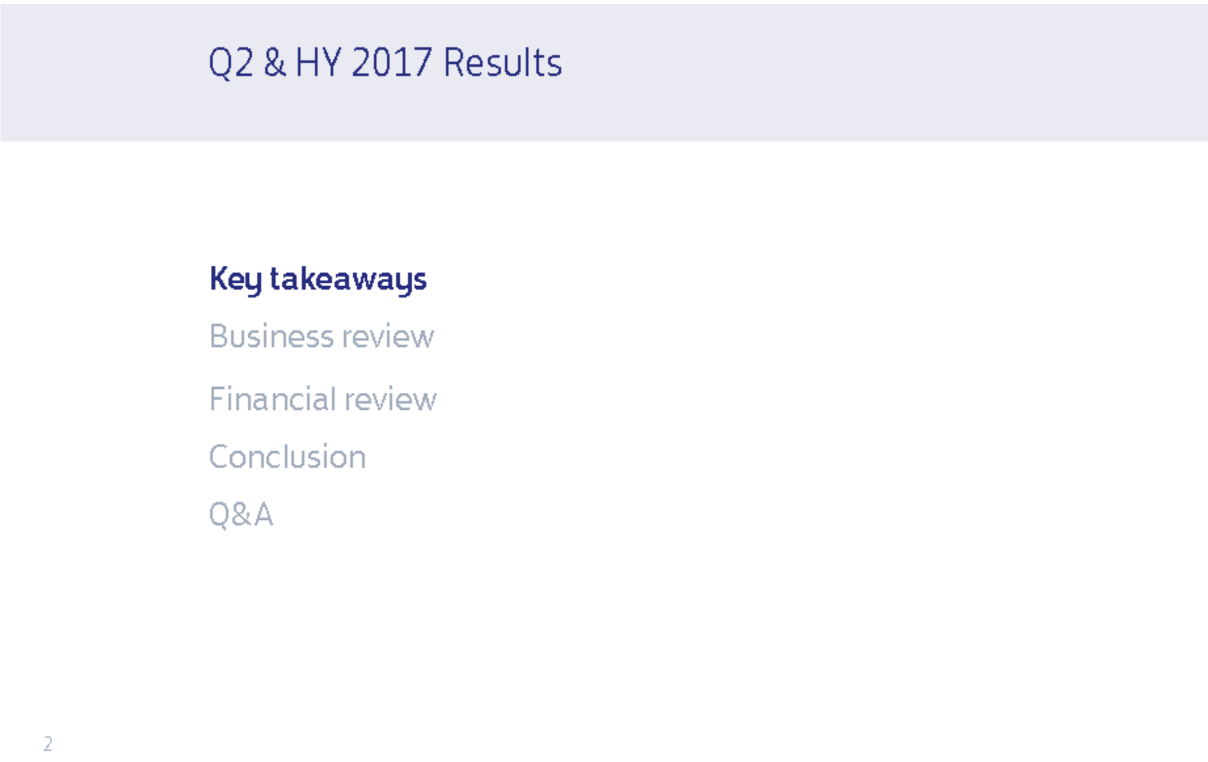
# Q2 & HY 2017 Results

The Hague, 7 August 2017

**Karen Berg**: Ladies and gentlemen, welcome to the presentation of the Q2 and first half year results 2017 of PostNL. My name is Karen Berg. I am together here with Herna Verhagen, our CEO, and Jan Bos, our CFO.

Herna will start with an explanation of the Q2 results and our analysis of the final decision on significant market power by our regulator, the ACM, which has been published recently. Then Jan will take over to go into details on the financials. This call is being webcast and will be available on our website and you can follow the slide deck, which is also available on our website, for the callers on the phone. The recording of this analyst call will also be made available at our website. Herna, up to you.

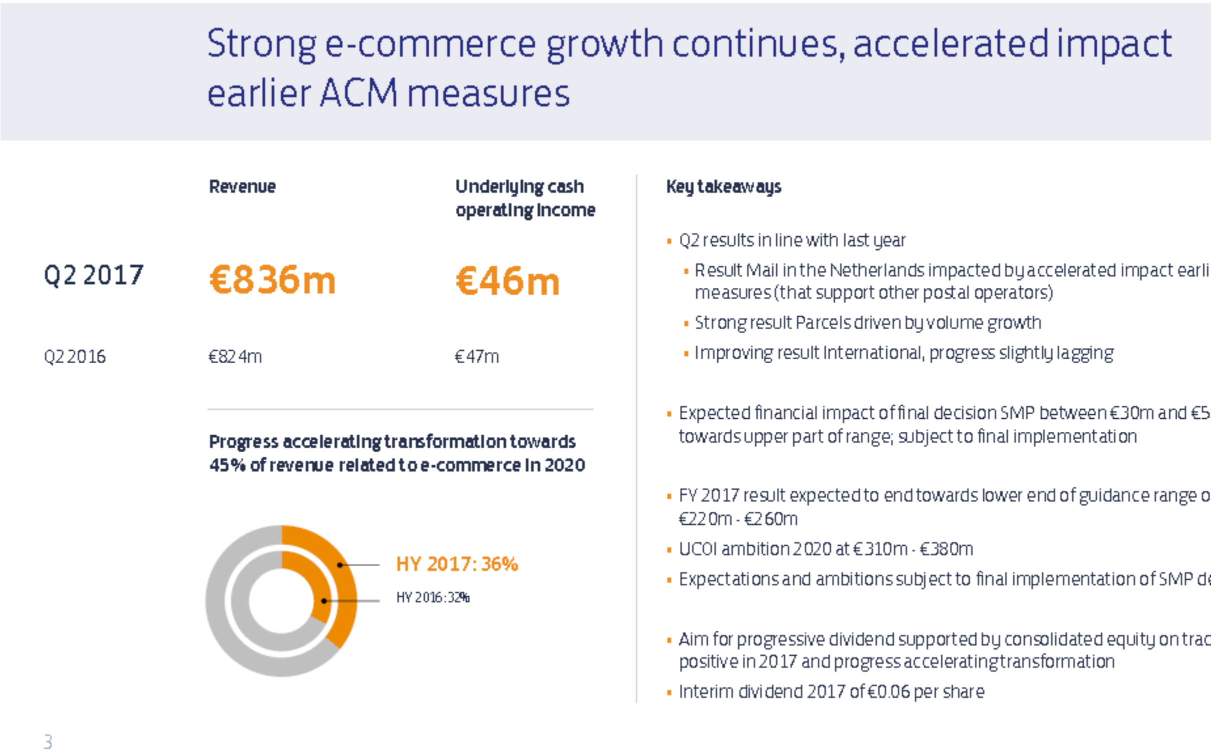
**Herna Verhagen**: Thank you. I would like to start with the Q2 results and key takeaways.




We saw strong growth in e-commerce volumes in Q2. If you look into the graph, there you see that the e-commerce revenue within PostNL grew, if you compare last year, first half year 2016, with first half year 2017, from 32% to 36%. This of course fills in the strategy we presented last February to the world, in which we said we will become the e-commerce logistics player in the Benelux by 2020. That is underpinned with good and strong results within Parcels due to the fact that we see strong volume growth. It is also underpinned by strong growth in Parcels in Italy and strong growth in Parcels from the Netherlands to Belgium.

The revenue is EUR 836 million in the second quarter. That is 1% more compared to last year. The underlying cash operating income is more or less equal with some help of incidentals. Jan will come back to those incidentals as well in his part of the presentation.

Q2 is in line with what we saw in the second quarter of last year, although there is a difference of course in the build-up of the numbers.




First of all, the result of Mail in the Netherlands is impacted by the accelerated impact of earlier by ACM taken measures that support postal operators in the Netherlands, and I will give a longer explanation on this fact when I come to the part Mail in the Netherlands.

Strong results within Parcels in the second quarter: 17% growth in volume and improving results in International, although progress is slightly lagging. The improving results are the better results compared to the second quarter in 2016.

Another important takeaway is the fact that ACM came up with their final decision on significant market power. We still think, and here we reiterate, that the bandwidth in which we think the impact will be EUR 30 million to EUR 50 million. This includes also the impact we already see today.

When we communicated the number EUR 30 million to EUR 50 million in October 2015 we said this would hit our numbers more or less equally divided over the years. So, we still reiterate the EUR 30 million to EUR 50 million, which will be fully there in 2019. We see that there is some front-end loading when it comes to that impact.

Of course, the impact is subject to the final implementation by ACM of especially our tariff proposal. For the full year results 2017, we guide towards the lower end of our bandwidth, so towards the lower end of the already given bandwidth of EUR 220 million to EUR 260 million, partly because of the earlier effect of ACM measures and partly also because of International.

Q2 & HY 2017 Results

Key takeaways

**Business review**

Financial review

Conclusion

Q&A

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We maintain our UCOI ambition for 2020 of between EUR 310 million and EUR 380 million. The expectations and ambitions are subject, as already said, to the final implementation of the SMP decision. We aim for progressive dividend. Our consolidated equity is on track. It improved to minus EUR 17 million in second quarter. It will improve further towards a positive consolidated equity by the end of 2017. Last, but not least, we will pay an interim dividend by the end of this month of EUR 0.06 per share.


That is in short, the second quarter. Lots has happened, and before I go into the details of the segments, I would like to come back to the strategy that we have presented in February this year, in which we said we want to unlock value through accelerating our transformation into a postal and logistics solution provider in the Benelux, an e-commerce logistics player. That is what we will do by capturing e-commerce growth.

Within Mail in the Netherlands, the aim is delivering a sustainable cash flow. Within Parcels, it is full focus on creating further profitable growth by of course picking up the growth we see in e-commerce and also extending our services. And within International enhancing our cash profitability. We thought about how can we measure, visualise, the progress we make on that accelerated transformation strategy towards the e-commerce logistics player.

