



## Q4 & FY 2014 Results Update 2015



23 February 2015



# Market leadership shown in continuous innovation





## Business review Q4 & FY 2014, outlook 2015

Herna Verhagen

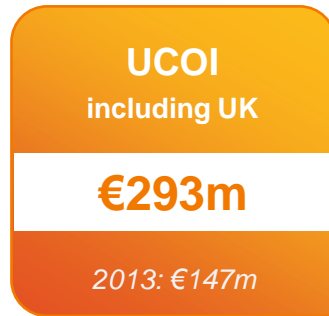
## Financials Q4 & FY 2014, outlook 2015

Jan Bos

## Q&A

Note to this presentation: due to the adoption of IFRS 11 and IAS 28, results from joint ventures are not included in revenue and income but recognized in the line "Results from investments in associates/joint ventures". Reported results include the results of our UK activities as the LDC transaction is not finalised. Outlook is given on figures excluding the UK. For comparison reasons, we include in the appendix revenue and income figures excluding the results of the UK activities.

# Strong 2014 performance creates solid base for 2015



- Cost savings, partly phasing, and price increases more than offset volume decline
- Delivery quality, customer satisfaction and employee engagement increased
- Continued good performance Parcels
- International volumes and revenues grew, underlying cash operating income below last year
- Improvement net cash contributes to solid financial position
- Pension agreement resulted in reduced cash contributions
- Solid base for delivering on 2015 target

## Mail in NL

Sustainable  
delivery of  
cash flow

## Parcels

Further  
profitable  
growth

## International

Enhance  
cash  
profitability

Solid financial position

Reported revenue  
(€ million)

**2014: 2,012**

Q4: 594

**2013: 2,060**

Q4: 602

Underlying cash  
operating income  
(€ million)

**2014: 231**

Q4: 99

**2013: 78**

Q4: 75

Addressed mail  
volume\*  
(%)

**2014: -10.7%**

Q4: -9.3%

**2013: -11.9%**

Q4: -12.9%

Total cost savings  
(€ million)

**2014: 127**

Q4: 32

**2013: 95**

Q4: 31

- Delivery quality increased to 96.7% (2013: 95.8%)
- Cost savings and price increases more than offset volume decline
- Positive effect on results of incidentals such as bilaterals and weather
- Total cost savings of €127 million, ahead of schedule, of which €32 million related to pensions
- Phasing restructuring cash out
- Balanced new collective labour agreements

\* Adjusted for working days / elections underlying volume decline in 2014 was 11.3% (Q4 2014: 9.9%, Q4 2013: 13.4%)

# Smooth execution of restructuring

## Cost savings coming in ahead of schedule



### 2013 – 2014

- Migration of locations towards 99 locations and start optimisation
- Large reorganisations on track in all areas: overhead operations, marketing & sales, head office
- Smooth transition to five-day delivery model
- Pension agreement

**Cost savings  
€222 million**

### 2015 and beyond

- Further optimisation locations
- Redesign car unit
  - New logistical processes implemented region by region: car delivery and collection processes
- Testing scooter and bike delivery in rural areas
- Implement leaner organisation marketing & sales, head office
- Implementation first phase next generation sorting machines
- Further optimisation retail network

