Q2 & HY 2020 Results

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Key takeaways Q2 & HY 2020

Business review

Financial overview Q2 & HY 2020

Outlook 2020

Q&A

Our mail and parcel deliverers provide a vital service to society

Health and safety for our people and consumers come first

- Proud of our people who made it possible to demonstrate strength of business model under challenging circumstances
- Comprehensive set of measures taken across our business to ensure and safeguard health and safety of our people, partners and customers
  - including contact-free delivery, adjustment of processes and additional hygiene measures
- Sick leave levels among staff in Q2 decreased gradually compared to March 2020 peak, now back to pre-Covid-19 level
- Office-based people predominantly working from home; this accelerated roll-out of digital home-office tools

Comprehensive business continuity plan in place since early March

Key takeaways Q2 & HY 2020

- Strong performance, driven by volume growth at Parcels
- FY 2020 normalised EBIT expected to be strongly above initially guided €110m - €130m, strong improvement free cash flow

- Normalised EBIT up 38% to €54m in Q2
- Free cash flow Q2 up €86m to €93m

- Scaled up capacity at Parcels within flexible infrastructure by 40% through March and April
- Investments of around €150m (2020-2022) for further expansion Parcels on track
- Realisation of anticipated benefits and synergies of combined mail network ahead of plan

- Progress towards emission-free last-mile delivery in Benelux in 2030
  - Start to replace petrol scooters with electric three-wheel scooters

Strength of business model under challenging circumstances demonstrated

Key financials and highlights Q2 2020

PostNL reports strong performance

	Revenue	Normalised EBIT	Free cash flow	Outlook normalised EBIT FY 2020
Q2 2020	**€789m**	**€54m**	**€93m**	**strongly above €110m - €130m***
Q2 2019	€681m	€39m	€7m	

Highlights Q2 2020

- Strong volume growth at Parcels boosted result
  - Almost optimum utilisation of capacity
  - Positive price/mix effect
  - Significant improvements in operational efficiency
- Combined mail network ahead of plan in realisation of anticipated benefits and synergies
- Additional mail volume decline and favourable price/mix development in Mail in the Netherlands due to Covid-19
- Strong development free cash flow due to working capital management and phasing over quarters
- Normalised EBIT in Q2 2020 includes €(9) million impact, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

* Uncertainties regarding duration and severity of Covid-19 pandemic may impact ability to achieve this result

Growing importance of digitalisation

Acceleration of transition to online contacts due to Covid-19

	HY 2019	HY 2020	
online visitors	199m (47% via PostNL app)	274m (57% via PostNL app)	+38%
PostNL accounts	4.5m	5.5m	+22%
stamp codes	308k	520k	+69%
talks with chatbot Daan	340k	770k	+126%

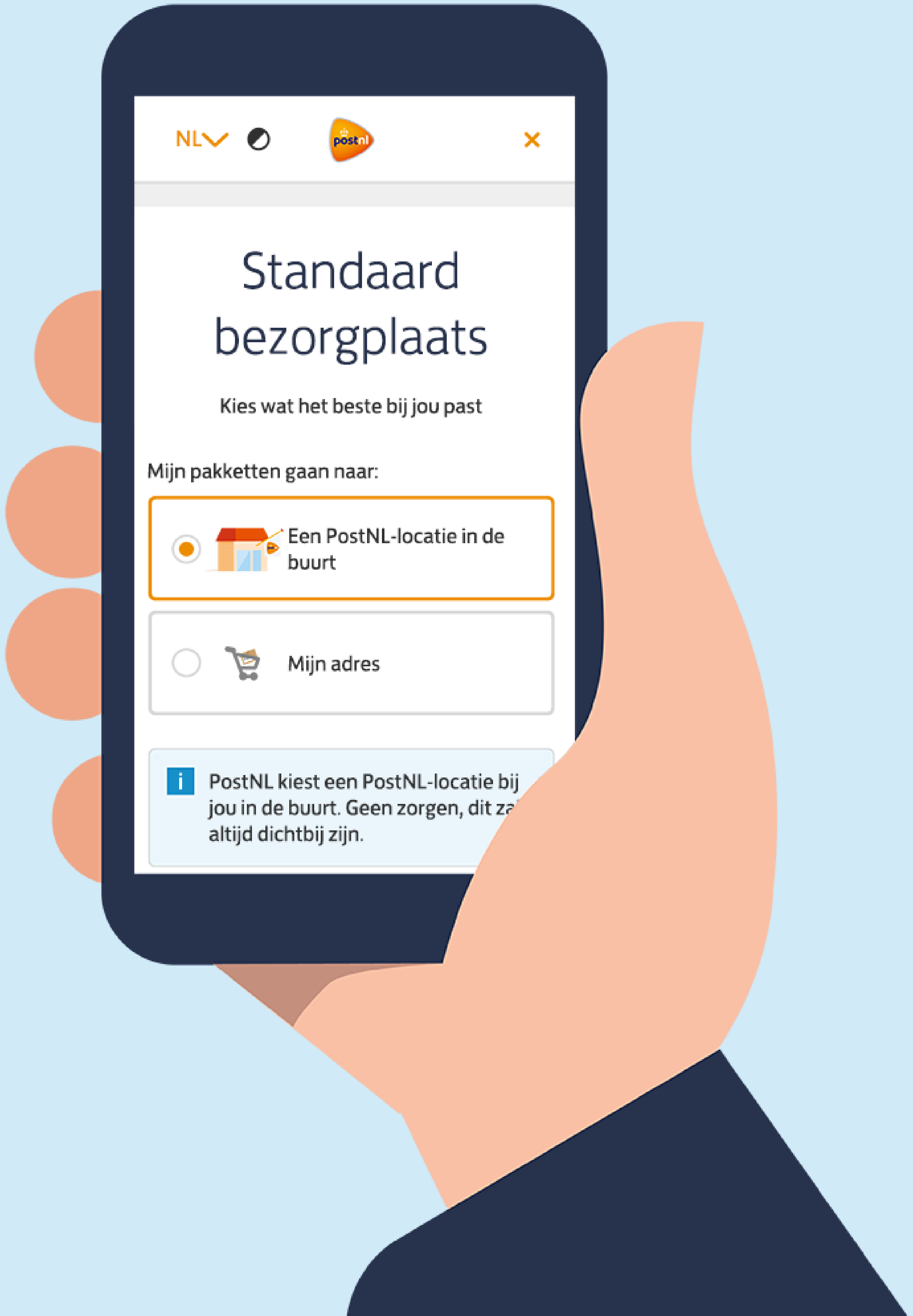
Extra investments in digitalisation and innovation