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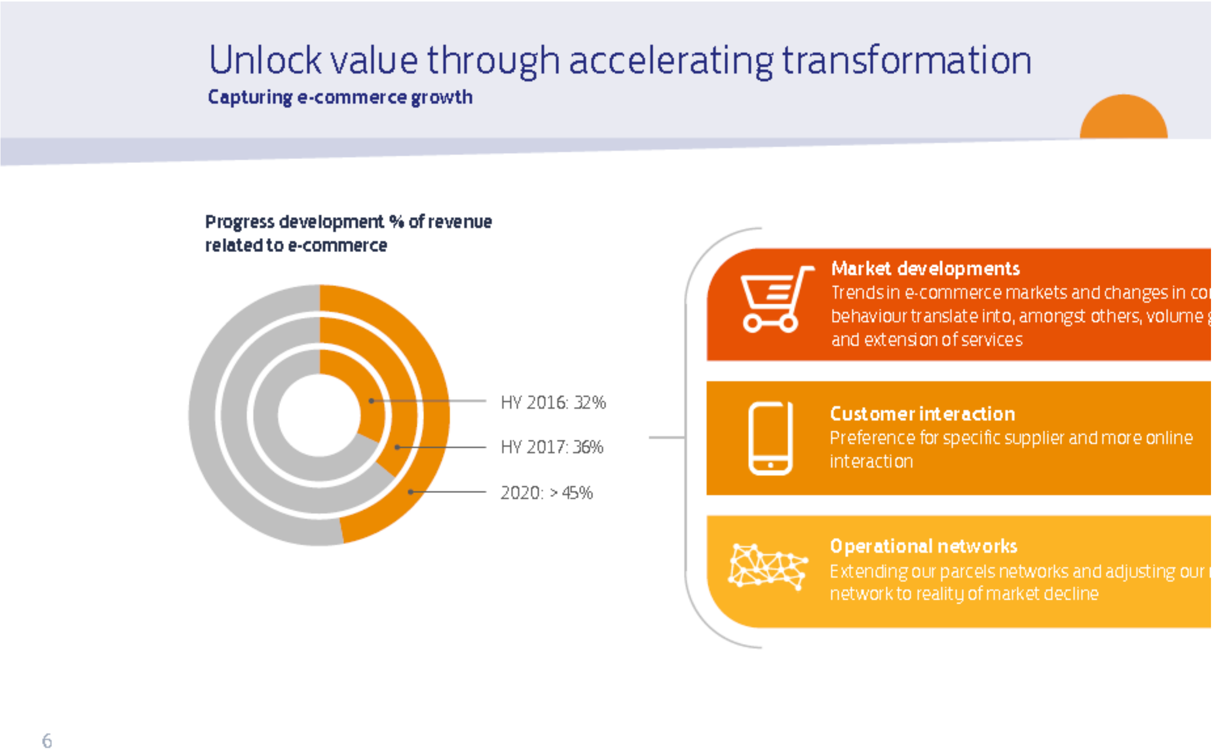


What we will do – and this is an example of that – is that in the presentations we do per quarter, we try to give you an update of our progress. This is the first quarter. The most visible part of that progress is of course the part of revenue, which is, at this moment in time, related to e-commerce. I already mentioned the progress and we are on our way to 45%, or more than 45%, of our revenue out of e-commerce. We will show you progress by explaining market developments amongst volume growth and extension of services, customer interaction and then online interaction and operational networks.

With a growing network, you need to extend the amount of parcels you can deliver via that network. But also an important part of our accelerated transformation is the reality of the market decline within Mail in the Netherlands and, therefore, the importance of cost savings. So along the lines of these three elements in the segments – Mail in the Netherlands, Parcels and International – we will pay attention also to our accelerated transformation strategy. Let's start with Mail in the Netherlands.

## Mail in the Netherlands

**Volume decline, accelerated impact earlier ACM measures and strong cost savings**

| | Revenue | Underlying cash operating income | Total cost savings | Addressed mail volume decline |
|---|---|---|---|---|
| Q2 2017 | €434m | €17m | €16m<br>of which €14m in Mail in the Netherlands | 8.8%*<br>YTD: 9.2% |
| Q2 2016 | €453m | €29m | | |

**Key takeaways Q2 2017**

- Volume decline driven by ongoing substitution; continued high decline in single mail and partial reversal of phasing effects in bulk mail; full year volume decline expected to be between 7% and 9%
- Accelerated impact earlier ACM measures (article 9 Postal Act): supported by these measures, postal operators collect more mail
  - partly via network access; results in pressure on average price
  - delivering more mail items than anticipated via their own networks
- Higher cash out for provisions and pensions (total €3 million)
- Negative impact from other effects (mainly lower margin cross-border mail partly offset by lower amortisation costs)
- Delivery quality continued to be high at 96.7%

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* 8.0% adjusted for one working day less

Within Mail in the Netherlands, we see our revenue slightly down 4% to EUR 434 million in the second quarter. Our underlying cash operating income down from EUR 29 million to EUR 17 million, and I will come back with an explanation.

Our cost savings are in line, EUR 16 million and that was also the expectation we had for the second quarter. Also, the volume decline, in line with our expectations, 8.8%. If you adjust for the working day – there was one working day less in the second quarter – it is 8% volume decline, which is within the bandwidth of 7% to 9%.

Important key takeaways for Mail in the Netherlands are that first of all, as already said, volume decline is within the bandwidth. We still see, and that is repeating what we already did say during Q1, that we have a continued higher decline in single mail items and partially a reversal of the phasing effects on bulk mail items. Both items were mentioned in the explanation around our Q1 figures.

What we also see in the numbers of the second quarter is an accelerated impact of earlier measures taken by ACM. These earlier measures are taken under Article 9 of the Postal Act.

Supported by these measures, postal operators in the Netherlands collect more mail. The impact comes earlier than expected and is still within the bandwidth of EUR 30 million to EUR 50 million till 2019.

What happened or what is happening? The impact is caused partly via network access, so postal operators have access to our network and that results in a pressure on the average price. So, postal operators have a lower price for access than how we price our end customers. Secondly, postal operators are delivering more quickly than expected via their own networks. So, it is a double effect: the volume we receive from postal operators is volume against a lower price. Secondly, they deliver more volume themselves, which leads to less volume in our network. Those are the two reasons behind the earlier than expected impact of ACM measures.

We delivered against high quality in the second quarter, 96.7%, which is well above the required minimum. We had some negative effects, for example, for lower margin of cross-border mail, which is partly offset by amortisation costs, the incidentals which we will come back to you in an explanation in the later part of this presentation.

## Regulation (1)

**Decision Significant Market Power**

- PostNL has significant market power in 24-hours bulk mail segment
- PostNL must grant postal operators in this segment access to its network (Article 9 of the Postal Act, previously requiring PostNL to allowing third parties access to its network, has been withdrawn as per 1 August 2017)
- SMP decision stipulates requirements for network access, tariffs and transparency
- Effective date: 1 August 2017
- PostNL must submit tariff proposal and related conditions per product (cost-based) on 1 November 2017
- ACM must approve tariff proposal – timing uncertain

**Financial Impact**

- Between €30m and €50m on annualised basis, toward the upper part of the range, with effect fully visible in FY 2019
- Impact subject to final implementation of SMP decision

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I think it is wise to dive a little bit deeper into regulation. I would like to start with the decision taken by ACM on significant market power. What ACM decided in its final decision on significant market power is that PostNL has significant market power in the 24-hours bulk mail segment. Secondly, they said that we must grant postal operators in this segment access to our network.

In the past, they did that based on Article 9, so the impact we see at this moment in time is based on Article 9. As of August 1, they do that via their decision on significant market power. The SMP-decision stipulates the requirements for network access, tariffs and transparency. We have to implement it as of last August 1, and the question now asked to PostNL is that on November 1 we have to submit a tariff proposal and the related conditions per product. That needs to be cost based. ACM needs to approve the tariff proposal and there is no time mentioned in the decision on significant market power, when they have to or will approve.

The financial impact of significant market power – and that includes the effects we already saw based on Article 9 – is EUR 30 million to EUR 50 million on an annualised basis and towards the upper part of the range. The effect will be fully visible in 2019. So that is what we still expect, although more front-end loaded and to the upper part of the bandwidth. The final impact only can be determined after a final decision on implementation is taken by ACM.

So, the decision of significant market power gives clarity around entrants. It gives clarity on access, it gives clarity around the way we must set tariffs, and it gives clarity around transparency. But it does not mean that there is full clarity at this moment in time, so we still need to go into a process with the regulator to decide, cost based, what the new tariffs will be, which needs to be approved by ACM, and to have a discussion on the related conditions per product. So that is still the uncertainty there is, when it comes to significant market power.

## Regulation (2)

**Main conclusions Analysis future of Dutch postal market (including evaluation USO) by Ministry of Economic Affairs**

- Postal market is in structural decline: market expected to shrink 30% between 2016 and 2025
- Demonstrates that regulation aimed at increasing competition does not acknowledge postal market in ongoing decline
- More network competition does not create additional value

**View PostNL**

- SMP decision is based on legislation which is not aligned with realities of today's declining postal market
- Results in artificial support of competition at the expense of sustainable Dutch postal network and labour conditions
- Ultimately, SMP decision will harm quality of postal delivery and service in the Netherlands and reliability and accessibility of Dutch postal network

**Next steps**

- Action Dutch politicians and new minister required to prevent the above: regulation should reflect reality of ongoing mail volume decline
- PostNL to challenge relevant elements of SMP decision in court

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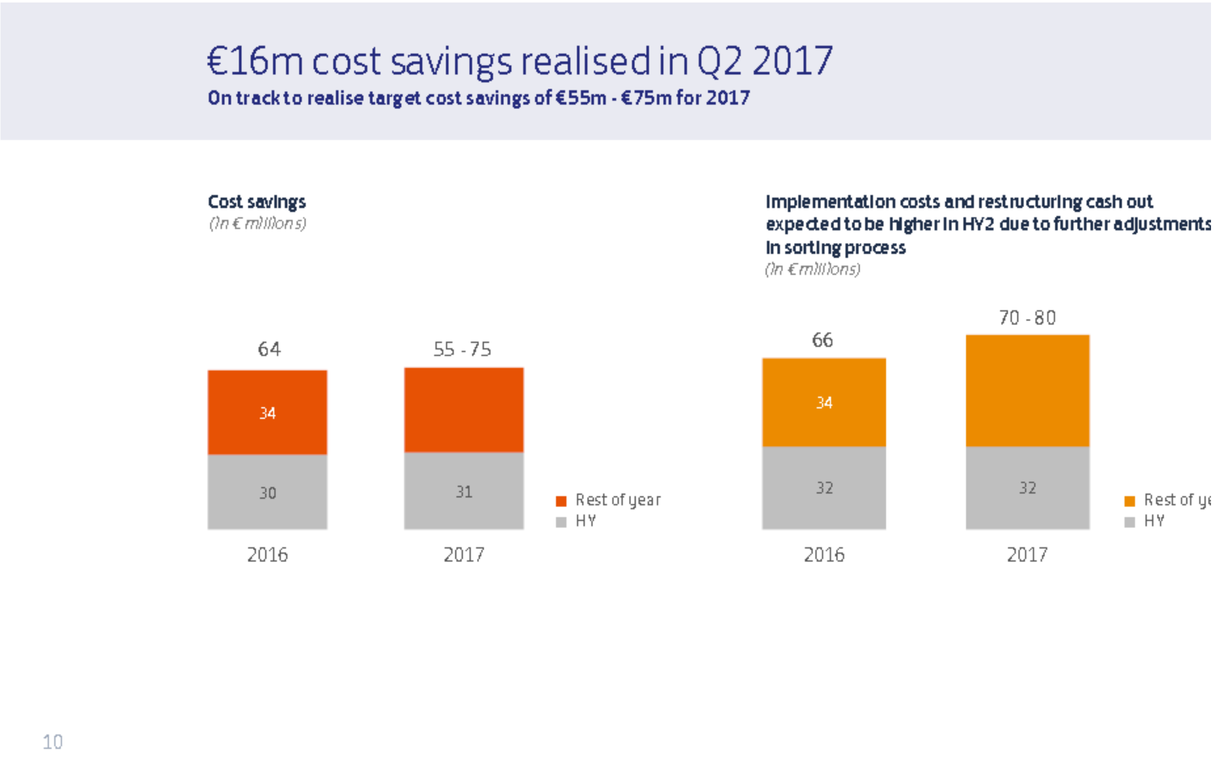
The second important part is the conclusion by the Ministry of Economic Affairs on the future of the Dutch postal market. The main conclusion is that postal markets are in structural decline. Also for the next coming year, there is an expectation that the market will shrink with another 30%. We already lost 50% of our volume and the expectation is that, going forward, in the next coming years, around 30% will be added.

