
2022
Accelerating our transformation
Q1 2022 Results
The Hague — 9 May 2022
postnl

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Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Thank you and good morning everyone. We are with here with Herna Verhagen, our CEO, and Pim Berendsen, our CFO, to talk you through the press release that we have issued this morning regarding the first quarter results in 2022.

Pim will open up with the slides and after that, we will follow up with Q&A. Pim, over to you, please.

Pim Berendsen – CFO PostNL: Thank you, Jochem, and welcome to all of you. Thanks for joining us today. Let's start with our key takeaways.

Well, certainly the war in Ukraine remains deeply concerning, severely impacting millions of people and bringing additional uncertainty to the overall global economic markets. We see impact on consumer spending, and we also seem to see a shift towards services a bit away from products, and increasing inflation, which leads to higher costs.

Supply chain issues remain and due to the zero-Covid policies in China there are new lockdowns.

These developments have impacted and certainly will impact PostNL not only in the first quarter of this year, but also going forward.

On the picture of this slide, you see that a number of trucks drove to the border of the Ukraine to deliver necessary goods like food, hygiene products and childcare articles to the Red Cross. These goods were donated by our customers, our partners and also by our own people. Also, you see Mila, our colleague from Ukraine, who on behalf of PostNL handed over a EUR 0.5 million check towards Giro 555.

Now if we look at our Q1 performance, we have reported a EUR 33 million normalised EBIT and a EUR 52 million free cash flow. Given the circumstances, solid results.

The first two months of the year were completely in line with our expectations, but since late February - early March we experienced the effects of the more challenging market environment, putting pressure on cost levels and e-commerce volumes.

Overall parcel volumes were down 19.5%, approximately 4% more down than our expectations. Obviously, the big step-down relates to less non-recurring volumes compared to 2021 when we saw a record quarterly level of 108 million parcels.

The decline was also due to developments in cross-border activities. If we adjust for this, we see solid growth of around 11% of our domestic volumes. But here we also see the slow-down since late February.

Mail was in line with expectations. We see a continuation of substitution, but at the same time good results in the Mail division.

While the situation brings additional uncertainty, we keep executing on our strategy with strong cash flow performance of EUR 52 million and we are progressing on our ESG as well as our digitalisation programs.

If we then move to the next slide, we see the Q1 performance on the key value drivers.

Q1 2022 performance impacted by challenging environment

Key financial metrics
(in € million)

	Q1 2021	Q1 2022	change
Revenue	962	806	-16%
Normalised EBIT	130	33	-75%
Assumed to be non-recurring and related to Covid-19	*42*	*1*	
Free cash flow	159	52	-67%
Normalised comprehensive income	112	34	-69%

€250m share buyback programme

- Execution started on 1 March 2022
- Around 6.6m shares repurchased in Q1 2022 for total amount of €23m

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Revenue came in at EUR 806 million, which is 16% below. There are a few important elements to note for this comparison. A large part of this step down in revenue is predominantly as a consequence of the lower non-recurring volume. Next to that, and that is also what we talked about before, the first part of 2021 Q1 and Q2 had very high volume and revenues from cross border and due to the changes in regulation that has partially been reversed.

Next to that, we still envisage supply chain disruptions because of the zero-Covid policies in China.

Last year we also sold Cendris Customer Contact that in that year, in that quarter contributed EUR 14 million to revenues.

Normalised EBIT came in at EUR 33 million with only a very limited impact, assumed to be non-recurring and related to Covid-19 this year, where last year we saw a plus of EUR 42 million.

As expected, around EUR 15 million minus impact on normalised EBIT from cross border activities resulting from the change in VAT-regulation for small, non-EU goods and other regulation in China, together with the global supply chain issues we just talked about.

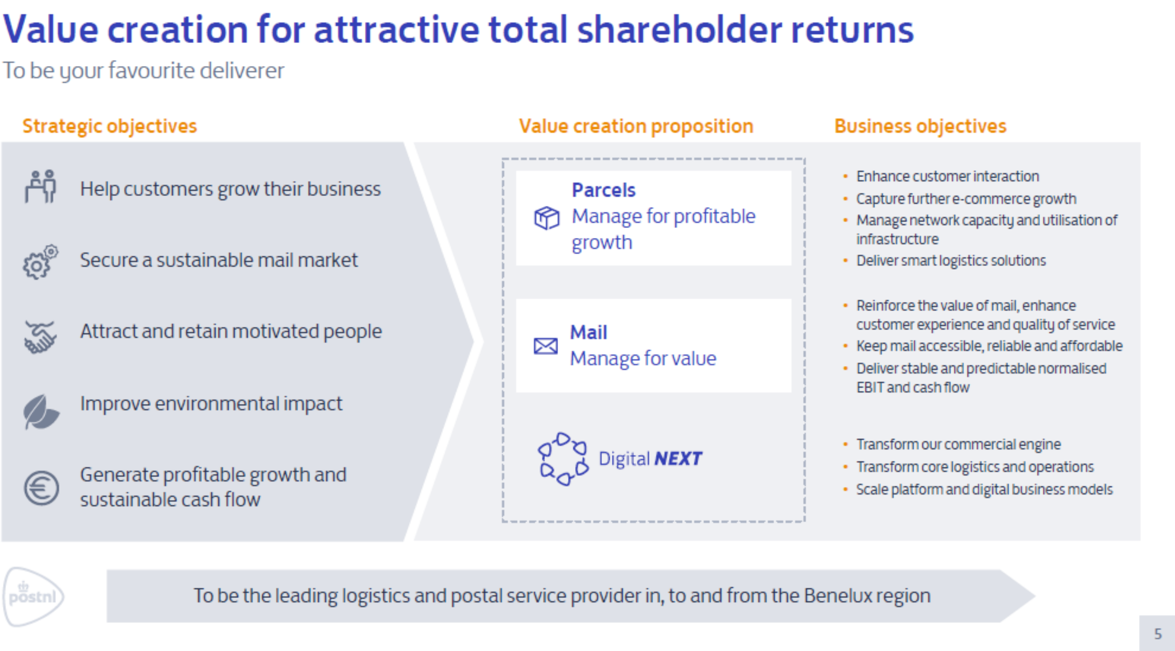
Compared to last year, we also saw our organic cost increase by EUR 21 million reflecting regular labor cost increases, higher costs for delivery partners and a spike in fuel costs. The EUR 21 million is approximately EUR 2 million more than we anticipated at the beginning of the year.

As said, despite the decrease compared to last year, free cash flow was strong.

Also, in this quarter we started the execution of our share buyback program. By the end of the first quarter, we have repurchased 6.6 million shares, and last week Monday we were at roughly 24 million shares for approximately EUR 79 million, so a good progress has been made on the buyback program.

Then before we go into the business development and more detailed financial performances, I would like to spend a few words on our strategic business drivers.

As said, we are continuing to execute on our strategy. We keep focusing on providing our customers on excellent experience and making our organisation more sustainable, building on our strong financial position.



On slide 5 you see our value creation model that we have discussed a couple of times before. It is important to briefly touch upon this once more. Our ambition is clear, we want to be the leading logistic and postal solutions provider into and from the Benelux. To live up to that ambition, we have defined three clearly defined value creation propositions.

Parcels we will manage for profitable growth, Mail we will manage for value, and Digital Next, our third proposition is aimed to strengthen our competitive position by further building on our platform and connecting customers, consumers and solutions through simple and smart digital solutions.

For these propositions we have defined clear strategic objectives which you can find on the left. We have set ambitious targets to improve our environmental imprint and, last but not least, we intend to generate profit growth and sustainable cash flow.

On this slide we clearly see that ESG is of course part of this strategy. It is our license to operate, and we focus on all three factors of ESG and have embedded these fully in our strategy.

We aim to improve our environmental impact and deliver all parcels and letters in the Benelux emissions free in the last mile by 2030.

