TRANSCRIPT

Inge Laudy – Manager Investor Relations PostNL: Good morning everyone and thank you for joining us today in our Q3 2023 analyst call.

Additional information

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Published by:
PostNL NV
Waldorpstraat 3
2521 CA The Hague
The Netherlands

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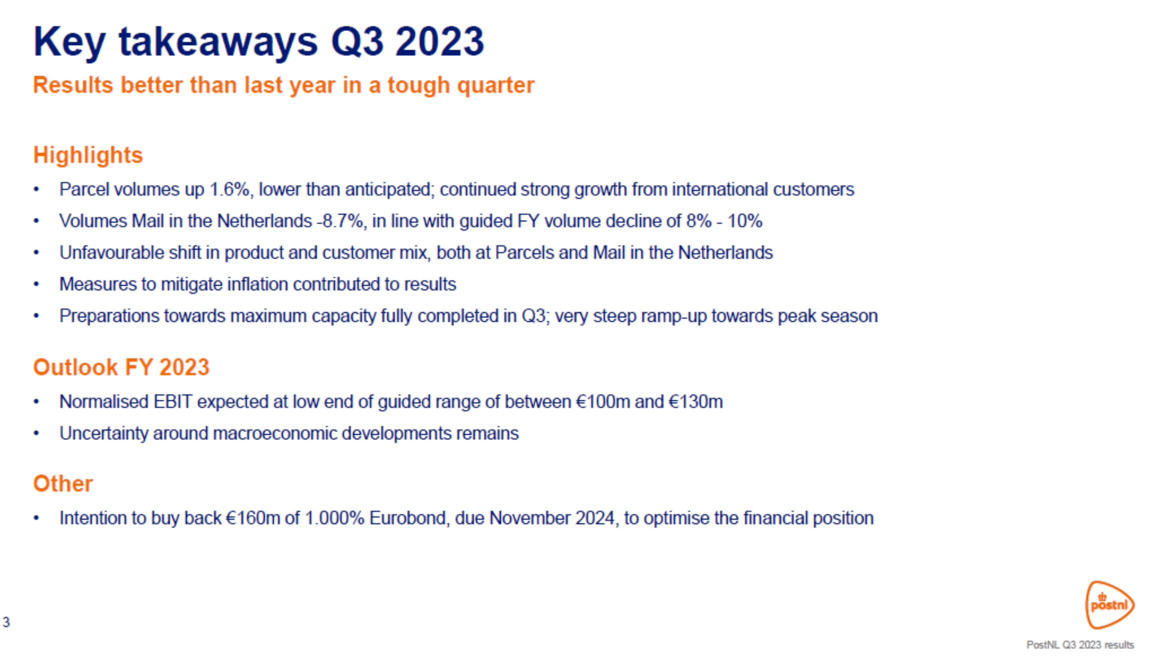
With me here in the room are Herna Verhagen, our CEO, and Pim Berendsen, our CFO. As usual, we start with our presentation which you can find on the website and on your screen when you are logged in to our webcast. After the presentation we will open up for Q&A.
Pim, over to you.

Pim Berendsen – CFO PostNL: Thank you and good morning to all. Thanks for joining us.



Let's start by looking at the key takeaways of this quarter on slide 3. Results came in above those of last year but below on own expectations. It was a tough quarter for us. Volumes at Parcels still grew, albeit at a lower rate than we anticipated. We saw growth of 1.6%, predominantly driven by strong growth from international customers, whilst domestic volumes were slightly below last year's levels, in line with the slowdown in consumer spending. In other words, we really see this as a market development. We have not seen any material changes in the competitive landscape or in our market share. Overall, this resulted – and that is the mix in international and domestic volumes – in an unfavorable shift in mix at Parcels that also had an impact on margin.

At Mail in the Netherlands, as expected, performance was lower than last year as a result of continued volume decline and also due to increasing organic costs. And next to those elements within Mail in the Netherlands, we also saw a less favorable product mix. In other words more expensive products were substituted by cheaper products.

Of course, we have continued our strong focus on yields and other measures to mitigate the impact of cost inflation and these unfavorable mix effects. This contributed to our results also in this quarter but could not fully offset the cost increases.

We have worked hard to prepare ourselves for the peak season and are ready to operate at max capacity, both at Parcels and Mail. So, we can serve the people that count on us at the best possible quality. But we also know that particularly this year, the ramp up will be very steep. I will come back to that a little later. At the same time, we need to recognise that economic uncertainty, and particularly consumer spending remains in a volatile market environment.

Taking all this into account, we now expect the full year normalised EBIT to come in at the lower end of the guided range of EUR 100 million to EUR 130 million.

Next to the press release on the announcement over Q3 numbers, you also have seen a press release announcing our intention to buy back EUR 160 million of the 1% Euro bond due 2024. Obviously, we do this to optimise our balance sheet and financial position.

Q3 2023 performance

Normalised EBIT of €(11)m, above Q3 2022

Key financial metrics

(in € million)	Q3 2022	**Q3 2023**	change	YTD 2022	**YTD 2023**	change
Revenue	709	722	2%	2,261	2,276	1%
Normalised EBIT	(20)	(11)	46%	23	14	-39%
Free cash flow	(49)	(26)		(39)	(91)	
Normalised comprehensive income	(3)	(4)	-22%	50	10	-81%

Performance includes

- €38m organic cost increases in Q3 (YTD €130m); FY 2023 assumption: ~€185m
- €19m positive impact from pensions, visible in PostNL Other, in Q3 (YTD €57m); FY 2023 ~€75m

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On slide 4, you see the revenue in the quarter at EUR 722 million, which is 2% higher than last year. We see the normalized EBIT at -11 million, also an improvement in comparison to last year, when we reported a loss of EUR 20 million.

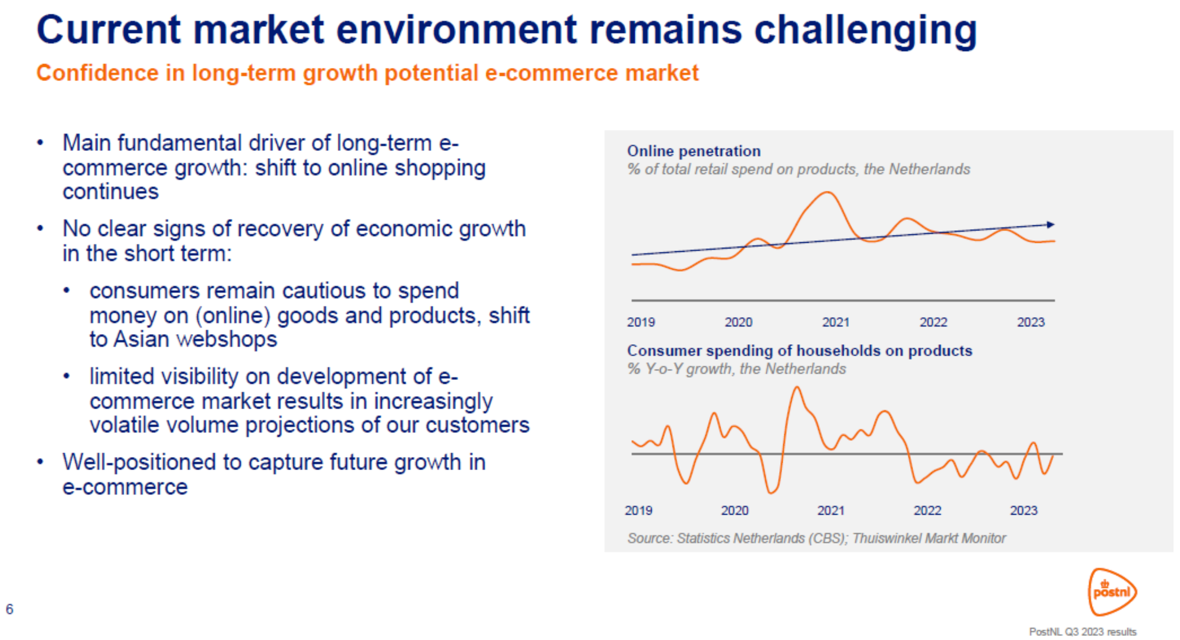
Year to date, we report a positive normalised EBIT of EUR 14 million and this performance includes a high organic gross increase of EUR 38 million in the quarter, adding up to EUR 130 million year to date. Obviously, this also includes the positive impact from the pension agreement, visible in our segment PostNL Other of EUR 19 million.

