day less this year in the first quarter and we will also see the positive impact of the higher run rate of cost savings as a consequence of the step up on these cost savings in the second part of 2018 compared to the first part of 2018.




Looking at our full year outlook we expect underlying operating income to be between EUR 170 million and EUR 200 million. In Mail in the Netherlands we expect our addressed mail volumes to decline by 8% to 10%, which will be partly offset by price increases. Based on the new SMP concept decision we adjusted the expected impact from ACM measures to between EUR 50 million to EUR 70 million fully visible in 2021 and that part is included in the volume price/mix effects for 2019.

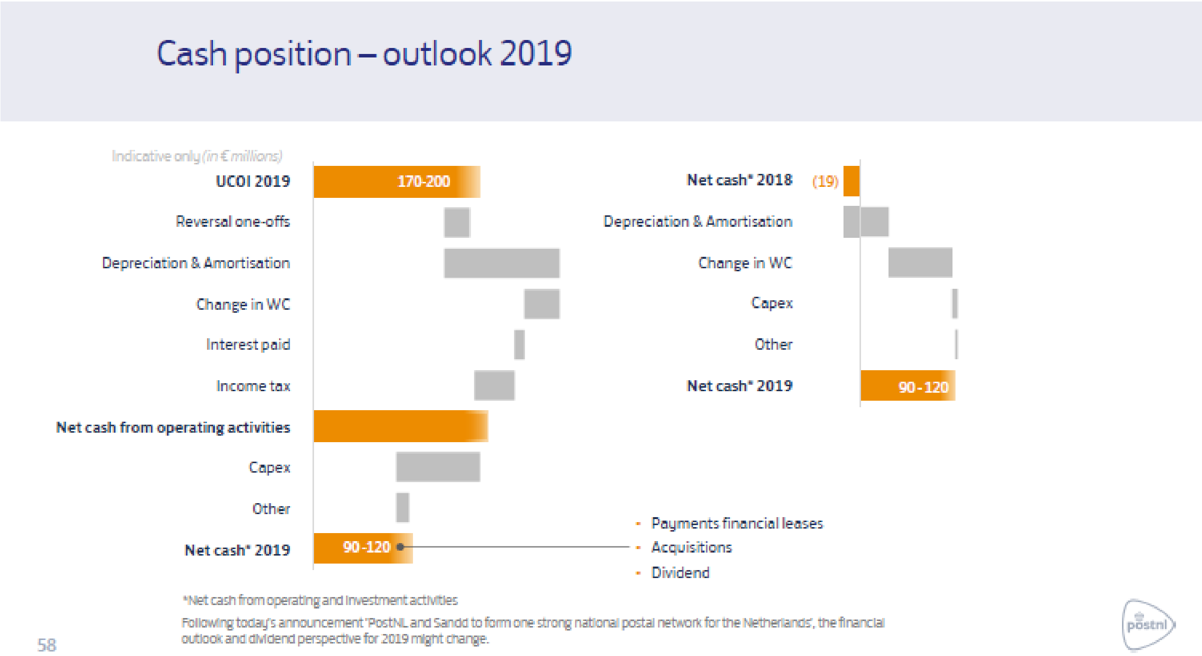



Autonomous cost increases will be slightly higher in 2019 due to the CLA based on the principle agreement that we have reached with the three of the four unions. This will impact the segment Mail in the Netherlands and PostNL Other as well. We expect cost savings to be between EUR 45 million and EUR 65 million and the biggest part will be visible within Mail in the Netherlands but part will be visible in PostNL Other, particularly the part that relates to overhead cost savings at group level.

In Parcels we expect revenue to grow and continue to grow. Herna has indicated why we believe that growth will continue and we expect margin to be between the 7.5% to 9.5% bandwidth. These numbers also include an improvement on Spring in comparison to the performance we have seen from Spring in 2018. So all in all an UCOI outlook of between EUR 170 million and EUR 200 million.

Maybe a bit of extra or additional information that we talked about throughout the year is to try to get you on a better page as to how the UCOI definition or our profit definition UCOI relates to EBITDA. Here we make that bridge from UCOI to EBITDA before IFRS 16 consequences and subsequently we show the adjusted leases impact to get us to an EBITDA expectation for 2019 of EUR 295 million to EUR 325 million. Together of course you have to correct the UCOI for the one-offs, changes in pension liabilities and provisions and of course the non-cash depreciation and amortisation which is included in the UCOI. That first step gets us to EUR 250 million to EUR 280 million and the impact of IFRS16 is EUR 45 million on EBITDA.