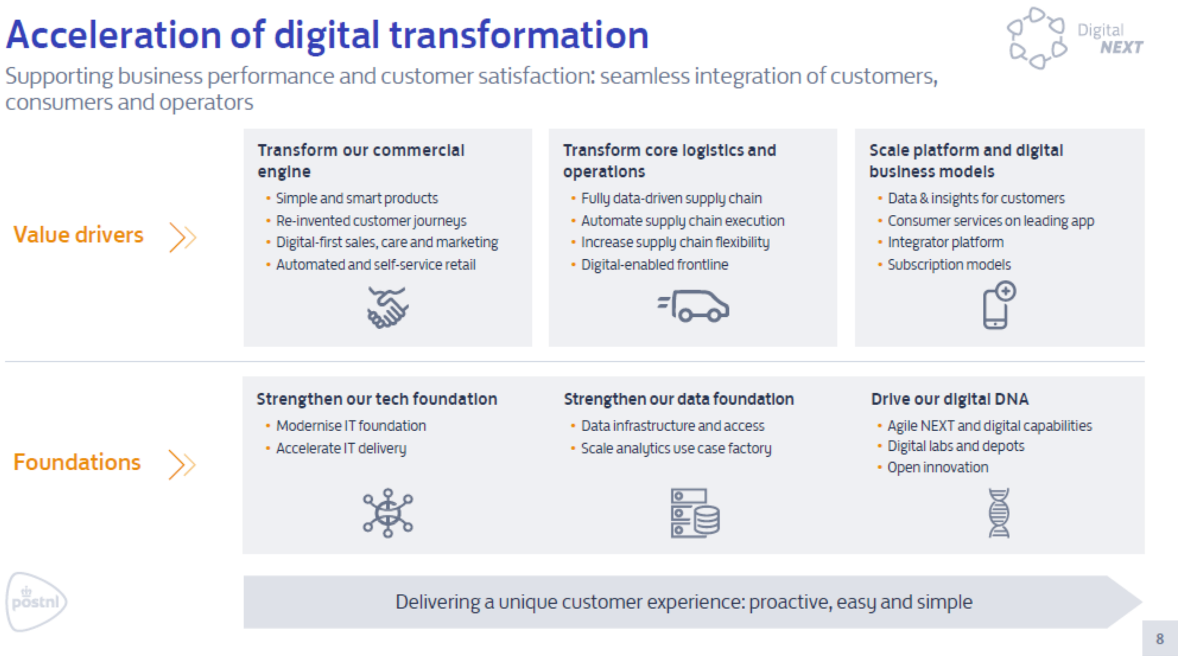
In the first quarter of this year, we have further reduced our environmental footprint by increasing our carbon efficiency by 15%.

Clearly and without any doubt our people are a key factor in our success. Negotiations on the new collective labor agreement for our postal deliverers are well underway and we should anticipate conclusions there in a relatively short term.

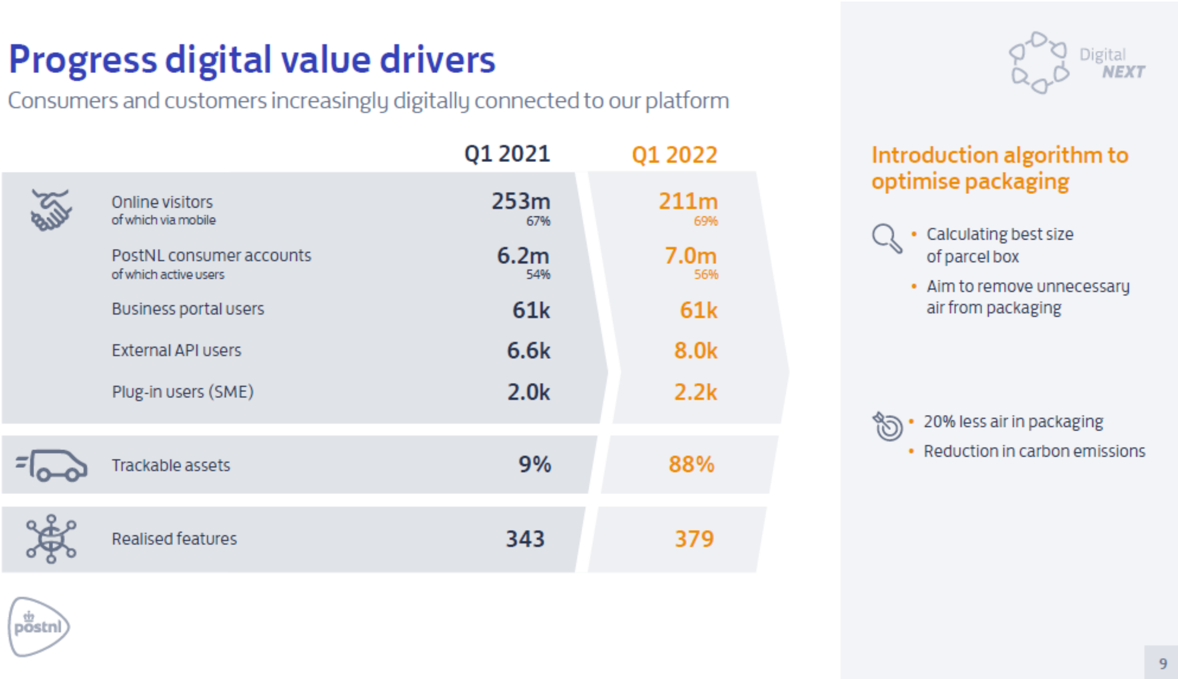
We also aim to be a solid and socially responsible partner and work with highly satisfied delivery partners and deliverers in a compliant and sustainable way.

We apply sound and social labour practices that comply with the relevant legal framework and are in line with common practice both in the transport sector as well as in the broader economy. A few words on Belgium on the next slide.

In Belgium, it is important to note that we work with 220 delivery partners and that they employ around 1500 deliverers. The vast majority of those work on fixed employment contracts under collective labor agreements with safe and compliant working conditions. 93% of the delivery partners we work with in Belgium are satisfied to very satisfied with the cooperation with PostNL. We use strict controls and apply the legal framework that is used in many sectors in Belgium, for example, also for the port of Antwerp as a basis of the way we work. We already had strict controls in place and tightened this even further after the first allegations came in. We currently do 100% check at the gate every morning. As such, we do not recognise ourselves completely in the allegations. All the checks have been carried out and they do not substantiate those either. We stand behind our people in Belgium without a doubt. These are surely not easy times for us and for them, but we have confidence in the legal process and in the independent investigations that are currently being done. In the meantime, all our locations are open, parcels are being delivered every day and we support our people as much as possible.



From ESG towards the acceleration of our digital transformation. As you know, within our Digital Next program we will further digitalise our commercial engine, transform our core logistics, scale our platforms to find new business. Progress is well underway and what is very nice for us is that we have been named No. 4 in the Digital Transformation Leader Top 150 by MT Sprout and the University of Amsterdam. For sure something that we are proud of.



On this slide you find the progress on our key digital value drivers. I will not spend too much time on them. We are happy with the progress we are making, and it will be interesting to note that we have introduced a new algorithm that will optimise the packaging of products and as such take out air in packaging around 20%. We are piloting this algorithm right now in our own fulfillment activities, seek to improve it and as such it also contributes to our carbon emission ambitions.

Q1 2022

Business and financial performance

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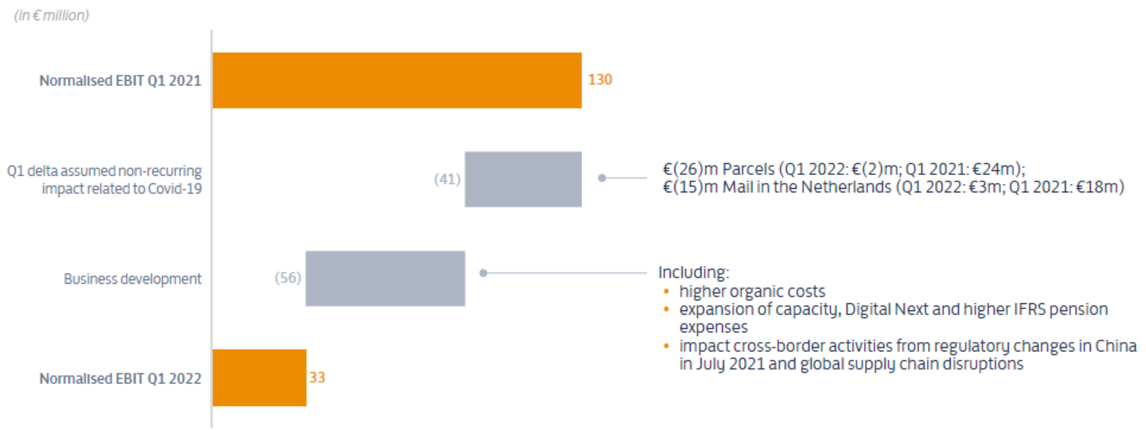
Sorry, now let's look into our business developments and financial performance in a little bit more detail.

Normalised EBIT development Q1 2022



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On slide 11 you find the bridge of the normalised EBIT comparison Q1 2021 towards 2022. It is a reconciliation of EUR 130 million result last year and EUR 33 million in this quarter. Here you see that a non-recurring impact of Covid had a negative impact of EUR 41 million this quarter. This quarter, the impact in Parcels was a negative EUR 2 million, compared with a positive EUR 24 million last year. At Mail, the comparison also shows a negative compared to last year; EUR 3 million positive compared to EUR 18 million last year, so a delta of EUR 15 million.

The negative impact in Parcels is mainly driven by the almost no non-recurring volumes in 2022 while at Mail in the Netherlands, the impact is mainly driven by a negative mix, as last year saw a lot of single and e-commerce items.

This brings us to a remaining negative EUR 56 million in business development in the first quarter. This business development cleaned for non-recurring Covid-impact reflects a couple of items that I already touched upon and which I would prefer to highlight.

Although our direct exposure to fuel costs is limited, it does have a material impact on results. In Q1 we see a EUR 21 million organic cost increase, which also includes labor costs, and this is EUR 2 million more than we anticipated. These costs will come back in our segment Parcels and Mail in the Netherlands in more detail when I go to those slides.

It also includes higher costs for expansion of capacity, Digital Next and higher IFRS (pension) expenses, as expected and as indicated before.