The conclusion of the Ministry also says that it demonstrates that regulation, which is aimed at increasing competition, does not acknowledge that the postal market is in an ongoing decline, so it does not acknowledge the situation we are in.

Thirdly, more network competition does not create additional value.

We agree with the statements and we think that the current SMP decision is based on regulation which is not aligned with today's declining postal market. It results in artificial support of competition at the expense of a sustainable Dutch postal network and at the expense of labour conditions in this market.

Ultimately, we think that it will harm the quality of our postal delivery in the Netherlands and the reliability and accessibility of the Dutch postal network. That is also the reason why we ask or hope that the politicians, together with the new cabinet, will take their responsibility and change the rules for the postal market and change those rules into rules which reflect the reality of the ongoing decline and which reflect network inefficiencies, which are now created by stimulating postal competition. If you want to go forward with a sustainable postal network in the Netherlands, this is did not the best way you can go forward.




That is regulation. I think a second important part within Mail in the Netherlands is cost savings. This is the result of the fact that we have a declining volume. Of course, already for the last years and for the next coming years, we will realise those cost savings to partly offset the volume decline. The expected cost savings for the whole year are EUR 55 million to EUR 75 million, and realised in the second quarter EUR 16 million.

The implementation costs realised in the second quarter are more or less in line with 2017. For the second half year, we are going to do further adjustments in our sorting process, and, as I will show you on the next slide, that sorting process is one of the big cost-saving buckets, which we have within Mail in the Netherlands for cost savings going forward. So, EUR 16 million of cost savings realised in line with our expectation, in line with the target set for the full year.

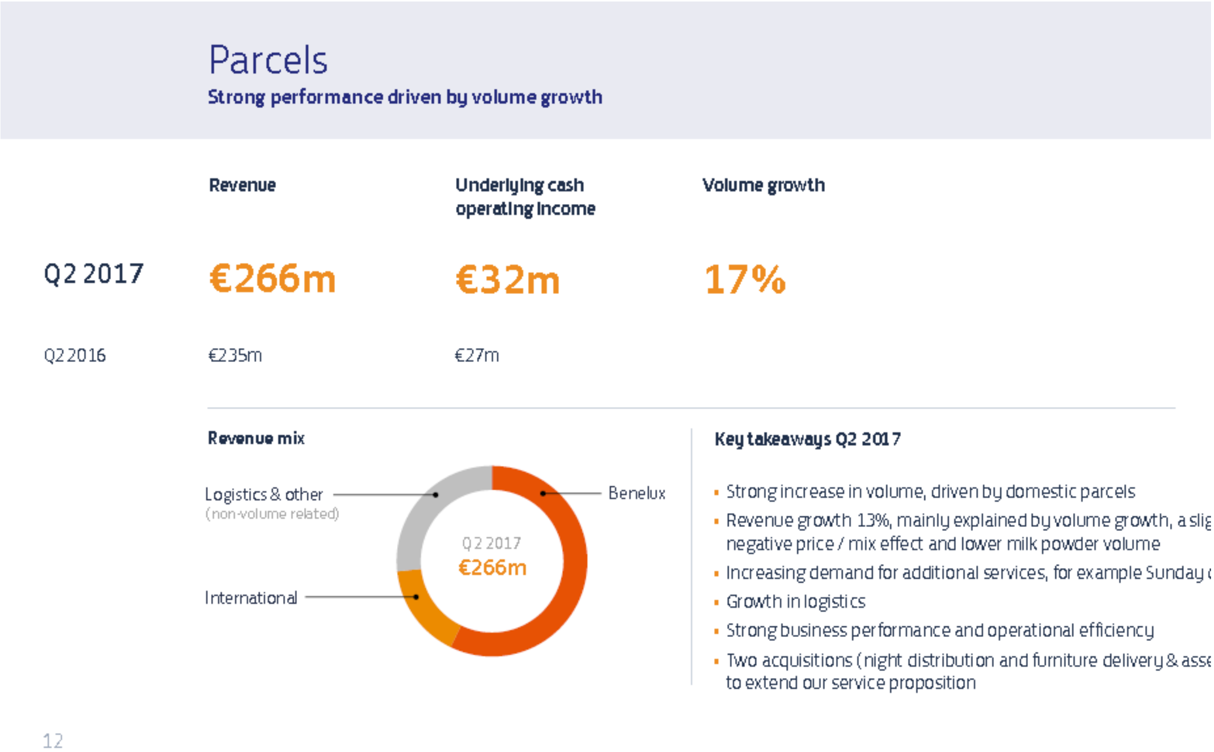

Looking to the accelerated transformation and looking into the fact that cost savings are a very important factor within Mail in the Netherlands, and that we give on this slide the four or five main buckets where we find cost-saving potential.

The first is to centralise our network, the reduction of the number of depots. Well-known by you and already in place since 2013. In the first half of 2017, we have migrated seven depots and expect to go further down towards 20 depots somewhere between 2017 and 2020.

The second important bucket for our cost saving is our automated sequenced sorting, where we think that we can move up to 85% of the mail, which is by then automatically sequenced and sorted. So no manual preparation necessary anymore to deliver those mail items. We are in the process of equipping our sorting machines with improved label units to make this possible. That is also one of the reasons why we have some higher Capex, and it is the reason why, at the previous slide, you saw that in the second half quarter we expect some more restructuring costs.

Customer interaction: a higher percentage of customer interaction online; important for our customer satisfaction and important for cost savings. With the projects we have implemented, we already see a reduction of 9.3% in our service calls. So, more and more will be handled online.

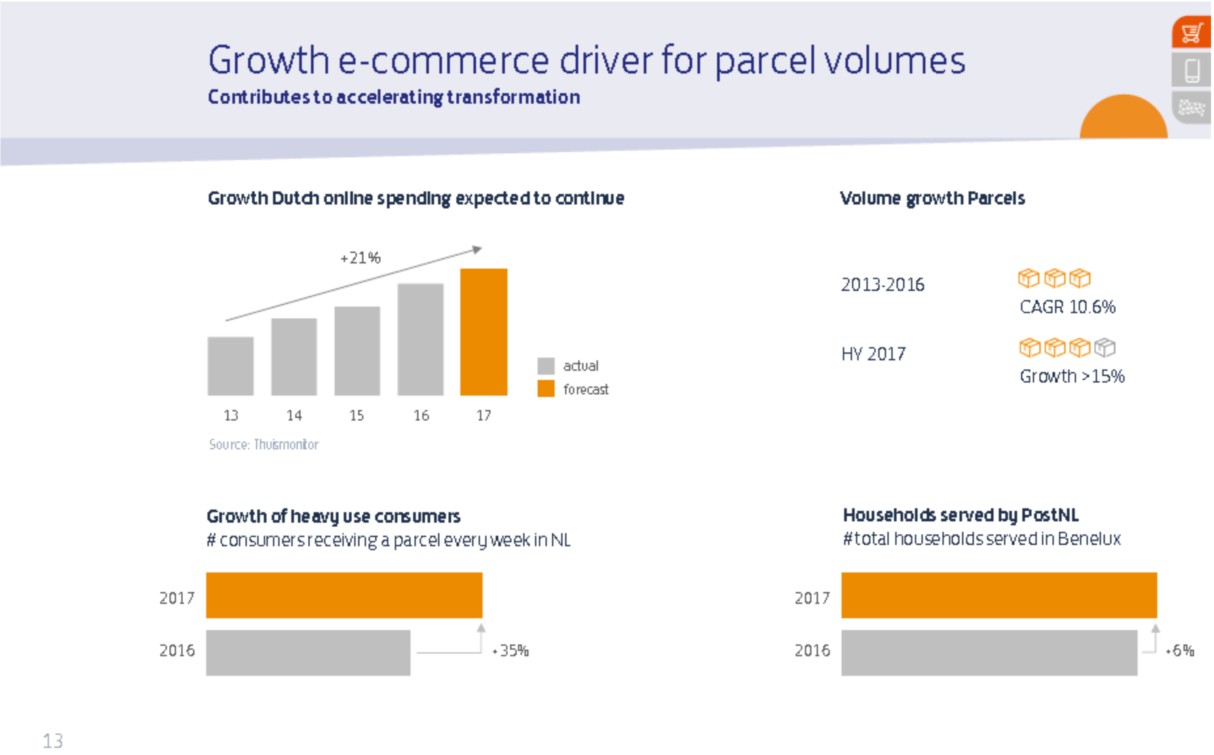
The last important part is our head office. The central head office, as well as the head office or overhead within Mail in the Netherlands, where we have a strong reduction program running. An example of progress we have made in the first half year of 2017 is the centralisation of the HR departments. So these cost-saving programs did deliver up to our expectation. Also here, you find the five most important buckets for the cost savings going forward.




