
Q3 2020 Results
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postnl

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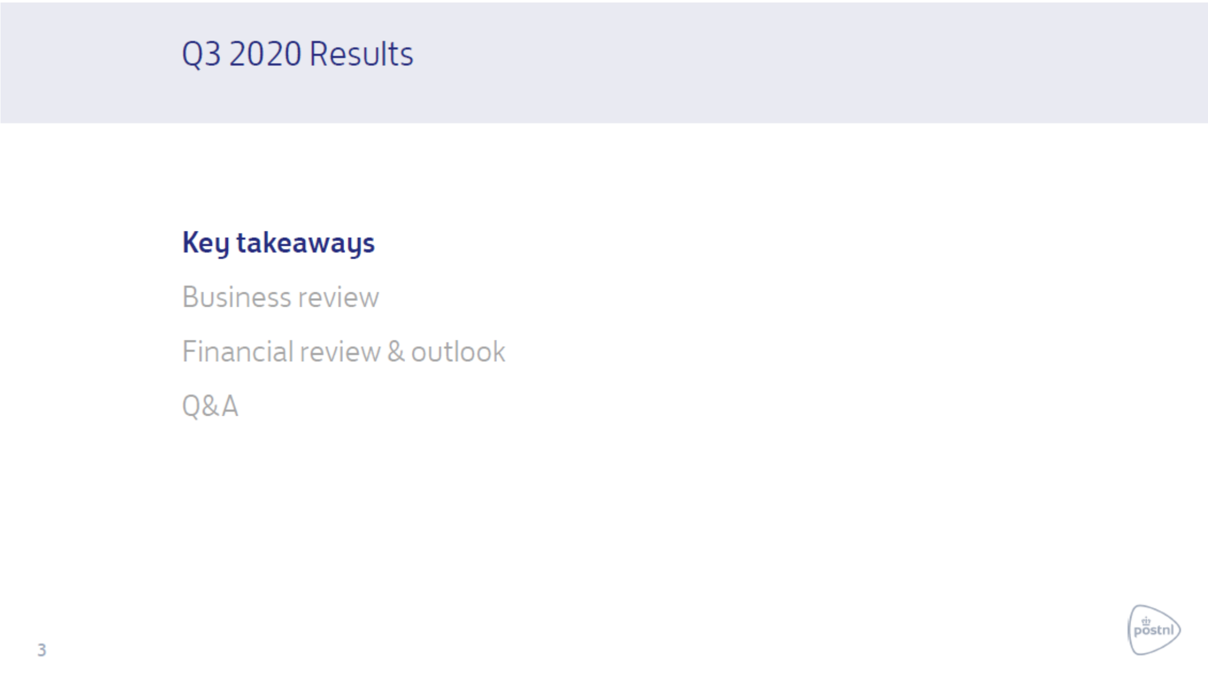
Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Good morning everyone. With me in the room are Herna Verhagen, CEO, and Pim Berendsen, our CFO. Pim will take you through the slides that you can find on our website and that are available in the webcast, after which we will answer your questions.

Pim, please go ahead.



Pim Berendsen – CFO PostNL: Thank you, Jochem, and good morning everyone. Let's start with slide 4.

Our mail and parcel deliverers provide a vital service to society

Health and safety for our people and consumers come first

- Proud of our people
- Comprehensive set of measures taken across our business to ensure and safeguard health and safety of our people, customers and consumers
- Sick leave levels in Q3 declined gradually from March 2020 peak, but will potentially increase as a result of rising number of infections
- Substantial improvement in employee satisfaction, now above sector benchmark, and satisfaction of our delivery partners

Preparations for peak season in full progress

- Further scaling up of capacity
- Hiring people, for delivery and to staff sorting centres that will be also operational on Sundays, to be able to accommodate high volumes
- Renting additional locations and transportation
- Creating awareness across full e-commerce chain for early ordering of goods
- Extra mail collection on Sundays in December and delivery on Monday 21 and 28 December

Extra employee payment of €250 net in recognition of hard work and commitment

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The key takeaway is that over the last couple of months it has been very clear to us and many other people that mail and parcel deliverers provide a vital service to society, particularly in these days and basically, as of the first COVID-19 signals in the Netherlands we have made clear that our first and foremost priority is the health and safety of our people and our customers. As a consequence, we have taken a comprehensive set of measures across our business to ensure and safeguard that. Also, in this period, in preparation of our Q4 peak volumes, we have taken several additional measures to safeguard that our employees can work safely and continue to operate our networks as we normally do.

We are extremely proud of our people that have put that commitment each and every day to get people connected and delivered all the goods, letters and cards to everyone. So, we are also very happy that we are able to provide them with an extra recognition for their hard work with another EUR 250 net. That is the good news that we have obviously shared on 6 October as well.

Next to that, we see an unprecedented period. We see a substantial improvement in our employee satisfaction, now above the sector benchmark, and satisfaction amongst our delivery partners also increased significantly.

At the moment, we are of course in full preparation for the peak season. We are scaling up capacity, we are hiring roughly 1,000 people for delivery and sorting centres, and we will also open our operations on Sundays to be able to accommodate the higher volumes. We are renting additional locations, additional line hauls to do whatever we can to accommodate the high volume that we expect in the fourth quarter.

To be able to absorb the peak also in mail, we will be collecting on Sundays and we will be delivering on two Mondays, the days on which we normally do not deliver mail.

Let’s now look at the Q3 results on slide 5. We again report a strong business performance and our financial position improved significantly. We are very happy with the Q3 numbers. Revenue was up EUR 106 million to EUR 742 million, which is an increase of 17%. Normalised EBIT came in at EUR 36 million, EUR 10 million or 38% higher than last year. Basically, all our business segments have shown a continuation of the strong performance that we also saw in the first half year. It is both in Parcels as well as the realisation of the anticipated benefits and synergies of the mail networks, which are ahead of schedule and a volume decline in Mail in the Netherlands in this quarter has slowed down in comparison to last quarter.

As said, normalised EBIT was EUR 36 million for the quarter. This number includes a negative impact of EUR 16 million that is not directly business related. EUR 7 million for the extra payment to our employees and another EUR 9 million relating to higher pension expense and effects of the adjusted labour regulation. So, adjusted for these elements, profit would have been EUR 52 million, which was obviously a EUR 16 million higher comparison than last year.

The underlying free cash flow development was positive. This quarter, we see timing effects which we have talked about also at the half-year numbers. Part of this phasing is backward trading towards the first half of the year and a little bit continues in Q4. The overall free cash flow for the quarter was EUR 5 million and a little bit later on in the presentation I will go in more depth into the different components that drive cash flow for the quarter as well as year to date.

As already announced on 6 October, we now expect normalised EBIT for 2020 to amount to at least EUR 175 million and combined with the improving financial position, of course also supported by the sale-and-lease-back transaction, we are pleased to say that we expect to resume dividend payment over 2020.

Growing importance of digitalisation

Further acceleration to strengthen competitive position, contribute to customer satisfaction, reducing cost base and attracting new customers

	YTD 2019	YTD 2020	
online visitors	306m (47% via PostNL app)	419m (59% via PostNL app)	+37%
PostNL accounts	5.0m	5.8m	+16%
stamp codes	697k	1,211k	+74%
talks with chatbot Daan	905k	1,560k	+72%

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On slide 6, a key component of our strategy going forward is obviously digitalisation and the acceleration of our digitalisation efforts. We announced that we will further accelerate this program over the next two to three years, in which we aim to strengthen our competitive position, contribute to customer satisfaction, reduce our cost base and attract new customers.

Let's look at some of the main developments that we have seen during 2020. First of all, we had 419 million online visitors, which is a growth of 37%. What is important to note is that also a large percentage of this 59% have reached us via the app, which of course makes the app more and more relevant day after day.

The number of PostNL accounts increased by 16% to 5.8 million and we also see very strong growth in the stamp codes. We sold 74% more stamp codes compared to last year.

Then we see that more and more people can be helped by our chatbot Daan, over 1.5 million interactions with Daan year to date, up 72%. And also, quite recently, we have introduced Sam, our chatbot in Belgium, to offer the same type of customer service solutions in Belgium as we do in the Netherlands.

We have started an internal program, our digital academy, to educate our people on their knowledge of digitalisation. These developments illustrate the efforts that we are taking to further digitalise our business.

Q3 2020 Results

Key takeaways

Business review

Financial review & outlook

Q&A

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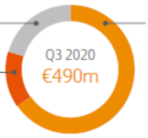
Let's look at the quarter in a little bit more detail on a segment-per-segment level. Let's first look at Parcels performance.