The development of cross border activities as a result of changing regulation of the Value Added Tax in comparison with the strong quarter of last year is another argument. So here we see a negative impact both at Parcels and Mail. While we believe the overall effect is partially temporarily, recovery will be impacted by the new lockdowns in China.

Parcels: Lower volumes and additional costs impact result

	Revenue	Normalised EBIT*	Volumes
Q1 2022	€554m	€18m	87m -19.5%
Q1 2021	€662m	€92m	108m

* €(2)m non-recurring impact related to Covid-19 in Q1 2022, fully Parcels Netherlands, versus €24m in Q1 2021 (€17m Parcels Netherlands and €7m Spring and Logistics)

Revenue mix

in € million	Q1 2021	Q1 2022
Parcels Netherlands	444	361
Spring	145	105
Logistics solutions and other	102	105
Eliminations	(30)	(17)
Parcels	662	554

Business developments

- Volume decline of 19.5%
  - stable market share
  - visible in all product categories
- 3.9% growth excluding non-recurring Covid-19 impact
  - decline international volumes in line with expectations
- ~11% growth when also excluding international volumes
  - growth in e-commerce continues, slowdown as of late February
- Rising revenue at Spring in Europe, revenue at Spring in Asia decreased
- Positive price/mix effect
- Temporary underutilisation of capacity, including small parcel sorting centre (SPSC), also due to lagging volumes and cross-border developments
- Scaling operations to align with volume development

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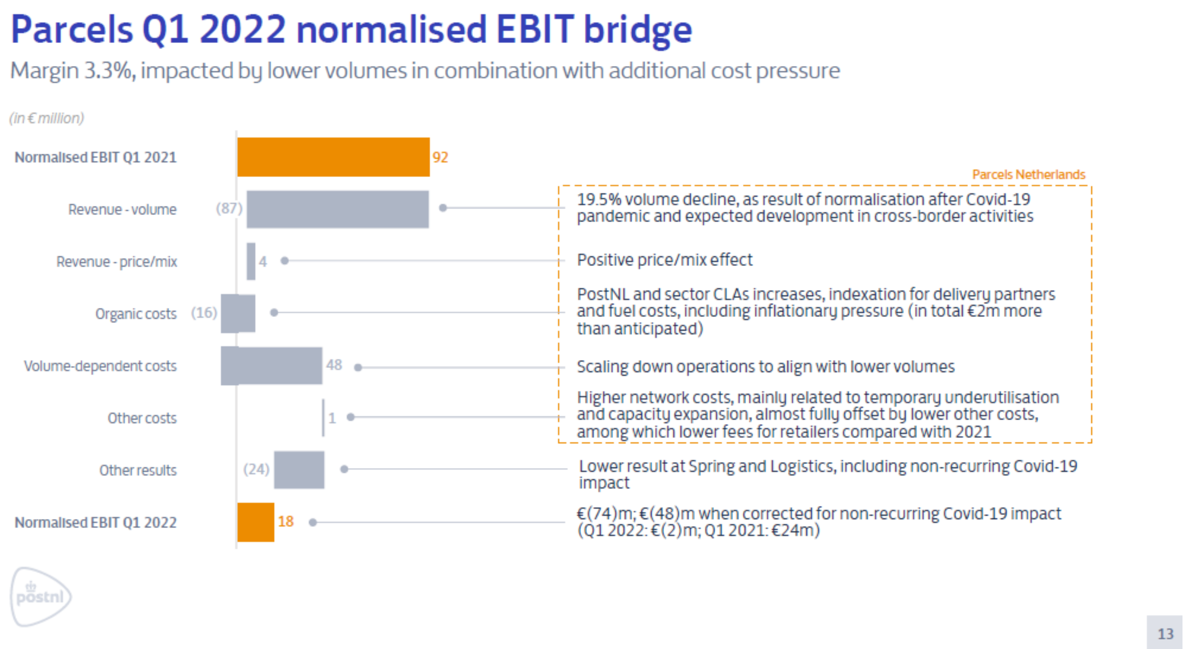
At Parcels, we reported a revenue of EUR 554 million in comparison to EUR 662 million last year. Normalised EBIT came in at EUR 18 million compared to EUR 92 million. This basically reflects a negative EUR 26 million related to non-recurring Covid and EUR 48 million less, driven by other business and operational effects. The most important ones relate to a step-down in volume and higher organic costs. The volume declined by 19.5%, reflecting lower non-recurring items.

We kept the market share stable and if we look at the volume development, excluding the non-recurring Covid-impact, we see growth of approximately 4%. If we then subsequently exclude our international volumes, we saw a domestic growth of 11% for the quarter and clearly, March was there significantly more negative than January or February.

Growth in e-commerce related volumes continued and, as said, a slowdown was visible as of the start of the war in Ukraine.

Revenue in Spring was down while logistics stayed relatively stable. This is partly related to non-recurring Covid and at Spring, of course, to the cross-border developments and compared to a strong last year.

As a result of the lower volumes, we see some temporarily underutilisation of capacity in the first quarter. This we are counterbalancing by our scaling operations down with actual volume development with the aim to keep the direct cost per parcel stable.



So, if we then look at the Q1 2022 normalised EBIT bridge for Parcels, you see the EUR 92 million compared with the EUR 18 million. There is a volume effect of minus EUR 87 million, largely balanced by EUR 48 million of lower volume dependent costs, as we are scaling down operations to align with lower volumes. A large increase in organic costs of EUR 16 million reflecting regular labor cost increases and higher costs for delivery partners, but certainly also a significant increase of fuel costs. Spikes that we are seeing right now can materially impact quarterly results. In March, given our delivery partners a one-time compensation for this spike, and those costs have been included in these buckets.

Higher network costs, mainly related to new capacity and temporarily underutilisation of our networks have been balanced by various over cost impacts. Last year for example, we paid around EUR 10 million additional fees to retailers to keep their shops open during the lockdown, whereas this year's lock-down and therefore our compensation ended in January.

The bucket 'Other results' was negative as well, reflecting amongst others a negative result at Spring as a result of the cross-border development and lower non-recurring Covid-impact and very strong performance in Q1 last year, both at Spring and Logistics.

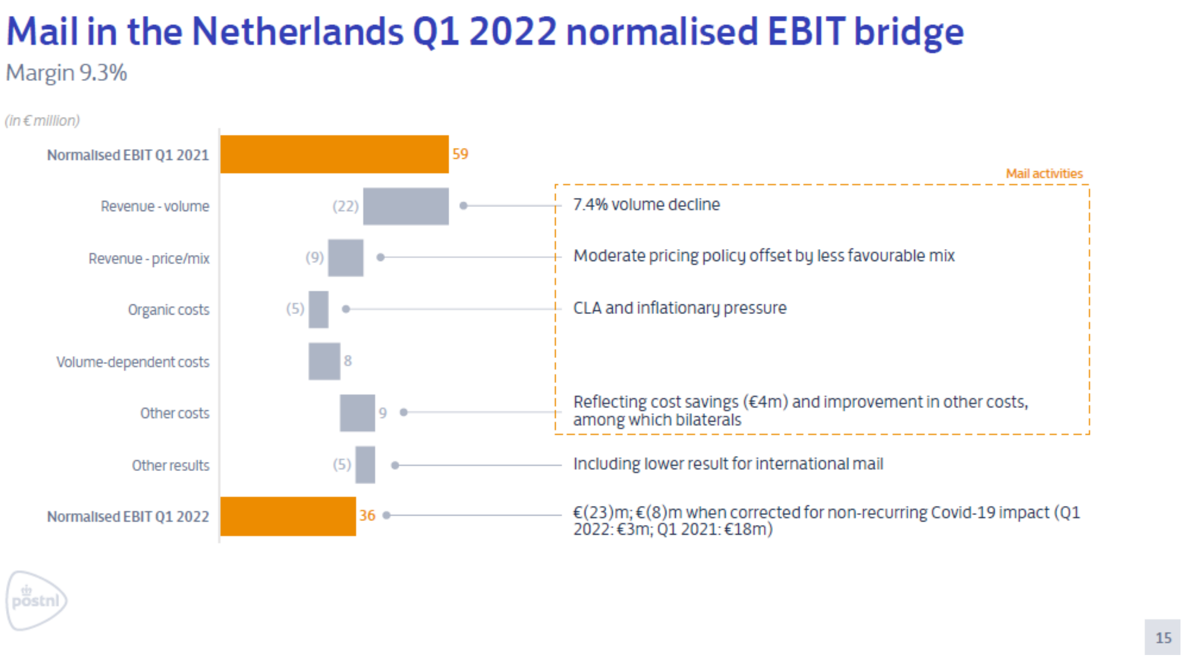
At Mail in the Netherlands, we report EUR 387 million revenue in comparison to EUR 460 million last year.

Normalised EBIT came in at EUR 36 million in comparison to EUR 59 million last year. This basically reflects a negative minus EUR 15 million related to non-recurring Covid and EUR 8 million less driven by other business effects. In our opinion, a solid quarter for Mail.

Substitution continued at 7.4%. Stamp prices were unchanged in 2022.