Within Parcels, we saw a very strong performance, driven by volume growth. The volume growth in the second quarter was 17%. That was translated into a revenue growth with 13% up to EUR 266 million and translated in growth of underlying cash operating income with EUR 5 million to EUR 32 million. The strong increase in volume is mainly driven by domestic parcels. We saw a slightly negative price mix effect still for the same reason: that the amount of parcels with our big senders is growing faster than the amount of parcels with our smaller senders. And still a lower milk powder volume.

The growth in parcels is partly market growth. We see strong growth in the e-commerce market in general, partly created by the increasing demand and also the increased delivery of additional services. I will give you some examples going forward.

Next to that, we saw growth in Logistics. We had a very strong business performance and operational efficiency, which led of course also to a higher underlying cash operating income compared to quarter 2 last year. And we did two acquisitions So, a very strong quarter for parcels underpinning our growth into an e-commerce Logistics player.



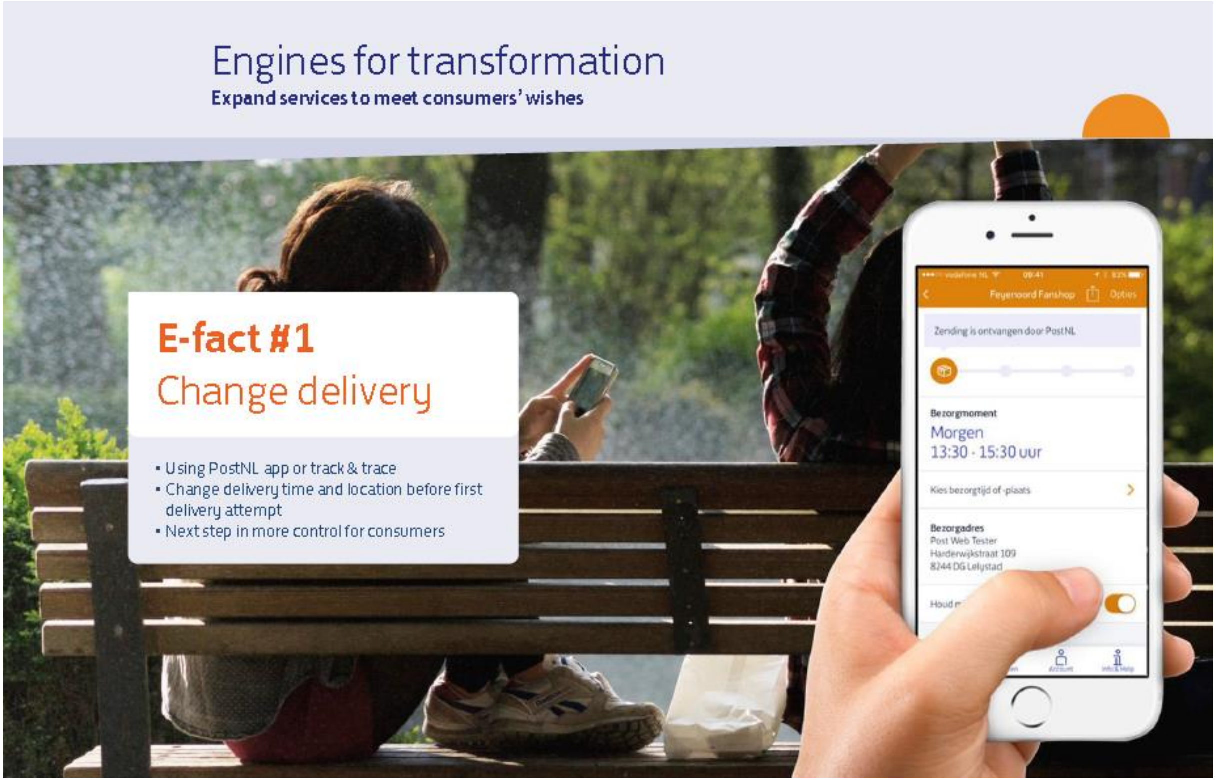

What did we see as important drivers behind the growth in e-commerce? Also in 2017, there is an expectation that the Dutch online spending will continue, which helps us of course growing our volumes. We also see strong growth of the amount of consumers who receive more than one parcel a day. In a year, the amount of consumers in the Netherlands that receive more than one parcel a week, has grown with 35%, which is an enormous growth. That is translating of course into volume growth, also within PostNL. The CAGR of volume growth over the last three years was 10.6%, as you see over here. The growth in the first half year of 2017 was above 15%.

We also see a growth in the amount of households in the Netherlands which are served by PostNL and growth of households we are serving in Belgium. This is important, because the more households you serve in the end also means growth in the amount of parcels.

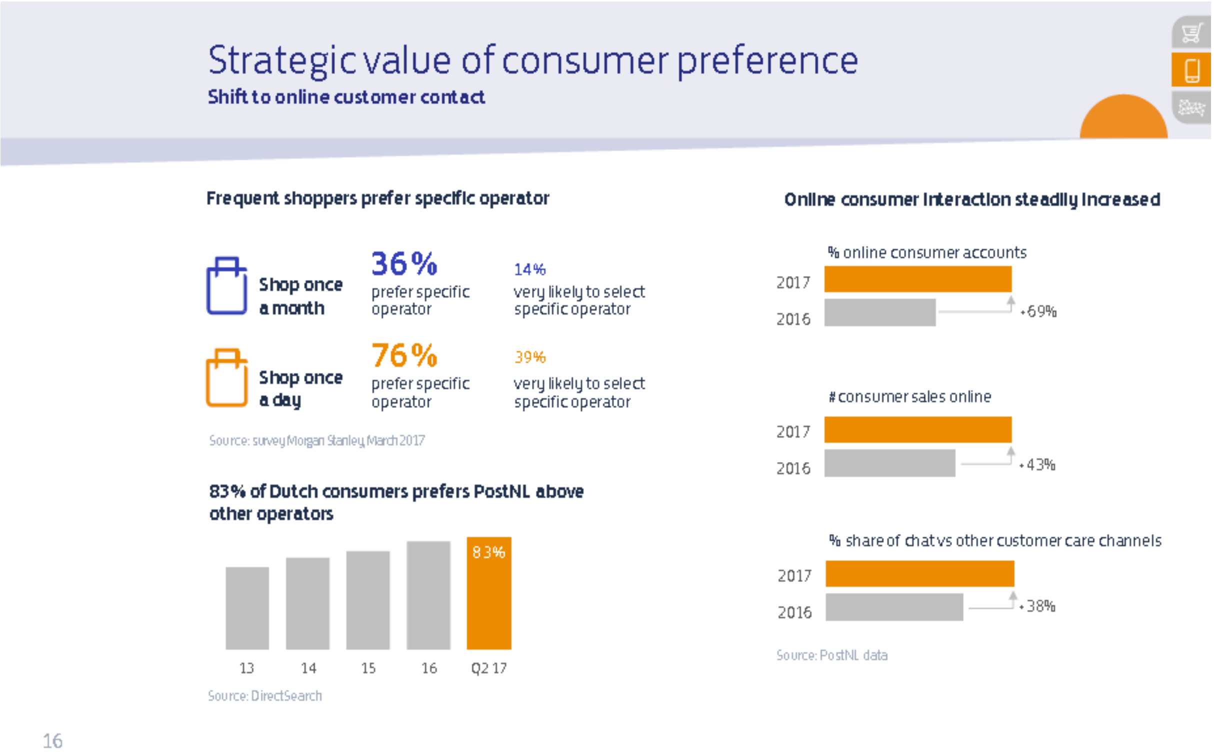

The second important driver behind the growth in e-commerce is also the delivery options. We see a direct relation between people using several delivery options and the amount of parcels or the amount of orders they do at a web shop. When people start using more delivery options, you automatically see the amount of parcels they order at web shop growing.

So those delivery options are in our view crucial in the development of the e-commerce market, but also crucial of course in the growth of the amount of parcels within PostNL. Examples of what we changed or what we did in the last quarter is an easy return process, where people can easily return their parcel to us via an on-demand service: you simply push the app or a button on your cell phone and then we are coming to pick up your parcel. That is an easy-return service.

Secondly, we have added a lot of flexibility in Belgium. We started our delivery network in Belgium and by this moment in time we deliver five evenings a week for customers like Carrefour, Ekoplaza, Marley Spoon. We added the control over your delivery.



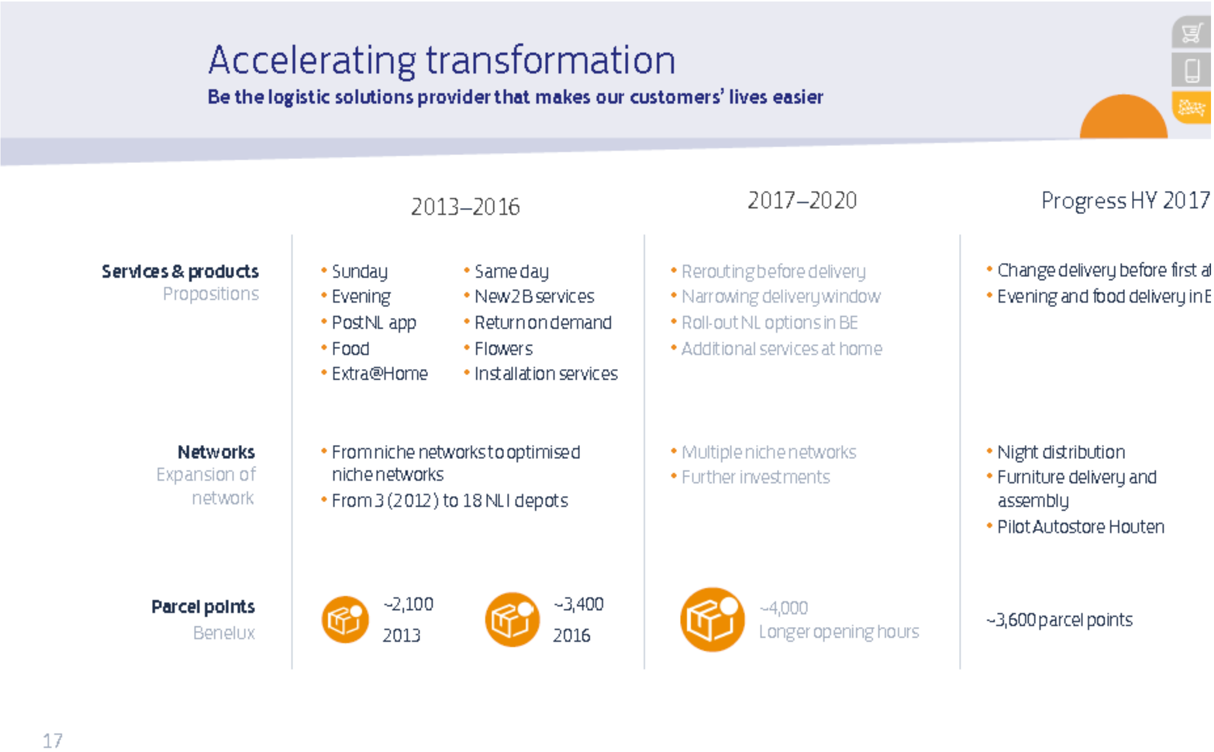

I think this picture is to show you how it works. On your cell phone or on your smart phone via the app or via Track & Trace you get a message from us that we will come to your home, delivering a parcel somewhere between for example, as said over here, 1:30 and 3:30. If you are not at home or if it is more convenient for you to have your parcel somewhere else on or on a different day or different timing, you can change the delivery time already before the parcel driver came to your door. So this is to add convenience and to increase the amount of parcels.