The impact of the IFRS 16 adjustment on operating income net profit is expected to be non-material although straight-line lease expenses will be replaced by depreciation and interest expenses. As a consequence, the cash flow statement will show a shift from net cash from operating activities to net cash used in finance activities, where you will see the lease payments to be taken out of the cash flow.

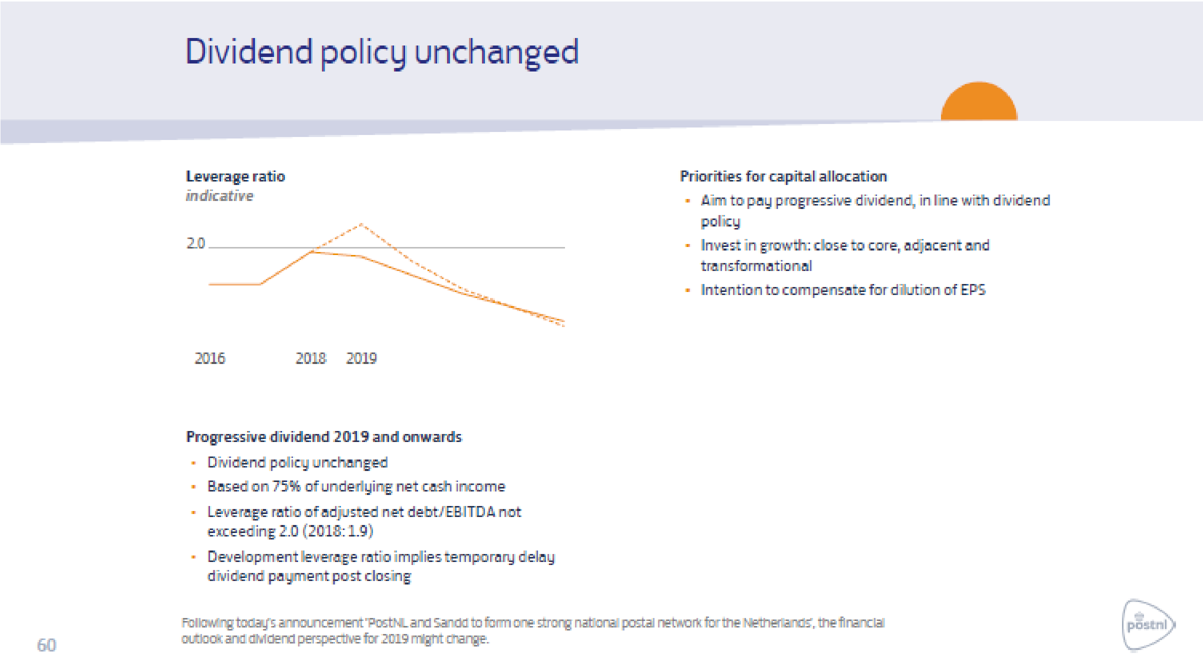



So what to expect from cash conversion in 2019? The most important thing to highlight here is that translating underlying cash operating income is to look at the net cash from operating investment activities where we just said that the impact of IFRS 16 is visible and in line with the depreciation amortisation.

As you can see in 2019 we expect to invest cash in working capital again. However the amount of cash will be lower than the number we have seen in 2018.

After subtracting capex, bottom line is that the expected net cash from operating and investment activity will be between EUR 90 million and EUR 120 million and that is then subsequently the money that we have left for payments for all our financial lease obligations, potential acquisitions and for the cash part of dividends.


On financial strategy: we have a solid financial position and we aim for a progressive dividend. The balance sheet of 2018 showed a positive consolidated equity of EUR 46 million. We still have a Eurobond with a coupon of 1% with a maturity date November 2024. The net pension liabilities which is the composition of one top-up payment left and two years of regular pension payments to be made on transition pension schemes as well as the final payment to be done by the end of 2020 amounts to EUR 296 million. The lease liabilities we will account on our balance sheet as a consequence of IFRS 16 and have always been part of our leverage calculation, amount to EUR 188 million. The cash position at the end of the year was EUR 269 million positive. That gets us to the adjusted net debt position and that drives the calculation of our leverage ratio, which for 2018 was 1.9.