Overall, better results than last year, but obviously with a business performance lower than expected.

Before going into Q3 a bit deeper, I would like to repeat our strategy and highlight some non-financial developments that are noteworthy in this quarter. Our aim is to continue to be your favorite deliverer with an unchanged strategy to be the leading logistics and postal service provider into and from the Benelux. You know that is built on the three pillars Parcels, Mail, and our Digital Next program.

We have continued to make progress in the areas of digitalisation and ESG. We now have 8.6 million consumers accounts, an increase of almost 1 million compared to last year. We also have continued the roll-out of our automated parcel lockers and we currently have 900 APLs up and running.

And finally, we also have made steady progress in our environmental goals where we are delivering in our SBTi target and have further improved our carbon efficiency with 11% improvement in efficiency year-to-date.



Then let's look at slide 6, the market environment in which we are operating. We continue to see long-term growth potential in e-commerce, driven obviously by the drivers that we discussed before, consumer spending on the back of GDP growth, as well as online penetration. However, in the shorter term, the macroeconomic developments continue to be volatile and uncertain. On the slide you see consumer spending of households on products not yet really showing the growth we were looking for. Consumers are cautious to spend money on goods and products, and we also see a shift from more expensive products to cheaper products and a shift from domestic clients to Asian clients, which obviously also relates to the mix effect that we talked about.

The uncertain environment results in an increasing volatile volume projection, both at our customers and at ourselves. Nevertheless, we truly believe that we are still very well positioned to capture that future growth.

Parcels: Volume growth, but unfavourable shift in mix

Fully prepared for steep ramp-up towards peak season

	Revenue	Normalised EBIT	Volumes
Q3 2023	€535m	€1m	81m +1.6%
Q3 2022	€506m	€(1)m	80m

Revenue mix

in € million	Q3 2022	Q3 2023
Parcels Netherlands	332	342
Spring	95	116
Logistics solutions and other services	68	67
Other / intercompany	11	9
Parcels	506	535

Volume
- Volume growth 1.6%, lower than expected
  - domestic volumes below last year, in line with slowdown in consumer spending
  - continued strong growth from international customers

Revenue
- Reflecting volume growth and flat price/mix effect:
  - price increases
  - fully offset by less favourable mix
- Cross-border activities continued positive trend; Spring revenue up, most strongly in Asia
- Revenue at Logistics solutions slightly down

Costs
- Significant organic costs increase, mainly labour-related
- Preparations for steep ramp-up to peak season completed, resulting in largely fixed costs base in Q4
- Tight control of indirect cost and operational measures are paying off in increased efficiency

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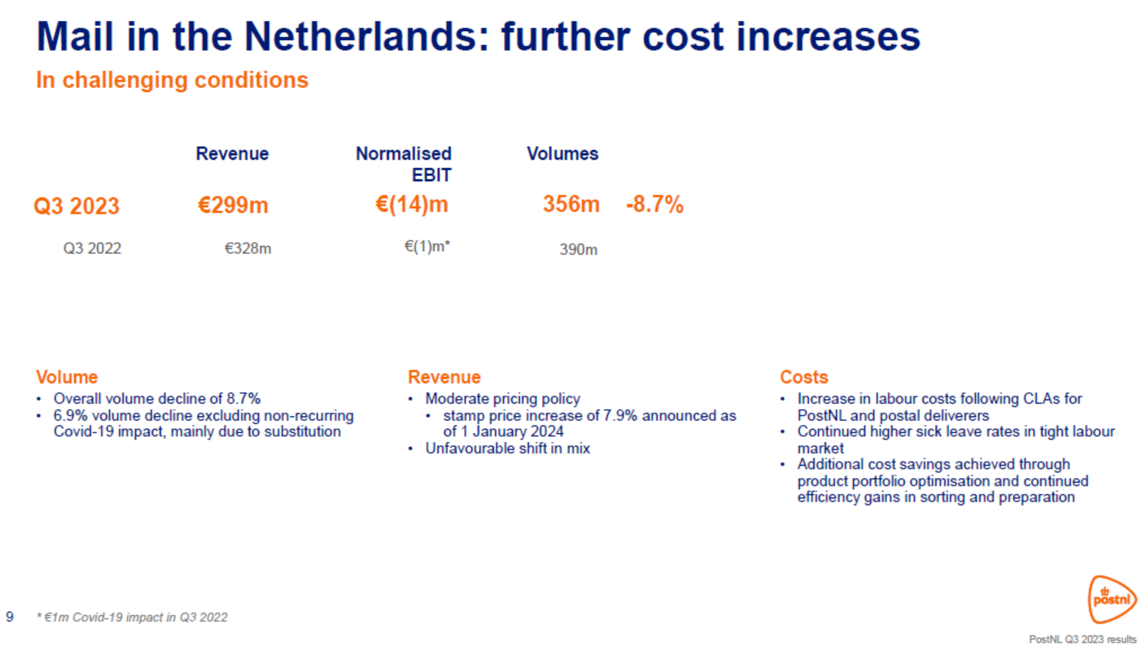
Let's look into the segments one by one and let's start with Parcels. At Parcels, revenues came in at EUR 535 million, an increase of roughly 6% compared to the same quarter last year. That is obviously as a result of the volume growth of 1.6% and price increases that we have put through. So, we see growth but slower growth than expected, predominantly due to the development of domestic volumes. Those were slightly below last year, following the slowdown in consumer spending.

The volumes from international customers continue to show very strong growth and that means a shift in our customer and product mix becoming less favorable. The impact of the mix effect is fully offsetting the price increases of EUR 12 million in the quarter, resulting in an overall flat price/mix effect. And also keep in mind that the unfavorable mix development will continue to play a role going forward, at least for the remainder of this year.

Our cross-border activities continue the positive trend we have seen for several quarters with revenues at Spring up, most strongly in Asia. Logistics Solutions was EUR 1 million lower than last year and normalised EBIT for the segment came in at EUR 1 million compared to minus EUR 1 million last year, driven by volume growth, higher results at Spring and operational efficiency measures, while on the other hand, organic costs continue to be significantly higher than last year. We also incurred additional costs to be ready for the steep ramp up towards our peak season, relating or resulting into a largely fixed cost operating environment in the fourth quarter of this year.

If we then look at the bridge of the Parcels segment, you see basically the numbers that relate to the elements we just discussed, so EUR 10 million improvement on revenue driven by volume, a zero price/mix, in which EUR 12 million of price increases are fully offset by less favorable product mix, then EUR 18 million higher organic costs and volume-dependent cost and other costs that are impacted by operational efficiencies.

Other results, an improvement from Spring, an improvement in Belgium and slightly lower results at Logistics.

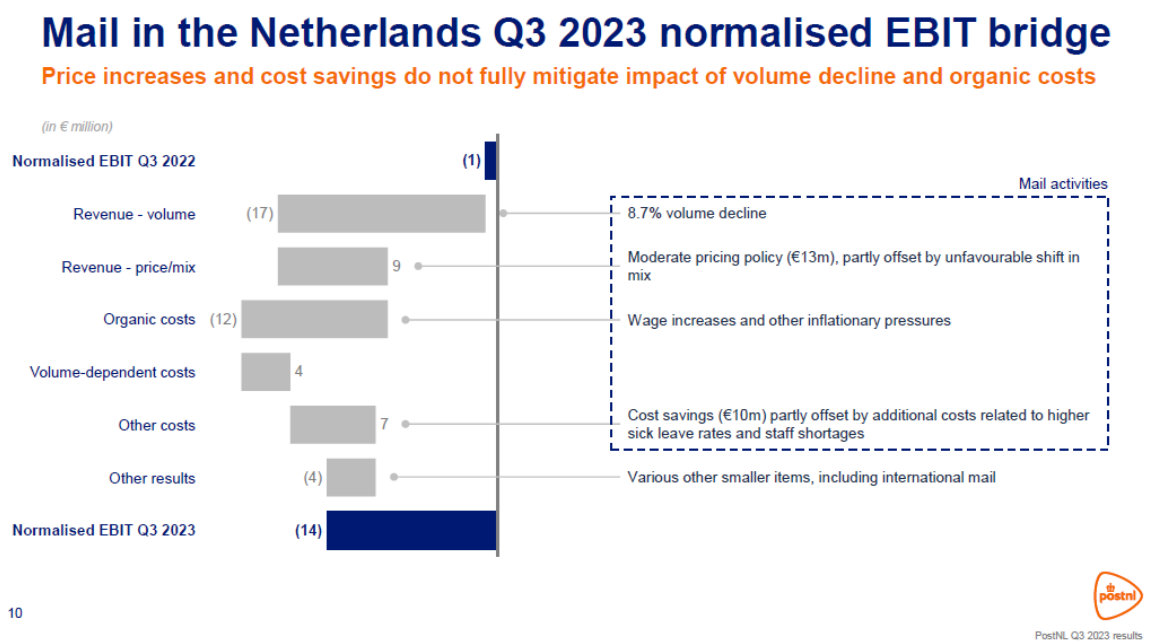


Then let's move over to the Mail in the Netherlands segment. Their revenue came in at close to EUR 300 million, EUR 299 million to be precise, a decline compared with the EUR