Parcels: strong performance continued

	Revenue	Normalised EBIT	Volume growth
Q3 2020	€490m	€49m	16.8% (YTD: 15.0%) (YTD volume: 232m)
Q3 2019	€401m	€27m	

Revenue mix



Strong revenue growth

- Benefiting from e-commerce growth
  - step-up in transition from offline to online due to Covid-19
  - growth partly also relates to specific, non-recurring, consumer spending (10m-15m parcels ytd)
- Positive price/mix effect
  - yield management (including improved pricing)
  - good growth especially among small and mid-sized webshops
- Spring: sharp growth in e-commerce volumes both in Asia and in Europe
- Revenue growth at Logistics in all business lines due to healthy e-commerce growth in relevant segments such as fulfilment

Result Parcels up €22m driven by revenue growth

- Good operational leverage
  - Efficient utilisation of capacity during summer
  - Hit rate improved, lower drop duplication
- Ongoing good performance at both Spring and Logistics driven by revenue growth and efficiency

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Another strong performance in the quarter by Parcels. We have seen strong volume development with volume almost 17% up in comparison to last year, which brings the year-to-date figure to 15%. That means that in 2020 so far we have delivered 232 million parcels and, as we have said before, driven by the COVID-start in Q2 there is also part of that volume, which we expect is incidental volume. You need to think about people buying a new laptop, a new headset and what have you, everything that helps people to work from home. We think that 10 – 15 million of these 232 parcels are volume that will not repeat itself.

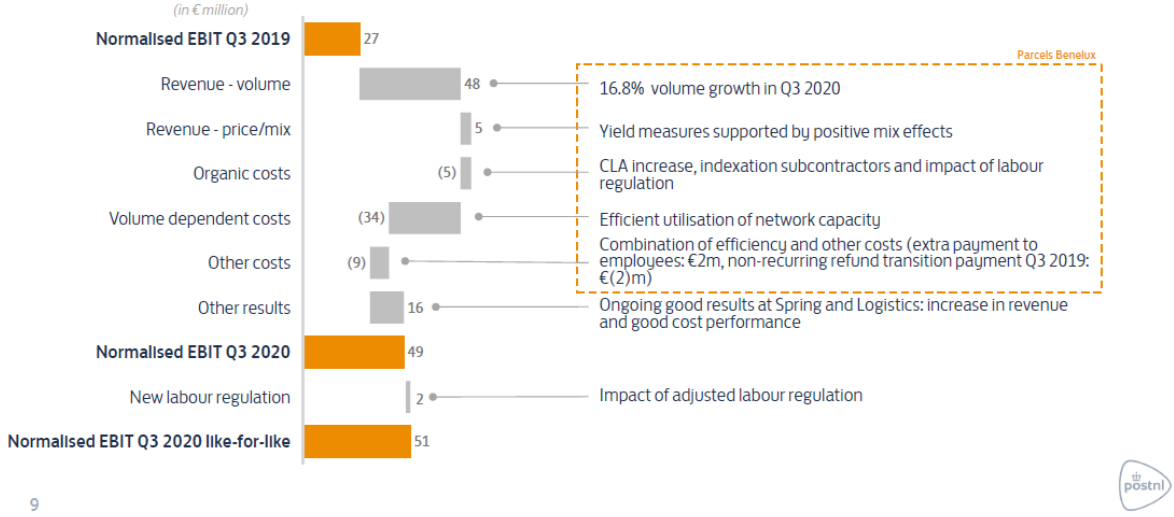
Yield management measures, including improved pricing, explain the positive price/mix-effects and what we also see is that this growth is particularly visible amongst small and mid-sized webshops, which is positive for the price/mix-effect this quarter.

Revenue development has also been strong in Spring and Logistics. Both Asia and Europe report a sharp growth in e-commerce volumes. In Logistics revenue increased in all business lines, also due to the healthy e-commerce growth in these segments such as fulfilment, health, et cetera.

All in all, the increase in revenue was the basis for a normalised EBIT of EUR 36 million, EUR 22 million above last year's result, good operational leverage to a very efficient utilisation of capacity during the summer months, and a hit rate that improved compared to last year.

Spring and Logistics had a relatively large contribution to the result, improvements driven by their volume growth and revenue growth.

Parcels: Normalised EBIT up to €49m (from €27m)



On slide 9 you see the normalised EBIT bridge from EUR 27 million to EUR 49 million or, like-for-like EUR 51 million, of course driven by the 17% volume growth, a EUR 48 million volume effect, a positive price/mix-effect of EUR 5 million, a combination of the yield measures as well as the mix in customers. The CLA increase, indexation of subcontractors then takes EUR 5 million additional organic costs. The volume dependent costs are a function of a very efficient utilisation of the network in this quarter, and in Other costs, you see a combination of efficiency and others costs. Amongst others, there you see the EUR 2 million additional payment to the employees as well as a non-recurring refund transition payment that we have reported in the third quarter last year.

Other results contain the good results in Spring and Logistics and that brings the normalised to EUR 49 million and of course, as you know, the new labour law regulation had an impact of EUR 2 million in the quarter, so like-for-like EUR 24 million improvement in comparison to last year.

Mail in the Netherlands: mail volume decline slowed compared to Q2

	Revenue	Normalised EBIT	Net contribution of Sandd in normalised EBIT	Addressed mail volume decline
Q3 2020	**€379m**	**€4m**	**€8m**	**10.4%** (YTD: 13.2%)*
Q3 2019	€342m	€4m		

Revenue development

- Volume declined by 10.4%**
  - including substitution due to Covid-19 (around 3% compared with 5% in Q2)
- Consolidation of Sandd
- Moderate price increases and favourable mix effects
- Discontinuation of non-core activities

Performance marked by additional volume decline, price increases and combination of mail networks

- Realisation of anticipated benefits and synergies of combined mail network ahead of schedule: net contribution of €8m in Q3 (YTD: €28m)
- Further implementation cost savings projects
  - Adjusting sorting and delivery process
  - Overhead reduction in line with earlier plans
  - Centralisation of locations: some delay due to measures taken to apply social distancing guidelines in operations and facilities as indicated before

* YTD adjusted volume decline was 12.6% (three working days less)
** No election impact, no working day impact, 2019 pro forma volume including Sandd volumes

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Regarding Mail in the Netherlands I would like to begin with repeating that the integration of Sandd is running along very smoothly. We are ahead of schedule; Sandd is accretive to normalised EBIT in this quarter again. The total net contribution this quarter was EUR 8 million, which brings the total to EUR 28 million so far. That is the net impact; there are EUR 30 million of one-off costs in relation to the overall synergies, so gross synergies currently amount to EUR 58 million.

Mail volumes were down in the quarter by 10.4% and this still includes 3% acceleration of digitalisation impact from COVID-19, which is significantly less than the 5% impact that we reported in Q2. Overall, this means that the normal decline that relates to substitution is in line with our expectations.

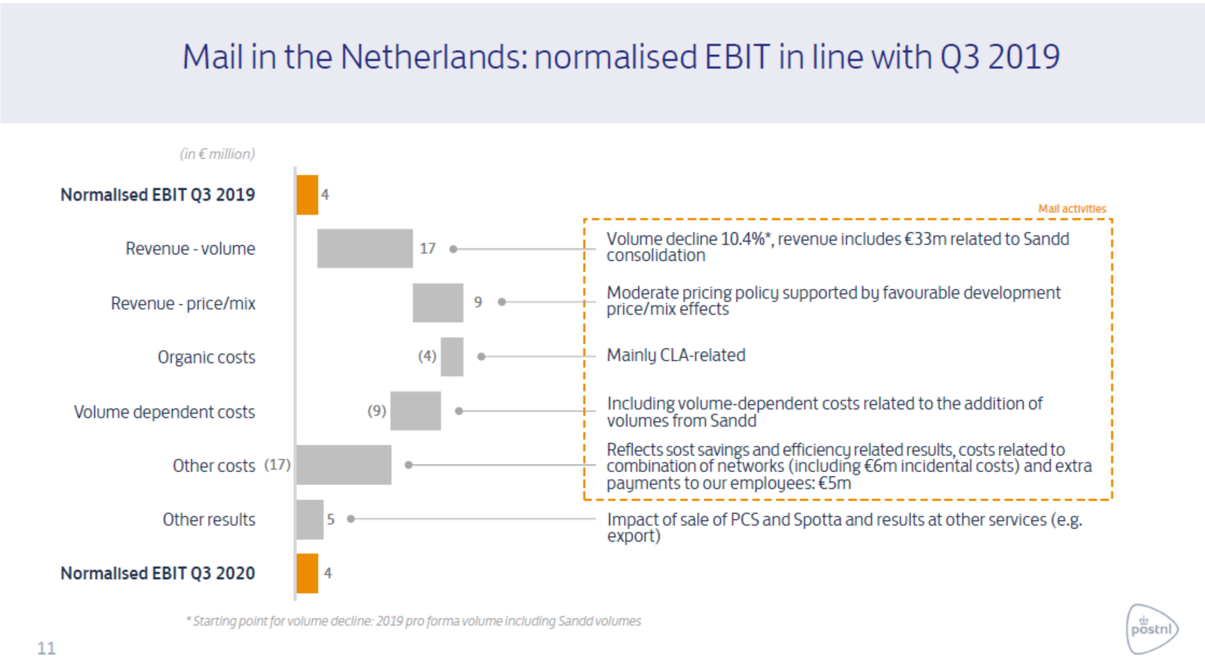
COVID-19 also had an impact on our International Mail activities, so the cross-border import flows have been affected by COVID-19.