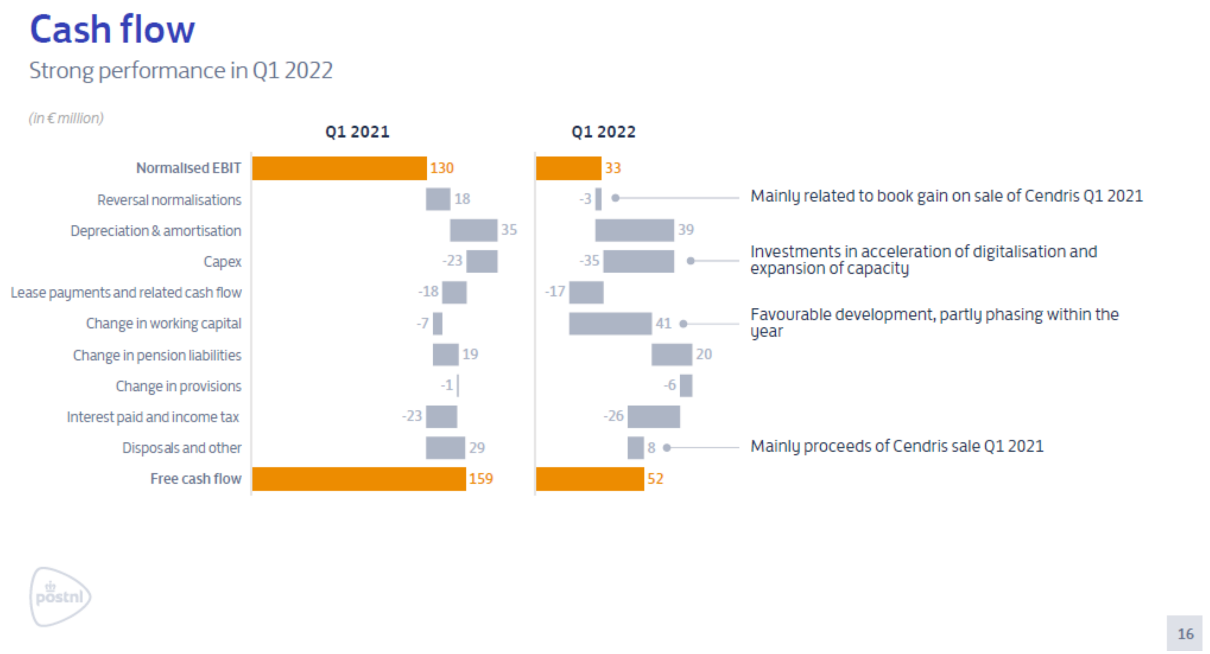
In Q1 of this year, we see a negative development in our mix, which is mainly the result of the single and e-commerce items last year, which were largely related to Covid-19 and thus non-recurring.

As always, but now even more than in normal times, we keep a close eye on our cost. In Q1, we realised additional cost savings by increasing efficiency in amongst others our collection and sorting processes.



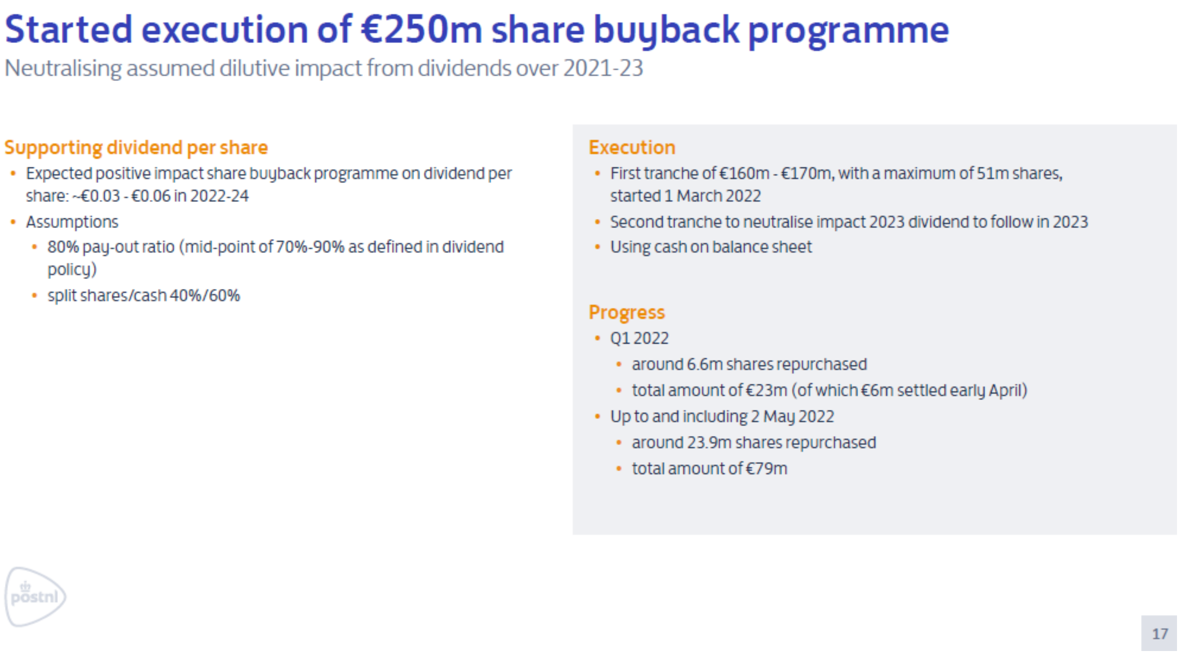
More detail on that reconciliation can be found on slide 15. A decrease of EUR 23 million or EUR 8 million when correcting for non-recurring Covid-19.

The results over the quarter reflect EUR 22 million negative volume impact, negative price/mix of EUR 9 million, organic cost increases of EUR 5 million, partly balanced by lower volume-dependent costs and other costs. The latter is a result of the additional cost savings and improvements in other costs, amongst them a positive impact from bilaterals.



Let's now move to our cash flow performance. A negative development compared with Q1 last year, however, still a very strong performance for the quarter. Last year's cash flow included proceeds from the sale of Cendris of EUR 44 million with the book profit was included within the normalisations and the proceeds in the disposals at the lower end of the bridge.

In Q1 this year we see additional investments in the acceleration for digitalisation and expansion of capacity, with the latter being scaled down of the remainder of the year to adjust it in line with volume projections. Also, we see a favorable working capital development that we already saw by the end of last year and we somehow expected it to be reversing. We managed to keep it at a very solid level. A little bit of that will be phasing. But we are still happy with the free cash flow performance for the quarter.



In line with our capital allocation model, we have announced the share buyback program. As I said, by now, we have approximately repurchased 24 million shares. Every Tuesday morning, we publish an update of the program and the additional cash out in relation to this roughly EUR 79 million of already repurchased shares will be visible over the next months in our cash flow statements.

You know that we finance the share buyback program by using the cash of our balance sheet, which then brings me to the balance sheet.

Further strengthening of financial position

Solid balance sheet with positive consolidated equity; adjusted net debt reduced to €188m

Balance sheet

(in € million)	2 April 2022		2 April 2022
Intangible fixed assets	361	*Consolidated equity*	*435*
Property, plant and equipment	435	*Non-controlling interests*	*3*
Right-of-use assets	285	Total equity	438
Other non-current assets	65	Pension liabilities	67
Other current assets	438	Long-term debt	697
Cash	882	Long-term lease liabilities	264
Assets classified as held for sale	5	Other non-current liabilities	100
		Short-term lease liabilities	64
		Other current liabilities	840
Total assets	**2,470**	**Total equity & liabilities**	**2,470**

Adjusted net debt

(in € million)	31 Dec 2021	2 April 2022
Short- and long-term debt	732	734
Long-term interest-bearing assets	(20)	(19)
Cash and cash equivalents	(848)	(882)
Net debt	**(136)**	**(166)**
Pension liabilities	67	67
Lease liabilities (on balance)	333	328
Lease liabilities (off balance)	17	43
Deferred tax assets on pension and operational lease liabilities	(79)	(84)
Adjusted net debt	**203**	**188**