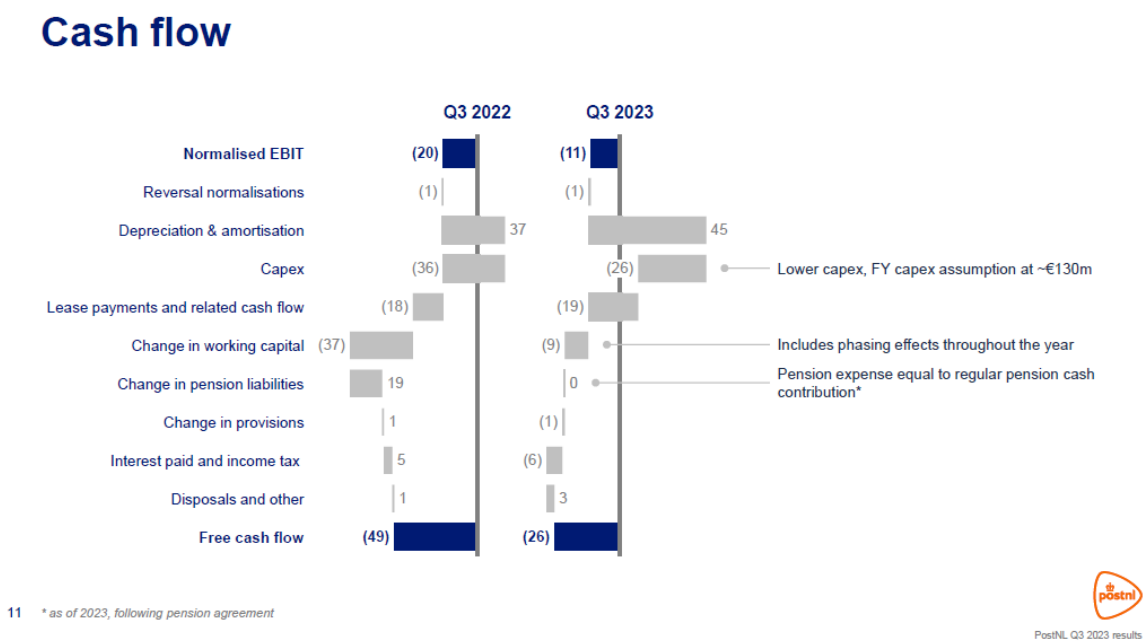
328 million last year, obviously driven by the volume decline of 8.7% in the quarter. If we exclude the COVID-19 impact of last year, volumes were down 6.9%.

The price/mix effect was positive, reflecting our moderate price policy, but it was partly offset by the changed composition of the volume due to, for example, shifts from 24-hour mail towards lower service levels.

Normalised EBIT came in at minus EUR 14 million compared to minus EUR 1 million last year. Next to volume decline, we had significantly higher organic cost and higher cost related to sick leave and staff shortages, resulting in a challenging operating environment that impacts our quality and cost levels, as just discussed. Additional cost savings, however, partly offset the impact on these cost increases and by now we have already saved more cost than in the entire year of 2022.



The detailed segment bridge on slide 10 for Mail indicates the EUR 17 million volume effect in revenues, a positive price/mix, of which EUR 13 million is price increases and EUR 4 million is negative mix effects, an EUR 12 million additional organic cost increase, then the volume-dependent cost and other costs that relate to the cost savings of EUR 10 million within the quarter. But also there are the additional costs related to higher sick leave rates and staff shortages. Other results are all small elements, including international Mail and performance.



On slide 11, you will find the cash flow for the quarter. Free cash flow was minus EUR 26 million in the quarter compared to minus EUR 49 in the same quarter last year. So, roughly EUR 23 million improvement there, driven by better normalised EBIT and higher depreciation and amortisation. And with EUR 26 million we spent less cash on Capex than in the third quarter of last year. For the full year, we pencil in roughly EUR 125 million to EUR 130 million of CapEx. Year-to-date is roughly EUR 90 million.

A less negative change in working capital, which throughout the year includes phasing effects year to date, we are at minus EUR 47 million, whilst we would expect that to improve towards Q4 towards roughly minus EUR 25 million for the full year.

Solid balance sheet

Tender offer to partly buy back Eurobond due Nov-24 to optimise financial position

Balance sheet

(in € million)	30 Sep 2023
Intangible fixed assets	404
Property, plant and equipment	476
Right-of-use assets	283
Other non-current assets	51
Other current assets	414
Cash	419
Assets classified as held for sale	6
Total assets	2,055

	30 Sep 2023
Consolidated equity	*158*
Non-controlling interests	*2*
Total equity	160
Pension liabilities	2
Long-term debt	698
Long-term lease liabilities	238
Other non-current liabilities	132
Short-term lease liabilities	77
Other current liabilities	748
Total equity & liabilities	2,055

Adjusted net debt

(in € million)	31 Dec 2022	30 Sep 2023
Short- and long-term debt	745	773
Long-term interest-bearing assets	(17)	(16)
Cash and cash equivalents	(556)	(419)
Net debt	172	339
Pension liabilities	18	2
Lease liabilities (on balance)	331	315
Lease liabilities (off balance)	29	26
DTA on operational lease liabilities	(83)	(78)
Adjusted net debt	467	604

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On slide 12 you will find our balance sheet and the development of the adjusted net debt position. Before looking at those, I would like to say that we have announced our intention to buy back EUR 160 million of the 1% Euro bond due in November 2024. That has an outstanding amount of EUR 400 million. What we will do is basically use the cash position of the balance sheet to buy back the bonds that are on the long-term debt side of the balance sheet. That will have a slightly positive effect because you will buy back the bonds below nominal. Of course you lose the interest income on the cash that you would have had, but also you do not have to pay the interest expense on the bond anymore. So, that in combination will lead to a slightly positive transaction. Financially, it will reduce our capital employed and as such will then improve our return on invested capital. Likewise, we would expect it to be positive from a credit rating point of view and we still have and remain to have the flexibility to determine throughout 2024 how we want to handle the remaining part of the bonds that indeed are expiring at November 2024.

Back to the numbers as per the end of Q3. Our adjusted net debt position was EUR 604 million, which is an increase of roughly EUR 130 million compared to the end of last year. And that is obviously largely driven by dividends paid in May and August on top of the development of the free cash flow that we just discussed. We continue to manage our cash flow balance sheet and net debt position carefully with the aim and the expectation to end up in 2023 at an adjusted net debt over EBITDA below 2.