The volume decline effect was partially offset by a positive price/mix-effect, which was more favourable this quarter than it usually is, on the back of predominantly changes in the product mix.

The drivers for the results were Sandd, the impact of COVID-19, the focus on our core activities, and of course the usual business development.

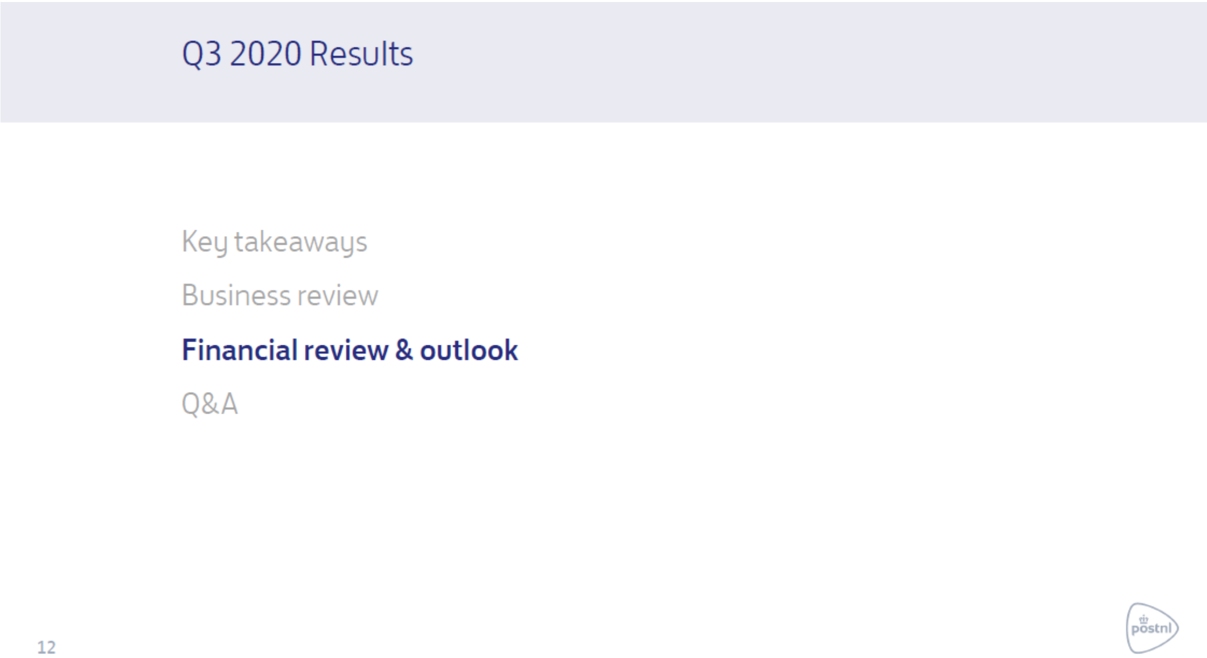
Cost savings, as indicated before, a little bit of a delay also in relation to the measures taken to apply social distancing guidelines in operations that do not allow us to centralise certain locations, at least not for now.

So, also from a Mail in the Netherlands perspective a strong and positive quarter.

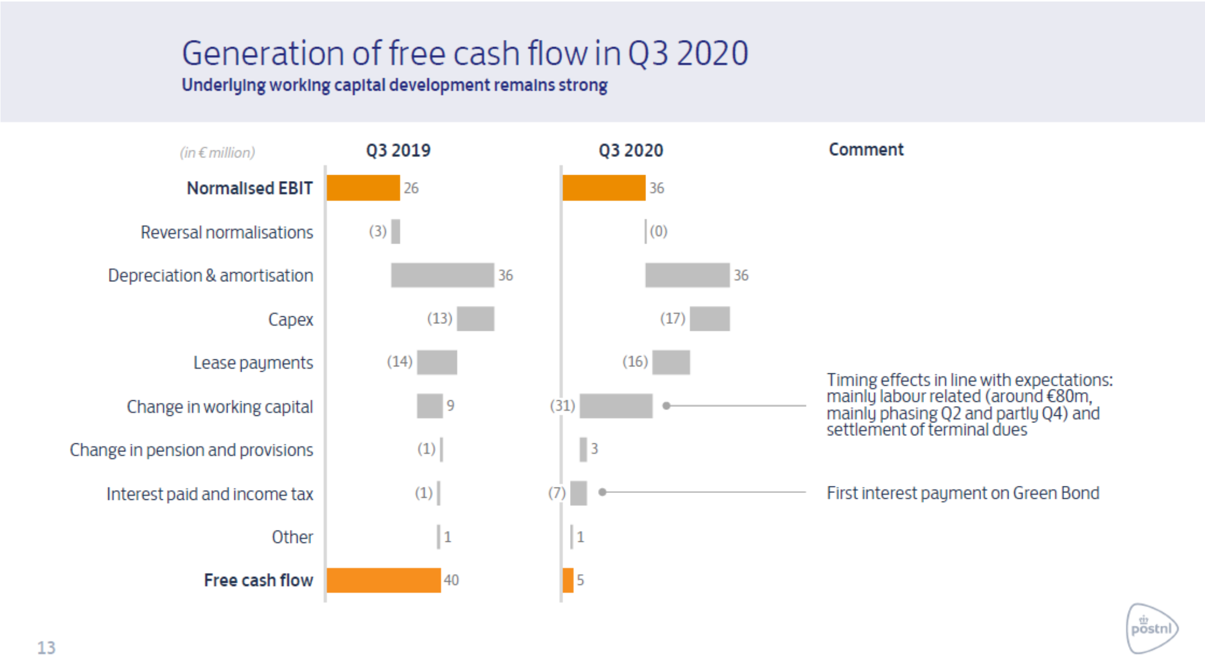


This slide shows the bridge: the normalised Q3, 2019 was EUR 4 million normalised EBIT and Q3, 2020 it was EUR 4 million as well. The volume effect was EUR 17 million positive, of course driven by the 10.4% volume decline and the EUR 33 million top line addition as a consequence of the Sandd consolidation. EUR 9 million positive price/mix-effect, moderate pricing policies supported by the favourable development in price/mix. The volume-dependent cost contains part of the additional volume-dependent cost related to the acquisition of Sandd. In Other costs you see the EUR 5 million extra payment to our employees, as well as

EUR 6 million incidental costs in relation to the integration of Sandd. In Other results you see the effect of our focus on our core activities, in other words the divesture of PCS and Spotta this year has contributed to the improvement here of Other Results, EUR 5 million.



Let's go to the overflow of the free cash flow generation in this quarter.



As you can see, obviously normalised EBIT up EUR 10 million, depreciation, amortisation and capex roughly in line with last year, lease payments slightly higher which of course is also driven by the Sandd acquisition. Here, in the third quarter, we see an investment in net working capital in the quarter, which relates to the phasing effects that I have talked about also in Q2. The biggest component of this phasing is phasing backwards to Q2 and partly to Q4 and some settlements of terminal dues are also included in this number.

On the Interest paid and income tax line, there is a deviation of EUR 6 million in comparison to last year, which contains the first interest payments on the green bond, which makes the free cash flow for the quarter EUR 5 million.