From financial strategy to our dividend policy. As said a couple of times already today, our dividend policy remains unchanged. We aim to pay progressive dividends and developing that in line with our operational performance. The pay-out ratio is set at 75% of underlying net cash income and will be paid in cash or in shares at the choice of our shareholder. The condition for paying out a dividend is a leverage ratio, our adjusted net debt, as I said before and shown on the previous slide, over adjusted EBITDA. That has to be below 2.0.

This graph shows that following today's announcement the development of the leverage ratio implies that a period will have to delay dividend payments temporarily after closing of a transaction. That again assumes completion of that transaction in the fourth quarter of 2019.

When cost savings and synergies will be kicking in being accretive as of the first year you will quite quickly see a decline in the leverage ratio again which will allow for restoring our dividend payments. That is also visible in the priorities we apply for capital allocation. The first priority is the aim to distribute progressive dividends. Secondly, we intend to invest in further growth if and for as long of course that will be value accretive and we also express our intention to see if there are ways to compensate for dilution of earnings per share in future when we have seen the run rate synergies of the consolidation leading to a reduction of the leverage ratio.

On this slide the dotted line resembles the expected leverage ratio on the back of Q4 potential completion of the transaction. The straight orange line is the development of the leverage ratio without the consolidation taking place.


Then to conclude today's presentation, we have confidence in our transition. We have explained to what the key drivers of our 2019 performance are. We expect an underlying cash operating income of between EUR 170 million and EUR 200 million and I want to underpin that this outlook might change if we are allowed to set a next step in the consolidation process later in this year. On the 7th of May we will give more insight on the longer-term improvement of sustainable value creation for our Parcels business and added to that, we will combine that for a mid-term view on PostNL as well as the financial metrics we will use guiding you for that mid-term period.

Thank you very much. Jochem, back to you to open up for Q & A?


## QUESTIONS AND ANSWERS

- **Marc Zwartsenburg – ING**

What happens to the proposed merger and the terms you put out in a press release if the ACM demands certain remedies? Will that change the EV? Will it break the deal? Anything you can add to that?

The cost savings, the EUR 45 million to EUR 65 million you are guiding for, for 2019. You say they will be impacted in case you merge with Sandd. But since that is expected only in Q4, I would suspect that most of the cost savings initiatives are already in place by then. Will that change the number there massively or only by EUR 5 million or so?

Then on Spring. Can you remind us what the EBIT result was of Spring in 2018? I think you mentioned that the loss will be lower in 2019. Can you give a bit of an indication what we should expect for Spring? And then related to that, why is the guidance on the margin if you expect Spring to improve still the 7.5% to 9.5% for the Parcels division? Should we not improve it into 8% or 10% or so?

Lastly, on the new leverage ratio. The dotted line, including the Sandd merger. Is that also including the divestments of Germany and Italy and the proceeds from that and can you provide us the number that you included if so, in that calculation in terms of proceeds for those two entities?

**Herna Verhagen – CEO PostNL**: On your first question what happens to the proposed merger, as said we took into account our ongoing business and the synergies out of consolidation. Now we did not take into account yet the possible measures of the ACM. We will value case by case what those measures will mean for the merger. But I think it is too early to give guidance on whatever. We have full confidence that together with them we try to bring it to an approval.

**Marc Zwartsenburg – ING**: But can you change that on the EUR 130 million EV for example? Can you change or walk away from it?

**Pim Berendsen – CFO PostNL**: What we have included in the financials in relation to the intent to consolidate is everything we can tell you right now. But what we have said before, both Herna and myself, is that we will only do that transaction if it is going to be value creative for the company and our shareholders. The slide in the deck on the proposed acquisition indicates the regulatory processes and how we could end up with an approval and what happens if we do not get the required approvals. But as said, we will only do a transaction if it is going to be value creative for PostNL and its shareholders.

**Herna Verhagen – CEO PostNL**: On your second question the impact of cost savings in case of a merger. Assumed Q4 – it is still an assumption, as said – then of course it will not have the biggest impact in 2019. It will be bigger in 2020.

We never gave guidance on the Spring EBIT results.