Outlook FY 2023

Macroeconomic uncertainty and limited visibility short-term development of e-commerce market

Outlook FY 2023

- FY 2023 expected to come in at low end of guided ranges

(in € million)	2022	2023 outlook (27 Feb 2023)	**2023 outlook (7 Aug 2023)**
Normalised EBIT	84	70 – 100	100 – 130
Normalised comprehensive income	90	40 – 70	65 – 95
Free cash flow	40	10 – 40	Unchanged

- Parcels
  - low single-digit volume growth (YTD: -0.7%), unfavourable shift in mix
- Mail in the Netherlands
  - 8% - 10% volume decline (YTD: -9.6%), unfavourable shift in mix
  - continued high sick leave rates in tight labour market
- Plans to reduce 200-300 FTEs
  - restructuring costs at most €10m (YTD: €5m)
  - part of expected savings to be achieved already in 2023
- Lower pension expenses ~€75m (YTD: €57m), visible in PostNL Other
- Organic costs increase ~€185m (YTD: €130m)
- Free cash flow also impacted by capex €130m (YTD: €90m) and positive phasing in working capital development in Q4 (YTD €(47)m)

Beyond 2023

- Increasing pressure from labour-related costs, further adverse developments since August
  - extra increase in minimum wage in 2024 announced in October
  - external projections for wage increases in 2024 adjusted upward (source: Centraal Planbureau)
- Further unfavourable shift in product and customer mix, at Parcels and at Mail in the Netherlands
- Taking all necessary measures: continuing focus on yield management and cost control
- Overall, conditions are becoming more challenging going forward
- FY 2024 outlook will be provided on 26 February 2024

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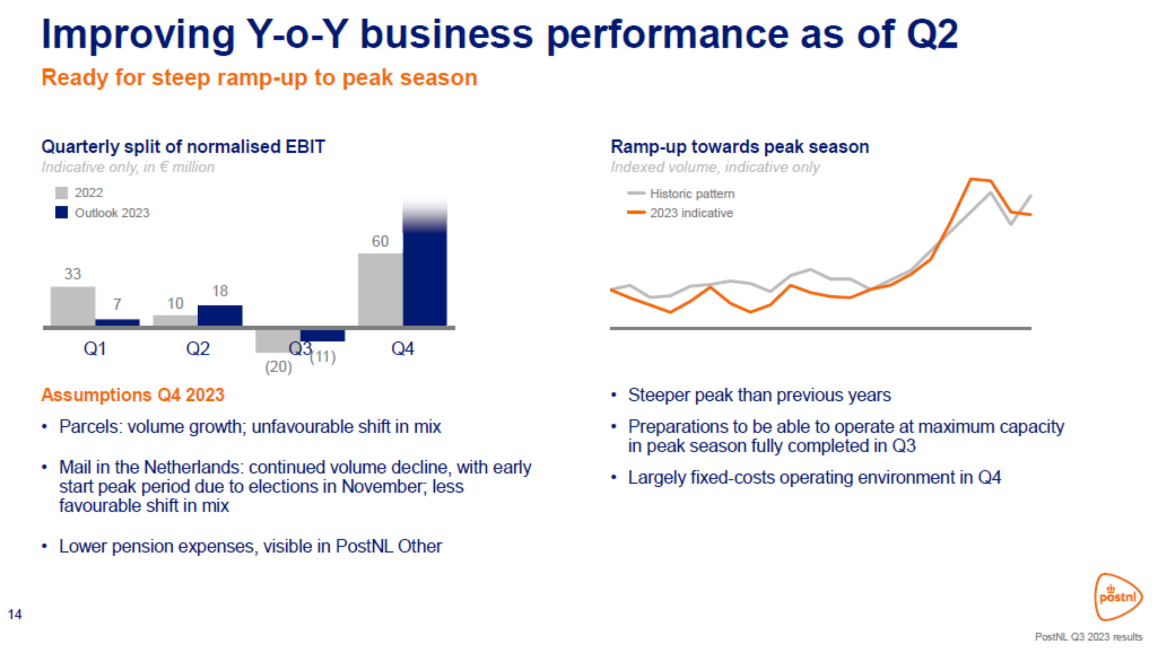
Then to the outlook. Taking into account our Q3 performance, we expect the full year normalised EBIT to come in at the low end of the guided range that we have communicated on August 7. And the same goes for the other financial metrics. We continue to operate in a challenging environment with ongoing uncertainties around macroeconomic developments. Market volatility limits clear visibility on the short-term development of the e-commerce market. Predominantly the consumer spending part of that impacting the accuracy of volume projections both for our customers and for ourselves.

On the slide, you see the underlying assumptions for 2023 and as you know, organic cost increases at EUR 185 million for the year are extremely high. Historically, organic cost increases were roughly around about the EUR 40 million to EUR 60 million per year mark. Going forward, we expect further wage inflation in the Netherlands and combined with scarcity in the labor market, this will bring additional pressure on labor. This, together with the continued unfavorable shift in mix both at Parcels and Mail in the Netherlands is expecting to weigh on our results, while we continue our strong focus on yield and tight cost control. But it clearly becomes more challenging to mitigate the full impact of these developments I just mentioned. And as usual, we provide you with a full outlook for 2024 at our full year 2023 publication in February.



As you know, our fourth quarter results are crucial for our full year business performance. We are looking forward to a very busy peak season, particularly between Black Friday and Sinterklaas but also towards Christmas. To make this all happen and to be able to deliver the best possible quality, we are prepared for and already in execution of a very steep ramp up plan from Q3 to Q4. This really does ask a lot from us operationally. Already in Q3, we have taken all possible measures to be ready to operate at maximum capacity, both at the mail and parcels' side, which resulted in some additional cost made in Q3, but it also means that we are limited in balancing volumes and capacity in the fourth quarter. Capacity and thus related costs are fixed, so to say, obviously on the longer run but they are relatively fixed in the fourth quarter.

Then the final sheet with our closing remarks. All in all, we are looking at the results that are better than Q3 2022 and also our outlook for the remaining of the year is still better than the outlook that was in place at the beginning of the year but those figures are also below our expectations. Taking this into account, we expect now a normalised EBIT that will come in at the low end of the guided range of EUR 100 million to EUR 130 million. We remain to operate in a highly volatile e-commerce market with limited visibility on the short term. At the same time, we are fully prepared for a steep ramp up towards peak season. All in all, we continue to have full confidence in our strategy underpinning the long-term growth potential of the E-commerce market.

For now, thank you for your attention and welcome any questions during the Q&A that is next.

Q&A

- **David Kerstens – Jefferies**:

Thank you and good morning. Pim, maybe a question on your outlook for parcel volume growth in the fourth quarter. You are still expecting low-single digit for the year. What do you see for the fourth quarter, in October so far? And also, in this current environment is normal E-commerce growth or normal parcel volume growth for 2024 still expected to be in the high single-digit range?

My next question is, can you give us an update on the cost increases you were flagging for 2024 in terms of labor cost? I think there is a minimum wage increase, and I think you earlier also indicated potentially the unions asking for a 5% to 14% pay rise. How will that impact your earlier margin guidance? You talked about at least 200 basis points margin improvement for 2024 based on the partial restructuring. Some of that is now coming into the fourth quarter, what do you see in terms of potential for margin improvements going into next year? You also talked about 100 basis points in Mail and 300 basis points in Parcels, if I recall correctly.

Pim Berendsen – CFO PostNL: Thank you, David, for your questions. On your first question on the volume forecast, we still expect volumes of Parcels of a positive single-digit number for the full year. We see a continuation of the high growth, which is double digit, in the international side and we expect also on the domestic side volume growth in the fourth quarter. If you look at the Q3, September was not a great month in comparison to the other two months and coming into October, we saw in comparison to last year in the weeklies, so far, the growth that we need to get to the full year number we just talked about. So in the last weeks, we have seen the domestic volume growth back. Obviously, that needs to ramp up to roughly around the 1.8 million to 2 million mark in the busiest days of the period but the first signs in October are looking in the direction that we have estimated.

On 2024, I am not going to be too precise because as said there are a lot of moving parts that currently impact 2024 margin expectations, predominantly also the related product mix developments that are currently very difficult yet to determine how they will impact 2024.

On the organic cost increases, what has been new since August 7 is that the CPB increased its wage inflation expectations in the macroeconomic verkenning – I am not quite sure how to say that in English – their latest update. Next to that, in parliament, as part of the election process an additional increase in minimum wage has been agreed. Those two elements together, mean roughly speaking EUR 20 million more labor-related cost increases. So all things being equal, that is in any event the pressure on labor. It is going to cost us extra in 2024. It is too early to indicate volume development. We still expect volume growth as a function of consumer spending growth and online penetration to continue. For more details you have to wait until we have finished the fourth quarter.

David Kerstens – Jefferies: Thank you very much.

- **Marco Limite – Barclays**

Good morning. Thanks for taking my question. The first question I have is about the PostNL-Sandd- deal. Over the summer, there were some headlines about court ruling against it. Can you just remind us of what it is all about and what the next steps are? I remember that the competition market authority did not approve of the deal at the beginning, then you went to the Parliament and you got approval. So what can happen next?

And my second question is on price increases. In Letters you announced recently an 8% price increase, which is higher compared to last year's 5% and the previous year 0%. Can you remind us how the price increase formula works for the letters?