Pension developments

Coverage ratio (12-month average) pension fund at 105.2% as at 30 September 2020

(in € million)	2019	YE 2020	YTD 2020
Provision for pension liabilities	283		283
Pension expense (P&L)	119	~145	109
Regular pension cash contribution	111	~110	79

Positive outcome discussion pension fund

- Expected cash-out for final payment transitional plans capped at around €290m
- Around €85m of this payment will be deferred and paid in 5 instalments in 2021-2025 period
- Regular contributions related to transitional plans expected to be €5m less
- Entitlements of employees will not be affected

- Pension expense up ~€25m in 2020 as indicated before, visible in normalised EBIT (€(7)m in Q3 2020)
- Impact on equity mitigated by effect in OCI (€4m in Q3 2020)
- Expected impact on cash contributions is limited
- Actual coverage ratio 104.4%; taking into account resilience of pension fund, no top-up payment obligation is expected

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Over the last quarters, we have spent quite some time to explain the agreement that we have reached with the pension fund, so I will not repeat that. The main news for now is that the actual coverage ratio of the fund was 104.4% at the end of September, which brings the relevant coverage ratio, which is the 12-month average coverage ratio to 105.2%, which is still above the minimum required level of 104%. Taking into account the resilience of the pension fund no top-up obligation is foreseen.

Maybe for your cash flow numbers in Q4: have a look at the table where we see the year-end expectations. In 2020 a pension expense of EUR 145 million and a regular pension cash contribution of EUR 110 million, the gap being EUR 35 million. The year-to-date numbers are also there for your reference. Of course, next to that we expect to pay roughly EUR 205 million on the transitional pension schemes by the end of this year.

Consolidated statement of financial position

Adjusted net debt position end of Q3 2020: €618m

(in € million)	26 Sep 2020
Intangible fixed assets	353
Property, plant and equipment	396
Right-of-use assets	229
Other non-current assets	106
Other current assets	399
Cash	569
Assets classified as held for sale	8
Total assets	**2,060**

	26 Sep 2020
Consolidated equity	*57*
Non-controlling interests	*2*
Total equity	59
Pension liabilities	283
Long-term debt	696
Long-term lease liabilities	183
Other non-current liabilities	28
Short-term lease liabilities	55
Other current liabilities	755
Total equity & liabilities	**2,060**

- Adjusted net debt is €618m; gross debt (Eurobonds, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position
- Total comprehensive income Q3 2020: €28m (Q3 2019: €4m); YTD 2020: €75m (YTD 2019: €(2)m)

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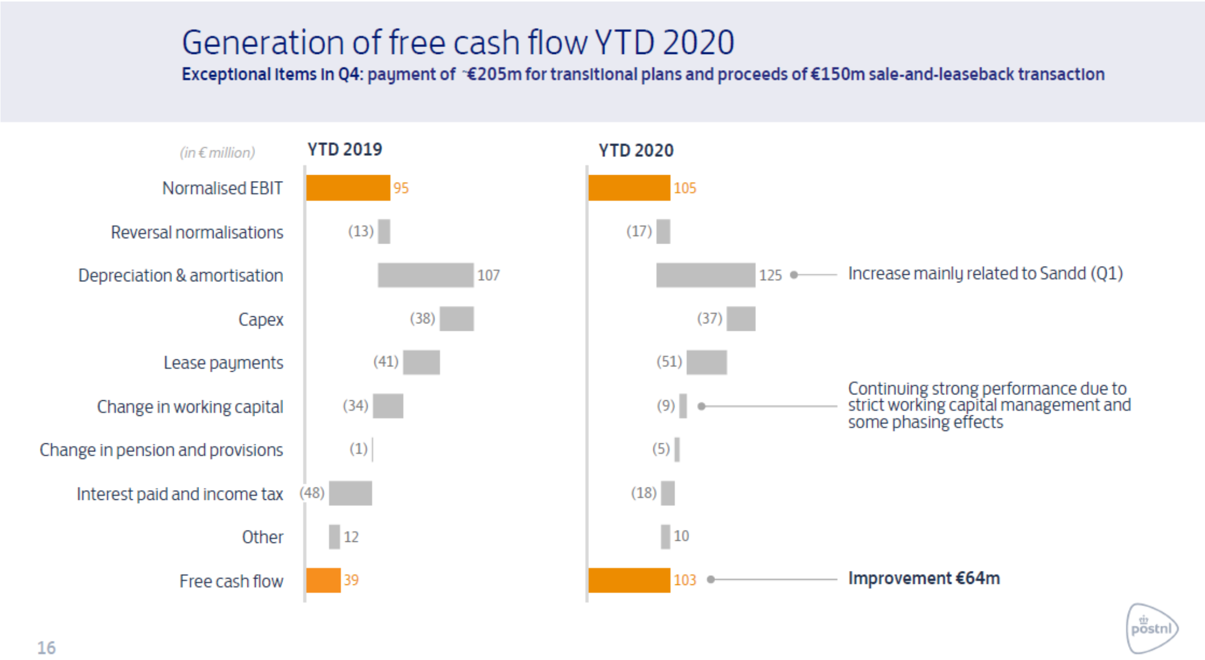
Consolidated equity is up EUR 29 million compared to the end of June, which almost equals the total comprehensive income for the quarter, which is EUR 28 million. As you know, the normalised comprehensive income will be the basis for our dividend pay-out ratio and this metric is derived from total comprehensive income and the comprehensive income for year to date is EUR 75 million.

Drivers for the movement in equity are the net profit of EUR 24 million and a comprehensive income effect from pensions being EUR 4 million net of tax.

Adjusted net is up to EUR 618 million from EUR 614 million three months ago.



It is important to spend some time discussing the generation of free cash flow year to date 2020 numbers on slide 16. Normalised EBIT is at EUR 105 million, which is EUR 10 million compared to last year. Depreciation and amortisation are higher, of course also related to Sandd. Capex is more or less in line and lease payments are higher. I think we have clear to you – and otherwise I repeat it – that we have guided you to around EUR 80 million of lease payments for the full year, so those are not evenly spread over the year. If you talk about changes in working capital, we see a EUR 9 million investment in working capital year-to-date on the back of significantly higher revenues, which indicates to a very strong performance and strict working capital management. That brings the free cash flow for the year so far to EUR 103 million, which is EUR 64 million improvement compared to last year.

Outlook for 2020

(in € million)	Initial outlook FY 2020 (24 Feb 2020)	Outlook FY 2020 (3 August 2020)	Outlook FY 2020 trading update (6 October 2020)
Normalised EBIT	110 – 130	strongly above 110 – 130	> 175
Free cash flow *	(315) – (285)	strong improvement compared to (215) – (185)**	additional positive impact

** Cash flow before dividend, acquisitions, redemption of bonds/other financing activities; after payment of leases*
*** Including €100m improvement following the final agreement on transitional plans (2 June 2020)*

- FY 2020 normalised EBIT expected to be at least €175m
- Free cash flow for FY 2020 - additional positive impact expected
  - Further upside is anticipated as adjustments of normalised EBIT will convert into cash
  - Sale-and-lease back agreement, expected to close in November, to result in proceeds of around €150 million in 2020
    - related book gain of around €61 million
    - impact on adjusted net debt position: approximately €97 million
  - Working capital investments should be lower than anticipated due to strict working capital management and more export, more than offsetting effect from higher revenue