**Pim Berendsen – CFO PostNL**: Marc, I think you said it will be less negative or negative in 2019. What I intended to say is that in Q4 2018 compared to Q4 2017 the delta on the Spring contribution to the UCOI was EUR 6 million. So it was EUR 6 million less than in 2017 and we expect Spring's performance to improve from 2018 to 2019. At the moment we have announced the intent to sell Nexive and Postcon, we have changed our segment reporting, as you know. At that moment in time we added Spring to our Parcels segment. That has the consequence that we brought down the old range to 7.5% to 9.5% margin and there is no reason why we should differentiate from that margin with the current perspective both on the Parcels and Spring performance for 2019.

**Mark Zwartsenburg – ING**: Excluding Spring the old Parcels business was still within the 9% to 11% range. Is that something you can confirm?

**Pim Berendsen – CFO PostNL**: That is what we said before and that 7.5% to 9.5% is still what we expect to be delivered.

**Mark Zwartsenburg – ING**: Thank you.

**Pim Berendsen – CFO PostNL**: The expected proceeds are based on the adjusted valuation after the adjustment for fair value at the end of Q4 of approximately EUR 20 million: the remainder of that position we assume indeed to be part of the cash flow. That leads to the leverage graph, the orange line on the slide.

- **David Kerstens – Jefferies**

I just would like to clarify a little bit further the timing of the cost savings and why the run rate you are guiding for, for 2019, of EUR 45 million to EUR 65 million is a lot lower than compared to your original plan that you presented a year ago. That cannot just be a slowdown related to Sandd, right? Are there any other factors that are leading to that relatively lower number?

You mentioned that the total cost savings remain unchanged. But you also highlighted now the new mail route and Equal Flow model as a new source for cost savings. What are the savings relate to this this new initiative coming in in 2021?

Then finally maybe just to clarify. I did not get the point you made regarding the remaining settlement payments for the pension plan. I thought you had another EUR 150 million to EUR 200 million outstanding for 2021. Is that correct or will that be lower or will you pay that earlier?

**Herna Verhagen – CEO PostNL**: First your question on the cost savings and the bandwidth over the EUR 45 million to EUR 65 million. When we gave guidance on the cost saving plans two quarters ago we said that we did not want to guide for Mail in the Netherlands because of all the regulatory changes, of SMP and the changes we still expect. At that moment in time we also we did not give guidance anymore on the cost saving plans, except of the year we are in. So we gave guidance for the cost saving plans 2018 last year. We give guidance for cost savings 2019 for this year.

So the new mail route. We do not split out the cost savings per project. We only give you a total number. The new mail route will add indeed to the cost savings in 2020 and 2021, even so to 2022. When we come back on our Capital Markets Day in May 7, at which we will give mid-term guidance on PostNL we give mid-term guidance on cost savings as well because that is a very important factor in the total.

The settlement payment mentioned on the slide for 2020 of EUR 263 million is the settlement. So after the payment of this settlement there will be no payment in 2021 of EUR 150 million to EUR 200 million.

**Marc Zwartsenburg – ING**: It has already been paid, right?

**Pim Berendsen – CFO PostNL**: If you look at the overall pension liabilities on our balance sheet it is EUR 296 million. You need to split that in EUR 33 million, a last and final fifth instalment on the unconditional funding obligation. Then the remainder of EUR 263 million relates to transitional plans. That includes two times a yearly payment for 2019 and 2020 and that leaves an ultimate payment to be made before the end of 2020, after which basically all transitional pension funds will be funded and also the liabilities will then be out of the balance sheet.

**Marc Zwartsenburg – ING**: And what is the annual payment you expect to make and what is the final payment? Just to get those numbers correct in the model.

**Pim Berendsen – CFO PostNL**: I think we have said before that within the year it is approximately EUR 30 million of pension cash out in the year, which includes this number. Approximately, I think roughly EUR 30 million a year for 2019 and 2020. So if you detract approximately EUR 60 million to EUR 70 million from the EUR 263 million you have the remaining full and final payment that we need to make to fully fund the transitional pension arrangements.

**Marc Zwartsenburg – ING**: Then going back to the cost savings. You said the total savings remain unchanged. But you now also have an additional source of savings or was it already included in in the previous savings target of EUR 500 million of the 5-year period until 2020?