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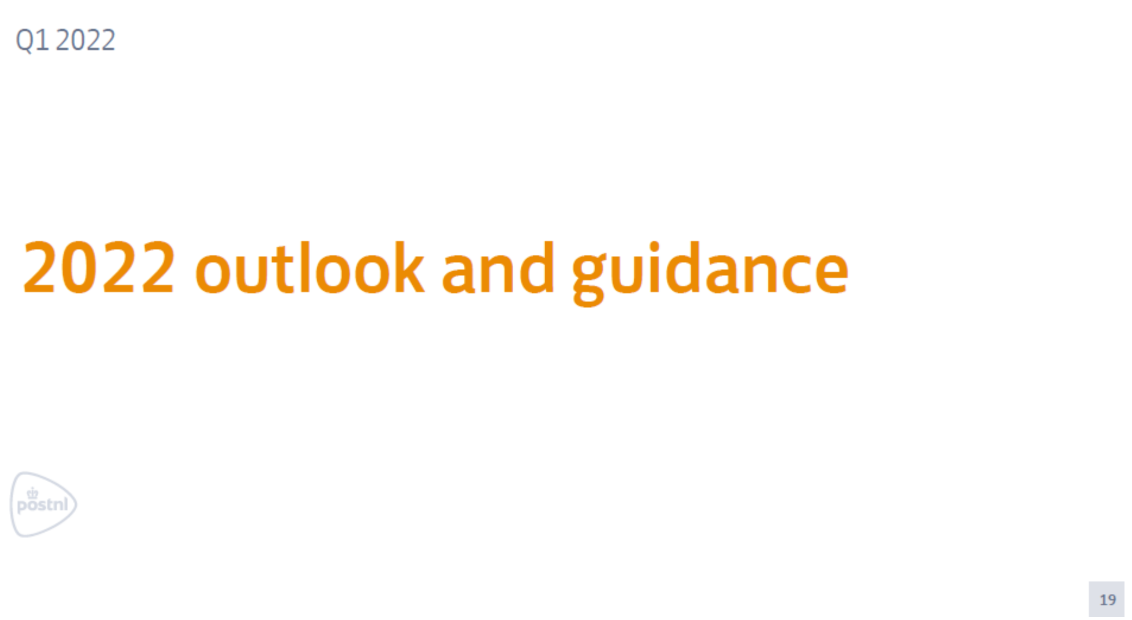
Here you see the key components of the balance sheet and the development of the adjusted net debt from EUR 203 million net debt by the end of the year to EUR 188 million at the end of the quarter, so still a very strong balance sheet with positive consolidated equity and a leverage ratio well below 2.

In Q2, please into account that our adjusted net debt position will be impacted by the progress of our share buyback program and the payout of the final dividend over 2021, which will impact materially our adjusted net debt position by the end of next quarter.



Then let's go through the expectations for the full year of 2022.

At the presentation of our Q4 and full year 2021 numbers on the 28th of February, we expected the normalised EBIT in the range of EUR 210 million to EUR 240 million, compared with EUR 226 million normalised EBIT, corrected for non-recurring Covid-impact in 2021. A free cash flow of EUR 110 million to EUR 140 million, with normalised comprehensive income of around EUR 200 million.

Unfortunately, the world looks different today, and it is going to be a year that is going to be more challenging than earlier anticipated.

What has changed since then? We see the ongoing war in Ukraine, increasing inflationary pressure and new lockdowns in China.

Although the direct impact of the war is very limited, we as many other companies do experience impact through the macroeconomic environment and increasing uncertainty. Fuel and energy costs continue to rise as is pressure on labor costs. We also see it impacting consumer spending. All this has a more direct impact on us.

And so do the new lockdowns in China that result in ongoing supply chain constraints, postponing partially the recovery in our cross-border activities.

While monitoring these developments closely, we are implementing measures to mitigate the potential impact and adopt our operational structure accordingly. However, we have chosen to absorb the increasing costs where we can while scaling our operations to align with volume development at Parcels as well as aligning the capex investment levels with the volume projections we currently see. And of course, we closely monitor our market share that has remained stable during the first quarter.

Based on our Q1 results, the more challenging economic environment with less visibility on e-commerce developments that we assume to continue throughout the second quarter of the year, we now anticipate to more or less flat volume development at Parcels, previously 3% to 5% growth, a further increase in organic costs, including inflationary cost pressure on fuel and labour costs of approximately EUR 15 million, of which the biggest component certainly is fuel-related. And we do expect additional impact on cross border activities of not being able to connect new customers in China and the supply chain constraints on the trade lane China to Europe as a consequence of the zero-Covid-19 policies of the Chinese government.

Adjusted 2022 outlook

Ongoing war in Ukraine impacts macroeconomic environment and e-commerce spending

(in € million)	2021	2021 adjusted for assumed non-recurring impact related to Covid-19	2022 outlook (28 February 2022)	Revised 2022 outlook	
Outlook					
Normalised EBIT	**308**	226	210 - 240	**170 – 210**	including ~(20) for expansion of capacity, digital NEXT and increase in non-cash IFRS pension expenses
Free cash flow*	**288**		110 - 140	**110 – 140**	strict working capital management; capex aligned with parcel volume projections
Other			**2022 indicative**		
Normalised comprehensive income	285		~200		to develop in line with normalised EBIT

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

Further inflationary pressure and continuing global supply chain constraints increase cost levels, with reduced visibility on volumes

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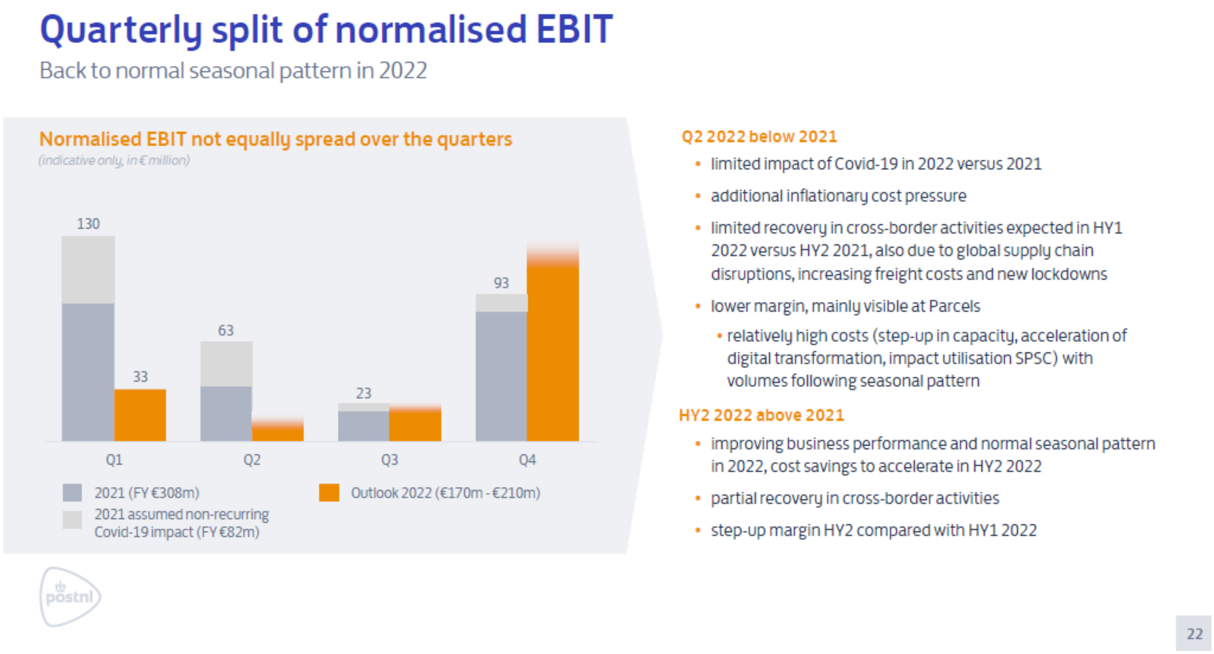
As a result, we have to adjust our full year 2022 outlook for normalised EBIT to EUR 170 million to EUR 210 million. We can, however, confirm our full year cash flow outlook and will continue strict working capital management and scale down investments in parcel capacity to adjust to lower volume expectations.

So, the free cash flow outlook will remain EUR 110 million to EUR 140 million. Normalised comprehensive income will develop in line with normalised EBIT.



Slide 22 indicates the quarterly split of the normalised EBIT over the various quarters of the year. You know that we have been very transparent in 2020 and 2022 on the non-recurring Covid-impact and that we have taken out in this comparison. But obviously it does still play an important role when comparing the numbers from 2021 with 2022.

Despite the adjusted outlook, the story is the same as on the 28th of February.

This means that we will basically go back to a normal seasonal pattern in 2022, which basically means a lower result in the first half of the year, and then gradually improving margins in Q3 and Q4, also on the back of partial recovery of cross border and cost savings in Mail in the Netherlands in the second half of the year.

Q1 2022

Concluding remarks

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Let me conclude.