**Cost savings target 2015  
€75 - €95 million**

**Cost savings  
target  
2013 – 2017  
unchanged  
€365 million**



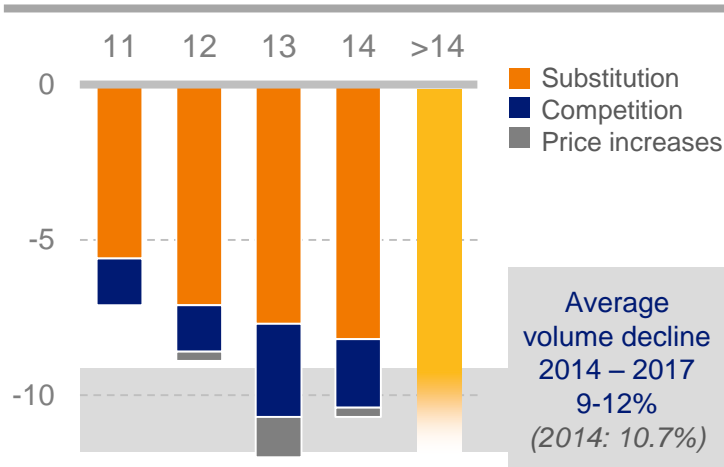


# Volume and price development

## Sustainable profitability of mail products



### Addressed mail volume decline (%)



### Pricing

	Bulk mail	Domestic single items
2013 - 2017	Well above inflation	Well above inflation
2013	✓	✓
2014	✓	✓
2015	✓	✓





# Regulatory environment Mail in the Netherlands

## Important steps in 2014, challenges remain



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### Postal Act

- Amended Postal Act approved by Second Chamber, including reduction in number of letter boxes and post offices
- Next step: discussion and vote by Senate HY1 2015
- If Senate approves: expected implementation date 1 July 2015

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### Postal regulation

- Intermediate regulation tariff headroom 2015
- Final decision expected HY1 2015

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### Significant market power

- PostNL: postal market part of broader communications market, no dominant market position of PostNL
- PostNL may be forced to grant regional postal players and resellers access to network for business mail
- Continued management attention given potential impact beyond 2015
- ACM due to publish its findings Spring 2015



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### Reported revenue (€ million)

**2014: 854**

Q4: 245

**2013: 803**

Q4: 219

### Underlying cash operating income (€ million)

**2014: 98**

Q4: 33

**2013: 89**

Q4: 25

### Volume growth

**2014: +8.8%**

Q4: +12.8%

**2013: +9.2%**

Q4: +7.5%

- Continued strong growth largely driven by e-commerce
- Increased international volumes, especially milk powder to China (incidental rather than sustainable)
- Improved business performance and higher efficiency
- NLI: 17 depots operational; around 95% of volume through NLI network – in Q4 first impact from declining implementation costs
- Financial impact subcontractors in line with expectations, FY: €8 million (Q4: €3 million)
- Capturing synergies with Mail in the Netherlands by redesign car unit

# Further growth in existing and new 2C and 2B areas

## Strengthening position by extension of services



### 2C

- Option added to reroute deliveries via mijnpakket app
- 3.5 million users mijnpakket app
- Increased density network Belgium
- 2014: 600 additional parcel points in the Netherlands; now 2,700 locations for parcel services
- Further roll out Sunday and evening delivery

### 2B

- Morning delivery services, guaranteed timeslot
- Introduction multi-colli delivery service
- Dedicated customer service
- Growing volumes and client wins

### Other services

- Strong growth cross border, positioning PostNL as Gateway to Europe for international e-commerce companies
- Extra@Home extending market leadership in two-men delivery



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# International

## Enhance cash profitability



Reported revenue  
(€ million)

**2014: 1,711**

Q4: 473

**2013: 1,615**

Q4: 428

Underlying cash  
operating income  
(€ million)

**2014: 8**

Q4: 3

**2013: 24**

Q4: 8

### UK

- Revenue growth: higher prices and improved product mix
- Contract wins and improved margins in downstream access (mail and packets)
- Results impacted by roll-out E2E
- Currently reviewing details Ofcom consultation together with LDC



### Germany

- Results Q4 show stabilisation, FY impacted by ongoing fierce competition
- Cost improvement programs and commercial initiatives up and running
- Rulings from regulatory bodies still necessary



### Italy

- Further volume growth Formula Certa
- Volume growth partly offset by slightly lower prices
- Packets & Parcels initiative develops as expected; launch of new flat parcel product



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Solid financial position



# Strong 2014 performance creates solid base for 2015



Deliver on promises



People at the heart of the company

	Revenue	Underlying cash operating income / margin
€ million	2015	2015
Mail in NL	- mid single digit	10 to 12%
Parcels	+ mid single digit	11 to 13%
International*	+ low single digit	1 to 3%
<b>Total*</b>	<b>stable</b>	<b>280 to 320</b> <b>8 to 9%</b>