**Herna Verhagen – CEO PostNL**: The new mail route was indeed included. We always said that when you look into cost savings we have plans, which are of course already developed and plans to be developed. The new mail route is one of those plans which was two years ago to be developed and now ready for implementation.

**Marc Zwartsenburg – ING**: Understood. Thank you very much.

- **Ruben Devos – KBC Securities**

Just to come back on the equal flow model, I am just wondering what the feedback of some of the stakeholders has been such as the employees and the customers on the future implementation of the new model. I read that there that non-time-critical mail could be delivered to a five-day period instead of three days. Was there any pushback from customers?

My second question relates to the tight labour in the transport market. Could you give some flavour on the tight conditions, how you manage those challenges? I can imagine that capacity constraints could lead to cost inflation. Is there a possibility that at a certain level you would hold back a bit on stimulating Parcels growth or what is the idea?

**Herna Verhagen – CEO PostNL**: Your first question was about the feedback on the equal flow. There is a positive advice from the workers council on the implementation of the equal flow model, on the new mail route. So, that station is passed. I think employees are positive because it offers them an opportunity to have more working hours a day than they currently have. Also for customers it is a plus because they have the possibility to have their non-time-critical mail five days a week instead of three days a week. So, as far as we can see now the stakeholders who are involved in the equal flow model or the new mail route are positive.

How do we manage the tight labour market? Partly by transferring people from Mail to Parcels. Last year quite an amount of people went from our Mail business to Parcels to start working as a parcel driver or working on other jobs we have within Parcels. That is one.

Secondly we have a lot of specific programs to hire enough people and those specific programs are also programs in which people can start in our company to work as for example non-experienced people. We give them experience and by giving them training and experience we educate them to be able to the job. We also have special programs to make sure that the people who come in stay longer, so that the attrition rate is lower than we had before. We have special hiring programs on the labour market in the Netherlands.

Do we hold back growth a little bit when labour market becomes even more tight? At this moment in time PostNL is a very attractive employer in the market for parcels, so we do not expect, although it is a tighter labour market, that we will get severe issues in 2019 in finding the right amount of people.

**Ruben Devos – KBC Securities**: Thank you very much.

- **Henk Slotboom – The Idea!**

Herna, I was a bit puzzled about what you said about cost savings. If I can turn to page 40 of the hand-out I see you guide for cost savings in the period 2019 – 2021 of EUR 180 million to EUR 200 million. Is that on the basis of PostNL as it is today, so not taking into account any merger and take-over scenarios or whatever?

**Herna Verhagen – CEO PostNL**: The answer is yes. The Q4 slides are numbers based on our current organisation, not taking into account consolidation.

**Henk Slotboom – The Idea!**: Then maybe a follow-up on that one because one year ago you gave a cost savings target of EUR 500 million in the run-up towards 2020 whereby you said that part of that may show in 2020. If I look at the numbers the 253 – and let's take the top end of the range, the 200 – it brings me to 453. Where are the remaining 47?

**Herna Verhagen – CEO PostNL**: I think it comes back to what we have said at the Q2 numbers in 2018. What we said at that moment in time is that the amount of changes we see in our regulatory environment makes it difficult to give clear forecasts for Mail in the Netherlands. and another allowance and that is also the reason why at that moment in time we took away the forecast for Mail in the Netherlands for 2020.

**Henk Slotboom – The Idea!**: That is clear. Then another question on the labour situation. You recently entered into a new CLA whereas I understood that you will have a corporate CLA, so you may deviate from what is happening in the rest of the transport sector. The approval you have to use the corporate CLA, as far as I am informed, expires in September or have you renewed that approval already?

**Herna Verhagen – CEO PostNL**: The answer is no, we did not renew already.

**Henk Slotboom – The Idea!**: One of the unions is pushing hard. Do you expect that you can renew it after September?

**Herna Verhagen – CEO PostNL**: At this moment in time we do. There is no reason to assume differently.

**Pim Berendsen – CFO PostNL**: And of course, we expect to conclude the CLA also before that moment in time.

**Henk Slotboom – The Idea!**: But you did already. The CLA you recently announced will expire after September.

**Herna Verhagen – CEO PostNL**: To be very clear, Henk, we have a principle agreement on the CLA of PostNL, so that needs to be still approved by the members of the unions. It is not yet of an approved CLA and then we start negotiating of course for our postal deliverers' CLA somewhere in the summer or just after the summer. Your question relates to the latter.

