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1



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**Jochem van de Laarschot – Director Communications & Investor Relations PostNL:**

Thank you, operator. Good morning everyone. Thank you for joining us in this unscheduled call, as we published two press releases this morning, the first one about the preliminary fourth quarter and full year results 2021 as well as the announcement of the share buyback programme that will start at the end of February.

We are here virtually together with Pim Berendsen, our CFO. He will do a quick introduction in a moment, after which you will have the opportunity to ask a number of questions.

Pim, over to you please.

**Pim Berendsen – CFO PostNL:** Thank you, Jochem, and good morning to everyone. Today we have released our preliminary Q4 and full year 2021 results and we have announced the launch of a share buyback programme.



## Strong operational performance in Q4 2021 due to well-managed execution peak season

€250m share buyback programme announced

### 2021 key takeaways

- Again an exceptional year, impacted by the pandemic
- Strong business performance Parcels and Mail in the Netherlands
- Very strong cash flow performance, strengthening our financial position
- Share buyback programme of €250m announced, following our capital allocation framework
- Continued focus on value creation for all stakeholders
- Confidence in the successful execution of our strategy going forward
- Recognising efforts and hard work of our people, partners and retailers
- Continuing to take our responsibility and deliver special moments



Clearly, 2021 qualifies as an exceptional year impacted by the pandemic. Thanks to our people and the resilience of our business we have shown strong results driven by a solid performance at Parcels and a strong result at Mail in The Netherlands.

Cash flow performance was very strong in the full year and exceeded our expectations, which then of course further strengthens our financial position and balance sheet.

In line with our capital allocation framework that we discussed a couple of times during this year, we are now well positioned to launch a share buyback programme. We are confident in our successful execution of our strategy. This gives us comfort around our longer-term business performance and cash generation perspectives.

We will continue to focus on value creation for all stakeholders through growth opportunities, cost saving initiatives, acceleration of our digitalisation programmes and our environment and social initiatives.

Since the start of the pandemic early 2020, we have recognised the efforts and hard work of our people, partners, and retailers and we will continue to take our responsibility as a company and deliver special moments.



If we then now look into a little bit more detail on the financial metrics for 2021, Q4 was a busy quarter which accelerated strong performance in the first three quarters of the year, a strong performance also particularly in the last weeks of the year driven by Mail in The Netherlands through a very good Christmas and New Year campaign.

## Strong operational performance in Q4 2021



- Busy Q4 accelerates already strong performance of first three quarters
- Strong performance in last weeks of the year mainly driven by Mail in the Netherlands



### Key financial metrics for 2021

- Revenue expected to be ~€3,466m, up 6.5% (2020: €3,255m)
- Normalised EBIT expected to come in at ~€308m, with outlook at €280m - €310m (2020: €245m), margin at 8.9%
  - of which ~€80m is qualified as non-recurring and related to Covid-19
- Free cash flow at ~€288m, with outlook of €250m - €280m (2020: €186m)
- Normalised comprehensive income ~€277 which is the basis for dividend\*
- ROIC expected to be ~16%-17%



\* pay-out ratio 70%-90% according to dividend policy; for 2021 fair to assume the lower end of the range

3

On the financials, revenues expected to be close to EUR 3.5 billion, up 6.5% in comparison to last year. Normalised EBIT is expected to come in at EUR 308 million with an outlook of EUR 280 million to EUR 310 million, so clearly at the high end of the range and margin at a very solid 8.9% for the year. Around EUR 80 million of the EUR 308 million is qualified as non-recurring and related to Covid-19.

Free cash flow came in at EUR 288 million, which clearly exceeds our outlook of EUR 250 million to EUR 280 million and, in comparison to 2020, it was a free cash with more than EUR 100 million more than in 2020.