Executing strategy that builds on strong financial foundation

Focus areas unchanged

Parcels managed for profitable growth
- Contribute to the development and growth of our customers
- Expansion of capacity aligned with volume development
- Further developing a future-proof, effective and sustainable delivery model

Mail in the Netherlands managed for value
- Strong nationwide network
- Manage ongoing volume decline and realise cost savings e.g. by adapting processes (New Mail Route)
- Safeguarding on-time delivery

Speed-up progress towards achieving ESG targets
- Accelerate trajectory towards environmental targets by use of renewable fuels and electrification of fleet
- Keep staffing at desired level in tight local labour markets

Digital NEXT

Accelerate digital transformation
- Switching from customer satisfaction to Net Promoter Score (NPS)
- Tailored customer journeys to increase NPS
- Accelerate our agile operating model

FY 2022 outlook more challenging than anticipated before
- Normalised EBIT: €170 - €210m
- Free cash flow confirmed at: €110m - €140m

Further inflationary pressure and continuing global supply chain constraints increase cost levels, with reduced visibility on volumes

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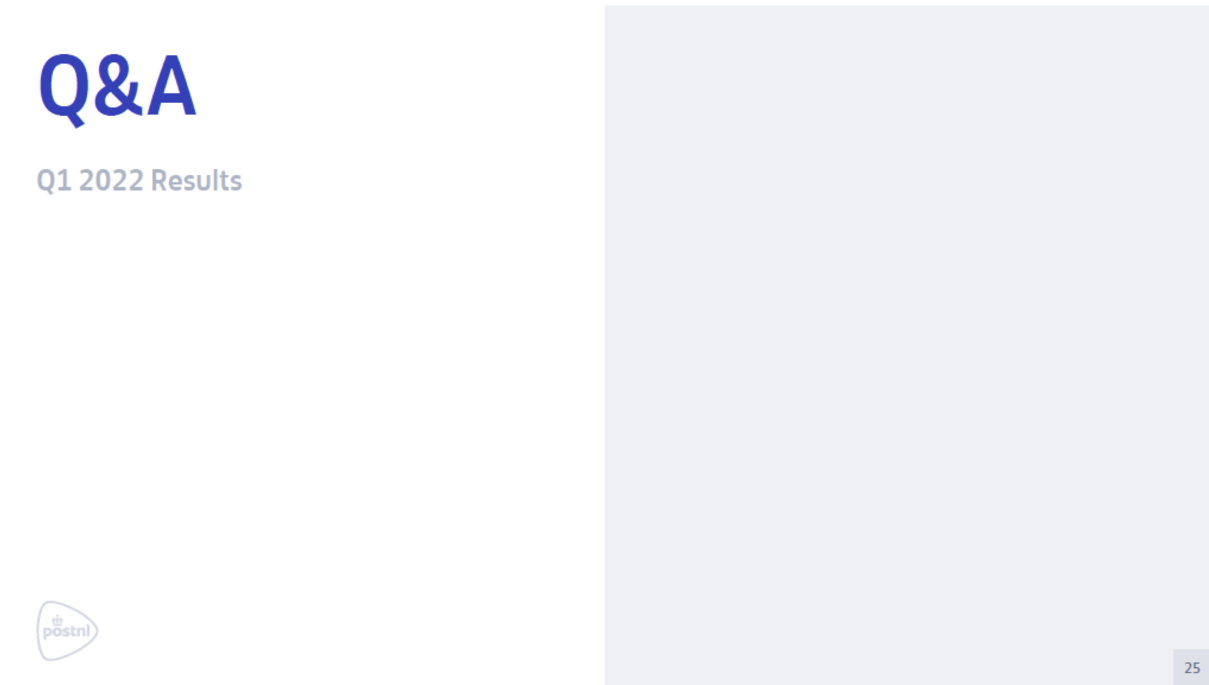
It is obviously very difficult to determine the longer-term consequences of the situation in Ukraine and what the impact on the macroeconomic drivers will be. There are a lot of independencies and given the fact that we have seen a quarter with two months that were in line with expectation and one that was not, it is not easy to predict how e-commerce volumes will develop.

At the same time, higher inflationary cost push up costs in the supply chain that we have to absorb as well. Therefore, unfortunately, but driven by those market circumstances, we have to adjust the outlook for normalised EBIT for the year to EUR 170 million to EUR 210 million. We are very positive about our strategy. We will not waver on the implementation, and the pace of execution on that strategic transformation. We are positive about the future prospects for PostNL.

That concludes my presentation on Q1. Thank you all and back to you, Jochem.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Thank you very much, Pim. I am handing over to the operator to manage any incoming questions.



- **Frank Claassen – Degroof Petercam**

Good morning all, I have two questions. First of all, on the Parcels volumes. Could you roughly indicate how much lower March was versus January and February? And also maybe, the April volumes; how do they compare to March? Could you already indicate how these developments look?

Secondly, on the capex. You have indicated that you are going to adapt in line with the volumes in Parcels but if I am not mistaken, you indicated with the full year EUR 160 million to EUR 170 million. What could we roughly expect? Is that EUR 10 million to EUR 20 million adjustment? Some words on that, please? Thank you.

Pim Berendsen – CFO PostNL: On January February that was above and beyond the 11% domestic growth that we saw for the quarter, predominantly in January. Basically. How we look at it, is that March was in comparison to expectations – bear in mind that January and February were in line with our expectations – roughly speaking 4 million items off our own expectations. And we do see a continuation of that run rate from March into April.

If we then talk about capex, we basically adjusted the capex levels at Parcels. Obviously, some commitments have already been made, and as such they are not flexible. But you need to think about, roughly speaking, EUR 15 million to EUR 20 million less capex for the year in comparison to our original expectations.

Frank Claassen – Degroof Petercam: Those are clear answers. Thank you very much.

- **Marco Limite – Barclays**

Good morning, thanks for taking my questions. My first question is on your outlook for the full year around parcel volumes. You are now guiding for flattish volume year-on-year but clearly you had a pretty soft start of the year. Could you explain what your assumption is for the second half of the year in terms of volumes?

My second question is a bit more generic. Could you please explain how the contracts with your logistic partners work in the Netherlands? You had extra compensation for higher fuel costs, but I was wondering if there is an indexation for higher wage costs as well.

My third question is about your updated outlook, specifically for the second half of the year. You are clearly guiding for a step-up margin in the second half of the year, but can you please remind us of which are the drivers of these higher cost savings in the second half? If you could give us a few examples, many thanks.

Pim Berendsen – CFO PostNL: Thank you. Your first question relates to the assumptions on full year parcel volumes. There we need to make sure that we start the comparison right. On a reported level, we projected originally 3% to 5% volume growth in the Parcels segment, and we have now brought this back to around zero. The first quarter on a reported level still shows a growth of 3.9% and if we were to go back in the second part of the year, to, roughly speaking, the growth levels that we saw in January or February, we come back to the almost flattish volume development of Parcels for the full year. In other words, we have assumed the continuation of the run rate of March throughout the entire second quarter, and then gradually coming back to the normal patterns in Q3 and Q4. And what also contributes to that overall development is that clearly the comparisons on cross border are very negative in Q1-Q2, whilst international will show significant growth in Q3-Q4 in comparison to those quarters last year. These are broadly the assumptions on volume.

What do the contracts with delivery partners look like? They do not have the same term, so they are up for renewal on various moments in time. There are mechanisms in place that increases in labour costs or increases in other relevant cost components that are part of the NEA-index will drop through to different tariffs for our delivery partners as and when contracts are up for renewal. What is different though, is that given the abnormal spike in fuel costs, we felt we need to do something extra and pre-empt those contract renewals by making sure that our delivery partners can still create a positive margin with their business. That is why we have given them a compensation in the first quarter, and we expect to continue with that for the higher fuel prices. So, that is not necessarily based on contract agreements, but just as we felt it was appropriate to do so.

A big step-up in the cost in the beginning of the year will over time become more productive. Volume in parcels will grow, as I said, in the third quarter and the fourth quarter. At Mail, we will see a step-up in cost savings, just as a run rate of initiatives already being undertaken, as well as additional cost saving programs that will take. So, we are confident that surely the margins will improve in the second part of the year.

Marco Limite – Barclays: Thank you.

- **Marc Zwartsenburg – ING**

Thank you for taking my questions. First of all, parcels. I would like to come back on also the Parcel volumes and trends. I did not exactly get what you said regarding January and February versus March and April. Can you maybe remind me a bit on what you indicated as the trend difference of those two?

And then on the outlook, also keeping it with parcel volumes. You reported minus 19.5% and you are indicating flat year-on-year reported. That means that you have to catch up a lot in the second half. That actually means that underlying ex-Covid you should go back to double-digit mid-teens sort of trends. Is that indeed what you are expecting to see for Q4? The seasonal guidance through the year does not indicate any improvement in Q2 and Q3 and that means that you have put a lot of growth into Q4. Can you maybe help me a bit with understanding the underlying trends you see in Parcels in your outlook, what you assume there?

Then on the cost side. You indicated that you have included extra compensation for fuel also in your outlook. But are you also assuming bigger cost savings in your outlook? Can you maybe give a bit more of an indication on the cost side what the building blocks are in terms of what you put in there in terms of inflationary pressure and what you put in there in terms of cost savings?

And then on your net working capital. Can you give us a bit of an indication of what you expect for the full year there, because receivables came down quite a bit? Can you give us a bit of an indication on the network and capital trend?

Then my last question, for now at least. You trim your capex for this year because you have underutilisation. You see the volume trend being quite a bit lower, consumer confidence is lower, and the world looks a bit different. We have higher cost inflation. What does it mean for your guidance for 2024 because you alluded in February still to the fact the EUR 450 million additional capex is still applicable and that we should not assume something hugely different? You are scaling down this year. The world looks different since the end of February, our starting point for next year is lower inflation, et cetera. Can you give us a bit more color on the guidance for 2024, where the compensation should come from to get there?

That’s it for now.

Pim Berendsen – CFO PostNL: On the parcel volume assumptions, be sure to remind me, Marc, if I somehow missed the question. So, the trends of January, February; January, February were significant growth months and then a significant decline in March. As said on one of the earlier questions was that, let's say, January and February were in line with our expectations. March was off and off by approximately 4 million in terms of volume. Roughly speaking, 1 million a week, and that is currently also the trend line that we that we have seen in April.