E-fact: Extra investments in digitalisation

Serve customer needs and improve efficiency

Improve customer journey

- Pilot standard retail location as delivery address
  - Meet consumer demand
  - More efficient delivery process



Q2 & HY 2020 Results

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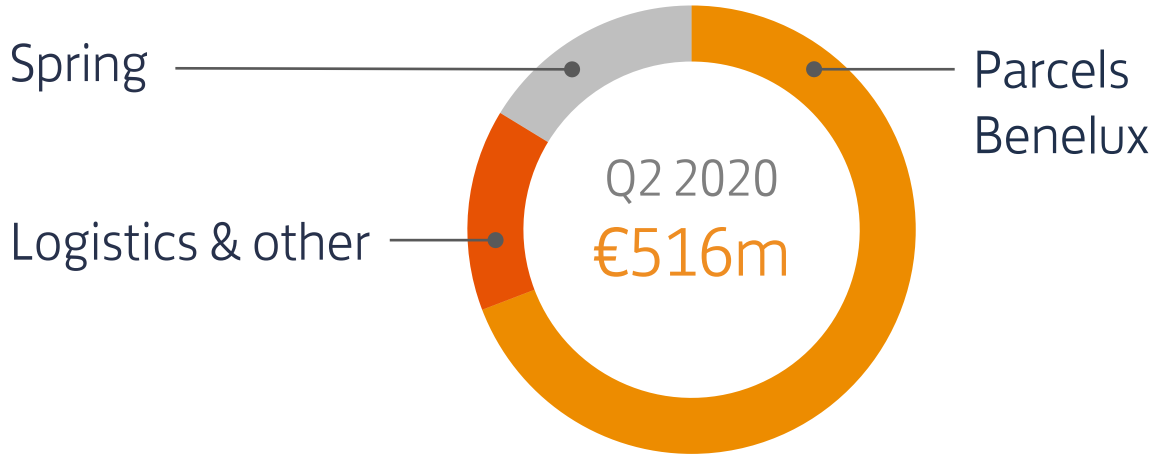
Parcels: Volume growth boosted normalised EBIT in extraordinary quarter

	Revenue	Normalised EBIT	Volume growth
Q2 2020	**€516m**	**€60m**	**24.8%**
Q2 2019	€402m	€29m	

Revenue mix



Strong revenue growth

- Covid-19 crisis resulted in pick-up in e-commerce growth
  - Acceleration of transition to online
  - More first-time buyers online and share of existing medium and heavy online shoppers increased
  - Part of growth related to specific, non-recurring, consumer spending
- Visible across almost all segments and products, especially growth amongst small and mid-sized webshops
- Positive impact yield measures (including improved pricing)
- Very strong revenue growth in Spring (Asia and Europe) related to e-commerce growth

Almost optimum utilisation of capacity

- Scaled up capacity by 40% through March and April
- Significant improvements in operational efficiency mainly due to more equal flow across the week
- Improving business performance at both Logistics and Spring

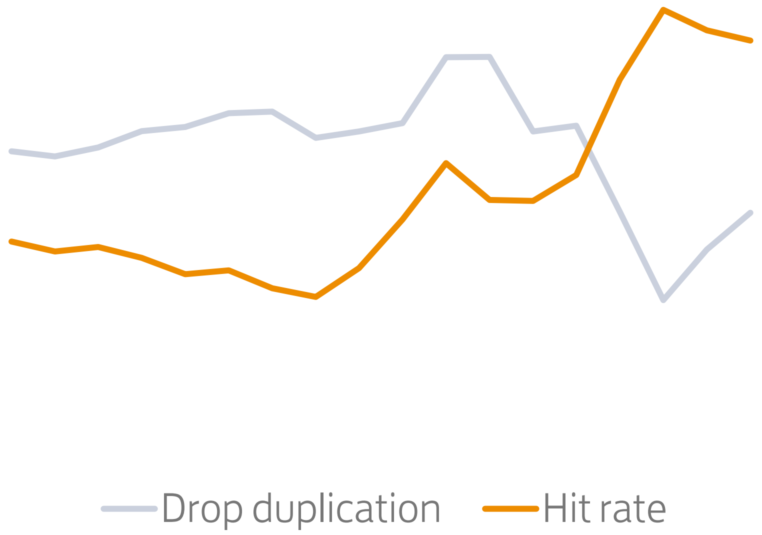
Parcels: Better balance between volume and capacity

