Capital Markets Day 2019

Operational Deep-dive Parcels

Iris van Wees
Operations Director Parcels Benelux
Agenda

- Our success – how we have grown
- Our capabilities and assets
- Operational strategy
Our success – how we have grown
We have captured accelerated growth with our web-based network structure

Stable growth with hub-spoke structure
Successful transformation to unique web-based network model
Successful scaling of network

Daily delivering over 800,000 parcels to our customers in Benelux
We have a unique network that is highly-efficient and scalable

22 locations in NL\textsuperscript{1,2} and 6 locations in BE close to the customer enabling late cut-off times

Efficient and ergonomic loading process by sorting directly in delivery van

Continuous use of sorting machine – for sorting and distribution in Benelux

Standardised lay-out and processes lead to flexibility

Easy-to-scale by adding depots to our network

\begin{itemize}
\item \textbf{>98}\% next-day delivery performance
\end{itemize}

\textsuperscript{1} related to 2018
\textsuperscript{2} excluding bol.com fulfilment centre
We have successfully increased the efficiency of our network

- **Parcels handled**
  - 2014: 17
  - 2015: 18
  - 2016: 18
  - 2017: 19
  - 2018: 22

- **Efficiency (in m parcels handled per depot)**
  - 2014: 8.4
  - 2018: 10.9

**+30% parcels handled per depot**

- Added extra delivery shifts per depot
- Increase of sorting chutes at new depots
- Migrated parcels to Sunday sorting to reduce Monday peak
- Integration of our sorting operations in bol.com fulfilment centre

1 excluding bol.com fulfilment centre
We have made pick-up and drop-off easy through extension of our retail network

We expanded our retail network to around 4,250 locations in Benelux to match e-commerce needs

Benefits of our retail network

- 95% within 5 minutes proximity
- Late opening hours and Sunday opening introduced
- Drop-off point for our business customers
- Scan & Go concepts
- Data-driven capacity optimisation

Parcel volume picked up at retailer

<table>
<thead>
<tr>
<th>Year</th>
<th>Post Offices</th>
<th># Dedicated Parcel Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td># post offices</td>
<td># dedicated parcel point</td>
</tr>
<tr>
<td>2018</td>
<td># post offices</td>
<td># dedicated parcel point</td>
</tr>
</tbody>
</table>

Graph showing an increase of 2.5 times in parcel volume picked up at retailer and an increase of 18% in dedicated parcel points from 2014 to 2018.
We innovated our network to meet customer demands

- Evening and same-day delivery
- Sunday delivery
- Return-on-demand
- Pilot instant delivery in Amsterdam
- Delivery time prediction (time window)
- Simplified notification process
- Rerouting of parcels before first delivery attempt
- Start-up of city logistics in 12 cities
- Reusable packaging
- Electric delivery on Wadden Islands
- Green gas trucks
- Green buildings by solar panels

New services

Interaction with consumer

Sustainable delivery
Our people make the difference

Our deliverers are highly appreciated by our receivers

On a daily basis around 5,000 people deliver parcels in Benelux

During the night >800 truck drivers on road from and towards our depots

We are proud of our high employee engagement score

8.5 rating of our drivers in delivery satisfaction research

Delivery routes

2014 2018

+49%

Employee engagement parcels (operations)

Industry benchmark PostNL Parcels

+10%
We have created a sustainable delivery model while keeping costs in line

Operational cost development 2013-2018

Sustainable delivery model

- Reduced number of independent contractors
- Increased number of own personnel
- Implemented euro licence\(^1\)

\(^1\) Business licence for transportation companies
Our capabilities and assets

Our success – how we have grown

Operational strategy

Our capabilities and assets
1. Place picture 1 on top of this
2. Place picture 2 on top of this
3. Adjust both pictures:
   - 50% brightness
   - 10% contrast
4. Copy orange banana from the master slide
5. Paste orange banana in slide on top of pictures
6. Select both pictures and the orange banana and place them behind everything

Best network  
Retail next door  
High quality
1. Place picture 1 on top of this
3. Adjust both pictures:
   50% brightness
   10% contrast
3. Copy orange banana from the master slide
4. Paste orange banana in slide on top of pictures
2. Place picture 2 on top of this
6. Select both pictures and the orange banana and place them behind everything

Always innovative
Sustainable delivery
Dedicated people
Operational strategy
Operational Strategy

1. Invest in new capacity and innovate our network

2. Optimise our supply chain and reduce costs

3. Be the favourite deliverer
Volume growth towards 2022 requires 12 additional depots in current network set-up

Assumed volume development (2018-22)