Customer focus



Close contact with all stakeholders



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# Financial highlights

## Strong performance Q4



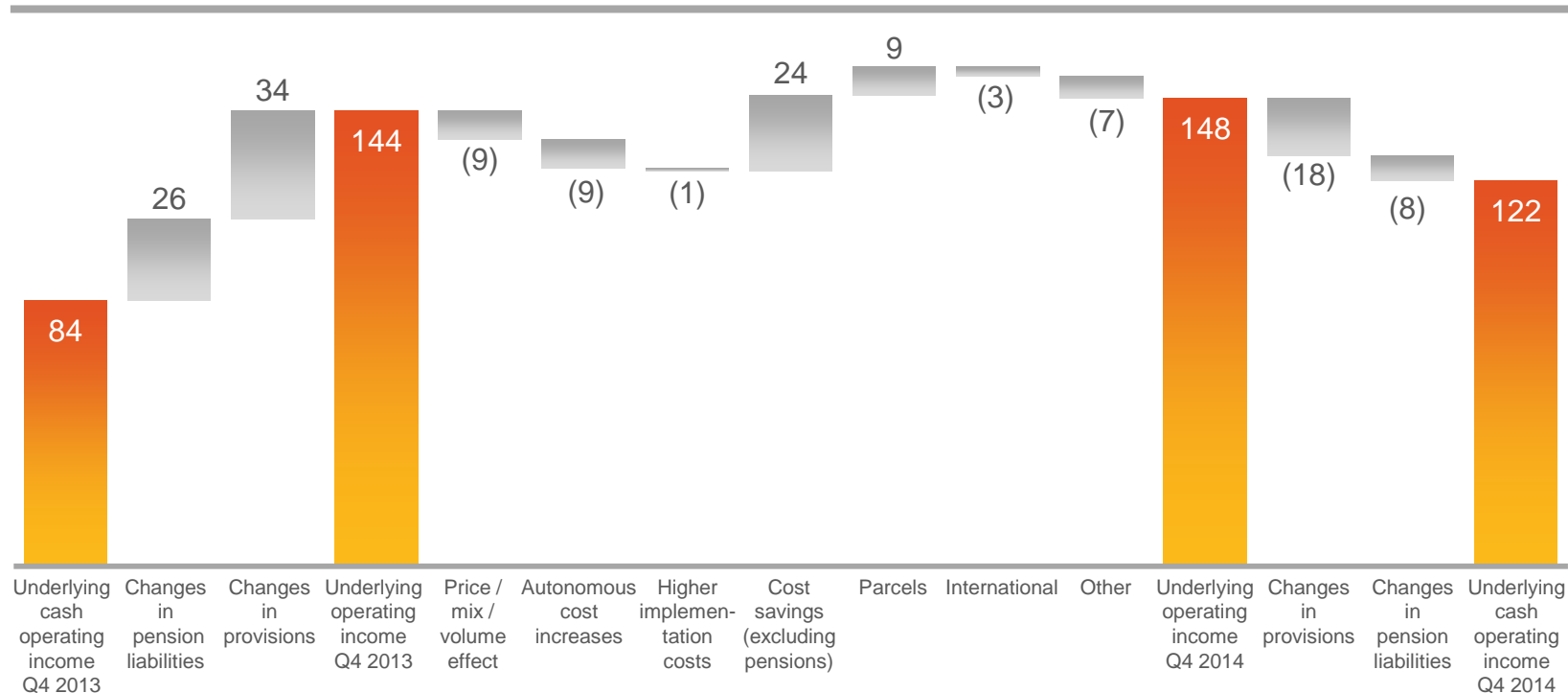
€ million	Q4 2014	Q4 2013	Δ	FY 2014	FY 2013	Δ
Reported revenue	1,214	1,167	4%	4,251	4,163	2%
<b>Underlying revenue</b>	<b>1,201</b>	<b>1,167</b>	<b>3%</b>	<b>4,207</b>	<b>4,163</b>	<b>1%</b>
Reported operating income	181	257	-30%	405	400	1%
Restructuring related charges		11		8	77	
Rebranding and project costs	3	4		15	6	
Impairment assets held for sale		12			12	
Past service pension costs	(36)	(140)		(36)	(140)	
Underlying operating income	148	144	4%	392	355	10%
<b>Underlying cash operating income</b>	<b>122</b>	<b>84</b>		<b>293</b>	<b>147</b>	
<b>Net cash from operating and investing activities</b>	<b>172</b>	<b>545</b>		<b>124</b>	<b>492</b>	
Excl partial sale TNT Express and impact bond buy backs	172	96		124	43	