Investments in capacity around €150m 2020-2022

Significant improvement in yield management and operational efficiency

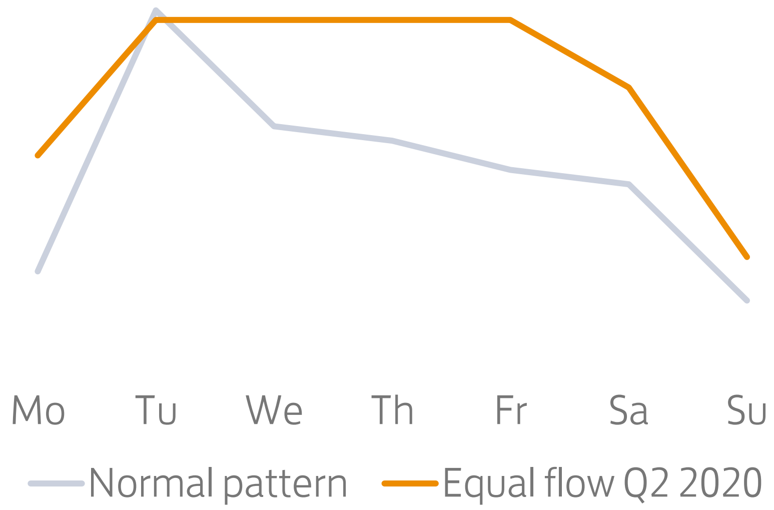
- Yield management measures including improved pricing
- Better peak balancing of volumes; more equal flow
- Improved hit rate because people working at home more
- Lower drop duplication due to less deliveries 2B

Drop duplication and hit rate



Weekly volume peak

Indicative



Further investments in infrastructure

- Scaled up capacity by 40% through March and April
- New cross-dock location in Zaltbommel
- Innovative sorting centre for small parcels on track for opening in 2021
- Opening new depots (Belgium and the Netherlands) in 2021
- Additional joint fulfilment centre with bol.com in 2021
- Further expansion of retail network and introduction self service proposition

Yield management, operational measures and flexible network support business performance

Mail in the Netherlands: Result impacted by additional volume decline related to Covid-19

	Revenue	Normalised EBIT	Net contribution of Sandd in normalised EBIT	Addressed mail volume decline
Q2 2020	**€393m**	**€5m**	**€15m**	**16.2%***
Q2 2019	€380m	€17m		

Covid-19 crisis resulted in additional volume decline

- Volume decline 16.2%*, with some recovery visible in June
  - Additional substitution due to Covid-19 (around 5%): more greetings cards, but lower direct mail activity
  - Limited impact from competition
  - Impact of elections in 2019 (1.9%)

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

- Impact annual price increases based on moderate pricing policy
- Some additional costs (high absence level and social distancing / health measures) related to Covid-19
- Realisation of anticipated benefits and synergies of combined mail network ahead of plan: €15 million in Q2
- Sale of PCS and Spotta, and discontinued distribution of unaddressed mail

** Adjusted volume decline (two working days less): 15.0%; starting point for volume decline: 2019 pro forma volume including Sandd volumes*

Combination of mail networks

Keeping mail delivery accessible, reliable and affordable in increasingly digitalising environment

Integrated networks of PostNL and Sandd

Secure sustainable and more stable mail business

- Consolidation on 22 October 2019

- Networks fully integrated as of 1 February
- Physical infrastructure of Sandd closed down:
  - vehicles sold
  - mail boxes and other branded equipment removed
  - buildings no longer in use
- Further integration costs in HY2 2020 very limited

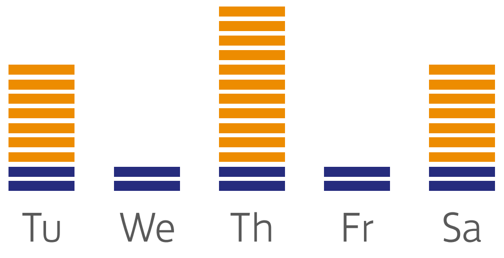
Related attention points

- Agreement with union FNV for compensation former Sandd mail deliverers
- Dutch government and PostNL have appealed court decision that annulled earlier approval granted for consolidation

Ahead of plan in delivering anticipated benefits and synergies – run-rate €50m - €60m as of 2022

Further implementation cost savings projects in 2020-2021

Former business model



New mail route

- Optimising sorting and automation processes and delivery routes for 30% step-up in volume
- Expansion of routes
- Larger contracts for mail deliverers
- More e-bikes and other electrical transport resources – implementation started, 35 locations to be equipped for electrical transportation resources in 2021
- Results pilot lead to adjustments in design

New mail route

- Overhead reduction in line with earlier plans

- Centralisation locations to align network with declining mail volume
  - Some delay due to additional measures taken to apply social distancing guidelines in operations and facilities
  - 10 migrations of locations scheduled for 2021

Some delay due to measures taken to apply social distancing guidelines in operations and facilities

E-fact: Towards emission-free last-mile delivery in Benelux

Fully implemented by mid-2021

- 600 professional electric three-wheel scooters to replace all 1,000 petrol scooters by 2021
- Direct contribution to sustainability targets: save 657 tonnes of CO_2 annually
- Essential part of next phase 'New Mail Route': longer routes to improve efficiency in our distribution process