Herna Verhagen – CEO PostNL: To your first question about the PostNL-Sandd-deal, the deal is done when we received approval from the Ministry of Economic Affairs. That remains to be our legal standpoint that it is a deal done under the approval, so for us the outcome of the court does not mean anything at this moment in time. The next step is that we are able to appeal. That is probably what we will do and then it will take another year to two years before we expect an outcome on that appeal. As you know, after the acquisition, we quickly integrated Sandd into our operations and that means that nothing of Sandd is left. That is already almost four years ago. So, for us it is an outcome of a legal process which is much more a discussion behind the real things happening at this moment in time.

Marco Limite – Barclays: Can I just follow up to your answer? So what specifically the court is ruling against?

Herna Verhagen – CEO PostNL: You will probably remember that when we wanted to acquire Sandd in 2019, the first step we had to take was to receive approval from the competition authority, the ACM. They did not give approval at that moment in time. We immediately appealed to the ACM decision and of course that appeal waited till all the other legal procedures were ended. That happened 18 months ago. Then this appeal came into place.

That is the real content of the legal procedure. It is our appeal against the decision of ACM four years ago that they refused to give us approval on the acquisition.

Marco Limite – Barclays: There could be a scenario where clearly the merger is done, but there could be a scenario where you have to pay a fine or some sort of financial penalty.

Herna Verhagen – CEO PostNL: No. Whatever the outcome will be, it will never have any consequence for the past. And as I already said, to be honest, before we expect an outcome on this procedure, it will be one to two years from now. Then we will be already six years after the acquisition and the full integration of Sandd. It is a little bit water under the bridge but it is an important legal process.

Marco Limite – Barclays: Okay. Clear. Thank you.

Herna Verhagen – CEO PostNL: I will have one question to go.

Pim Berendsen – CFO PostNL: There was one related to the price increases. You referred to the 8% increase of the single items. Of course we increase prices, we continue to do that also on the business mail side. There are of course regulatory elements but the room we have for those price increases is enough to do what we believe we should do from a price elasticity point of view, because quite clearly if you increase the prices too much, you will lose and accelerate the substitution to other channels quicker. That is the careful balance that we always try to strike. Given the fact that inflation rates are higher, inflation plus roughly half of volume decline also leads to higher price increases that we are obviously putting through to the market to offset a big part of organic cost increases. In the past, and we had that debate before, price increases in Mail also helped to contribute to offset half of volume decline and organic cost increases. And this year price increases are only enough to offset organic cost increases and not half of volume anymore. So that is that is the way we look at price increases.

Marco Limite – Barclays: So, can you just quickly confirm it is all about your decision by how much you increase the price of course within a certain limit and therefore it is just your decision this year to increase by 8% versus last year?

Pim Berendsen – CFO PostNL: That is on single items. On single items it is based on the process where ACM determines whether or not the increase is, within the bandwidth of the tariff room that we have, to improve. To there it is a different process than for business mail.

Marco Limite – Barclays: Thank you.

- **Henk Slotboom – The Idea!**

Good morning and thanks for taking my questions. I have got a few. Shall we take them one by one or do you want them all at the same time.

Pim Berendsen – CFO PostNL: Whatever you prefer, Henk!

Henk Slotboom – The Idea!: Let's take them one by one, because then it gets a lot clearer. First of all, Pim, I am a bit confused about what you said about the labor cost increase for next year. If I do the math correctly and I take a look at the mail deliverers standalone, I believe you said in the past that the labor cost of the mail deliverers is anywhere between EUR 180 million and EUR 190 million. We have a change in the minimum wage system, as of 1st of January. There is a standard is 38 hours at Mail and that will be changed to 36 hours. That gives you an hourly wage increase of around 5% to 5.5%. On top of that, there is indexation of 3.75% and if I do the math correctly and I see where the mail deliverers are nowadays in terms of the hourly rate, then this alone is already adding up quite steeply towards the EUR 20 million you just referred to. And then the CLA ends on the 31st of December. The CLA for PostNL as a whole, the big PostNL CLA end on 31st March next year. What am I missing here? The EUR 20 million in my view is only part of the labor cost increase you are going to face next year.

Pim Berendsen – CFO PostNL: Absolutely, but the question was related to the development and the development since the last time we talked in August. Obviously in August, we knew that we would all go from 38 to 36 hours. We already roughly knew the normal indexation that will happen in January, so I only talked about elements that were new to us since August 7th, and those elements alone already impact the development from 2023 to 2024, with another EUR 20 million increase in labor related costs.

Henk Slotboom – The Idea!: So, it is on top of.

Pim Berendsen – CFO PostNL: On top of our earlier expectations, yes. So if you were to look at the total labor cost developments from 2022 to 2023 and 2023 to 2024, we expect an increase in labor costs that is significantly higher than the increase from 2022 to 2023.

Henk Slotboom – The Idea!: Okay. Clear. Then on pricing. You already alluded to the USO-increases we have seen. Part of it is non-USO as well, for example the mixed consignments. And there are of course the business parcels, et cetera. If I look at the USO and I look at the Parcels segment, I see that the standard parcels remain unchanged in price and that the letterbox parcels increase by anywhere between 1.2% and 2.5%. The NEA-index is 4% for next year. What can we expect in terms of pricing for the other parcels, the larger clients, SMEs, et cetera? Is it going to be anywhere near the NEA-index and is that sufficient to offset the labor costs which undoubtedly will occur there as well?

Pim Berendsen – CFO PostNL: Of course, we are trying to offset as much of the organic increases through price increases and yield management measures, but we need to take account of the fact that on the E-commerce side there are very competitive markets. So, we differentiate our approach in different product and market segments, trying to get back as much of the NEA-indexation through price increases. You remember that this year we will have a gap between organic increases and price increases of EUR 30 million. We will try to improve on that from 2023 to 2024. Currently, we are in the middle of the renegotiation of terms with our clients heading into 2024.

Henk Slotboom – The Idea!: With the risk of stealing the whole meeting, I have two questions left. You already indicated that the tariff increases alone will not be to offset the damage in margins. In your comments on the second quarter results there was a lot of talk about cost savings and especially in Mail cost savings were getting more and more complicated. What else can you do to basically support the margins in 2024?

Pim Berendsen – CFO PostNL: That is a very broad question. On the Mail side, we have stepped up our cost savings from last year, already now reaching the same number of cost savings that we realised in 2022. We are making good progress towards that EUR 40 million of cost savings that we talked about before 2023. That is also more or less going to be the objective for next year. And then it is all about the combination of volume development, mix effects and our ability to offset as much as possible organic cost increases with price increases. On the Parcels' side, margins are also a function of the level of investments required. The level of investments required and the phasing thereof is a function of market expectations on volume growth. So, there are more parts that impact the margins there. But what we clearly wanted to indicate, also by using the examples leading up to the EUR 20 million is that of course we already have used a lot of room to maneuver in terms of measures. Less consumer spending and higher labour-related costs put significantly more pressure on 2024 results than originally expected. That is the case and we will see how far we can get to the margin improvement we are longer term looking for. But I am afraid you have to wait a bit longer for me to be more precise on how much the different measures will actually contribute.

Herna Verhagen – CEO PostNL: As we said last time, Henk, on the cost savings in Mail the Netherlands, we cannot save such big amounts of cost overnight. So, those plans are already well underway and well prepared to bring in the necessary cost savings for the year 2024. That is our yearly cycle, which we already discussed many times, but it is not different for the year 2024.

Henk Slotboom – The Idea!: Okay. Pim and Herna, last time we met face to face we were talking about the SME segment in Parcels and initiatives like launched by Bol to lure away clients, to basically have parcels sent via them. In your annual report over 2022, you announced some initiatives regarding SMEs and regarding platforms like My parcel, et cetera. What are the developments there? You already said you were beginning to see you were not losing market share anymore; what kind of initiatives have you taken and where do you see the progression there?

Pim Berendsen – CFO PostNL: Again, a pretty broad question, so I will break it down in a few elements. Indeed, we do not see a material deviation from our market share expectations but that is not to say that bigger clients are not growing faster than the SME segment. That is one of the elements that impacts product mix or client mix, if you want. In that SME segment volume goes through platforms – Bol, but also My Parcel and Sendcloud – and these platforms are gaining market share in terms of market segmentation and that also leads to slightly negative price/mix consequences. At the same time, we are very happy with the progress we are making on the development of our own platform. And that has now a multi-carrier approach, it is growing, likewise the SME strategy that we have defined and that we are implementing in these contract renewals that we are currently engaging on. So, good progress has been made on those, but it is too early to share numbers on them.