We do the same when it comes to the strategic value of consumer preference, because in the end, you and I, the ones who order parcels, have lots of influence on who will deliver the parcel.

People who shop once a day have in 76% of the cases a preference for a specific operator, and in 40% of the cases are very likely to select a specific operator. You see these numbers changing and that means that the fact that you are there once a day and that you deliver according to delivery options is important for their consumer preference. 83% of Dutch consumers prefers PostNL above other operators. That is also an important number for us, because it shows that when it comes to consumer preference, we are at the right spot.

Also here, filling in consumer needs online increases steadily. That is what you see over here. We have a growth in online consumer accounts, we see a growth in online sales, and we see also a growth in the share of our chats we do online instead of via other channels.




That helps us accelerating our transformation, in our services and products, and as already mentioned in the first half year, for example the change of delivery before the first attempt and the evening in food delivery in Belgium.

A second important part of that acceleration is the expansion of our networks, where we did two important acquisitions, the one of PS Nachtdistributie, which is on in-night, and the second one of JP Haarlem and that is a small company working in the area of furniture delivery and assembly, which is an add-on to the services we deliver via Extra@Home.

Also important is to be always near, and that is the reason why we expand the amount of parcel points. At this moment in time we have around 3,600 parcel points in the Netherlands and up to the 4,000 with longer opening hours. That means that there is always a point of PostNL in your neighbourhood where you can do your postal business.


When it comes to innovation, we also set one step further. This is a picture of the Autostore that we have implemented in Houten. It is a fully automated e-fulfilment system. It is a pilot, so we are testing at this moment in time. It is robotised order-picking in our warehouse. It increases enormously our capacity. It is more efficient. It supports smaller customers who are not able to build up such a system themselves by the fast execution and success of their own web shop. We are testing at this moment in time if this is a good area also to make a further step forward.


In International revenue was flat compared to the second quarter of last year and our underlying cash operating income was EUR 1 million. Performance in UCOI slightly better than last year, but also slightly lagging behind our expectations. That is partly within Spring and Other where we see lower revenue; that is mainly due to the effect of the stricter rules for dangerous goods. That is already visible since the second half of 2016, but of course still visible also in the first half of 2017. We still expect to capture growth from e-commerce in the second half of this year and this is also supported by a good start from mid-May for the parcels we deliver for AliExpress in the Netherlands.

When it comes to Germany, last year's acquisition of Pin Mail Berlin and Mail Alliance contributed to revenue and contributed to the underlying cash operating income. We have lower volume and, therefore, less revenue in the other activities and part of the recovery path is a shift to more own final-mile delivery, which we will do partly in the second half of 2017.

In Italy, we see that the recovery becomes more tangible. We see improving volume, but also improving customer mix in mail activities, supported by new clients and new customers. We see strong growth in Parcels, also because of the win of new customers. For example, we have started to distribute parcels for Amazon in Italy.


Also within International, we are investing in the engines for transformation. We are investing in this case in what is called Tag & Trace. It is an innovation based on RFID technology, where we put RFID tags in our labels and that provides tracking information to our customers. It is a value-added service on top of the other solutions we offer and it has strengthened, for example, our Gateway to Europe proposition. So, to find volume, for example, in Asia, which needs to go to Europe, which needs to be tagged and traced, this is a solution that we offer and brought to market and which will help us to fuelling the revenue growth within Spring.

## Q2 & HY 2017 Results



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So, this a quarter which is comparable to the quarter of Q2 2016. The build-up of the quarter is different, with strong growth in parcels underpinning our strategy and Mail in the Netherlands impacted by the earlier taken ACM measures and International, a little bit better than last year and still some result improvement necessary.

I think that brings me to the financial overview of PostNL, and I will hand over to Jan.

**Jan Bos**: Okay. Thank you, Herna.

## Financial highlights Q2 & HY 2017

**Underlying cash operating income in line with last year**

| *(in € millions)* | Q2 2017 | Q2 2016 | HY 2017 | HY 2016 |
|---|---|---|---|---|
| **Reported revenue** | **836** | **824** | **1,706** | **1,688** |
| Reported operating income | 52 | 50 | 118 | 120 |
| Restructuring related charges | 8 | 5 | 8 | 12 |
| Project costs and other | 1 | 8 | 3 | 10 |
| Underlying operating income | 61 | 63 | 129 | 142 |
| **Underlying cash operating income** | **46** | **47** | **96** | **108** |
| Net cash (used in)/from operating and investing activities | (68) | 668 | (88) | 642 |
| ***Normalised net cash, excluding sale of stake in TNT Express*** | ***(68)*** | ***25*** | ***(88)*** | ***(1)*** |

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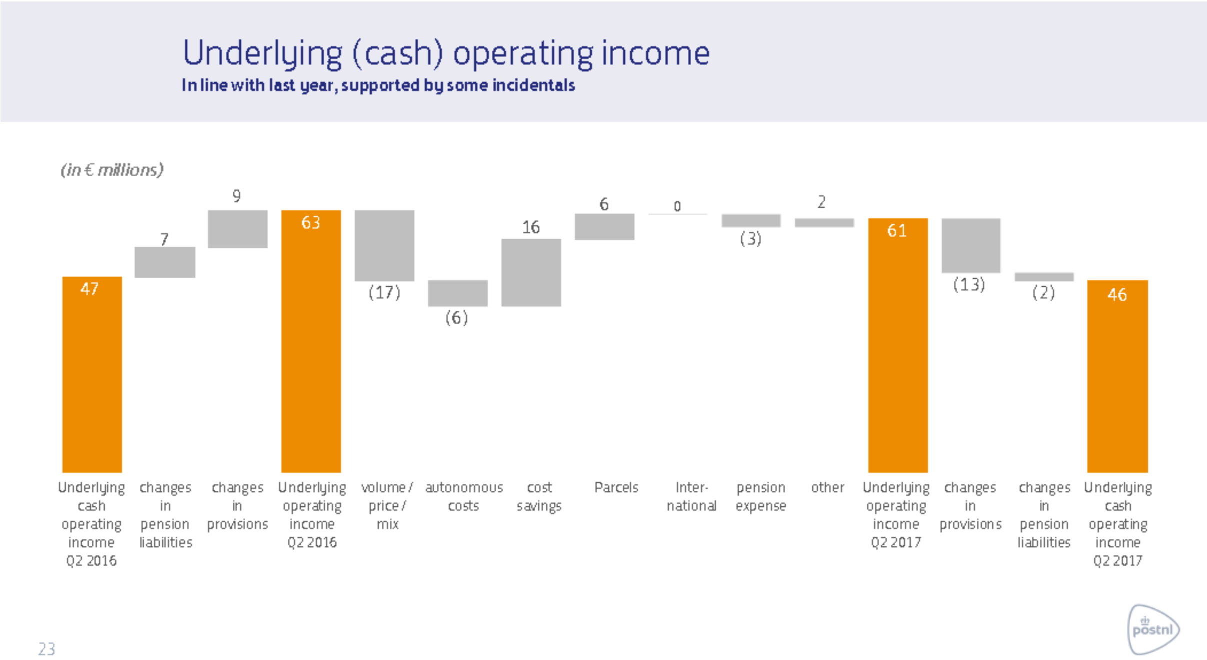
First, for the financial highlights: revenue was a bit higher than last year, explained by the growth in Parcels, also the acquisitions in Germany last year, and this was partially offset by the revenue decline in Mail in the Netherlands.

Our main performance indicator is, as you know, the underlying cash operating income, that was EUR 46 million in Q2, which was more or less in line with last year. Supported, as in Q1, by some incidentals.

Net cash compared to last year shows the impact of the higher Capex, also the impact of the recent acquisitions in Parcels and some developments in working capital, phasing mainly, which I will come back to later on.




Then the bridge of underlying operating income and underlying cash operating income which you are used to. First of all, the development in the underlying operating income. That is the second and third orange bar. There you see the negative volume/price mix effect of minus EUR 17 million. That includes the volume decline of 8.8%, the positive price effect in Mail in the Netherlands by USO and non-USO, but also the accelerated impact of the earlier ACM measures. That is the minus EUR 17 million.

Then we have the autonomous cost increases. You can see cost savings of EUR 16 million and those were in line with expectations. Herna explained the build-up of the cost savings. Next to that, we have seen a strong performance in Parcels of EUR 6 million higher than last year, and also a different picture than the previous quarter. International was flattish.

In ‘Other’ you see a mixed bag of some positive incidentals and also better results in PostNL Other, compensated partially by a negative development in, for example, the cross-border margins within Mail in the Netherlands.

Pension cash-out and provision cash-out did not have a lot of impact this quarter. So all in all, I would say underlying cash operating income is in line with last year.

## Results by segment
Strong growth in Parcels

| (in € millions) | Revenue | | Underlying operating income | | Underlying cash operating income | |
|---|---|---|---|---|---|---|
| | Q2 2017 | Q2 2016 | Q2 2017 | Q2 2016 | Q2 2017 | Q2 2016 |
| Mail in the Netherlands | 434 | 453 | 32 | 41 | 17 | 29 |
| Parcels | 266 | 235 | 33 | 27 | 32 | 27 |
| International | 247 | 247 | 1 | 1 | 1 | 0 |
| PostNL Other | 19 | 45 | (5) | (6) | (4) | (9) |
| Intercompany | (130) | (156) | | | | |
| **Total PostNL** | **836** | **824** | **61** | **63** | **46** | **47** |

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Then the results per segment. Revenue of Mail in the Netherlands was about 4% lower than last year, explained by the volume decline and also a little bit by the accelerated impact of the ACM measures.