Outlook FY 2020

Volume development 2020

HY1	HY2
14.1%	↗
-14.4%	↗

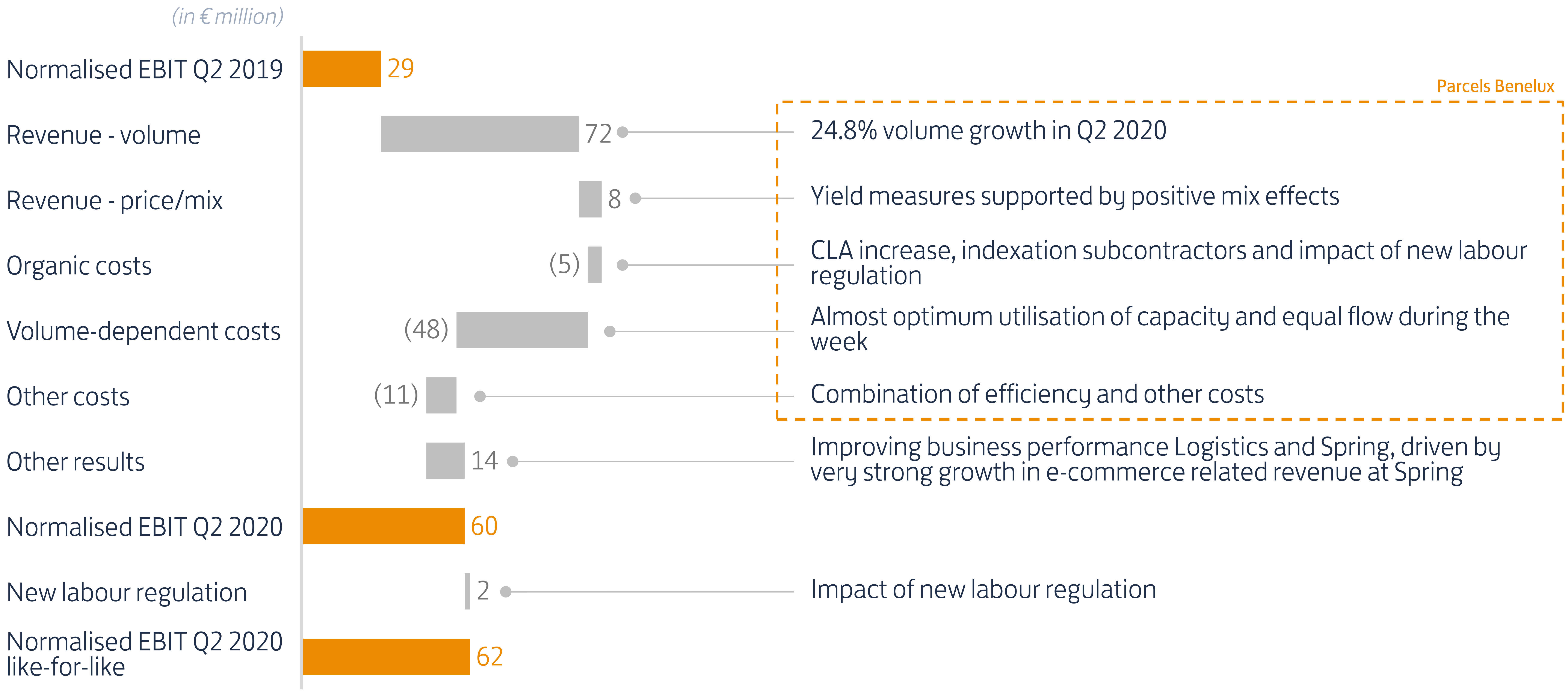
- Volume growth at Parcels expected to continue at more moderate pace than in Q2
- Our capacity will be scaled up further to accommodate higher volumes towards the second half of the year

- Higher pace of substitution mail volumes due to Covid-19 expected to slow down
- Successful combination of mail networks
- Some delay in cost savings initiatives

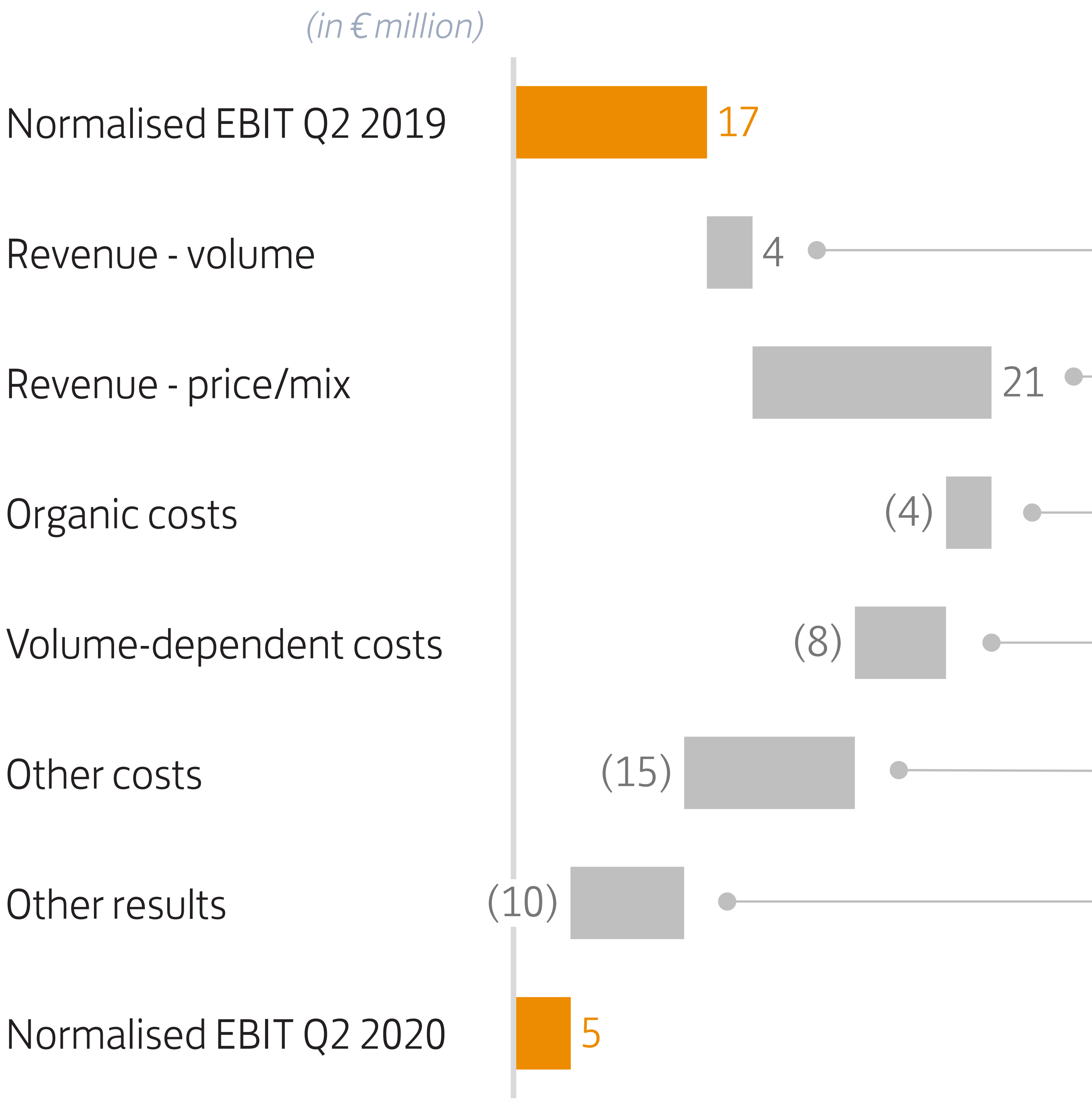
- FY 2020 normalised EBIT expected to be strongly above €110m - €130m
- Strong improvement in free cash flow
- Uncertainties around the global impact of Covid-19 seem to increase