We developed measures to reduce investments significantly by

- Introduce small parcel sorting centre (SPS) + 1 extra depot
- Improve utilisation of network
- Balance our network through commercial measures

1 excluding bol.com fulfilment centre
Segmentation helps to grow capacity with lower investments

**Small parcel sorting centre**
We plan to invest in separate sorting solution for small parcels
- Highly automated
- High capacity
- Facilitates sorting day and night

**Key benefits**
- Increase distribution capacity in current depots
- Sorting capacity for small parcels at lower sorting and overhead costs
- Realise peak absorption and enable last-mile routing options
- Capacity equal to 4 depots leading to lower investment level

**% of parcels that qualify for sorting in SPS**
40%
We will continue to improve utilisation of current depots

**Measures**

**Achieve further sorting improvements**

- Optimise sorting for retail and large stops
- Decentralise in-night PO-box sorting
- Video-aided sorting solutions
- Optimise network design
- Use data and algorithms to improve process efficiency

**Supply chain integrations**

- Invest in joint fulfilment with bol.com operational by 2021-22

**What we do**

**Anticipated impact 2022**

+15-20% parcels handled per depot

1 excluding SPS
Future network set-up results in lower investments to accommodate growth

Our updated network strategy
Expand network by 5 web-based depots and a small parcel sorting centre

Depot development 2019-2022

<table>
<thead>
<tr>
<th>Year</th>
<th>New Depots</th>
<th>Total Depots</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>+3</td>
<td>22</td>
</tr>
<tr>
<td>2020</td>
<td>+1</td>
<td>25</td>
</tr>
<tr>
<td>2021</td>
<td>+1</td>
<td>26</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td>27</td>
</tr>
</tbody>
</table>

1 excluding SPS centre and bol.com fulfilment centre
We will optimise collection, transport and network control to increase efficiency

Optimise collection network

- More collection of parcels directly to depots
- Docking facilities for smaller collection vans at all depots
- Achieve reduction in collection costs per parcel

Build a new cross-dock structure

- Adapt current cross-dock structure to capture growth
- New structure is envisaged to go live in 2020-21

Improve network control

- Enhanced track-and-trace throughout supply chain
- Extend dynamic network routing
Digitised interaction improves first-time-right and reduces time spend per stop

What we plan to do

Further improving expected time of arrival (with digital notification)

Interact real time with receiver in order to divert last minute to retail or neighbours

Further digitise our notifications to the consumer

Introduce smart receiver options at home and near home (e.g. parcel and letterbox, safe place and new retail points)
We grow our business being the favourite deliverer

We will further develop our workforce
We will grow our own personnel
Our delivery partners will continue to grow with us

We continue to work on engagement and sustainable employability
Further improve engagement by dialogue with our own personnel and delivery partners
Continuously looking for possibilities to improve working conditions

Consumer focussed deliverer
Further roll-out of our training and communication programmes
Improve performance, based on consumer and customer feedback
We will further reduce our environmental footprint

Our focus

2025  Work towards emission free delivery in 25 cities in 2025

What will we do

• Further roll-out of city logistics programme and e-bike delivery
• Further develop city specific sustainable propositions (e.g. consolidation centre)
• Intensify close cooperation with key stakeholders (e.g. smart city network, city councils)

2030  Emission-free last-mile delivery by 2030

• Continue roll-out of solar panels at all our new depots
• Move towards a complete sustainable fleet (including fleet of our delivery partners)
• Continue development of sustainable packaging (minimise ‘air’ in parcels and in supply chain)
• Further develop propositions with customers and partners for green alternatives
Measures to reduce costs

- Increase asset utilisation
- Small parcel sorting centre
- Focus on first-time-right in delivery
- Optimise collection, transport and network control
Being the leading e-commerce logistics company in the Benelux area

Our operational focus

1. Invest in new capacity and innovate our network

2. Optimise our supply chain and reduce costs

3. Be the favourite deliverer
Warning about forward-looking statements:
Some statements in this presentation are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management’s beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this presentation and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Use of non-GAAP information:
In presenting and discussing the PostNL Group operating results, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The main non-GAAP key financial performance indicator for 2019 is underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for the dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for non-recurring and exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows. As of 2020, the main non-GAAP key financial performance indicator is normalised EBIT. Normalised EBIT is derived from the IFRS-based performance measure operating income adjusted for the impact of project costs and incidents. Aside from adjustments for restructuring-related costs, all currently adjusted non-recurring and exceptional items within underlying cash operating income are also adjusted normalisations within normalised EBIT.