# Underlying cash operating income

## Good results Q4 driven by high cost savings



Underlying cash operating income (€ million)



# Underlying results per segment

## Strong performance Mail in the Netherlands and Parcels



€ million	Revenue		Underlying operating income		Underlying cash operating income	
	Q4 2014	Q4 2013	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Mail in the Netherlands	594	602	113	117	99	75
Parcels	245	219	34	25	33	25
International	473	428	5	8	3	8
PostNL Other	62	63	(4)	(6)	(13)	(24)
Intercompany	(160)	(145)				
<b>Total PostNL</b>	<b>1,214</b>	<b>1,167</b>	<b>148</b>	<b>144</b>	<b>122</b>	<b>84</b>

	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Mail in the Netherlands	2,012	2,060	302	218	231	78
Parcels	854	803	100	94	98	89
International	1,711	1,615	9	23	8	24
PostNL Other	233	259	(19)	20	(44)	(44)
Intercompany	(559)	(574)				
<b>Total PostNL</b>	<b>4,251</b>	<b>4,163</b>	<b>392</b>	<b>355</b>	<b>293</b>	<b>147</b>

# Statement of income



€ million	Q4 2014	Q4 2013	FY 2014	FY 2013
Revenue	1,214	1,167	4,251	4,163
<b>Operating income</b>	<b>181</b>	<b>257</b>	<b>405</b>	<b>400</b>
Net financial expenses	(26)	(87)	(95)	(174)
Results from investments in associates	(1)	1	(1)	38
Impairment of investments in associates		(106)		(369)
Income taxes	(38)	(46)	(83)	(65)
<b>Profit for the period</b>	<b>116</b>	<b>19</b>	<b>226</b>	<b>(170)</b>
Profit for the period (excluding TNT Express)	116	125	220	164

# Net cash from operating and investing activities

## Improved cash performance Q4



€ million	Q4 2014	Q4 2013	FY 2014	FY 2013
<b>Cash generated from operations</b>	<b>218</b>	<b>169</b>	<b>354</b>	<b>169</b>
Interest paid	(26)	(91)	(86)	(150)
Income taxes received / (paid)	7	(7)	(72)	56
<b>Net cash from operating activities</b>	<b>199</b>	<b>71</b>	<b>196</b>	<b>75</b>
Interest / dividends received / other	1	0	9	13
Capex	(31)	(36)	(94)	(115)
Proceeds from sale of assets	3	5	13	14
Acquisitions and disposals		505		505
<b>Net cash from operating and investing activities</b>	<b>172</b>	<b>545</b>	<b>124</b>	<b>492</b>
<i>Excl partial sale TNT Express and impact bond buy backs</i>	<i>172</i>	<i>96</i>	<i>124</i>	<i>43</i>

Note: 2013 impact on net cash from operating and investing activities of partial sale of stake in TNT Express (€505 million) and interest expense on bond buy-back (€(56) million)



# Continued focus on cash

## Strict cash and capex management pays off



€ million		Q4 2014	FY 2014	2014 outlook
Cost savings initiatives	Savings	32	127	115-135
	Restructuring cash out	11	43	40-60
	Implementation costs	9	27	25-45
		Q4 2014	FY 2014	2014 outlook
Capex	Base capex	27	66	
	Cost savings initiatives	3	7	
	New Logistics Infrastructure Parcels	1	21	
	<b>Total</b>	<b>31</b>	<b>94</b>	<b>Around 100</b>