Henk Slotboom – The Idea!: Okay. May I squeeze in a very brief one? You mentioned the sickness rate but where is the sickness rate at this point in time? Is it higher or is it lower than the figure you reported last year over the full year?

Herna Verhagen – CEO PostNL: It is more or less the same as last year but it is higher than what we see on market average. That is more or less always what we aim for. That is the reason for saying higher than expected. We have lots of actions in place to improve our sickness rate. We see some slight positives, but it is not paying off yet as we would like it to be. And that is more what we what we put forward and that also means that in the way we have looked at the full year numbers and the Q3 numbers we took into account a certain sickness rate and were a bit above that percentage. With the amount of people we that does have an impact. That is the reason why you find it in the press release and also in the summary of the presentation.

Henk Slotboom – The Idea!: Okay. I have taken enough of your time. Thank you very much. I much appreciate it and success!

Pim Berendsen – CFO PostNL: Thank you, Henk.

Herna Verhagen – CEO PostNL: Thank you.

- **Marc Zwartsenburg – ING**

Good morning, everybody, a couple of questions left. First of all, Pim, can you help me a bit in clarifying what you mentioned on the Parcels volume trend? You mentioned July and August were still okay, but September was worse. But if I look at the trends it seems that it was the opposite, that July and August were basically flat year on year as you mentioned and that September must have been around mid-single digit growth. Can you help me a bit with what the real trend was?

Pim Berendsen – CFO PostNL: The real trend was that July and August were slightly better than last year on the domestic side. In September it was worse than last year on the domestic volume side but international continued the double-digit growth in all three months of the quarter.

Marc Zwartsenburg – ING: So, if we include international – that is basically the number we are looking at – what was the trend? Was it flat-flat and up mid-single digit? Is that correct?

Pim Berendsen – CFO PostNL: No, it is slightly up; two times up and one time slightly below.

Marc Zwartsenburg – ING: I thought you said July and August were flat. But still, it is different from what we heard at Q2, that we were trending a bit in line with Q2's volumes, which was implying a bit like 7% growth but now you are telling that you have visibility of October.

Pim Berendsen – CFO PostNL: In August we were looking at the Q2 numbers and the developments throughout the first part of July and there we were still indicating the same trend line that we talked about. That is why the September result was a disappointment because there we saw a little bit of a break of that trend line. That is what we now have addressed in this Q3 report. And on the question that we had earlier, I indicated that from that point onwards we now see in October an improvement on the domestic volume developments coming back to single digit, sometimes higher and single digit growth in the weeks where there is still a continuation of the international growth, indicating that the step up that we need to see so far is there. But I also said that obviously it still needs to ramp up further to get to the max cap-number of somewhere around about 1.8 million to 2 million around Black Friday and Sinterklaas.

Marc Zwartsenburg – ING: Clear. And then maybe on the margin. David also asked about your margin improvements that you expected for Parcels but also for Mail. For Parcels it got trimmed a bit by the different phasing in of these cost savings, but nevertheless it was still suggesting more than 200 basis points. But here you talk about what happened since August in terms of wage inflation, the EUR 20 million you mentioned and the effect of the price/mix element. Is it fair to assume that despite the cost savings that we might be looking more at the flat year on year development in terms of margin for Parcels? I have not heard you reiterating the target for next year. Can you maybe comment on that, on what you now currently foresee in terms of margins? You provided some guidance on the margin for Mail and Parcels. Can you maybe update us on that one?

Pim Berendsen – CFO PostNL: Well, the step-up in margin will be more complicated than we have discussed earlier. The cost saving initiatives contribute, they are in full implementation contributing a little bit in 2023 and with lower restructuring cash out than originally assumed. So, if you isolate that element of step-up of margin from the rest, it is still the same as what we have talked about. What is new is that from 7 August onwards there is even more pressure on the labour side of things that impact the development from 2023 to 2024 on the margin level. To what extent and how much precise I cannot say, but it clearly is a deterioration of the margin expectations for 2024.

Marc Zwartsenburg – ING: Clear. Then a final question, on the USO, the delivery quality. Can you perhaps also update us on that? Due to sickness and the tight labour market you were behind and also in the previous years, but what is the latest status on that in terms of potentially a fine or is it improving as well? How should we look at that?

Herna Verhagen – CEO PostNL: You see from the Q3 numbers that it is not improving. It is still difficult for us. There is a tight labour market in the Netherlands except of the northern provinces; there we do not see that tightness as we see it in the other parts of the Netherlands. It means that we have quite some vacancies, so we are still around 1,000 vacancies. That also means that sometimes you are not able to fill in all the routes with people and that causes the delay. We are working hard to fill in those vacancies. There are more than 20 actions ongoing to get people from the market to start as mail deliver but the shortage is not easy to solve. That is the status when it comes to the vacancies we have and in relation to that the quality of delivery. There is no further information or no new information on possible fines or no fines.

Marc Zwartsenburg – ING: That is very clear. Thank you very much. Those were my questions.

- **Marco Limite – Barclays**

Hi, thanks for taking my follow up question. I have a question actually on your September volume trends. Few retailers exposed to the fashion industry have clearly said that September was a weak month because of the hot weather. So I am just wondering whether you have seen weakness across verticals in September, especially for domestic volumes? Was the majority of the weakness coming from the fashion industry? Thank you.

Pim Berendsen – CFO PostNL: Definitely also in fashion, but not only limited to fashion, but it was not a great month from the entire fashion industry, so to speak. But also in some other categories there was less consumer spend in the market than expected.

Marco Limite – Barclays: Cool! And if I can squeeze in another question? You have both CLAs coming up for renewal during 2024. Can you just clarify when we should expect those CLAs to be concluded?

Herna Verhagen – CEO PostNL: Somewhere in the first half year. The first CLA we will negotiate is the CLA for mail deliverers and a little bit depending on the length of that negotiation process that will be finalised. And then after that, we will start with the PostNL CLA.

If I would roughly guess at this moment in time, it will take us at least the first half year to finalize those two CLAs, maybe a little bit longer.

Marco Limite – Barclays: So when you talk about the additional EUR 20 million of wage cost inflation, your reasoning is basically based on the latest update from the government on wage inflation. We are assuming that those CLAs will be more expensive. Is that basically the reasoning?

Pim Berendsen – CFO PostNL: Let's be more precise. What I have said is that as from August there are at least two elements new on the labour side of things. One is a higher expectations on average wage increase in the Netherlands, based on the macroeconomic exploration of the CPB. The other element is an agreement in Dutch parliament to increase the minimum wage with another 1.2% by July of 2024. Those two elements together, direct, and indirect effects that relate to those measures, lead to an increase in labor related costs already of EUR 20 million. That is what I have said. Obviously, if the expectation for the entirety of the Netherlands increases, that will somehow not pass by and that is why we are making this point.

Herna Verhagen – CEO PostNL: But we did not indicate anything around the increases of our CLA because for that we need negotiations with the unions and we do not want to give guidance upfront on that, as you understand.

Marco Limite – Barclays: Okay. Thank you very much.

Inge Laudy – Manager Investor Relations PostNL: Thank you all for participating today. If you have any questions left, please reach out to us. You know where to find us. For now, have a nice day and speak to you next time! Bye!