**Henk Slotboom – The Idea!**: Then the final question from my side. You recently said that you wanted to get rid of the payrolling construction at the sorting centres and that you wanted to offer these people the same pay for the same work. How quickly do you plan to implement this and how much – just to get an idea – are the extra costs of that? I can imagine that this will make it a bit more expensive for you.

**Herna Verhagen – CEO PostNL**: The difference between what we would pay under the PostNL CLA and what was paid or is paid by contracting parties is not that huge. We never used contracting for a reason of differences in payments. So the cost difference is not that big. That is one. We want to avoid all the rumours and all the issues which were there in the market for us and about us because we are using contracting and, as said, not because of the reason we do not do it because of payment reasons. So that is the reason why we skipped with it and indeed end all the discussions in public on contracting. We will start using normal temporary agencies.

**Henk Slotboom – The Idea!**: That is all. Thank you very much!

- **Mark McVicar – Barclays**

I have a couple of questions. The first is on the discontinued operations. Obviously you had an operating loss of EUR 41 million in 2018 and the cash flow statement says there was a EUR 72 million cash transfer to discontinued. Between now and the point of sale would you expect that run rates of losses to continue? Do you see yourself having to put any further cash into those businesses before they are disposed of?

**Pim Berendsen – CFO PostNL**: Back to the discontinued. As we have said we have adjusted the fair value based on the current status of the divestiture processes both in Italy and in Germany. We expect to do a transaction before the summer of 2019 and have taken into account whatever cash is required to get us to that transaction based on the current business performance in those countries. As I also said in Q4 2018 there was an improvement in performance compared to 2017 and we are in the process of entertaining the next process of that divestiture with multiple buyers in for both countries which makes us at this moment in time comfortable with the assessment on value that we have included in our balance sheet.

**Mark McVicar – Barclays**: And then just a linked question which goes back to one before. Again in the in the accounts you have for the discontinued assets minus liabilities of EUR 74 million. So that that is the net carrying value of the two discontinued businesses. Is that right?

**Pim Berendsen – CFO PostNL**: Yes, but there are also some technical intercompany adjustments that go between continued and discontinued operations that are also part of that. There is trading also for instance between Spring and those countries. That will also lead to intercompany adjustments that you also need to reflect and that are part of those positions, too.

**Mark McVicar – Barclays**: But that would make that gap smaller or bigger?

**Pim Berendsen – CFO PostNL**: In actual performance smaller.

**Mark McVicar – Barclays**: Okay. And then my other question was if the mix of business continues to be basically Mail is down and Parcels up, why should the working capital outflow be less in 2019 than 2018 if proportionally they move in the same direction?

**Pim Berendsen – CFO PostNL**: There are a couple of components. As I tried to explain a big impact on that 2018 working capital investment was big settlements on bilateral positions that will not follow the same pattern year over year. And knowing that cash flow creation is fundamental to our dividend policy of course we will always strive to improve on our working capital position although organically the element of Parcels growing and Mail declining will require working capital investments. So we certainly as one of the four measures that we also manage the business and guide our companies on will be an increase in performance on cash. Fundamentally addressing DBO, DSO That should also lead to part of this improvement.

**Mark McVicar – Barclays**: Thank you.

- **Tobias Sittig – MainFirst Bank**

Just some financial questions from my side. Firstly working capital investment is probably negative in your EV calculation. Is there any adjustment for that working capital in there?

Secondly, do you have any real estate disposals for 2019 and will they contribute to your underlying cash operating income? If so, could you give us an idea of what the amount is in there?

**Pim Berendsen – CFO PostNL**: Sorry Tobias, it was not easy for me to get your first question. Could you maybe repeat it?

**Tobias Sittig – MainFirst Bank**: I am assuming negative working capital. Is there any adjustment in your EV-calculation for Sandd or a negative working capital? Or will you just take the balance sheet as is in the EV calculation?

**Pim Berendsen – CFO PostNL**: Are you asking what the implications of the consolidation working capital investments are going to be?