Confidence in ability to deliver very solid FY 2020 performance

Parcels: Normalised EBIT up €31m



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



Mail activities

- Volume decline 16.2%*, revenue includes €34m related to consolidation
- Moderate pricing policy supported by favourable development price/mix effects
- Mainly CLA-related
- Including volume-dependent costs related to the addition of volumes from Sandd
- Cost savings and efficiency related results, costs related to combination of networks (incl. integration costs of €6m), costs related to Covid-19 , higher IT expenses and restructuring related costs

- Impact of sale of PCS and Spotta, discontinuation of unaddressed activities) and result other services (f.e. export)

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

Generation of free cash flow in Q2 2020

€86m improvement compared to Q2 2019

(in € million)	Q2 2019	Q2 2020	
Normalised EBIT	39	54	
Reversal normalisations	(2)	0	
Depreciation & amortisation	36	41	
Capex	(15)	(11)	
Lease payments	(14)	(17)	Temporary effect, mainly related to Sandd
Change in working capital	(43)	28	Continuing strong Q4 2019 performance and phasing effects
Change in pension and provisions	1	8	Mainly pensions
Interest paid and income tax	(2)	(10)	Final assessment income tax 2019 paid in Q2
Other	8	0	Includes €6m proceeds sale of minorities in Q2 2019
Free cash flow	7	93	**Improvement €86m**

Pension developments

Coverage ratio (12-month average) pension fund at 105.7% as at 30 June 2020

(in € million)	2019	YE 2020	HY 2020
Provision for pension liabilities	283		278
Pension expense (P&L)	119	~145	73
Regular pension cash contribution	111	~115	53

- Pension expense up ~€25m in 2020 as indicated before, visible in normalised EBIT (€(7)m in Q2 2020)
- Impact on equity mitigated by effect in OCI (€(3)m in Q2 2020, mainly phasing)
- Expected impact on cash contributions is limited
- Actual coverage ratio June 2020 is 102.5%; taking into account resilience of pension fund, no top-up payment obligation is expected

Based on final agreement with pension fund

- Final payment transitional plans capped at €290m (was: €300m)
- Around €85m of this payment will be deferred and paid in 5 instalments in period 2021-2025
- Regular contributions related to transitional plans expected to be €5m less
- Entitlements of employees will not be affected

Agreement with pension fund results in lower cash-out for transitional plans

postnl

Consolidated statement of financial position

Adjusted net debt position end of Q2 2020: €614m

(in € million)	**27 Jun 2020**
Intangible fixed assets	353
Property, plant and equipment	398
Right-of-use assets	239
Other non-current assets	99
Other current assets	444
Cash	573
Assets classified as held for sale	70
Total assets	**2,176**

	27 Jun 2020
Consolidated equity	*28*
Non-controlling interests	*2*
Total equity	31
Pension liabilities	278
Long-term debt	695
Long-term lease liabilities	189
Other non-current liabilities	28
Short-term lease liabilities	59
Other current liabilities	813
Liabilities related to assets classified as held for sale	82
Total equity & liabilities	**2,176**

- Adjusted net debt is €614m; gross debt (Eurobonds, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position
- Total comprehensive income Q2 2020: €37m (Q2 2019: €(5)m)

Attention points development normalised EBIT for HY2 2020

Covid-19 impact

- Volume growth Parcels to continue at more moderate pace than in Q2; more fluctuation in flow during week
- Higher pace of substitution mail volumes due to Covid-19 expected to slow down in HY2
- Better price/mix expected, but effect in HY2 not as visible as in HY1
- Limited additional costs due to measures and staff absence
- Some delay in cost savings initiatives
- Lower result anticipated international mail