Uncertainties appear to be increasing due to the second wave of the pandemic

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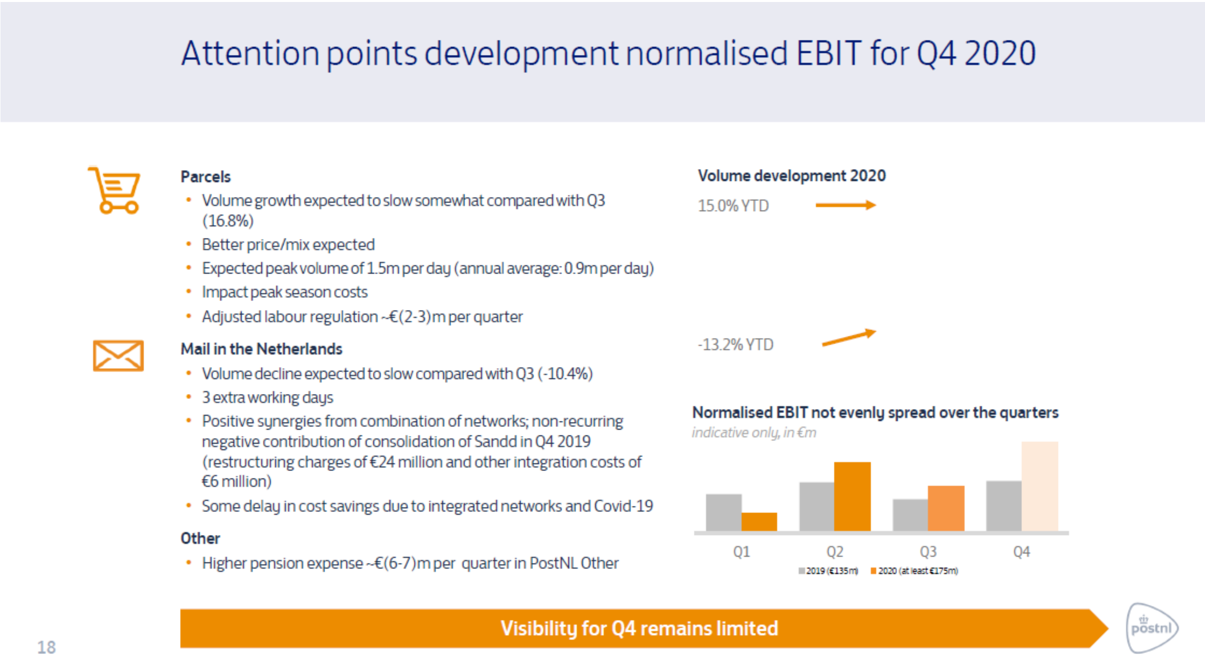
Let's get to the outlook for 2020. On 6 October we have already informed you that we adjusted our full year outlook for normalised EBIT to at least EUR 175 million, based on the strong operational performance. At the same date, we have announced the sale-and-lease back transaction, which will lead to proceeds of around EUR 150 million, a related book gain of around EUR 61 million and the impact on adjusted net debt will be EUR 97 million positive.

For free cash flow this means that we expect an additional positive impact when looking at our latest guidance, which is a strong improvement of the between EUR(250) million and EUR (185) million. Please remember that this range already includes the favourable impact from the agreement on the final payment of transitional plans. If we look at this in a slightly different way and if you look at the current year-to-date free cash flow of EUR 103 million, there will be EUR 150 million added as a consequence of the sale-and-lease back. EUR 205 million will be taken out as a final payment to the transitional pension scheme and then the balance of the cash flow generated by the profits in Q4 as well as the step-up in capex and lease payments will lead to a positive cash flow for the full year, which is a significant improvement obviously from the minus EUR 300 million which was the starting point for our initial outlook on 24 February.

Clearly, when looking forward we need to point out that there are still some uncertainties in relation to the second wave of the pandemic. Visibility remains limited and also depending on social distancing measure, which could lead to potentially higher sick leave and additional cost obviously to accommodate for the volume growth that we still expect in the fourth quarter.

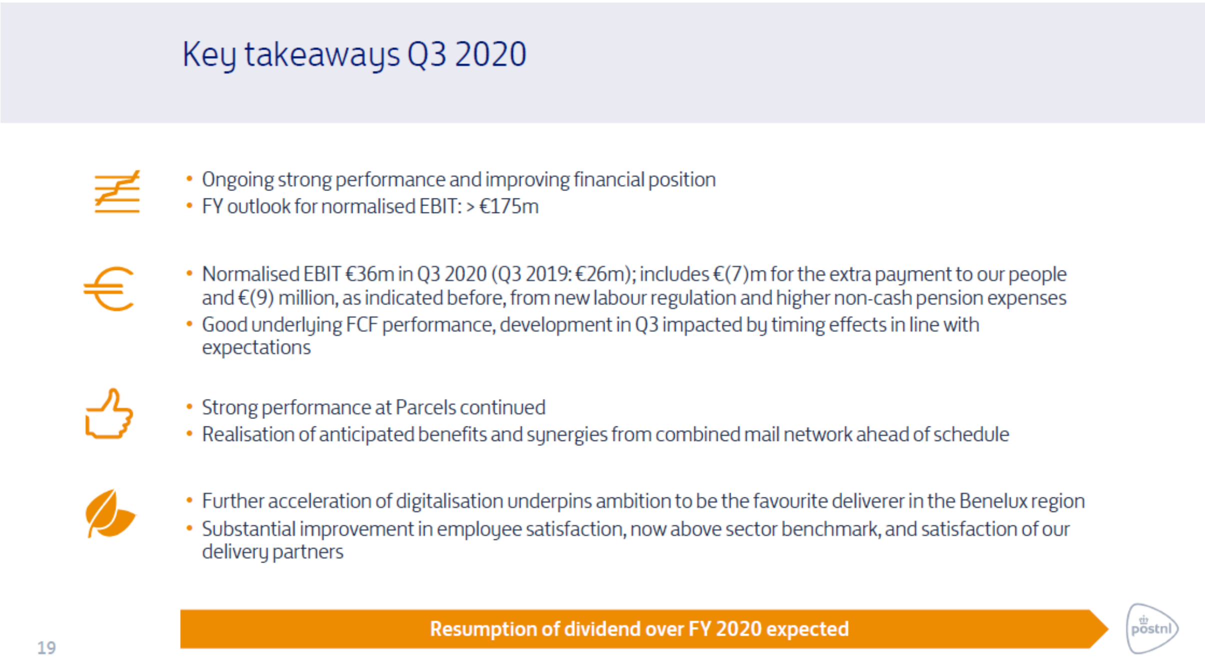


We expect for Parcels the full-year volume growth to be more or less equal to the year-to-date number of 15%. We expect the better price/mix-effect that we saw in Q3 to continue. The expected peak volume will be 1.5 million a day compared to an annual average of 0.9 million a day. Of course, we have taken into account additional peak season costs to accommodate for that growth and also in the fourth quarter, as we have seen in the previous three quarters, we will incur adjusted labour regulation costs of EUR 2 million to EUR 3 million a quarter.

For Mail in the Netherlands, we expect the volume decline to continue to slow down compared to Q3 numbers. There are three additional working days and positive synergies from the combination of networks, a non-recurring negative contribution in Q4, 2019 in combination with restructuring charges and integration costs of EUR 30 million will not come back and some delay in cost savings due to the integrated networks and COVID-19.

Pension expenses again also in the last quarter will be EUR 6 million to EUR 7 million higher than in last year.

All in all, as the graph on the right-hand side also shows, based on our outlook for the normalised EBIT of at least EUR 175 million. Our Q4 weigh heavy on the annual results and it is important in this period of limited visibility that we continue to push for that, as we expect to end up to at least EUR 175 million.

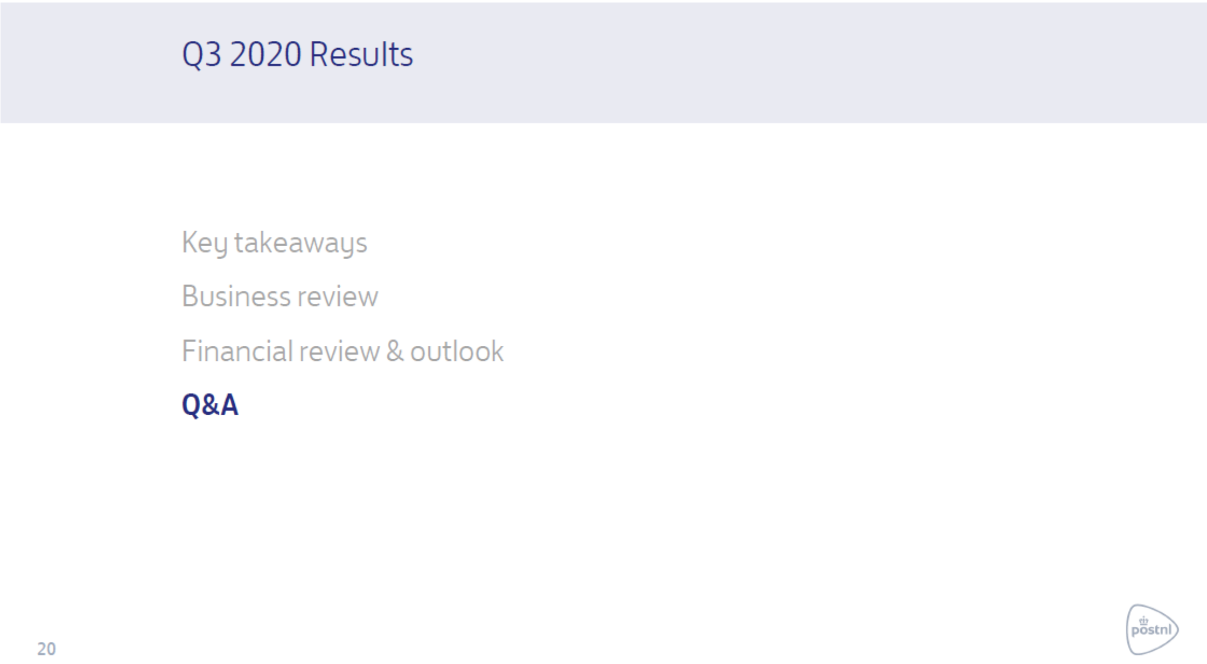


To summarise the third quarter of 2020, we saw a strong performance basically across all business units. Parcels and Mail showed very good results. We are happy with that. The synergies from the combination of the networks is there and ahead of schedule. Normalised EBIT of the group came in at EUR 36 million, EUR 10 million above last year or EUR 26 million higher if you account for the higher pension expense and the one-off additional bonus for our staff. We have a very good underlying free cash flow performance, we have announced that we will further accelerate our digitalisation programs, which underpin our ambition to be the favourite deliverer in the Benelux.