Underlying cash operating income declined from EUR 29 million to EUR 17 million. The main explanation is the negative volume/price mix effect and autonomous cost increases not fully compensated by cost savings. Next to that, within Mail in the Netherlands, restructuring cash-out and pension cash-out was a bit higher.

Parcels revenue increased with 13%, mainly due to strong increase in volumes, even better than last quarter. Underlying cash operating income was in the second quarter EUR 32 million, and explained by strong business performance, but also by operational efficiency.

International revenue was flat with the acquisition last year of some subsidiaries in Germany, mainly in Berlin. Underlying cash operating income improved a little bit, but was a bit behind expectations. Then PostNL Other also improved performance, mainly explained by some cost savings and also by lower advisory costs.

## Statement of income

**Lower financial expense contributed to improvement normalised profit for the period**

| *(in € millions)* | Q2 2017 | Q2 2016 | HY 2017 | HY 2016 |
|---|---|---|---|---|
| Revenue | 836 | 824 | 1,706 | 1,688 |
| **Operating income** | **52** | **50** | **118** | **120** |
| Net financial expenses* | (11) | 127 | (21) | 110 |
| Results from investments in associates and joint ventures | (6) | 0 | (6) | 1 |
| Income taxes | (6) | (11) | (21) | (26) |
| **Profit for the period** | **29** | **166** | **70** | **205** |
| ***Normalised profit for the period*** *(excluding sale of stake in TNT Express)* | ***29*** | ***21*** | ***70*** | ***60*** |

* Impact sale of stake in TNT Express in Q2/HY 2016 was €145m

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In the statement of income you see the normalised profit for the period EUR 29 million. Compared to last year that is an increase of EUR 8 million. We have normalised this for the impact of the sale of TNT Express. These EUR 8 million are mainly explained by the lower net financial expenses and that is explained by the bond buy-back we did last year.

## Net cash from operating and investing activities

**Higher capex and acquisitions; seasonal pattern and phasing in working capital**

| *(in € millions)* | Q2 2017 | Q2 2016 | HY 2017 | HY 2016 |
|---|---|---|---|---|
| **Cash generated from operations** | **(14)** | **37** | **45** | **86** |
| Interest paid | (2) | (1) | (3) | (2) |
| Income taxes paid | (3) | (2) | (63) | (67) |
| **Net cash (used in)/from operating activities** | **(19)** | **34** | **(21)** | **17** |
| Interest/ dividends received / acquisitions / other | (23) | (2) | (22) | (1) |
| Capex | (29) | (14) | (52) | (27) |
| Proceeds from sale of assets | 3 | 650 | 7 | 653 |
| **Net cash (used in)/from operating and investing activities** | **(68)** | **668** | **(88)** | **642** |
| ***Normalised net cash, excluding sale of stake in TNT Express*** | ***(68)*** | ***25*** | ***(88)*** | ***(1)*** |

| | Q2 2017 | HY 2017 | |
|---|---|---|---|
| Base capex | 19 | 33 | |
| Cost savings initiatives | 2 | 9 | |
| New sorting and delivery centres | 8 | 10 | |
| **Total capex** | **29** | **52** | around 125 (FY outlook) |

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In cash generated from operations I will look at the performance year-to-date for the first half year. That was about EUR 40 million lower than the previous year, mainly explained by the performance in working capital where you see a normal seasonal pattern in working capital. But next to that, you see also some phasing effects, mainly in International, and we expect to catch that up in the second half year.

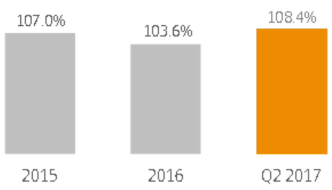
Then you see additional expenditure on Capex. That is in line with our expectations because our full-year expectation for Capex is about EUR 125 million. Also, you see the impact of the acquisitions we closed on night distribution, as well as on furniture delivery and assembly and that also had an impact on our cash development.

As you see below in the slide, you see also where we spent our Capex on, partially on the cost-saving initiatives and also on deferred implementation and extension of our infrastructure in Parcels next to the base Capex.

## Coverage ratio pension fund further improved to 108.4%

**Positive impact of pensions on equity €9m**

**Coverage ratio pension fund**




| *(in € millions)* | Q2 2017 |
|---|---|
| Return on plan assets in excess of interest income | (38) |
| Defined benefit obligation | 293 |
| Asset ceiling | (243) |
| Minimum funding requirement | 0 |
| **Total pension** | **12** |
| **Net effect on equity within OCI** | **9** |

- Coverage ratio 108.4%; actual month-end coverage ratio 113.5%
- Projections per Q2 2017 show no anticipated top-up payment obligation
- Trigger for start of 5-year recovery period, in which top-up payments might apply, started in Q3 2016 and is expected to end next quarter

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Pension is always a subject that we discuss during this meeting, so I am happy to say that the coverage ratio further improved this quarter. The 12 months' average coverage ratio improved to 108.4% and that was also the result of an actual coverage ratio, which now has increased to 113.5%. This implies slightly that the short-term recovery plan of the pension fund will terminate per the end of Q3 2017. The positive development on the coverage ratio also has its impact on equity with a further EUR 9 million.

## Consolidated statement of financial position

**Consolidated equity position improved and is on track to turn positive in 2017**

| *(in € millions)* | 1 Jul 2017 | | 1 Jul 2017 |
|---|---|---|---|
| Intangible fixed assets | 238 | *Consolidated equity* | *(17)* |
| Property, plant and equipment | 511 | *Non-controlling interests* | *3* |
| Financial fixed assets | 46 | Total equity | (14) |
| Other current assets | 617 | Pension liabilities | 392 |
| Cash | 524 | Long-term debt | 226 |
| Assets classified as held for sale | 4 | Other non-current liabilities | 65 |
| | | Short-term debt | 328 |
| | | Other current liabilities | 943 |
| **Total assets** | **1,940** | **Total equity & liabilities** | **1,940** |

- Net debt position of €30m
- Corporate equity of €2,710m, of which €263m distributable

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The improvement in our results and the improvement in pensions resulted in an improvement in our consolidated equity. We are now at minus EUR 17 million, on track to return to positive in the end of the year. As you know, we reached a milestone in May by paying dividend, the first dividend since years and that also has some impact on cash as well as equity, of course.

Given the cash flow development, our cash position developed to a net debt position where it is now at EUR 30 million. All in all, we see that as a solid financial position.

## Outlook 2017: UCOI between €220m and €260m

**FY 2017 result expected to end towards lower end of range**

| *(in € millions)* | Revenue | | UCOI / margin | |
|---|---|---|---|---|
| | 2016 | outlook 2017 | 2016 | outlook 2017 |
| Mail in the Netherlands | 1,877 | - low single digit | 160 (8.5%) | 6.5%-8.5% |
| Parcels | 967 | + low teens<br>from + high single digit | 106 (11.0%) | 10%-12% |
| International* | 1,017 | + high single digit<br>from + mid teens | 14 (1.4%) | 1%-3% |
| PostNL Other / eliminations | (448) | | (35) | |
| **Total*** | **3,413** | **+ mid single digit** | **245** | **220 - 260** |

* Note that on 30 December 2016, PostNL acquired the remaining 50% shares of HIM Holtzbrinck 25 GmbH resulting in 100% ownership of the shares in the company. For 2017, the acquisition will result in additional revenues (2016 comparative number for revenue: €80m) and underlying cash operating income within International. The acquisition is included in our outlook 2017 numbers. The outlook 2017 excludes acquisition effects in Parcels.

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Then over to the outlook 2017. First, to revenue. In the revenue outlook, we made some adjustments in Parcels. We now expect a low-teens increase in our revenues, compared to the high-single digit we previously gave, explained by the good volume growth within Parcels.

In International, it is the opposite. There, we changed our revenue guidance from mid-teens to high-single-digit, explained by the developments in the first half year.

As previously stated, we still expect an underlying cash operating income between EUR 220 million and EUR 260 million. But there, we guide to the lower end of the bandwidth. That is the result of some impacts, first of all, the impact of the earlier ACM measures. They were more than expected.

The developments in International, especially in Germany and Spring, a lower margin in cross-border mail within Mail in the Netherlands and compensated by some positive incidentals.

So all in all, we expect to end up between the EUR 220 million and EUR 260 million, but at the lower end of the bandwidth.


That is also explained by the next slide, where you see the bridge we showed you at Q4 and where the changes in the outlook happened. First of all, in volume/price mix effect, so there we had an impact between EUR 50 million and EUR 70 million. We expect that to be more negative, due to the accelerated impact of the earlier ACM measures.

On Parcels, we expect positive impact of accelerated revenue growth, so the plus EUR 10 million will be higher.

In International, we expected around plus EUR 15 million increase in underlying cash operating income. That will be a little bit lower, explained by the performance in the first half year.

in Other, we see some positive impact of incidentals, and partially compensated by the expected lower margin in cross-border mail, so all that will have a small positive impact.

And that are the reasons why we guide to the lower end of the bandwidth.

## Aim for progressive dividend

**Interim dividend 2017 set at €0.06 per share**

**Progressive dividend 2017 and onwards**

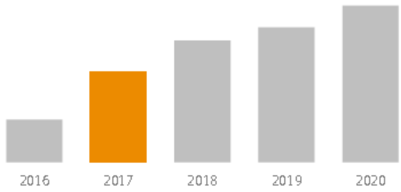
Solid business performance will generate sufficient profit and cash flow

**Interim 2017 dividend: €0.06 per share**

To be paid in cash or in shares, at the election of the shareholder

| Calendar interim dividend 2017 | |
|---|---|
| 9 August 2017 | ex-dividend date |
| 10 August 2017 | record date |
| 11 August 2017 | start election period |
| 24 August 2017 | end election period, 3PM CET |
| 28 August 2017 | payment date |

**Dividend estimate: 75% of UNCI**

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The next slide is the calendar for the interim dividend. We maintain our aim for a progressive dividend. That is supported by the progress we are making in the development of our consolidated equity, but also in our accelerated transformation strategy. As showed before, you can see the illustration of what we expect on the progressive dividend.

In line with our dividend policy, we set our interim dividend on EUR 0.06 per share to be paid in cash or shares, at the election of the shareholder, and the dividend will be paid at the end of August.