# Consolidated statement of financial position

## Improvement net debt and consolidated equity



€ million	31 Dec 2014		31 Dec 2014
Intangible fixed assets	130	Consolidated equity	(597)
Property, plant and equipment	519	Non-controlling interests	7
Financial fixed assets	538	Total equity	(590)
of which TNT Express	445	Pension liabilities	538
Other current assets	512	Long-term debt	912
Cash	585	Other non-current liabilities	127
Assets held for sale	193	Short-term debt	363
		Other current liabilities	995
		Liabilities rel. to assets held for sale	132
<b>Total assets</b>	<b>2,477</b>	<b>Total equity &amp; liabilities</b>	<b>2,477</b>

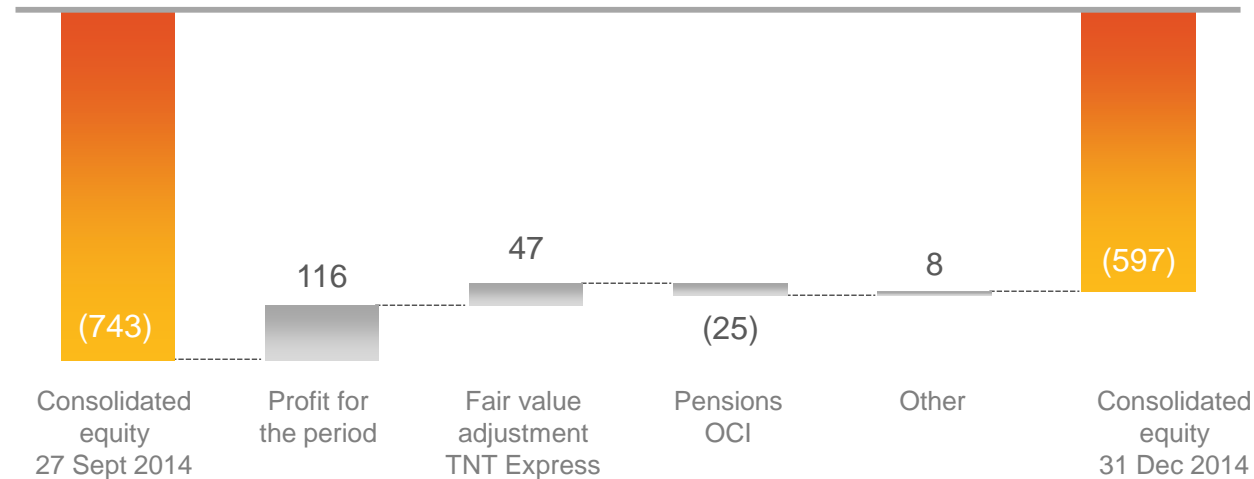
- Net debt improved €178 million to €683 million compared to the end of Q3
- Consolidated equity improved by €146 million to €(597) million compared to the end of Q3
- Corporate equity of €1,983 million, of which €(239) million distributable

# Consolidated equity

## Limited impact pensions



Consolidated equity (€ million)



€ million	Q4 2014
Higher than assumed return on plan assets	216
Defined benefit obligation	(359)
<i>Of which:</i>	
<i>Lower discount rate</i>	(917)
<i>Change in rate of benefit increase</i>	455
<i>Demographic assumptions and experience adjustments</i>	103
Minimum funding requirement*	108
Other	2
<b>Total pension</b>	<b>(33)</b>
<b>Net effect on equity within OCI</b>	<b>(25)</b>

- Coverage ratio 2014 main pension fund at 109% at 31 December 2014
- New pension legislation as of 1 January 2015

# Cash and equity managed towards resuming cash dividend



## Dividend policy

- Certainty of credit rating BBB+/Baa1
- Positive consolidated equity

## Strive to resume cash dividend in 2016

### *Conditions:*

1. Continued development operating profit ► Well on track
2. Increased share price TNT Express
3. Pension situation – higher interest rates