When looking at our ESG-performance, we are very proud that we see a substantial improvement in employee satisfaction, which is now above sector benchmark, and at the same time satisfaction of our delivery partners is also substantially improving.

My key takeaway for Q3 is that PostNL reports an ongoing strong performance, which brings our outlook for the full year 2020 normalised EBIT to at least EUR 175 million. Our financial position is solid and further improving and all in all, we expect to be able to resume dividends already over the full year 2020, which is significantly ahead of our earlier indications.

Thank you for now and it is time for questions and answers.



QUESTIONS AND ANSWERS

- **Frank Claassen – Degroof Petercam**

Good morning, I have two questions. First of all, on your outlook for the underlying mail volume decline for Q4. What makes you so confident that you expect it to be lower than Q3? Are you not afraid that the current COVID-situation could have an adverse effect on for instance the mail campaigns?

Secondly, more a housekeeping question on your sale-and-lease back transaction. What can we expect on additional lease costs going into next year?

Herna Verhagen – CEO PostNL: On your first question on the outlook, which is underlying our Q4, in Q4 we of course also have the extra Christmas cards in our volume expectations. We said that when we talked to customers the decline we have seen because of COVID-19 from the beginning, that it will slowly disappear. That is still the expectation for Q4, also when we talk to customers. But as said in our press release as well, COVID-19 is difficult to forecast and difficult to predict and therefore we expect to improve but we do not exactly know how long the period will take before it has fully improved.

Pim Berendsen – CFO PostNL: That was the answer to the first question. In relation to the sale-and-lease back transaction, as you can see we report EUR 150 million as proceeds. Of course, the book profit is then a function of the sale and the additional lease obligations that you take, which is approximately the difference of EUR 90 million, additional leases divided by and average length of around seven years. That gives you the additional lease payment to be expected in 2021 and onwards.

Frank Claassen – Degroof Petercam: So, let's say EUR 12 million to EUR 13 million or so?

Pim Berendsen – CFO PostNL: I would say a little bit less, around EUR 10 million, 10-ish.

Frank Claassen – Degroof Petercam: Okay. Allright, that is clear. Thank you very much.

- **Marc Zwartsenburg – ING**

My first question is on the Parcels guidance, the +15% for Q4. The comps are a bit easier in Q4. We are already trending at around 17% but we also see that Spring is performing even above that rate. Is this a very cautious outlook for Q4 to remain at +15% because we also have the additional price increases on top of that? Could you maybe give a bit clarity on why it is +15% for Q4 and how much caution is baked into that number? Then a follow-up on Parcels. Is there also a positive working day impact in Q4 for Parcels?

My second question is on the mail volumes. In your outlook you say that the decline will get a little bit less but does this already include that you have three more working days in Mail and should we add that to the guidance, so that underlying it is already a lower decline and on top we will get 1.5% working day positive impact?

The third and last question is on your net debt position. Pim, can you help me a bit building the bridge from net debt at the end of Q3 of EUR 618 million towards the end of the year, as you expect the net debt to increase or even come down a bit? Can you give me the building blocks there? Thank you.

Herna Verhagen – CEO PostNL: The easiest question is the one on Mail. The three working days are included.

On Parcels, are we cautious? To be honest, it is difficult to say with the second wave we see at this moment in time. When we look at the +15%, it is at least taken into account the expectations customers have in Q4 but also when we talk to customers it is not always easy for them to forecast what the peak will be because of Single's Day, Black Friday and Santa Claus. In our view, it is a good prediction of what we can see at this moment in time but as said, it is not very easy a very good visibility on volume growth.

That is how we look at Parcels. To do all the volumes we expect, lots of extra measures have been taken to be able to deliver the number of parcels we expect around this period in the year.

Marc Zwartsenburg – ING: That is on the volume in Parcels but then we have Spring and the pricing effect on top of that. There was already an impact of almost 5% in Q3; should we expect a higher contribution from those two elements, given the ….?

Pim Berendsen – CFO PostNL: Not directly speaking. We have had a very good third quarter. Also last year the contribution of those parts was not too bad, so the increase in the result will not be that big for those two companies, so for Logistics and Spring together, as we have seen in Q3.

Marc Zwartsenburg – ING: Because of the size of the Q4 on the Parcels-side.

Pim Berendsen – CFO PostNL: Yes. So, there will be an improvement from Logistics and Spring in comparison to last year but not of the size that we have reported in Q3.

Herna Verhagen – CEO PostNL: Your third question was on net debt.

Pim Berendsen – CFO PostNL: On the balance sheet you can see we are at EUR 618 million. We expect the fourth quarter on an adjusted net debt level to be positively impacted, so more cash than debt being added, so we expect the adjusted net debt to come down significantly below EUR 600 million.

Mark Zwartsenburg – ING: Okay, very good. Thank you very much.

- **Najet El Kassir – Bank of America Merrill Lynch**

Good morning. Can you share with us what you are seeing in terms of Parcel growth and Mail volume decline in October? Also, what do you expect in terms of capex in the fourth quarter?

Pim Berendsen – CFO PostNL: As said, in October we more or less see the developments we expected to see, which is a slight step-up in volume for Parcels and a continuation of the trends that we are seeing in Mail. But as said, bear in mind that November and December are the months where the true peak is expected to be, Single's Day and Black Friday from mid-November onwards to Christmas but so far, positive signals throughout October if you talk about volume developments.

Najet El Kassir – Bank of America Merrill Lynch: Could you quantify the volume, please?

Pim Berendsen – CFO PostNL: No, I am not going to quantify it. It is higher than the average of the quarter but as said, the bigger component needs to come in November and December.

Najet El Kassir – Bank of America Merrill Lynch: Thank you.

Pim Berendsen – CFO PostNL: On capex we have guided to roughly EUR 100 million for the full year and that is also still roughly what we expect it to be, which means that in Q4 we will have to do a lot of capex, which is also in the plans. For instance, part of the sorters that will be part of the small parcels sorting center will begin to be built in this fourth quarter, so we should expect a step-up of capex in the fourth quarter, roughly to the EUR 90 million to EUR 100 million mark for the full year.

Najet El Kassir – Bank of America Merrill Lynch: Thank you very much.

- **Lotte Timmermans – ABN AMRO**

Good morning. My first question is on working capital. I missed the statement on the working capital year to date. Was it a year-to-date EUR 9 million or was it the full year 2020 outlook? Or is it still the same roughly EUR 35 million compared to last year?

Pim Berendsen – CFO PostNL: On the year-to-date performance you can see that it is for the year-to-date an investment of EUR 9 million so far for the year in comparison to EUR 34 million, which was the investment last year. By Q2 indeed I guided roughly in comparison to the investment in working capital for the full year 2019 for 2020, but as we said on 6 October we expect the improvement of profit to also turn into cash flow that was combined by the comment that underlying working capital is improving as well driven by the different mix and import – export. So, you should expect an improvement in comparison to the minus 35 that you just mentioned, but it will still be a negative number for the full year but less negative than 35.

Lotte Timmermans – ABN AMRO: Okay, that is your statement.

Pim Berendsen – CFO PostNL: Yes, I would say somewhere between minus EUR 9 million and minus EUR 35 million.

Lotte Timmermans – ABN AMRO: Okay. Then a question on the Parcels volumes. You stated a Q4 peak is expected of 1.5 million [parcels] a day, what was the peak volume last year?