Other elements in HY2 2020

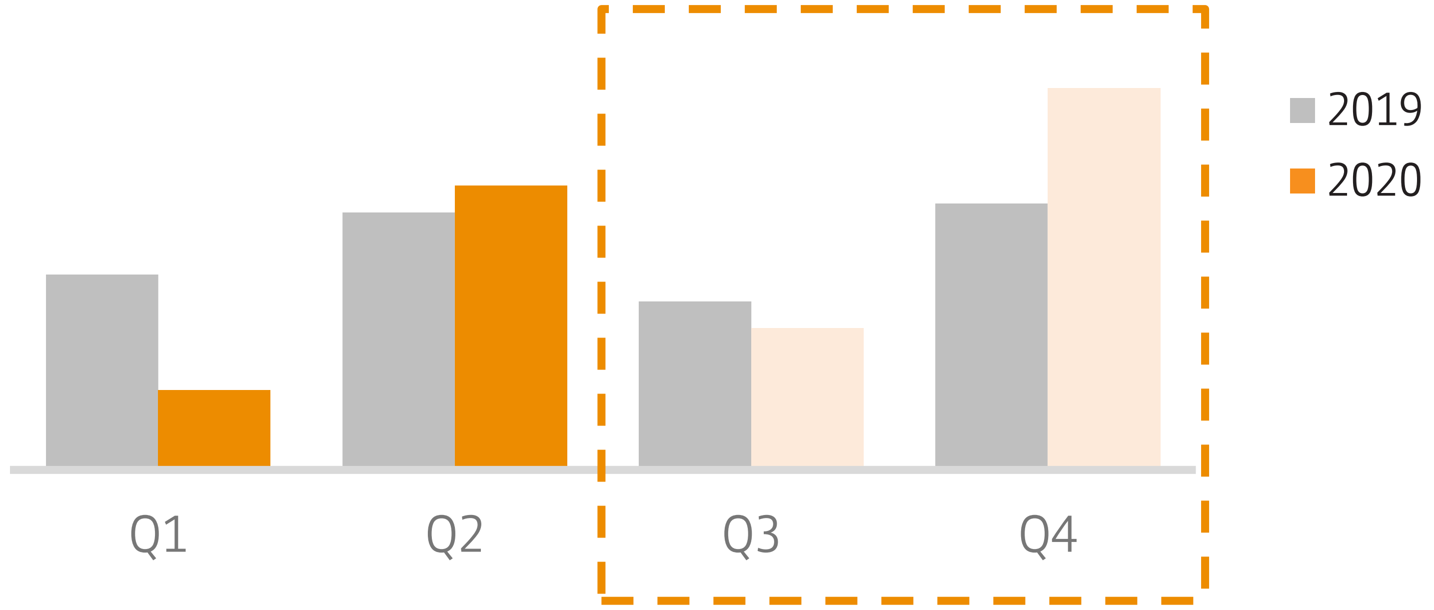
- Higher pension expense ~€(6)m per quarter in PostNL Other
- New labour regulation ~€(2)m per quarter mainly in Parcels
- Positive contribution from combination of networks and continued substitution in mail; delay in cost savings due to integrated networks
- Discontinuation of non-core activities compared with HY2 2019

Additional remarks

- Negative contribution of consolidation of Sandd in Q4 2019 (restructuring-related charges and other business effects)

% of normalised EBIT not evenly spread over the quarters

indicative only



Uncertainties regarding duration and severity of Covid-19 pandemic may impact results

Outlook for 2020

Visibility for second half of the year remains limited

(in € million)	Initial outlook FY 2020 (24 Feb 2020)	Outlook FY 2020 agreement transitional plans (2 June 2020)	Outlook FY 2020 trading update (17 June 2020)	Outlook FY 2020 (3 August 2020)
Normalised EBIT	110 – 130	110 – 130	strongly above 110 – 130	strongly above 110 – 130
Free cash flow *	(315) – (285)	(215) – (185)	better than (215) – (185)	strong improvement compared to (215) – (185)

** Cash flow before dividend, acquisitions, redemption of bonds/other financing activities; after payment of leases*

- FY 2020 normalised EBIT to come in strongly above initial guided range of between €110m and €130m
- Free cash flow for FY 2020 is expected to show strong improvement
  - Around €100m related to final agreement on determination and conditions final payment transitional plans
  - Further upside is anticipated as improvement in normalised EBIT above initially guided range will convert into cash
  - Working capital investments should be lower than anticipated due to strict working capital management, more than offsetting effect from higher revenue; strong performance in HY 2020 includes phasing effects

Confidence in ability to deliver very solid FY performance

Key takeaways Q2 & HY 2020

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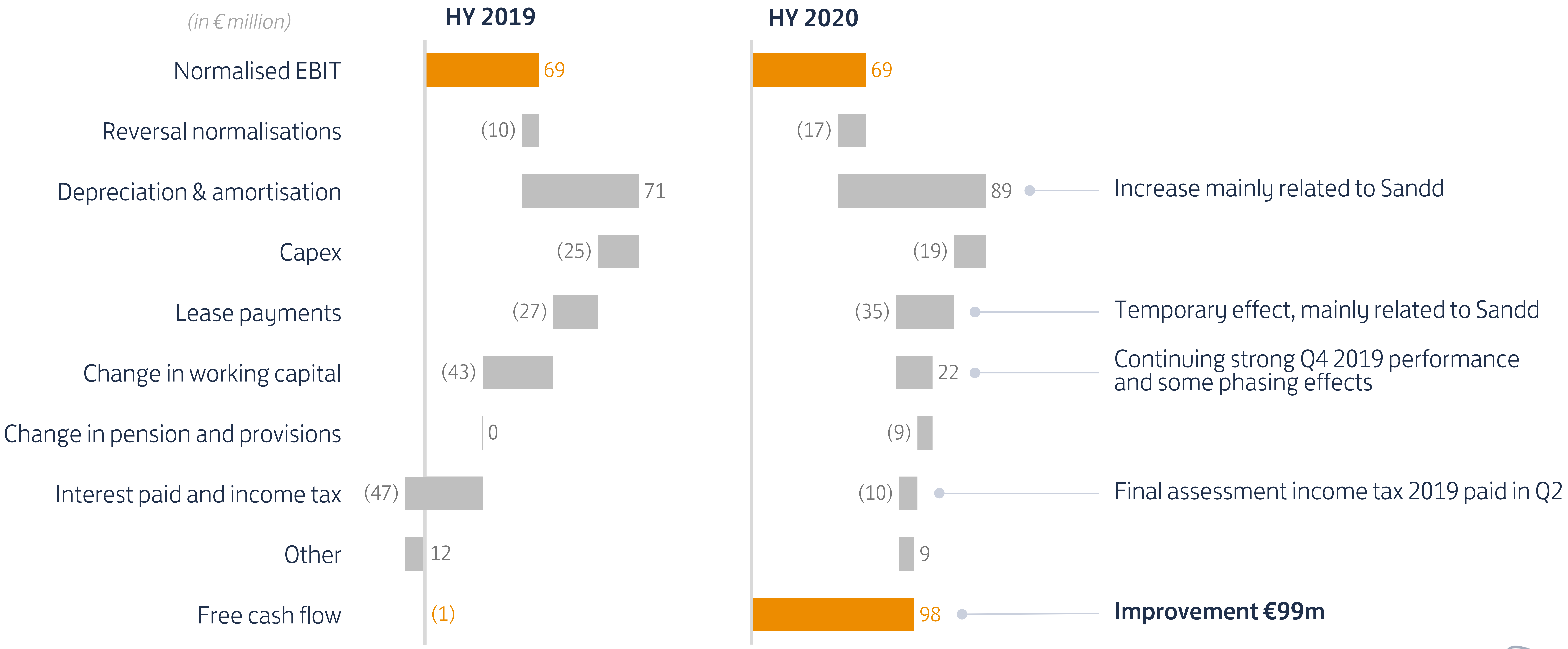
Appendix