## Q2 & HY 2017 Results

Key takeaways

Business review

Financial review

**Conclusion**

Q&A

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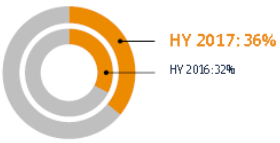
## Strong e-commerce growth continues, accelerated impact earlier ACM measures

**Progress accelerating transformation towards 45% of revenue related to e-commerce in 2020**




**Key takeaways**

- Q2 results in line with last year
  - Result Mail in the Netherlands impacted by accelerated impact earlier ACM measures (that support other postal operators)
  - Strong result Parcels driven by volume growth
  - Improving result International, progress slightly lagging
- Expected financial impact of final decision SMP between €30m and €50m, towards upper part of range; subject to final implementation
- FY 2017 result expected to end towards lower end of guidance range of €220m - €260m
- UCOI ambition 2020 at €310m - €380m
- Expectations and ambitions subject to final implementation of SMP decision
- Aim for progressive dividend supported by consolidated equity on track to turn positive in 2017 and progress accelerating transformation
- Interim dividend 2017 of €0.06 per share

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To summarise the results of Q2, so good progress on our accelerating transformation strategy, evidenced by continued growth in our e-commerce revenue to, at this moment, 36%. We are well on the way for our ambitions for 45% in 2020.

Our Q2 results are in line with last year and supported by some incidentals.

Third, an important part is the final decision on the significant market power published. So as said, the expected financial impact will be between EUR 30 million and EUR 50 million, but towards the upper part of the range, and of course, as Herna explained, subject to final implementation of the decision by ACM.

The full year 2017 results are expected to end up at the lower end of our earlier communicated bandwidth of between EUR 220 million and EUR 260 million, mainly because of the higher impact of ACM measures and development in International. All those expectations are depending on final implementation of the SMP decision.

Also, we maintained our ambition of 2020 of an underlying cash operating income between EUR 310 million and EUR 380 million. We still expect in 2018 to show growth in our underlying cash operating income.

We maintain our aim for progressive dividend, as said fuelled by the positive development in our consolidated equity, by our ambition for 2020, but also fuelled by the expectations of lower financial expenses. Therefore, also, we have set our interim dividend on EUR 0.06 per share.

Thank you for your attention and now I transfer to Karen for the follow-up questions.


**Karen Berg**: Thank you, Herna and Jan. Before we go to the Q&A, I would like to point out that this morning we put a press release on our website which was not fully correct. We included twice the balance sheet and not the income statement. So please download it again, because the corrected press release is now on our website. Our sincere apologies for that.

**Maarten Bakker – ABN AMRO**:

You have to submit the new tariffs before November 1 to the ACM. Is this a procedure that we have to go through every year now? In other words, do we get uncertainty about this every year?

Secondly, where does the ACM differ in its view on the impact for PostNL of the proposed or the announced measures? They estimate the impact to be about EUR 20 million, whereas you estimate now the higher end of EUR 30 million to EUR 50 million.

Thirdly, are the SMP measures not in conflict with the view that was expressed by the Ministry of Economic Affairs recently? What is the procedure that you will start to fight the proposed measures of the ACM? How long does it take such a procedure, is this a court case? Do you think that if the postal view of the minister is going to be adopted by the next

Minister of Economic Affairs, it would be possible to see a reversal of the current ACM measures? What is the market share of the consolidators at the moment?

**Herna Verhagen**: Do we need to submit every year? The answer is no. If you look into the final decision taken by ACM, you see there is also a regulation or a rule on how we can increase our tariffs for the next coming three years. We now have to submit per November 1, and then ACM will start controlling and in the end will come up with the final decision on tariffs. We do not know how long exactly that will take. At a certain point in time, those tariffs will be finalised in a tariff decision taken by ACM. Then for the next coming years, the increase is based on the formula of the rule which is in the decision taken last July.

The difference between the view of ACM and us? Of course, we do not know exactly, because we do not know the exact model which ACM used for calculating their impact. What we know is there are a few differences. One difference, for example, is which part of the market we think is reachable for those postal operators and which part of the market is not. So there we see a difference in view between us and ACM. Secondly, we see a difference in their view on what percentage of volume those postal operators will distribute themselves and what *we* think they will distribute themselves. That is the second difference. The third difference is we think that in the end, postal operators also will optimise what sort of products they will offer to us and ACM looks different into that optimisation.

But as also said, that is also based on assumptions and not on a discussion we already had with the ACM. That will take place after we have come up with our tariff proposal, which needs to be cost based.

The third question is whether SMP is in conflict with the view of the Ministry of Economic Affairs. What ACM tried to do in their final decision is to underpin how they took …

[operator…]

[no sound] …

… does not mean that we do not have to implement. So we have to implement starting August 1 this year. That is at least what is said and what we will do. If the postal view of the Ministry of Economy Affairs will be adopted by Parliament, will that be a reversal of what is happening at this moment in time? I think it is much too early to tell. As we also said today is that in our view, if you want to have a postal market in the Netherlands with a high quality postal system and a high reliability and accessibility, you need to change the rules, which are currently working in the postal market.

That is exactly what the Ministry of Economic Affairs also says: in a market which is in structural decline, current regulation is probably not the best to stimulate the future of a reliable and accessible postal network. But there is much more said in that review and that is a discussion which needs to take place in Parliament, hopefully with some urgency. That is also the urgency we try to put on the table today; that if you want to have a reliable, accessible and payable postal network also on the long-term, you have to take action today and do not postpone by waiting. Hopefully, that will lead to a reversal of current regulation. But it is a little bit too early to say.

What is market share of postal operators at this moment in time? It is a very small market share, so I think somewhere around 3% to 4% of the total postal market. But it is important to say that we are competing here in a 24-hours market segment, which has a higher average price per mail piece than the 48 and 72-hours market.

**Karen Berg**: Anyone else here in the room? Henk?

**Henk Slotboom – The Idea**

Herna, there is something I do not quite understand about Mr. Kamp's behaviour. In March of this year, we had elections. The mail dossier was declared controversial, yet he takes a royal decree to abolish Article 9 of the postal law. If I understand your argumentation correctly about the implementation of the SMP tariffs, would that have happened as well if Article 9 would still be in place? I think this is a legitimate question, given the fact that he is a demissionary minister, as well as the fact that the dossier has been declared controversial. So how could this happen? Is there something you can do against this, for example a *kort geding* or what you call it in English?

Secondly, if I look at slide 9, is that a – let me put it quite straightforward – first step towards a call upon consolidation of the last-mile network, that you want to see one last-mile network, which according to WIK, I think, would make a lot of sense. They literally say in the report that if you are so convinced that PostNL is best positioned to survive in a very rapidly shrinking environment, then why should you weaken the network first before that is bound to happen?

Then a question to Jan about the figures of the second quarter. You have mentioned incidentals quite a lot. How big is it? What kind of incidentals are we talking about?

**Herna Verhagen**: The abolishment of Article 9 was a good decision for us. You see the impact of Article 9, because the impact you see in our numbers until the end of Q2 is based on Article 9. You also know what expectations we have when it comes to significant market power. So we think that this was the right decision. Also important is that in a structurally declining market, there are not two regulatory systems in place, Article 9 and significant market power.

Is this a first step towards consolidation? In a market which is in structural decline, the network inefficiencies, which are created by stimulating competition are not, in our view, the way to go forward, when you want to have a sustainable, accessible and reliable postal network in the future.

**Henk Slotboom – The Idea**: Maybe a brief follow-up on that one. We have the report of Mr. Kamp. We still do not have a new minister in place. Should you not be more proactive yourself? I mean, you are seeing that we are in some sort of nowhere land. Should you not, as a market leader, take the initiative and do a couple of things and confront the new minister with it, because if we are heading the way Mr. Kamp wants us to go, he basically says the new minister should take action as soon as possible. He should sit together with the mail companies. If I learned one thing since 2009, it is that mail companies have never agreed upon one thing. So I do not know how to expect a solution from that. But you are the market leader, should you not take the first step and show leadership in this respect? I do not mean it so negatively as I say it.

**Herna Verhagen**: I think what we did today is exactly the example of showing leadership. In the end, if you want to change the market, you have to change the rules in that market. That is what needs to happen and the only ones who can do that are the new cabinet or the new minister together with Parliament. So there, in our view, is a very important action to be taken.

Secondly, that we put it so upfront in everything we do today, says enough. That gives a very clear message to everyone. If you are truly serious about the market, the people working in this market and about 17 million consumers in the Netherlands, then take the action.

**Jan Bos**: Yes, the last question. So the incidentals in Q2 mainly consist out of lower depreciation costs, and has to with an adjustment on our depreciation terms on mainly software and some machines.

**Karen Berg**: Okay. Then on to the people on the line. I think we have David with some questions?

**David Kerstens – Jefferies**

Yes, hi, I have three questions. First of all, regarding the mail volume decline that you mentioned in the press release by the Ministry of Economic Affairs, down 30% until 2025. That seems a lot better than what we have recently seen, and I think WIK said 45% to 55% until 2025. Is this guidance or what do you expect at this stage, given the recent developments in the mail market?

Secondly, how much of the EUR 30 million to EUR 50 million of the significant market power impact has already been absorbed in the results in 2016? How much is in your guidance for this year? What is then the balance for 2018 and 2019?

Thirdly, regarding the 80% rule on the labour conditions, how do you expect, once this rule will be more aggressively enforced, this will change the competitive landscape? Where do you see Sandd and any consolidators currently? How much is still done by independent subcontractors? How much is salaried staff?

**Herna Verhagen**: Last February, we gave a forecast for 2017, the 7% to 9%. At that moment in time, we also said we are not forecasting further. That is what we will do again when we see each other in February 2018. We also said that we took 7% to 9% into account for our master plans until the end of 2020. That is the reason why we increased our cost-saving plans to EUR 460 million. I think this implicitly gives a direction of an answer to the question you asked me.

I will answer question three and Jan will come back to the EUR 30 million to EUR 50 million. The 80% rule on labour conditions will it be more aggressively followed? I hope that will happen soon because if we talk about the way we compete in the Netherlands and the fact that the rules that are currently in place are increasing network competition in the Netherlands, it is because people do not earn a decent salary based on a labour contract, but are offered other contracts where they are paid per piece. So, I hope that the 80% rule, which is now a law in the Netherlands and already discussed for many, many years, will be followed in a sense that we will implement it.

**David Kerstens – Jefferies**: Do you know roughly where your competition is currently with regards to this rule?

**Herna Verhagen**: It is difficult to say. We expect around 50%.

**Jan Bos**: Your second question, the EUR 30 million to EUR 50 million: as said before, we expect a gradual increase of the EUR 30 million to EUR 50 million. We now see an acceleration instead of a gradual increase. The impact on the outlook is more or less around EUR 15 million and most of it has to do about the accelerated increase, also in the coverage ratio of the postal operators.