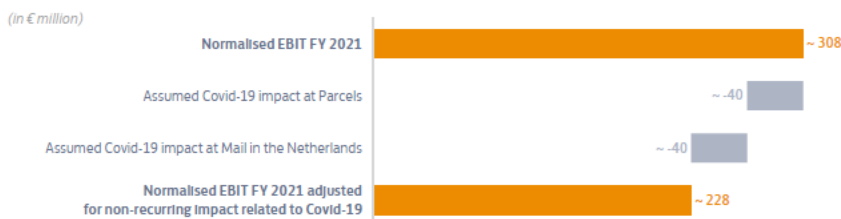
Obviously, the high end of the normalised EBIT range also results in a higher-than-expected normalised comprehensive income of EUR 277 million, which is the basis of our dividend policy.



The return on invested capital is around 16% to 17%, more than two times higher than the WACC.

## Solid performance FY 2021

Breakdown of normalised EBIT



### Parcels

- 384m parcels delivered in 2021, volume growth of ~14%
- Revenue of ~€2,363m
- Normalised EBIT ~€229m, of which ~€40m non-recurring and related to Covid-19

### Mail in the Netherlands

- 2,048 m mail items delivered in 2021, volume decline of 0.3%
- Underlying substitution was ~5% in 2021
- Revenue of ~€1,683m
- Normalised EBIT ~€160m, of which ~€40m non-recurring and related to Covid-19



4

If we then look into a few of the elements of our full year performance on the next slide, we clearly see the EUR 308 million as the normalised EBIT, then EUR 80 million of non-recurring Covid, roughly speaking a 50-50 split between Parcels and Mail segments, which basically makes the normalised EBIT adjusted for non-recurring Covid at around EUR 228 million. That is driven by a 14% growth of Parcels volume in 2021 and EUR 2.363 billion revenue at Parcels and normalised EBIT of EUR 229 million at the Parcels segment of which, as said, EUR 40 million is non-recurring.

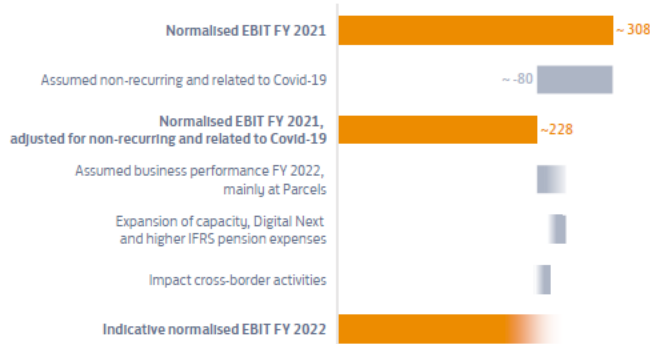
Mail in The Netherlands had 2 billion mail items delivered in 2021, only a volume decline of 0.3% which is really special. The underlying substitution was around 5%, revenue was at EUR 1,683 million, and normalised EBIT was at EUR 160 million, which is really a very strong performance of the Mail business of which EUR 40 million is non-recurring and related to Covid.



## Into 2022 – FY outlook to be provided on 28 February 2022

Based on preliminary results 2021 and current assumptions

(indicative only, in € million)



- Normalised EBIT: broadly in line with FY 2021 after adjusting for the assumed non-recurring impact related to Covid-19
  - Better performance at Parcels partially offset by lower result at Mail in the Netherlands
    - including additional inflationary cost pressure, for example energy and transportation costs
    - limited impact of Covid-19
  - Start-up costs of new facilities, acceleration of digital transformation and higher IFRS related pension expenses
  - Limited recovery in cross-border activities expected in HY1 2022 versus HY2 2021, resulting in FY step-down
- Free cash flow below FY 2021: lower reported EBIT, step-up in investments, expected larger settlements of terminal dues and non-recurring cash proceeds related to divestures in 2021
- Normalised comprehensive income to develop in line with normalised EBIT
- Uncertainty related to Covid-19, developments in cross-border activities and overall global market conditions remains



5

Going to 2022, clearly, we will provide a detailed outlook both in terms of EBIT and free cash flow guidance as per 28 February but on this slide you will find some indications already. As said, we take out the EUR 80 million of non-recurring Covid and then we assume a normalised EBIT that will be broadly in line with the adjusted 2021 number.