Herna Verhagen – CEO PostNL: The peak volume last year was a little bit less than 1.5 million but the peak is more depending on the amount of peak days than on the volume per day. You will see growth in the coming period; we will have more peak days where we are at the max of 1.5 million or a little bit above the 1.5 million that we had last year. So, that is how you have to look at peaks and to the amount of parcels a day. It is much more about the amount of days we expect a full day than it is about having 1.5 million per day.

Lotte Timmermans – ABN AMRO: Thanks.

- **David Kerstens – Jefferies**

Good morning, three questions please. First, to better understand the volume momentum versus some of your peers in Europe. Herna, you explained previously that mail volume in the Netherlands is looking somewhat better than elsewhere because you already had a steep decline before. The Parcels volume growth of 15% looks at the lower end of the range. Deutsche Post even said they expect to grow their parcels volume by 15% this year, even though they have headwind from Amazon insourcing and already a very high level of parcels per capita. But what explains the difference between the 15% growth you have seen for the fourth quarter and for the full year and in comparison for example with Germany or other postal markets?

My second question is related to this. You highlighted the one-off element of 10 – 15 million parcels so far and year to date. Do you expect that number to further increase in Q4? Will it stay at around 4% - 6% of volume and should we expect that to reverse in 2021?

Finally, a lot of attention to elections these days with the US elections tomorrow and voting by mail. We will have elections in the Netherlands next year and I think there is an increased focus on mail votes. What do you think the potential benefit could be on your mail volume next year or your mail revenue and what would be a normal election effect historically?

Herna Verhagen – CEO PostNL: On your first question, 15% at the low end of the range. For me, it is difficult to compare with Germany because in Germany the parcel volume is including letterbox parcels, so it is difficult to find out what are real parcels as we see in the Netherlands and letterbox parcels because that is a combined number in Germany. So, that is difficult to compare. If we talk about 15% volume growth on Parcels we talk about 'real' parcels and not about letterbox parcels.

The one-off element is 10 – 15 million in Parcels and we do not expect that to grow in Q4 and yes, it will be a reversed effect for 2021.

Pim Berendsen – CFO PostNL: To add to the first point. In the beginning of 2020 we have also shown and explained that in this year-to-date number there is still the effect of some of the clients going to multi-vendor, which was a one-time step down, which as a consequence will basically cost a couple of percentage points market share. That is also part of the year-to-date 15% volume growth number.

David Kerstens – Jefferies: So, you do not see those effects anymore. That has been completed.

Pim Berendsen – CFO PostNL: It was a one-time step-down but no fundamental differences over the quarters and, as Herna said, the 10 – 15 million is our expectation of what was incidental. Year to date, with the current measures and with the current situation around COVID-19 we do no expect that to grow in the fourth quarter.

David Kerstens – Jefferies: Understood.

Herna Verhagen – CEO PostNL: Then your question on the elections and voting by mail. In the Netherlands they want to have a change in the election, which makes is possible to vote by mail. It will be open for people above the age of 70. The way it will be organised is still not unknown. That means that the government will probably outsource the organisation of voting per mail above 70 to the municipalities and we do not exactly know how it will play out. So, that is still to find out over the coming weeks and months because then we will have to detail how it will work exactly, how we will provide our services also to the elections by mail for people above 70.

David Kerstens – Jefferies: And what is a normal election effect for these types of elections, on average?

Herna Verhagen – CEO PostNL: 1% on average, we think.

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

- **Andre Mulder – Kepler**

Good morning, just a few reporting questions. What is keeping you from not mentioning numbers for Spring and Logistic Solutions? The same goes a bit for free cash flow. You have mentioned a good range for the normalised EBIT but for free cash flow there is still some vagueness. Why not simply set a new range for free cash flow as well?

Pim Berendsen – CFO PostNL: Thank you, Andre. On Spring and Logistics, you know that we only report on the business segments and Spring and Logistics are part of the Parcels segment and we do not split out the different components of the different businesses there. We always show it in the bridge as 'Other results' with the explanation that is required there but we not detailing out the different components.

In relation to the free cash flow guidance, what I have tried to do in my explanation is to do the math together. That is the guidance that we can give, and I will do it once again. You know that if you talk about free cash flow and the impact of terminal due positions and settling those could have an impact relatively big in comparison to normal business elements that could affect cash flow as well. So, we refrain from giving a range. What I said is that we are now at EUR 103 million ; if you take out the EUR 205 million, add back EUR 150 million, and then if you say we will get to a minimum [normalised EBIT] of EUR 175 million, you can add back again 70 million, to get from EUR 105 million to EUR 70 million, then add the depreciation component of roughly EUR 40 million and that brings it to EUR 115 million. Then, there is the additional step-up in capex, the continuation of an investment in working capital and some additional interest payments and lease payments that are a step-up towards the EUR 80 million. Then you will get an idea of the free cash flow generation for the full year, being above the EUR 50 million-mark. But that what I can tell you. Then there is always going to be a bit of more swing factors, potentially in terminal due positions that refrain us from giving a range.

Andre Mulder – Kepler: Thanks.

Pim Berendsen – CFO PostNL: But let's take one step back and let's not forget that at the beginning of the year we were guiding for minus EUR 300 million. Now, we are in the positive free cash flow period, which of course is a huge improvement on the back of the pension agreement and on the back of the divestiture program, on the back of the sale-and-lease back program and of course the strengthening of the business performance throughout the year. So, a significantly better position, which of course strengthens the balance sheet and allows us to pay out dividend.

Andre Mulder – Kepler: Thank you.

- **Henk Slotboom – The Idea!**

Good morning. Pim, I heard you say something about collection of mail on Sunday and delivery on Monday. For what period is that exactly? Is that the month of December? So far this year, you had incremental, of course for the integration of the network of Sandd and in the third quarter it was something like EUR 6 million and in the second quarter it was something like EUR 6 million. Obviously, the Sunday collection and delivery on Monday will cost you extra as well; is that an amount in the same range as the EUR 6 million or so? I assume that the integration costs of Sandd, the one-off costs, will no longer be there in the final quarter.

My second question is with regard to Belgium. I know you are not always willing to provide growth details of Parcels as far as Belgium is concerned but you have increased your capacity there quite clearly. Could you shed some light on what has happened so far this year in volumes in Belgium? How do you look at the fourth quarter now that the lockdown in Belgium is stricter for example than in the Netherlands?

Pim Berendsen – CFO PostNL: Let's take them at one step at the time. On the Sunday and Monday, that relates to the last part of December, so 21 and 28 December. It is not going to be the full month. This time around Christmas days fall differently and we want to make sure that as many people as possible get their Christmas card before Christmas. The additional cost of that are less than the number you have in mind and obviously they are taken into account in our guidance of at least EUR 175 million.

If you talk about the Sandd contribution, the year to date net contribution is EUR 28 million. That contains of EUR 30 million of one-off cost, so the growth synergies are already EUR 58 million by the end of Q3. You are right that you should not expect material one-off costs in the fourth quarter anymore. That is related to Sandd.

In Belgium, like Logistics and Spring, we do not split that out in all financial drivers, but I can say that volume growth in Belgium for us has been significantly higher than growth of the Parcels segment. You can think about it as at least twice the percentage of the segment in total being the growth in Belgium and we do expect that growth to continue. Lockdown measures are obviously announced; not all of them are very clear yet as to what they will mean for the fourth quarter. At this moment in time, we do expect that it could indeed lead to a step-up in volume growth in Belgium for the last quarter but at the same time there will be some retail locations that might not be open and we need to redirect some of the parcel deliveries to other locations. For the B2B-components for Belgium, so the businesses we have that deliver to businesses, those services might also be impacted or interrupted by the lockdown measures. But as said, it is very early days, but we expect the balance of those not to be too negative.

Henk Slotboom – The Idea!: Thank you very much.

- **Marco Limite – Barclays**

Good morning. I have a couple of questions. Why do you not split up the amount of volumes that you think are one-off? This means that we should expect some volume growth on a full year 2020 basis, excluding those non-recurring volume in Parcels. So, you are expecting some kind of growth compared to the full year 2020 base. Similarly, on the Mail side. Do you think the 5% in Q2 and 3% in Q3 of volumes are kind of one-offs and for the full year 2021 we should expect lower Mail volumes compared to the kind of underlying run rate?

My second question is about the 2020 DPS. I am sorry if I missed that but I want to make sure that the comprehensive income will also take into consideration the EUR 61 million from the sale-and-lease back transaction.