End of call

Appendix

- Results per segment Q3 2023 and YTD 2023
- Revenue mix Parcels
- Full reconciliation of income statement and EBITDA per segment
- Free cash flow per segment Q3 2023
- Free cash flow YTD 2023
- Result development (bridge) per segment
- Profit and normalised comprehensive income
- Assumed non-recurring impact related to Covid-19 in 2022

Results per segment Q3 2023 and YTD 2023

(in € million)	Revenue		Normalised EBIT		Margin	
	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023
Parcels	506	535	(1)	1	-0.2%	0.2%
Mail in the Netherlands	328	299	(1)	(14)	-0.4%	-4.7%
PostNL Other	56	62	(18)	2		
Intercompany	(181)	(174)				
PostNL	709	722	(20)	(11)	-2.8%	-1.5%
	YTD 2022	YTD 2023	YTD 2022	YTD 2023	YTD 2022	YTD 2023
Parcels	1,579	1,652	32	23	2.0%	1.4%
Mail in the Netherlands	1,066	971	47	(4)	4.5%	-0.4%
PostNL Other	165	181	(56)	(5)		
Intercompany	(549)	(529)				
PostNL	2,261	2,276	23	14	1.0%	0.6%

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PostNL Q3 2023 results

Revenue mix Parcels

As of 2023

(in € million)	Q1 2022	Q1 2023	Q2 2022	Q2 2023	Q3 2022	Q3 2023	Q4 2022	FY 2022
Parcels Netherlands	361	355	345	366	332	342	392	1,431
Spring	105	116	91	119	95	116	113	404
Logistics solutions and other	77	72	74	72	68	67	77	297
Other / intercompany	11	19	9	(0)	11	9	4	34
Parcels	554	561	519	556	506	535	587	2,165

2022

(in € million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels Netherlands	361	345	332	392	1,431
Spring	105	91	95	113	404
Logistics solutions and other	105	98	93	101	396
Eliminations	(17)	(15)	(14)	(19)	(65)
Parcels	554	519	506	587	2,165

Presentation revenue split Parcels slightly adjusted

- Part of 2022 'Logistics solutions and other' now transferred to the line 'Other / intercompany' to better

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PostNL Q3 2023 results

Full reconciliation of income statement and EBITDA Q3 2023

Income statement	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
(in € million)	Q3 2022	**Q3 2023**	Q3 2022	**Q3 2023**	Q3 2022	**Q3 2023**	Q3 2022	**Q3 2023**	Q3 2022	**Q3 2023**
Total operating revenue	709	722	506	535	328	299	56	62	(181)	(174)
Other income	1	3	0	3	1	0	-	-		-
Cost of materials	(20)	(22)	(15)	(15)	(3)	(3)	(2)	(4)		-
Work contracted out and other external expenses	(373)	(383)	(354)	(365)	(167)	(161)	(33)	(30)	181	174
Salaries and social security contributions	(225)	(232)	(86)	(98)	(113)	(107)	(26)	(27)		-
Pension contributions & related costs	(43)	(23)	(8)	(9)	(11)	(9)	(24)	(5)		-
Depreciation, amortisation and impairments	(37)	(45)	(16)	(21)	(7)	(7)	(14)	(17)		-
Other operating expenses	(33)	(33)	(28)	(30)	(29)	(25)	24	23		-
Total operating expenses	*(731)*	*(737)*	*(507)*	*(538)*	*(330)*	*(313)*	*(74)*	*(60)*	*181*	*174*
Operating income / EBIT	(21)	**(12)**	(1)	**(1)**	(1)	**(14)**	(18)	**2**	-	**-**

EBITDA	PostNL		Parcels		Mail in NL		PostNL Other	
Operating Income / EBIT	(21)	(12)	(1)	(1)	(1)	(14)	(18)	2
Depreciation, amortisation and impairments	37	45	16	21	7	7	14	17
Reported EBITDA	16	**33**	15	**20**	5	**(7)**	(4)	**20**
Non-cash pension expense	19	0	0	0	-	-	19	(0)
EBITDA excluding non-cash pension expense	36	**33**	15	**20**	5	**(7)**	15	**20**
IFRS16 impact (depreciation RoU assets)	(16)	(18)	(11)	(12)	(3)	(3)	(3)	(3)
EBITDA excluding non-cash pensions and IFRS16	20	**15**	4	**8**	3	**(10)**	12	**17**

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PostNL Q3 2023 results

Full reconciliation of income statement and EBITDA YTD 2023

Income statement	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
(in € million)	YTD 2022	**YTD 2023**	YTD 2022	**YTD 2023**	YTD 2022	**YTD 2023**	YTD 2022	**YTD 2023**	YTD 2022	**YTD 2023**
Total operating revenue	2,261	2,276	1,579	1,652	1,066	971	165	181	(549)	(529)
Other income	7	3	0	3	7	0	-	-		
Cost of materials	(60)	(67)	(46)	(47)	(9)	(9)	(5)	(10)		
Work contracted out and other external expenses	(1,146)	(1,161)	(1,079)	(1,103)	(510)	(495)	(105)	(92)	549	529
Salaries and social security contributions	(707)	(750)	(265)	(310)	(364)	(350)	(78)	(90)		
Pension contributions & related costs	(130)	(69)	(24)	(27)	(35)	(29)	(71)	(14)		
Depreciation, amortisation and impairments	(115)	(130)	(54)	(61)	(21)	(19)	(40)	(49)		
Other operating expenses	(92)	(91)	(80)	(86)	(85)	(73)	73	69		
Total operating expenses	*(2,250)*	*(2,267)*	*(1,547)*	*(1,634)*	*(1,025)*	*(976)*	*(226)*	*(186)*	*549*	*529*
Operating income / EBIT	18	**12**	32	**21**	47	**(4)**	(61)	**(5)**	-	**-**

EBITDA	PostNL		Parcels		Mail in NL		PostNL Other	
Operating Income / EBIT	18	12	32	21	47	(4)	(61)	(5)
Depreciation, amortisation and impairments	115	130	54	61	21	19	40	49
Reported EBITDA	133	**142**	86	**82**	68	**15**	(21)	**44**
Non-cash pension expense	58	0	0	0	-	-	58	(0)
EBITDA excluding non-cash pension expense	191	**142**	86	**82**	68	**15**	37	**44**
IFRS16 impact (depreciation RoU assets)	(48)	(52)	(32)	(35)	(8)	(9)	(8)	(8)
EBITDA excluding non-cash pensions and IFRS16	143	**89**	54	**47**	60	**6**	29	**36**

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PostNL Q3 2023 results

Free cash flow per segment Q3 2023

(in € million)	PostNL		Parcels		Mail in NL		PostNL Other & Eliminations	
	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023
EBITDA	16	33	15	20	5	(7)	(4)	20
Change in pensions	19	0	-	0	-	-	19	(0)
Change in provisions	1	(1)	1	0	0	(2)	(0)	0
Change in working capital	(37)	(9)	23	44	(65)	(60)	4	6
Capex	(36)	(26)	(10)	(7)	(3)	(2)	(23)	(17)
Disposals	0	(3)	0	(3)	0	0	(0)	(0)
Interest paid	(5)	(6)	(1)	(1)	(1)	(1)	(3)	(4)
Income tax paid	9	(0)	0	0	0	4	9	(4)
Lease payments and related cash flow	(18)	(19)	(11)	(12)	(4)	(5)	(3)	(3)
Other	1	6	0	0	0	0	0	6
Free cash flow	(49)	(26)	18	43	(67)	(72)	(0)	4
Free cash flow yield	-6%	-3%						