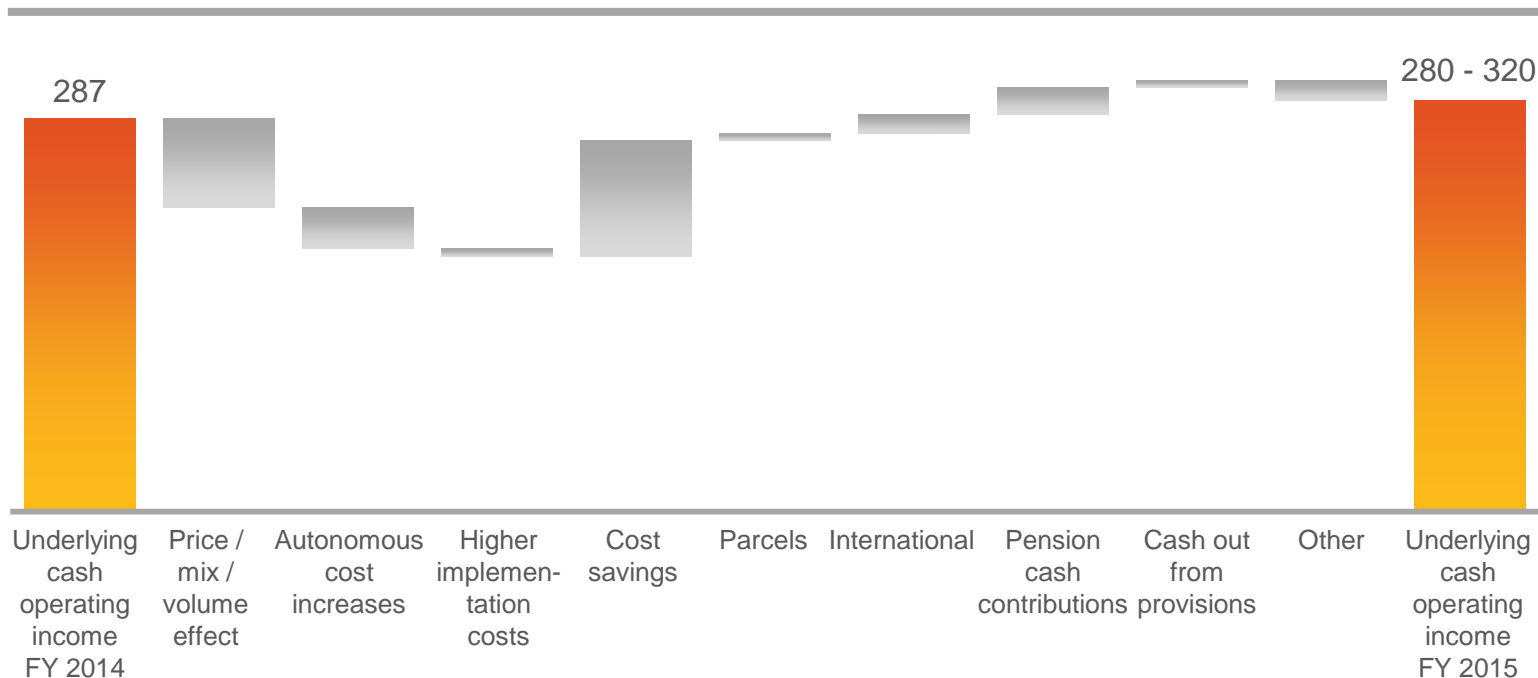


# Strong 2014 performance creates solid base for 2015



	Revenue		Underlying cash operating income / margin	
€ million	2014	2015	2014	2015
Mail in NL	2,044	- mid single digit	11.3%	10 to 12%
Parcels	854	+ mid single digit	11.5%	11 to 13%
International	921	+ low single digit	0.2%	1 to 3%
<b>Total</b>	<b>3,465</b>	<b>stable</b>	<b>287</b>	<b>280 to 320</b>
			<b>8.3%</b>	<b>8 to 9%</b>

## Underlying cash operating income (€ million)





## 2015 other outlook indicators



	2015	2014
Volume decline addressed mail	9 to 12%	10.7%
Cost savings	€75 – €95 million	€127 million
Implementation costs	€25 – €45 million	€27 million
Gross regular employer pension contributions	Around €150 million	€169 million
Employer pension expenses	Around €150 million	€142 million
<i>(of which included in financial expenses)</i>	<i>Around €15 million</i>	<i>€20 million</i>
Net financial expenses	€75 – €85 million	€95 million
Cash out from provisions	€45 – €65 million	€52 million
<i>(of which related to cost savings)</i>	<i>€40 – €60 million</i>	<i>€43 million</i>
Capex	Around €115 million	€83 million