- Generation free cash flow HY 2020
- Results by segment Q2 2020
- Results by segment YTD 2020
- Breakdown pension cash contribution and expenses
- Adjusted net debt

Generation of free cash flow in HY 2020



Results by segment Q2 2020

(in € million)

	Revenue		Normalised EBIT	
	Q2 2019	Q2 2020	Q2 2019	Q2 2020
Parcels	402	516	29	60
Mail in the Netherlands	380	393	17	5
PostNL Other	19	26	(7)	(11)
Intercompany	(120)	(146)		
PostNL	**681**	**789**	**39**	**54**

Normalised EBIT in Q2 2020 includes €(9) million impact, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

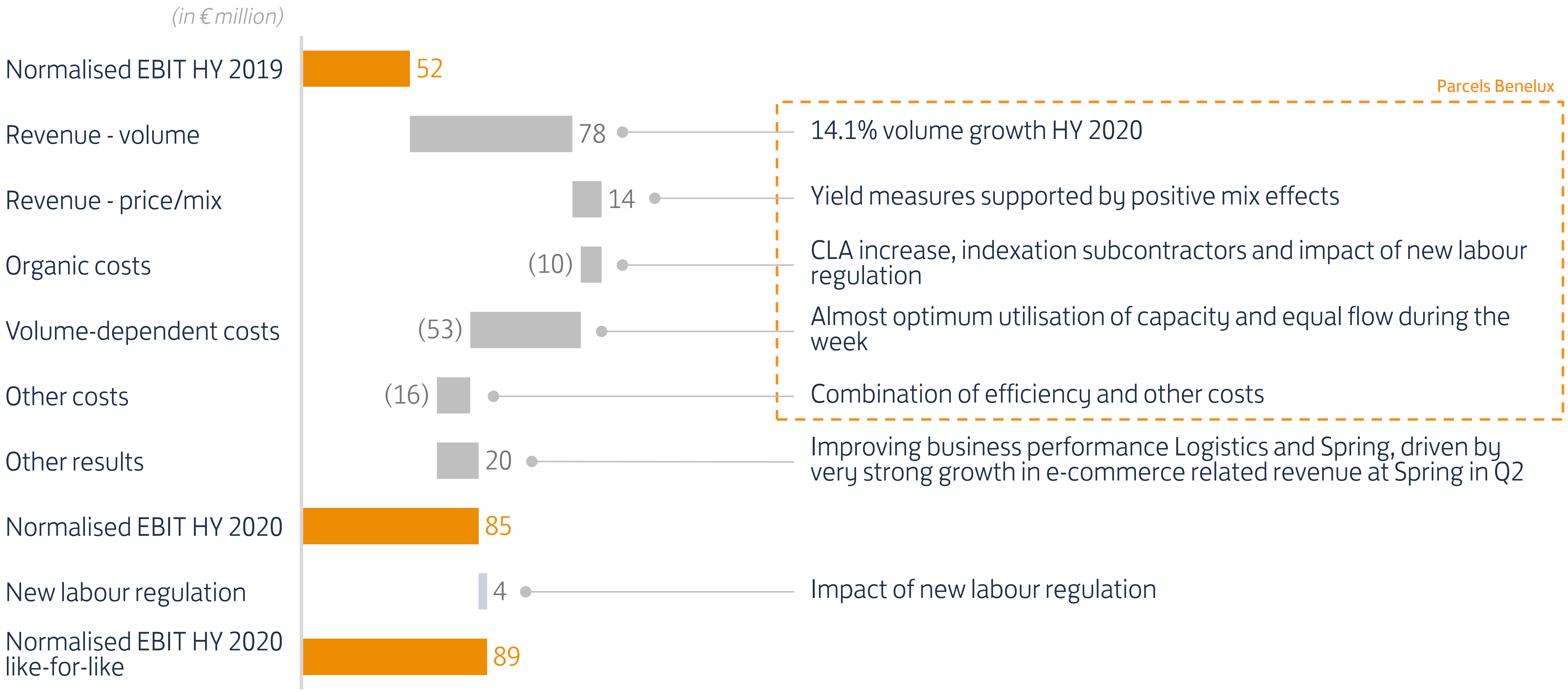
Results by segment YTD 2020

(in € million)