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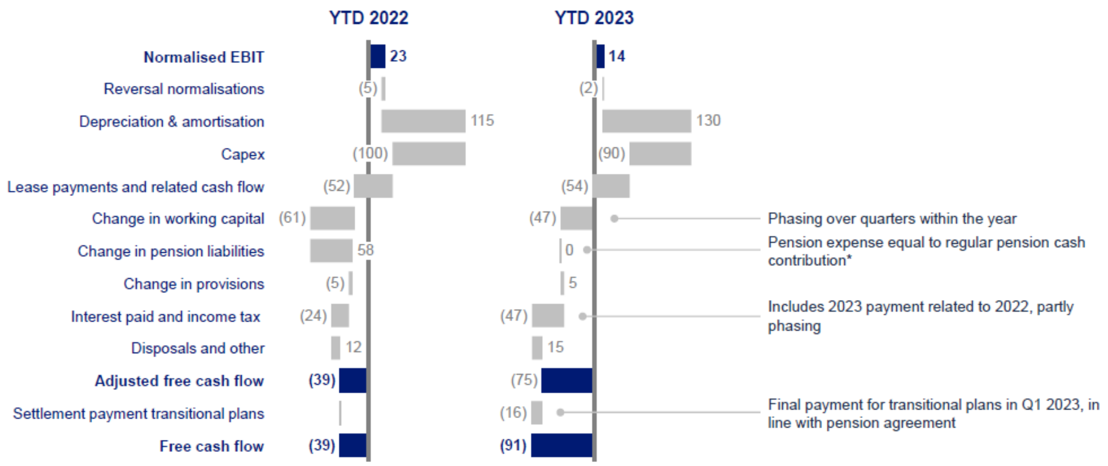
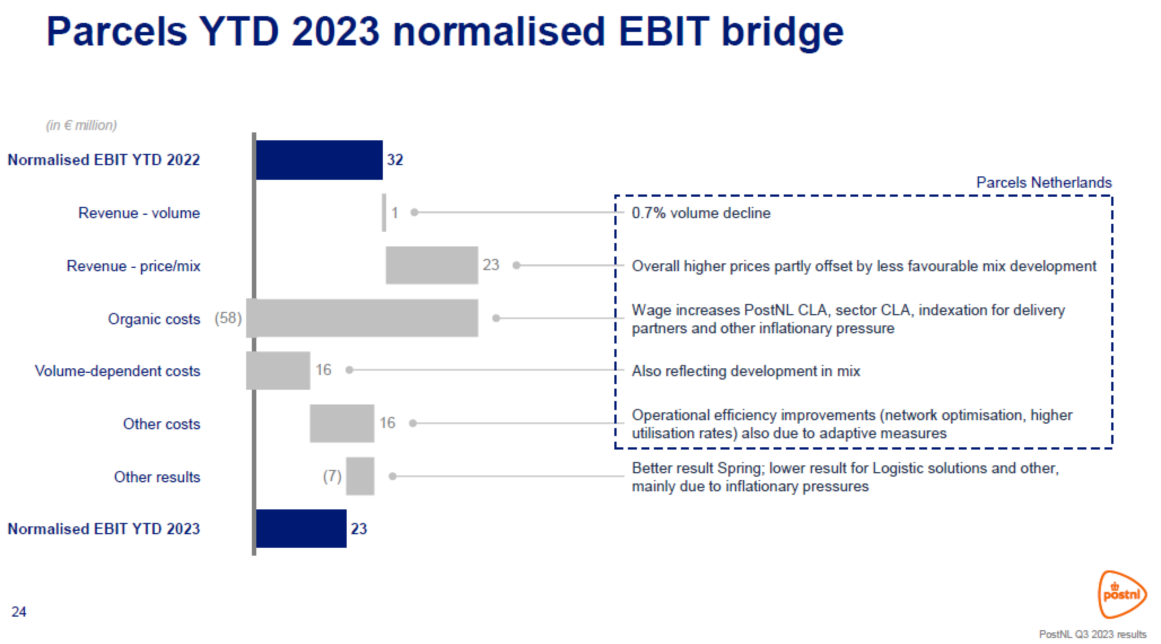
PostNL Q3 2023 results

Cash flow YTD



23 * as of 2023, following pension agreement

PostNL Q3 2023 results


Parcels YTD 2023 normalised EBIT bridge
(in € million)
Normalised EBIT YTD 2022 32
Revenue - volume 1
Revenue - price/mix 23
Organic costs (58)
Volume-dependent costs 16
Other costs 16
Other results (7)
Normalised EBIT YTD 2023 23
Parcels Netherlands
0.7% volume decline
Overall higher prices partly offset by less favourable mix development
Wage increases PostNL CLA, sector CLA, indexation for delivery partners and other inflationary pressure
Also reflecting development in mix
Operational efficiency improvements (network optimisation, higher utilisation rates) also due to adaptive measures
Better result Spring; lower result for Logistic solutions and other, mainly due to inflationary pressures
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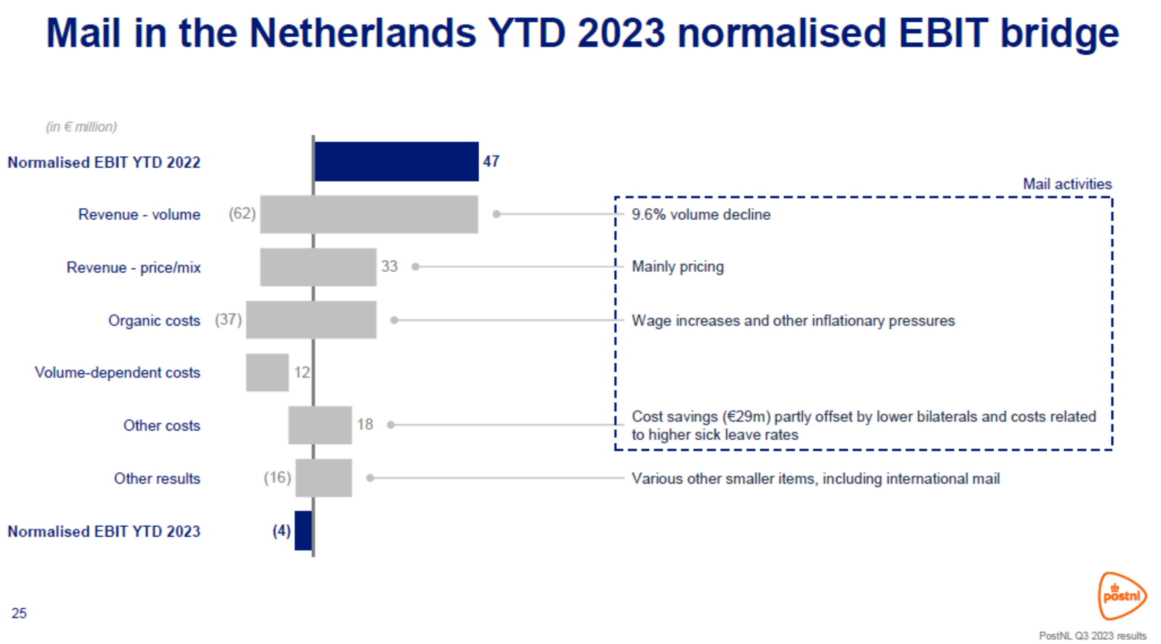
PostNL Q3 2023 results


Mail in the Netherlands YTD 2023 normalised EBIT bridge
(in € million)
Normalised EBIT YTD 2022 47
Revenue - volume (62)
Revenue - price/mix 33
Organic costs (37)
Volume-dependent costs 12
Other costs 18
Other results (16)
Normalised EBIT YTD 2023 (4)
Mail activities
9.6% volume decline
Mainly pricing
Wage increases and other inflationary pressures
Cost savings (€29m) partly offset by lower bilaterals and costs related to higher sick leave rates
Various other smaller items, including international mail
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PostNL Q3 2023 results

Profit and normalised comprehensive income* PostNL

(in € million)	Q1 2022	Q1 2023	Q2 2022	Q2 2023	Q3 2022	Q3 2023	YTD 2022	YTD 2023
Operating income / EBIT	30	7	9	17	(21)	(12)	18	12
Net financial expenses	(6)	(1)	(5)	(2)	(4)	0	(16)	(2)
Results from investments in JVs/associates	0	(0)	(0)	(0)	(0)	(2)	(0)	(2)
Income taxes	(7)	(2)	(2)	(3)	6	4	(3)	(2)
Profit/(loss) from discontinued operations	(0)	1	(13)	(1)	(0)	(0)	(13)	(0)
Profit	16	4	(11)	11	(20)	(10)	(15)	6
Other comprehensive income (mainly related to pensions)	15	(0)	16	(2)	16	4	47	2
Total comprehensive income	32	4	5	9	(4)	(5)	32	8
Normalisation on EBIT, net of tax	2	0	1	0	1	1	4	2
Exclude result from discontinued operations	0	(1)	13	1	0	0	13	0
Normalised comprehensive income	34	4	19	10	(3)	(4)	50	10

26 * *Normalised comprehensive income is defined as comprehensive income normalised for incidentals in operating income/EBIT, net of statutory tax, as well as the net result from discontinued operations*

PostNL Q3 2023 results

Assumed non-recurring impact related to Covid-19 in 2022

Volumes

(around, in million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels	2	-	-	-	2
Mail in the Netherlands	15	3	7	6	30

Revenue

(around, in € million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels	2	-	-	-	2
Mail in the Netherlands	9	1	2	1	13
Eliminations	0	0	-	-	-
PostNL	10	1	2	2	14

Normalised EBIT

(around, in € million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels	(2)	-	-	-	(2)
Parcels Netherlands	*(2)*	-	-	-	*(2)*
Spring and Logistics	-	-	-	-	-
Mail in the Netherlands	3	(0)	1	1	5
PostNL	1	(0)	1	1	2

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PostNL Q3 2023 results