# Strong 2014 performance creates solid base for 2015



Deliver on promises



People at the heart of the company

	Revenue	Underlying cash operating income / margin
€ million	2015	2015
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<b>Total*</b>	<b>stable</b>	<b>280 to 320</b> <b>8 to 9%</b>



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# Appendix

- Impact activities UK – overview Q4 2014
- Impact activities UK – overview FY 2014
- Impact new joint venture accounting / UK – income statement
- Pension developments



# Impact activities UK – overview Q4 2014



Revenue, € million	Reported Q4 2014	Activities UK	Q4 2014 ex UK	Q4 2013 ex UK
Mail in NL	594		594	602
Parcels	245		245	219
International	473	220	253	229
PostNL Other / Intercompany	(98)	(1)	(97)	(83)
<b>PostNL</b>	<b>1,214</b>	<b>219</b>	<b>995</b>	<b>967</b>

UCOI, € million	Reported Q4 2014	Activities UK	Q4 2014 ex UK	Q4 2013 ex UK
Mail in NL	99		99	75
Parcels	33		33	25
International	3	1	2	6
PostNL Other / Intercompany	(13)		(13)	(24)
<b>PostNL</b>	<b>122</b>	<b>1</b>	<b>121</b>	<b>82</b>

# Impact activities UK – overview FY 2014



Revenue, € million	Reported FY 2014	Activities UK	FY 2014 ex UK	FY 2013 ex UK
Mail in NL	2,012		2,012	2,060
Parcels	854		854	803
International	1,711	790	921	885
PostNL Other / Intercompany	(326)	(4)	(322)	(313)
<b>PostNL</b>	<b>4,251</b>	<b>786</b>	<b>3,465</b>	<b>3,435</b>

UCOI, € million	Reported FY 2014	Activities UK	FY 2014 ex UK	FY 2013 ex UK
Mail in NL	231		231	78
Parcels	98		98	89
International	8	6	2	14
PostNL Other / Intercompany	(44)		(44)	(44)
<b>PostNL</b>	<b>293</b>	<b>6</b>	<b>287</b>	<b>137</b>

# Impact new joint venture accounting and UK - income statement

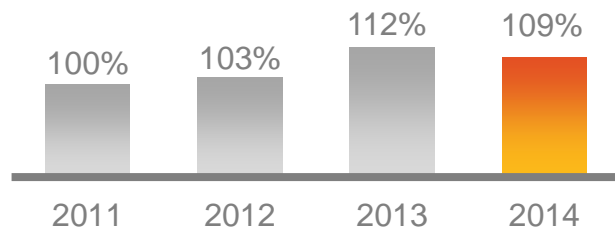


€ million	Q4 2013 reported	JVs	Q4 2013 restated	UK	Q4 2013 ex UK
Revenue	1,206	(39)	1,167	(200)	967
<b>Operating income</b>	<b>258</b>	<b>(1)</b>	<b>257</b>	<b>10</b>	<b>267</b>

€ million	Q4 2014 reported	UK	Q4 2014 ex UK
Revenue	1,214	(219)	995
<b>Operating income</b>	<b>181</b>	<b>(1)</b>	<b>180</b>



## Coverage ratio main pension fund



Pensions*	Q4 2014		Q4 2013		FY 2014		FY 2013	
€ million	Expenses	Cash	Expenses	Cash	Expenses	Cash	Expenses	Cash
Business segments	33	38	43	59	132	169	169	242
IFRS difference	(3)		(10)		(10)		(38)	
<b>PostNL</b>	<b>30</b>	<b>38</b>	<b>33</b>	<b>59</b>	<b>122</b>	<b>169</b>	<b>131</b>	<b>242</b>
Interest	5		5		20		19	
<b>Total</b>	<b>35</b>		<b>38</b>		<b>142</b>		<b>150</b>	