**Tobias Sittig – MainFirst Bank**: Maybe I am not quite clear. If you are buying Sandd for EUR 130 million but a EUR 50 million of negative working capital to be considered. Is that part of your consideration or not? That is just the question?

**Pim Berendsen – CFO PostNL**: Now I get it. The EUR 130 million is the enterprise value on a cash and debt free level, assuming a normal working capital requirement that is part of Sandd's business model at this moment in time. If we then subsequently talk about the synergies we are talking about the UCOI contribution of those synergies. We have taken into account the working capital requirement. Of course, we will take on, as Herna just said, the customer contracts as Sandd concluded them but the working capital requirements related to those contracts are the normal working capital requirements that we have taken into account coming up with the EUR 130 million enterprise value.

On real estate, also 2019 includes proceeds of real estate. We do not separately disclose them but they will be slightly less than the year before, also given the fact that over time much of the real estate and particularly the bigger locations have been sold already. But part of the UCOI of EUR 170 million to EUR 200 million relates to real estate disposal proceeds.

**Tobias Sittig – MainFirst Bank**: Thank you very much.

Jochem van de Laarschot - : Thank you very much for joining us for a pretty long conference but then again, lots of news today. Thanks very much and see you next time. Thank you.

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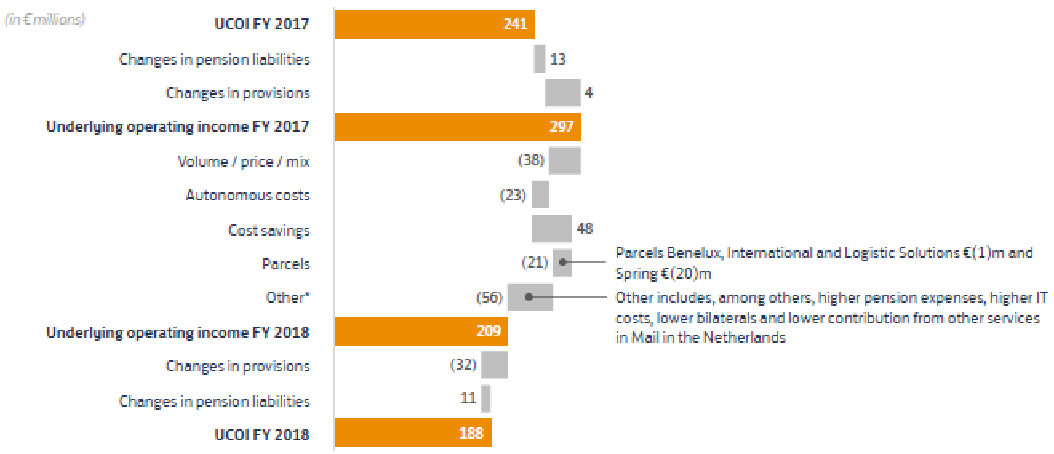
End of call

Q4 & FY 2018 Results

## Appendix

- Results by segment YTD
- Breakdown pension cash contribution and expenses

## Underlying (cash) operating income FY 2018




64 * Other includes amongst others positive impact from bilaterals, amortisation costs and sale of buildings more than offset by export and other services in Mail in the Netherlands

## Results by segment FY 2018

| (in € millions) | Revenue | | Underlying operating income | | Underlying cash operating income | |
|---|---|---|---|---|---|---|
| | FY 2017 | FY 2018 | FY 2017 | FY 2018 | FY 2017 | FY 2018 |
| Parcels | 1,382 | 1,555 | 142 | 121 | 140 | 117 |
| Mail in the Netherlands | 1,783 | 1,678 | 177 | 133 | 125 | 93 |
| PostNL Other | 76 | 74 | (22) | (45) | (24) | (22) |
| Intercompany | (516) | (535) | | | | |
| **Total PostNL** | **2,725** | **2,772** | **297** | **209** | **241** | **188** |

65

## Breakdown pension cash contribution and expenses

| *(in € millions)* | Q4 2017 | | Q4 2018 | |
|---|---|---|---|---|
| | Expenses | Cash | Expenses | Cash |
| Business segments | 23 | 29 | 23 | 30 |
| IFRS difference | 8 | | 3 | |
| **PostNL** | **31** | **29** | **26** | **30** |
| Interest | 2 | | 2 | |
| **Total** | **33** | | **28** | |

66

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