**Edward Stanford – HSBC**

Good morning, everybody. I have two questions, first on your ambitions for UCOI in 2020. Given the difficulties you are facing in the current year, to what extent this is now becoming a more challenging objective? Is there anything you need to do to get there that you have not already planned to do?

My second question is regarding the tariffs you submit to the regulatory authorities and if these are cost-based. Is there agreement on what constitutes costs and returns? I am mindful, obviously, that in different countries there were some difficulties that Bpost had on costs with its own tariff increases. Is that a settled matter in Holland?

**Herna Verhagen**: The EUR 310 million to EUR 380 million depends partly on the implementation of significant market power. As already said, we still guide that within the bandwidth of EUR 30 million to EUR 50 million and will be fully implemented by 2019. So in that sense, it does not change the guidance we have given for 2020. Secondly, we see that

International is lagging slightly behind our expectations for 2017. But there, we also expect that it will improve over the next coming years. So for us, at this moment in time, there is no reason to change the outlook for 2020. There is one important condition, and that is the one that the tariff decision and the condition decision which will be taken by ACM will be in line with what we think it will be.

Then your second question, on the tariffs which needs to be submitted to ACM and that it needs to be cost based. ACM in their final decision on significant market power gave us quite some clear rules on how it should be cost based. Secondly, they also will include in the end, the WACC, and that gives us room to earn money. They will come up with a WACC decision before November 1. So how it exactly will play out, is not known at this moment in time. That is what we will work hard on for the next coming months. Secondly, next time we will see each other, I suppose that ACM already did take the WACC decision and that gives at least a little bit more clarity on the earnings potential or perspective when it comes to significant market power.

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

**Tobias Sittig – MainFirst Bank AG**

Basically, two questions for me, firstly, on Germany. Given the price increases there of Deutsche Post and also the reduction of the discounts, I would have thought it is easier for you to take some volumes back and the operating environment has improved, but you are losing revenue and volumes. Can you elaborate a little bit on why it is so difficult for you to keep the contracts you have or to get more business there?

Secondly, on the underlying net cash income, which is the basis for your dividend. Can you just run me through the logic of calculating that? Is it only cash interest that you deduct, and will you share that number with us also on a quarterly basis going forward?

**Jan Bos**: Okay. Your first question is on Germany. What we have seen is a delay on, say, last-mile customers. We have lost some volume also of margin squeeze in the consolidation business. That is the reason why the revenue development is in Germany as it is. On dividend, I did not follow the question fully, so…

**Herna Verhagen**: The question on dividend is, can you run me through how dividend will be built up over the next coming years? Could you give us such an insight every quarter?

**Jan Bos**: Okay.

**Herna Verhagen**: Did I understand it well, Tobias?

**Tobias Sittig – MainFirst Bank AG**: Yes. I mean, basically you refer to 75% of the underlying net cash income, but it is not a number that you disclose, at least in your quarterly reports. I just want to calculate it myself.

**Jan Bos**: Okay. Now, simply said, the guidance on our underlying cash operating income, so where we are now it is EUR 220 million to EUR 260 million and with an expected development we are at EUR 310 million to EUR 380 million. Then you deduct from the underlying cash operating income taxes, that is about 25%. You deduct the interest expenses and those are expected to decrease because we are paying off bonds this year and next year.

**Tobias Sittig – MainFirst Bank AG**: Sorry. Is it a cash interest or P&L interest?

**Jan Bos**: Yes, that is the cash interest. So in the interest expense, that is also partially a small pension interest expense. But it is mainly the expense on the two bonds.

**Tobias Sittig – MainFirst Bank AG**: Okay.

**Wijnand Heineken – Independent Minds**

I have a follow-up question on the regulation. You indicated that you will start a legal procedure. But I am still a bit puzzled what the angle is on that, that you will choose, as there are still a lot of uncertainties surrounding the entire regulatory process. So, could you be a bit more specific on what exactly you will go to court for?

**Herna Verhagen**: Yes, I think the first issue, which we will take to court, is of course the fact, as we already stated for the last three years, that PostNL does not have significant market power. So in our view, when it comes to market definition, you have to take into account not only physical mail, but also e-mail.

Secondly, we think, and the regulation in the Netherlands also does say, that whatever the measure is, taken by the ACM, it should be proportionate. We think that there are more proportionate measures to take than the ones they took in their final decision. You cannot fully answer that question. We will go to court exactly for the reason you are mentioning: part is still unclear and needs to become clear over the next coming month. That will be taken up in due timing also in the same legal procedure.These are at least the facts, which we already mentioned several times since the start of significant market power, which are around market definition and proportionality of measures taken.

**Andre Mulder – Kepler Cheuvreux**

Andre Mulder, Kepler. Firstly, after the many disappointments in International, do you have any second thoughts about maintaining those positions long-term?

Secondly, you changed some of the sales growth targets, but the margin development is deviating in terms of where Mail is heading to the south, and Parcels heading to the north. Why not make some statements on the margin ranges that you have given for each of these divisions? It looks like Mail is going towards the 6.5%, Parcels heading 12%, International is heading 1%. Why not make some more official statements on those margin ranges?

My last question is on the working capital effect. Do you expect to fully catch up in the second half? Or is there something remaining there?

**Herna Verhagen**: Your first question is on International. The decisions on Italy and Germany are quite recently taken, Italy end of 2015, Germany in 2016. We think what is still valid, is the reason for the decision we took by then and that is that we are able to create more value than selling it at this moment in time. That is still the answer. So we think that maintaining those countries in the end will create more value also for shareholders versus other opportunities or possibilities you have. Italy, as already said, is showing all the improvements necessary, and of course, envisaged as well in Formula Certa, as well as in Parcels, which is growing fast. Germany is explained by Jan.

**Jan Bos**: Your question on the margin outlook for Mail in the Netherlands. You are right, that Mail in the Netherlands will end up at the lower part of the bandwidth of the 6.5% to 8.5% of UCOI margin.

On working capital - and I think that is also the main driver, by the way – we will catch up a big part of it. I do not know yet, but we will see that in the second half year.

**David Kerstens – Jefferies**: Yes, thank you. Just a few follow-ups, please. On the partial volume growth, how much was the acquisition impact in the second quarter, please?

You mentioned the incidentals were on depreciation cost. You had a EUR 5 million lower depreciation. Is that a one-off or is that the level of depreciation of EUR 18 million that we should - should assume going forward?

Also the tax rate was benefiting in the second quarter from recognition of liquidation of assets. What is the level we should anticipate for the full year, please?

Finally, could you explain the negative result from associates of EUR 6 million in the quarter?

**Jan Bos**: A lot of questions. The acquisition impact on Parcels is about 1% of total revenue growth. So, 12% is autonomous and 1% is acquisition.

The depreciation costs will also impact results of the coming quarters. It is not that you have to do times 3 again EUR 5 million, because it was also an incidental in Q1. So the whole impact of depreciation will be not more than EUR 10 million to EUR 15 million.

The effective tax rate, the one-off on liquidation costs in International, that is a one-off. So the normal tax rate for our company will stay at 25%, maybe a little bit more because of irrecoverable losses in, for example, Germany.

Then the last part, the negative result in associates, is about a joint venture we have in the Netherlands, which is called Bruna. There, we have seen a depreciation of a tax asset and some other losses.

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

**Karen Berg**: If there are no more questions I would like to thank you all for joining this call and your questions, and we will catch up in three months. Thank you. Bye-bye.

**Herna Verhagen**: Thank you.

End of call

## Q2 & HY 2017 Results

### Appendix

- Results by segment YTD
- Underlying (cash) operating income YTD 2017
- Breakdown pension cash contribution and expenses

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## Results by segment YTD

| *(in € millions)* | Revenue | | Underlying operating income | | Underlying cash operating income | |
|---|---|---|---|---|---|---|
| | HY 2017 | HY 2016 | HY 2017 | HY 2016 | HY 2017 | HY 2016 |
| Mail in the Netherlands | 884 | 925 | 73 | 92 | 45 | 67 |
| Parcels | 515 | 469 | 61 | 56 | 60 | 55 |
| International | 532 | 513 | 7 | 4 | 6 | 3 |
| PostNL Other | 37 | 89 | (12) | (10) | (15) | (17) |
| Intercompany | (262) | (308) | | | | |
| **Total PostNL** | **1,706** | **1,688** | **129** | **142** | **96** | **108** |

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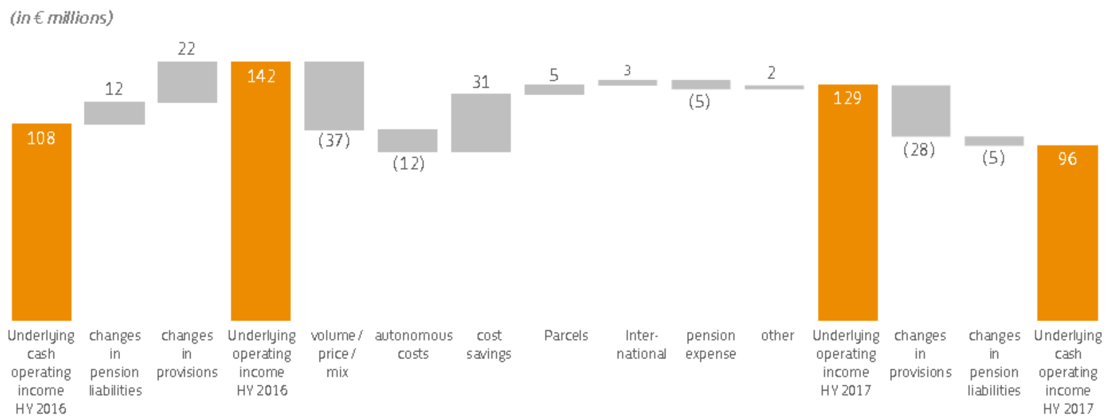
## Underlying (cash) operating income YTD 2017

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## Breakdown pension cash contribution and expenses

| (in € millions) | Q2 2017 | | Q2 2016 | |
|---|---|---|---|---|
| | Expenses | Cash | Expenses | Cash |
| Business segments | 26 | 30 | 26 | 32 |
| IFRS difference | 2 | | (1) | |
| **PostNL** | **28** | **30** | **25** | **32** |
| Interest | 2 | | 3 | |
| **Total** | **30** | | **28** | |

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