Indeed, we expect in the second part of the year double-digit growth again, helped by domestic growth and basically going back to the growth levels that we saw in January, February and above and beyond that also international growth rather than international decline that we see in Q1 and Q2 of the year. Basically, we have taken the entire second quarter with the run rate of March and April, so roughly speaking 1 million a week less volume than originally anticipated and then going back to growth levels. All in all, we still believe that the key drivers behind growth areGDP growth and online penetration and even the latest views still indicate real GDP growth for the Netherlands. I have no indication that online penetration will come down. So yes, we do indeed expect growth for the second part of the year. If we were to take the run rate of the quarter and not even assume an improvement there on the second part of the year, you would end up maybe with slightly lower volumes than zero, but still within the bandwidth of the EUR 170 million to EUR 210 million. But as said, we currently expect growth back to double digits in the second part of the year.

On costs we have not changed our approach to our digital transformation. We execute the plans in accordance with what we wanted to do, which means that we have not introduced additional cost savings and basically absorb currently the higher organic costs that we see driven by, for the biggest part, higher fuel costs and a little bit higher labor cost. There is a lagging effect there. We are not changing our commercial rates at this point in time. We are not putting surcharges for fuel on our price points, given the fact that in these uncertain times we want to keep our market share stable. But certainly, through indexation drivers in our commercial contracts we do expect a step-up in prices from 2022 to 2023. That will be higher than in other normal inflation situations would be the case. That is the answer on your third question.

Let me get to the working capital development that we expect for the full year to retain part of the positive development that you have seen in the first quarter, but there is also going to be a bit of phasing. We still expect an investment in working capital of around EUR 50 million for the full year.

On the overall additional investments of EUR 450 million that we introduced in summer 2021, we have always said that this additional capex in Parcels is a function of volume expectations. It is not going to be one big investment decision, but very many different ones. Now that we currently see lower volumes, albeit in very uncertain times to really predict it will take whether or not the composition will change, or be it in very uncertain times to really predict how long it will take, whether not the composition will change, we have adjusted the capex for this year downward with the level that I just said. But it is too early days to say that will impact 2023 and beyond. But certainly, the general comment remains valid: if we see lower volume growth, the cCapex levels will be adjusted accordingly.

If I am not mistaken, I have covered your five questions now.

Marc Zwartsenburg – ING: Absolutely, Pim. Thank you very much. I might have a follow-up later on.

- **Henk Slotboom – The Idea!**

Good morning, all, and thanks for taking my questions. Apparently, I have the same cough as Pim. I have a couple of questions, first of all on Spring. If I listened correctly, the recovery in the fourth quarter is partly due to an expected recovery in domestic parcels and a sharp recovery in international parcels. To what extent is this a return to normal? Are we going to see the same kind of volumes for Spring coming from Asia as we did in the past?

The second question I had relates to the subcos in Belgium. In contrast to what we have seen in the Netherlands, there is an automatic inflation correction in Belgium, and if I understood it correctly last Friday, your colleagues from Belgium reported that they have to increase the salaries by 6 times 2%, that is 12%. Is that something you see back in the prices to pay to your Belgian subcontractors as well? Is there this same clause as you use in the Netherlands? Perhaps you can clarify that.

Then I am looking at slide 17 of the presentation on the share buyback. It says with big letters underneath 'neutralising the assumed dilutive impact for the dividends over 2021 and 2023'. I have looked at the conversion ratio of your latest dividend, the final dividend over 2020. That was EUR 28 cents and then the conversion price for a share lies at EUR 4,33. I have been doing some quick and dirty calculations. Assuming that 40% of the shares have opted for the stock dividend that has increased the shares by about 55 million altogether. For the same amount at today's share price, you can buy back 20.4 million shares as opposed to the 12.7 million shares you issued. How hard is the EUR 250 million figure? I can imagine that if things deteriorate, if the environment deteriorates rapidly that you can put it on hold and that sort of things but assuming that nothing special happens and the share price stays where it is, at EUR 250 million, is that still the figure you were going for, for this year and the next year?

Pim Berendsen – CFO PostNL: Yes Henk, indeed we have the same cough so, bear with me and then I will try to properly answer your questions.

On Spring, there are a couple of elements there. We saw really the best-ever quarters last year for cross border in Q1 and Q2. Those were driven up pre the regulatory July changes. We have seen in Q3 and Q4 a slower recovery than we then anticipated, also driven by higher freight costs, which just made Chinese e-commerce parties less competitive in comparison to European domestic e-tailers and retailers. Transit times were up, freight cost were higher, and Value Added Tax together have done something with the competitive position of these players in the market. At the same time, we expect, also because those comparisons are relatively low, growth on these trade lanes driven by the market share that we have. What is difficult though, and that is what I have mentioned as one of the three elements that are underpinning the normalised EBIT adjustment is that given the zero-Covid policy in China it is very difficult to create new business opportunities at this moment in time. Our staff are refrained from traveling there, there is scarcity of certain products that limit the opportunity to create an even bigger customer base. But nevertheless, indeed for Q3 and Q4, we expect significant growth predominantly for the trade lanes that Spring serves. Then you are talking about very significant double-digit growth for Q3 and Q4.

If you talk about the delivery partners in Belgium, indeed, via the – I do not know if there is an English word for it – 'paritaire comités, that determine the labour conditions and salary levels, there are automatic increases in the labour rates. That is true and certainly PostNL will follow the mandatory changes in those adjustments, like anybody else in the industry does. The terms of these 'paritaire comités' are not necessarily the same and aligned to the periods they refer to at bpost. So, all in all, this mechanism works the same, the moments in time when they need to be applied can vary, and let's finish off by saying that all mandatory, expected inflation levels are part of this outlook that we have given this morning.

Then on the share buyback. I have not done the math exactly as you have done it, but let's be clear. We always said the EUR 250 million was assumed, it intended to compensate the assumed dilutive effect given the dividend policy we have. But we have also been clear that it is fixed. There are two tranches, so there are no plans whatsoever, also not driven by current market situations, to change the amount or postpone the second tranche. None of those whatsoever. I still expect us to buy back the full EUR 250 million over the two tranches over the two years.

Henk Slotboom – The Idea!: So hypothetically, you could buy back far more based on the current share price …

Pim Berendsen – CFO PostNL: As long as it is within the ranges of the percentages that we can buy back based on the agreements that were given to us by our shareholders.

Henk Slotboom – The Idea!: Thank you. That is very clear.

- **Ivar Billfalk-Kelly – UBS**

Good morning, you mentioned that you are making progress with your unions on salary negotiations, but if I am not mistaken they were due to have been finalised in October last year. So effectively, does your 1Q result now reflects the expired CLA or have you made some allowances for affective higher salaries? And if it does not reflect it, is there a risk that there is a fact catch-up in terms of some back payments for 1Q that happened in May?

Linked to that, union releases that they had in the past, if you cannot come to an agreement that you would be forced to take action, whatever that means, is it fair to assume that there is the risk of industrial action if you cannot come to an agreement?

Lastly, on the Mail and Parcel capacity for the overall market. Where does that stand now relative to last year and the year before if you take yourselves and your peers into consideration? Is there meaning for more capacity in the market? Is there a risk that you will not be able to pass on the higher costs to your end-customers?

Pim Berendsen – CFO PostNL: Can you please your second question? I have the first and the last, but I am not quite sure I got you right on the second question. Sorry for that.

Ivar Billfalk-Kelly – UBS: From having read some of the union's releases, they say that they might be forced to take action if you cannot come to an agreement soon. Does that imply that there is a risk of industrial action?

Pim Berendsen – CFO PostNL: Understood. We are well progressed with the collective labor negotiations, and we hope to be able to announce a deal on a relatively short notice. But not all I's are dotted, and all elements crossed, but we are getting very close to an agreement there. The expected agreement has been taken into account in the outlook range that we shared with you. The first quarter employee costs related to postal deliverers are still a function of the old CLA and the agreement could have retroactive effects – backwards – towards the beginning of this year but, as said, the costs associated with that are included in the EUR 170 million to EUR 210 million range. As we are close, hopefully close to concluding a deal there, that also mitigates the risk of any industrial actions.

Then on the market share or the ability to pass on additional costs to clients. In the first quarter of the year that market share has been stable, around about the 60% - 62%. We are planning to keep it there, but as said, we do not want to introduce outside the scope of current agreements that we have now surcharges to pass on fuel costs to clients, but as said, based on the indexation paragraphs in contracts we have, there is obviously an ability to pass on the higher NEA index rates from 2023. We will seek to be able to do that because although we absorb those costs within 2022, it is not feasible for us to continue to do so forever and ever, and we expect to be able to pass that element to clients without impacting the market share. As also our competitors are facing the same cost pressures on the same cost items as we do.

Ivar Billfalk-Kelly – UBS: Thank you.

- **Muneeba Kayani – Bank of America**

Thank you for the presentation. I have a question on the normalised comprehensive income. On the slide you do not have normalised comprehensive income number. Is it fair to assume that it will have a similar impact as the EBIT in your new guidance or is there anything else we should keep in mind?

And then just kind of going back to the mid-term guidance. You have talked about the capex side of it; how are you thinking about volumes and margins guidance there? Any kind of update on your thinking into 2024?