	Revenue		Normalised EBIT	
	HY 2019	HY 2020	HY 2019	HY 2020
Parcels	800	930	52	85
Mail in the Netherlands	772	788	33	9
PostNL Other	40	51	(16)	(26)
Intercompany	(247)	(279)		
PostNL	**1,365**	**1,490**	**69**	**69**

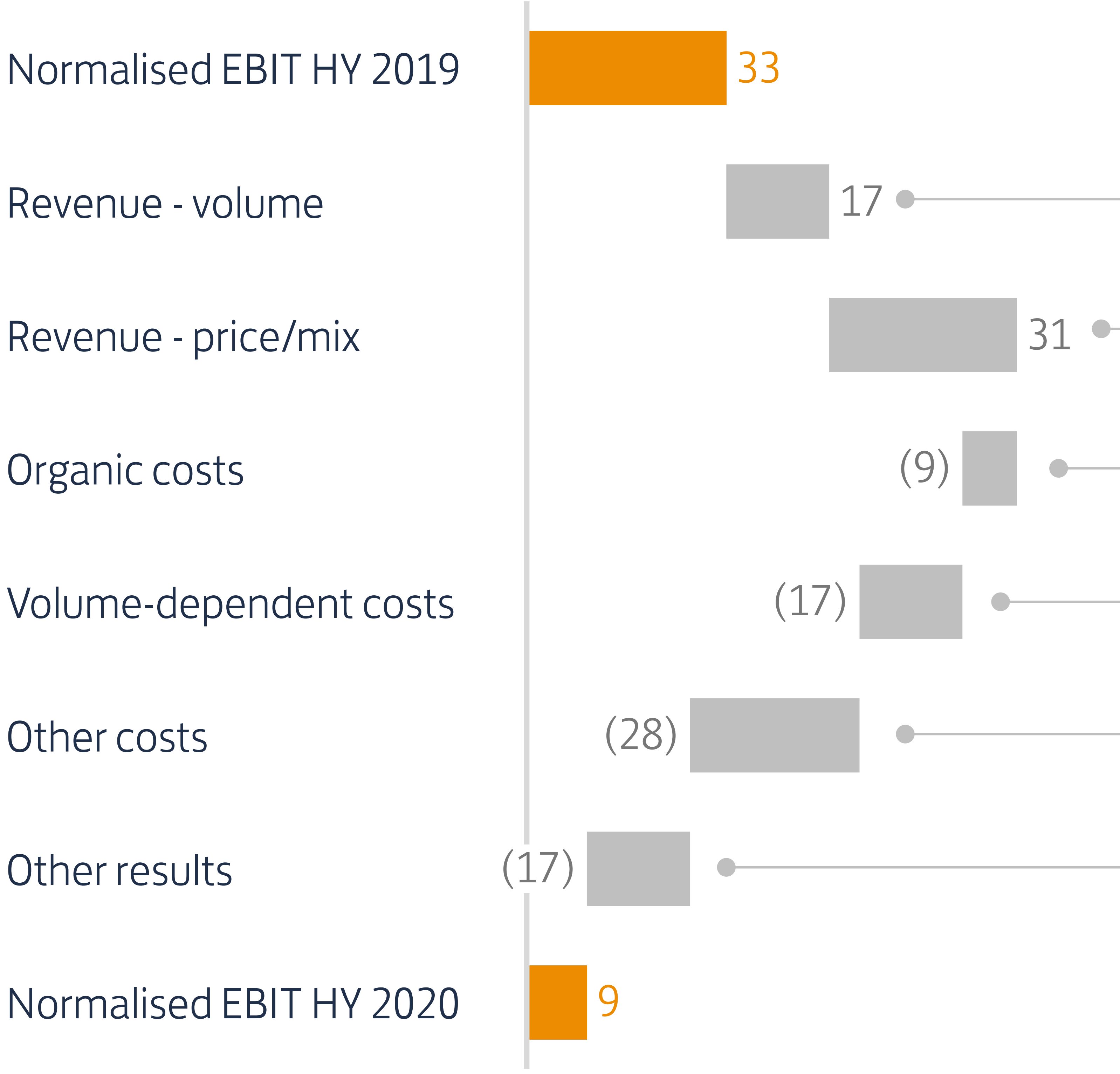
Normalised EBIT in HY 2020 includes €(17) million impact, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

Parcels: normalised EBIT up €33 million



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

(in € million)



Mail activities

- Volume decline 14.4%*, revenue includes €71m related to consolidation
- Moderate pricing policy supported by favourable development price/mix effects
- Mainly CLA-related
- Including volume-dependent costs related to the addition of volumes from Sandd
- Cost savings and other efficiency related results, costs related to combination of networks (mainly one-off integration costs of €23m), restructuring charges, and other

Impact of sale of PCS and Spotta, discontinuation of unaddressed activities) and result other services (f.e. export)

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

Breakdown pension cash contribution and expenses

(in € million)	Q2 2019		Q2 2020	
	Expenses	Cash	Expenses	Cash
Business segments	25	27	25	24
IFRS difference	5		12	
PostNL	**30**	**27**	**37**	**24**
Interest	2		0	
Total	**32**		**38**	

Adjusted net debt

(in € million)	31 Dec 2019	27 Jun 2020
Short- and long-term debt	696	695
Long-term interest-bearing assets	(6)	(6)
Cash and cash equivalents	(480)	(573)
Net debt	**210**	**116**
Pension liabilities	283	278
Lease liabilities (on balance)	264	249
Lease liabilities (off balance)	51	45
Deferred tax assets on pension and operational lease liabilities	(72)	(73)
Adjusted net debt	**736**	**614**