Herna Verhagen – CEO PostNL: The reason why we split the volume out is to give you an idea about which part of our volume is totally related to COVID-19 and will not come back in 2021, as far as we can see at this moment in time. It is to give you a little bit of an idea about what is structural volume and what is incidental volume. That is the reason why we have split it out and hopefully, it will help you in 2021. When it comes to Mail in the Netherlands, we saw a COVID-19 related decline in Q2, an extra decline of 5%. In Q3 it was 3%. As said, we expected to go back to our normal decline numbers which are between 7% - 9% yearly. The exact timing of that is still unclear and I think, further improvement is necessary in Q4. So, there we did not give clear guidance around 2021. When it comes to Parcels, we gave you an idea on the incidental volume we think we had mainly in Q2.

Pim Berendsen – CFO PostNL: Then on your question on the dividend per share. There are a couple of components. I will start with the last part of your question, so the profit coming from the sale-and-lease back. What we said is that we will not include it in our normalised EBIT number. In other words, we normalise the positive book result out of the EBIT and, as a consequence, out of normalised comprehensive income as this is a function of normalised EBIT. So, the profit from sale and lease back will not be in the base of normalised comprehensive income.

The first part of your question was on the total comprehensive income year-to-date, which is EUR 75 million. You know that the basis for the dividend policy is normalised comprehensive income. So, if you take account of the normalisation year to date and roughly take 75% of those normalisations you can add that to the EUR 75 million to end up with the normalised comprehensive income number for year to date Q3. The only thing you miss is a couple of millions in relation to discontinued operations that could still impact that normalised comprehensive number. So, on a Q3 basis that would be the starting point of your dividend policy and then times 70% to 90% gives you an idea.

Marco Limite – Barclays: Thank you.

* **Marc Zwartsenburg – ING**

I have a quick follow up on something we did not discuss and that is the working days in Parcels. Is there any impact there?

Pim Berendsen – CFO PostNL: Sorry, we have missed your question. There is no working days effect in Parcels.

Mark Zwartsenburg – ING: Is that because it could be a day that it is a low volume day? Now, every day is Christmas so I would assume that if you have more working days in Mail you might also have an extra working day in Parcels. Is that not the case?

Pim Berendsen – CFO PostNL: That is not the case.

Marc Zwartsenburg – ING: And then a final one on the one-off effect. If nothing more is coming in Q4 from COVID-19 on the one-offs, the impact is 2%, 3% maybe 4% max. Would you say that given the old guidance at the beginning of the year of 7-9% volume increase – I know it was only for this year – and even adjusting for this low single-digit number that next year you still expect to grow your Parcels volumes?

Pim Berendsen – CFO PostNL: We definitely expect to grow the Parcels volumes but the reason to split out this 10 million – 15 million is in order for us to grow in absolute numbers of Parcels, we first and foremost need to make up this 10 million – 15 million given the fact that it is incidental, but we expect Parcels growth for next year as well.

Mark Zwartsenburg – ING: That's it. Thank you very much.

Herna Verhagen – CEO PostNL: Thanks, Mark.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: I think this sums it up for this morning. Thank you very much for joining us in this call. If you have any further follow-up questions, please let us know. You know where to find us. It is good to close off by saying that you please stay safe and sound! Take care.

End of call

Q3 2020 Results

Appendix

- Results by segments Q3 2020 and YTD 2020
- Result development per segment YTD 2020
- Breakdown of pension cash contribution and expenses
- Adjusted net debt

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Results by segment Q3 2020

(in € million)

	Revenue		Normalised EBIT	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020
Parcels	401	490	27	49
Mail in the Netherlands	342	379	4	4
PostNL Other	19	25	(5)	(17)
Intercompany	(126)	(151)		
PostNL	**636**	**742**	**26**	**36**

- Normalised EBIT in Q3 2020 includes €(7)m for the extra payment to people and €(9) million, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

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Results by segment YTD 2020

(in € million)

	Revenue		Normalised EBIT	
	YTD 2019	YTD 2020	YTD 2019	YTD 2020
Parcels	1,201	1,420	79	134
Mail in the Netherlands	1,114	1,166	37	14
PostNL Other	59	76	(21)	(43)
Intercompany	(373)	(430)		
PostNL	**2,001**	**2,232**	**95**	**105**

- Normalised EBIT in YTD 2020 includes €(7)m for the extra payment to people and €(26) million, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

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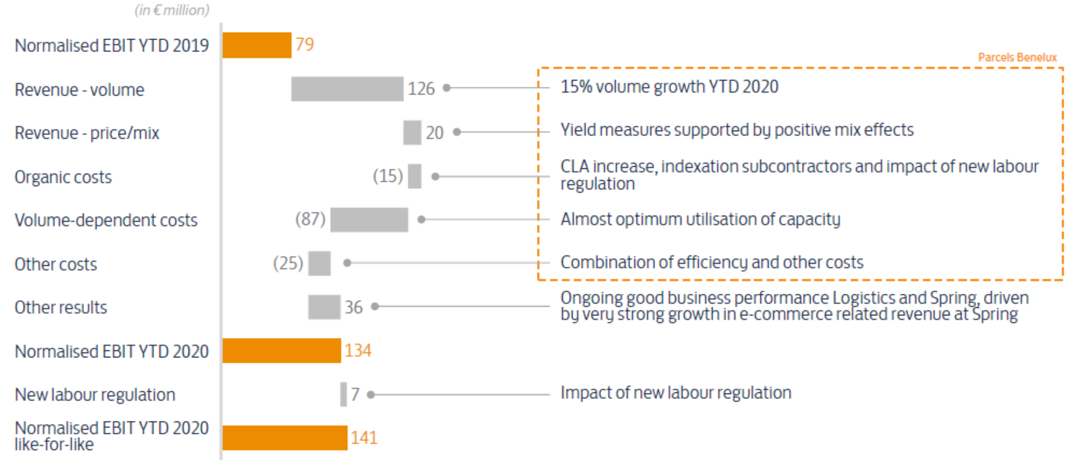
Parcels: normalised EBIT up €55 million, impacted by Covid-19



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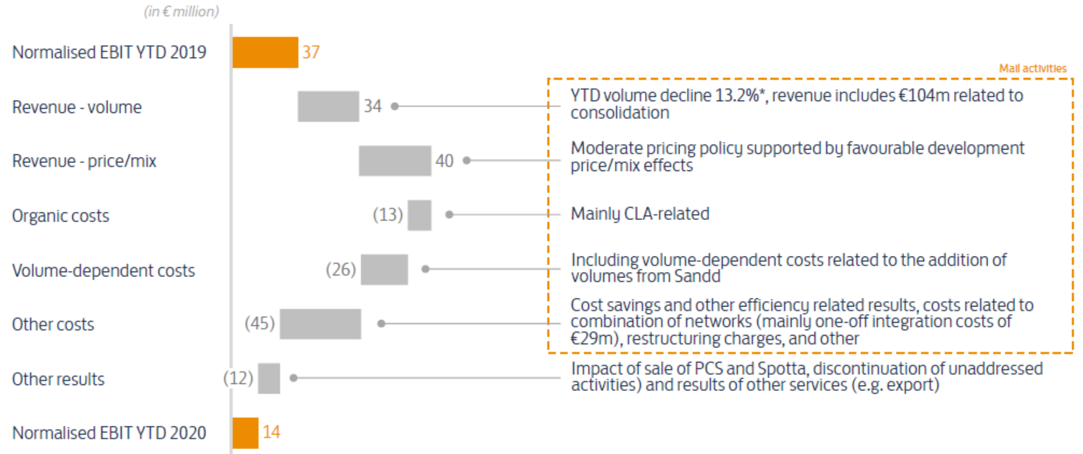
Mail in the Netherlands: normalised EBIT development impacted by Covid-19



*Starting point for volume decline: 2019 pro forma volume including Sandd volumes

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Breakdown of pension cash contribution and expenses

(in € million)	Q3 2019		Q3 2020	
	Expenses	Cash	Expenses	Cash
Business segments	25	30	23	26
IFRS difference	5		13	
PostNL	**30**	**30**	**36**	**26**
Interest	1		0	
Total	**31**		**38**	

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Adjusted net debt

(in € million)	31 Dec 2019	26 Sep 2020
Short- and long-term debt	696	702
Long-term interest-bearing assets	(6)	(12)
Cash and cash equivalents	(480)	(569)
Net debt	**210**	**121**
Pension liabilities	283	283
Lease liabilities (on balance)	264	238
Lease liabilities (off balance)	51	49
Deferred tax assets on pension and operational lease liabilities	(72)	(73)
Adjusted net debt	**736**	**618**

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