And then just following up on the earlier question on the CLAs. There is another CLA this year. If you can just remind us of the timing on that and on where you are on that?

Pim Berendsen – CFO PostNL: On the normalised comprehensive income that indeed will follow the relative step down of the normalised EBIT levels. Taking three quarters of that step-down is roughly the assessment that you need to make to get to the impact of normalised net comprehensive income.

I do understand your question on guidance going forward but that is very difficult at this moment in time. For us, it is too early days to say that. We saw March being completely different than January and February and it is not easy yet to split out what the drivers are behind that step-down in volume in March and April. Is it consumers temporarily withholding consumer spending, is it also temporarily to a shift to services that over time will come back, how much is driven by caution of consumers given higher inflationary elements? So, it is not easy to predict at this point in time, and that is also why currently we will refrain from giving more insight or guidance, just because we cannot at this point in time beyond the 2022 borders.

On the CLA you are right. On the PostNL Collective Labor Agreement, so not the one covering the mail deliverers. That contract terminates by 1st October of this year [note: expired on 31 March 2022] and negotiations have not started.

Muneeba Kayani – Bank of America: Just to follow up, do you assume anything on that CLA and the new guidance?

Pim Berendsen – CFO PostNL: Sorry, can you repeat the question?

Muneeba Kayani – Bank of America: What do you assume in the new guidance for that?

Pim Berendsen – CFO PostNL: I am not going to pre-empt that negotiation, but our best estimate is included in the outlook. I cannot be more specific given the fact that negotiations on that CLA still need to start.

Muneeba Kayani – Bank of America: Yes, of course. Thank you.

- **Stefano Toffano – ABN AMRO ODDO Bhf**

Good afternoon everybody. Many questions already answered so I will keep it short. There is still one question regarding the fuel costs. Just to be clear, assuming that fuel prices will remain at these elevated levels, what would that mean for you EUR 15 million that you assumed in your adjusted assumptions for the year?

Then another question that I have is more a general question. Obviously and clearly your guidance assume somewhat normalisation into H2 but what if inflation keeps hampering consumer confidence and volumes? Do you have a contingency plan in place for this scenario, or are you taking more a wait-and-see approach, given all the uncertainty in the outlook?

Pim Berendsen – CFO PostNL: Thank you. On fuel prices, what we pursued for the remainder of the year is, roughly speaking, somewhere around EUR 12 million to EUR 14 million additional costs in comparison to our first indications in the beginning of the year, driven by higher fuel costs for the remaining quarters of the year. We expect a gradual but not fundamental improvement of the diesel fuel prices throughout the months of the year, but still at very high levels on average for the entire year. That is what we have currently assumed. Currently, in the outlook we have assumed a consumer price including Value Added Tax of on average EUR 1.90 – EUR 1.95 a liter.

Is there any contingency in place if volume comes down further? As I said, we have scaled down operations on the back of lower volumes. There is obviously a bit of a time lag between the moment you see those lower volumes and the time you need to adjust your logistical footprint on. But that is what we're doing. We are scaling that down, to slightly lower levels than our volume expectation, and that is our way to mitigate this, partially because it is easier to scale up than scale down. That is our way to manage the uncertainty and we will follow on daily and weekly the volume development. If we see fundamental changes in comparison to our expectations, we will take action like we take action each time we are put into challenging circumstances. So that is the way we look at it. We think it would be a mistake not to continue with our strategic transformation, and that is why we are not making any amendments to our strategy, nor to our digital term transformation programs, because we believe that those elements will create distinctive customer experience and will further strengthen PostNL's market position in comparison to our main competitors. So, we do not plan to deviate from those at all.

Stefano Toffano – ABN AMRO ODDO Bhf: Thank you very much.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: As there are no further questions, thank you all for joining us today. If you have any further or remaining questions you know where to find the IR team. We look forward to meeting you again and have a good day.

Thank you.

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End of call

Appendix

Q1 2022 Results

- Assumed non-recurring impact related to Covid-19
- Full reconciliation income statement and EBITDA per segment
- Free cash flow per segment
- Profit and normalised comprehensive income
- Pension expense and cash contribution

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Assumed non-recurring impact related to Covid-19

Volumes *(around, in million items)*	Q1 2021	Q1 2022
Parcels	26	2
Mail in the Netherlands	12	15

Revenue *(around, in € million)*	Q1 2021	Q1 2022
Parcels	137	2
Mail in the Netherlands	33	9
Eliminations	(6)	0
PostNL	164	10

Normalised EBIT *(around, in € million)*	Q1 2021	Q1 2022
Parcels	24	(2)
Parcels Netherlands	*17*	*(2)*
Spring and Logistics	*7*	*0*
Mail in the Netherlands	18	3
PostNL	42	1

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Full reconciliation of income statement and EBITDA per segment

Income statement	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
(in € million)	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022
Total operating revenue	962	806	662	554	466	387	48	55	(214)	(190)
Other income	21	5	-	-	21	5	(0)	-		
Cost of materials	(16)	(21)	(11)	(16)	(3)	(3)	(2)	(2)		
Work contracted out and other external expenses	(466)	(404)	(427)	(377)	(220)	(179)	(34)	(37)	214	190
Salaries and social security contributions	(249)	(245)	(83)	(90)	(138)	(127)	(29)	(27)		
Pension contributions & related costs	(40)	(42)	(7)	(8)	(11)	(11)	(22)	(24)		
Depreciation, amortisation and impairments	(35)	(39)	(18)	(19)	(9)	(7)	(8)	(13)		
Other operating expenses	(29)	(30)	(25)	(26)	(30)	(28)	26	24		
Total operating expenses	*(835)*	*(781)*	*(570)*	*(535)*	*(411)*	*(356)*	*(69)*	*(80)*	*214*	*190*
Operating income / EBIT	**148**	**30**	**92**	**18**	**77**	**36**	**(21)**	**(25)**	**0**	**0**

EBITDA	PostNL		Parcels		Mail in NL		PostNL Other	
Operating Income / EBIT	148	30	92	18	77	36	(21)	(25)
Depreciation, amortisation and impairments	35	39	18	19	9	7	8	13
Reported EBITDA	**184**	**69**	**110**	**37**	**86**	**43**	**(13)**	**(12)**
Non-cash pension expense	19	20	0	0	0	-	18	20
EBITDA excluding non-cash pension expense	**202**	**89**	**110**	**38**	**86**	**43**	**6**	**8**
IFRS16 impact (depreciation RoU assets)	(16)	(16)	(9)	(10)	(3)	(3)	(3)	(3)
EBITDA excluding non-cash pensions and IFRS16	**187**	**73**	**101**	**27**	**83**	**40**	**3**	**5**

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Free cash flow per segment

(in € million)	PostNL		Parcels		Mail in NL		PostNL Other & Eliminations	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022
EBITDA	184	69	110	37	86	43	(13)	(12)
Change in pensions	19	20	0	-	0	-	18	20
Change in provisions	(1)	(6)	0	(0)	(1)	(7)	(0)	1
Change in working capital	(7)	41	(29)	21	20	23	1	(3)
Capex	(23)	(35)	(3)	(9)	(5)	(2)	(15)	(24)
Disposals	2	6	(0)	0	3	6	(1)	(0)
Interest paid	(3)	(3)	(1)	(1)	(1)	(1)	(1)	(2)
Income tax paid	(20)	(23)	(23)	(5)	(19)	(9)	22	(9)
Lease payments and related cash flow	(18)	(17)	(8)	(10)	(7)	(5)	(3)	(2)
Other	29	2	(1)	1	(19)	1	48	1
Adjusted free cash flow	159	52	44	35	57	49	58	(31)
Soft pension settlement	-	-	-	-	-	-	-	-
Free cash flow	159	52	44	35	57	49	58	(31)
Free cash flow yield	8%	3%						

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Profit and normalised comprehensive income* PostNL

(in € million)	Q1 2021	Q1 2022
Operating income / EBIT	148	30
Net financial expenses	(5)	(6)
Results from investments in JVs/associates	0	0
Income taxes	(31)	(7)
Profit/(loss) from discontinued operations	24	(0)
Profit	136	16
Other comprehensive income (mainly related to pensions)	13	15
Total comprehensive income	149	32
Normalisation on EBIT, net of tax	(14)	2
Exclude result from discontinued operations	(24)	0
Normalised comprehensive income	112	34

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

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Reconciliation of pension expense and cash contribution

(in € million)	PostNL		Parcels		Mail in NL		PostNL Other	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022
Cash contribution	(22)	(23)	(7)	(8)	(11)	(11)	(4)	(4)
IFRS non-cash pension expense	(19)	(20)	(0)	(0)	(0)	-	(18)	(20)
Total pension expense	**(40)**	**(42)**	**(7)**	**(8)**	**(11)**	**(11)**	**(22)**	**(24)**

Total pension expense increased by €2m in Q1 2022, in line with earlier indication

- Visible in EBIT, EBITDA and profit for the period (after tax)
- Includes a substantial non-cash part (i.e. IFRS non-cash pension expense)
  - reversed via other comprehensive income, mitigating the impact on total comprehensive income
  - visible in free cash flow under "Change in pension liabilities"

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