We see a better performance in Parcels, partially offset by lower results in Mail in the Netherlands. Clearly, we see some additional inflationary cost pressures on costs like energy and transportation.

We have not assumed a significant impact of Covid-19 in 2022.

We will start up new facilities and accelerate our digital transformation programmes and we will see higher IFRS-related pension expenses.

What we have seen also in the fourth quarter is that the recovery of cross-border has not materialised in the fourth quarter of 2021 and we do not expect that to improve in the short term, particularly driven by global supply chain issues and increasing freight costs. Particularly steeply increased freight costs in the fourth quarter that just make the Asian web shops less competitive to domestic retailers and e-tailers.



Our free cash flow will be below 2021 and, as discussed before, will be robust enough to fund the cash dividends from our free cash flow in 2022. There will be a step-up in investments and we expect a negative working capital because of higher settlements of terminal dues. Again, that is what we have expected and also, clearly in our journey towards 2024, we have always indicated that 2022 will be the lower year.

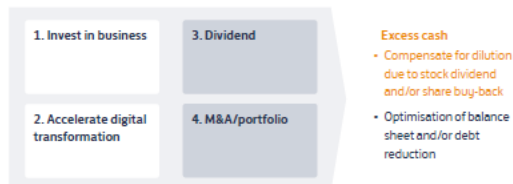
Thirdly, there are still uncertainties around Covid-19 and developments around us in global markets as well as in cross-border, as I discussed.

## Share buyback programme of €250m

Execution first tranche of €160m - €170m starts to start after 28 February 2022

### Well-positioned to launch share buyback programme

- ✓ Free cash flow performance in 2021 stronger than expected
- ✓ Further improvement of already strong financial position, with leverage ratio 2021 expected to be ~0.5
- ✓ Following steps in capital allocation framework:



- ✓ Continuing focus on value creation for all stakeholders
- ✓ Confidence in successful execution of strategy gives comfort around the longer-term business performance and cash generation perspective



### Purpose

- Intention to neutralise the assumed dilutive impact from shares issued (split shares/cash ~40%/60%) related to the dividends over the years 2021-23
- Dividend to develop in line with business performance

### Execution

- First tranche to neutralise assumed impact 2021-22 dividends, expected to be completed no later than October 2022
  - ~9.5% of outstanding shares based on closing share price of 24 January 2022
- Second tranche to neutralise impact 2023 dividend to follow in 2023
- Positive impact on EPS/DPS
- Using cash on balance sheet

6

I must say that for the company, for ourselves, this is a very important step: to be able to announce a share buyback programme. For us, it is really the function of the transformation that we have made over the last years. If you just look back in time, the ability to do the acquisition of Sandd, the pension agreement reached, multiple divestitures, a sale/leaseback transaction and, most importantly, rigorous focus on disciplined capital allocation and performance management has brought us to a position that we have a very strong and robust balance sheet and a good and solid strategy that now allows us to launch a share buyback programme of EUR 250 million. As promised, we follow the steps of our capital allocation framework disciplined and after announcing the plans to invest in our business, the





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acceleration of our digital transformation, the normal dividend that follows business performance. It is now time to use a little bit of the excess cash that we have to launch a share buyback programme of EUR 250 million. That will be split in two tranches. The first tranche will commence on 28 February for EUR 160 million to EUR 170 million and it resembles the assumed share dividends for the book years 2021 and 2022 that we will take out straight away. The second tranche of the remainder of the programme will be launched in 2023 to offset the assumed dilutive impact of the 2023 share dividends.

Obviously, the purpose of this programme is to make the balance sheet more efficient and to neutralise the dilutive impact for share dividends based on an assumed split of 40-60 shares versus cash.

Clearly, this programme will have a positive impact on earnings per share and dividends per share, up to 3 to 5 cents based on the current assumptions and we will use the cash of our balance sheet. It is really the first time that PostNL can do this and we are very confident and happy that we are able to announce this. As said, we have had a very disciplined approach over the last couple of years that really strengthens the business and that brings us to this announcement today.

With those words, I will hand back to Jochem, who will certainly open up the floor for questions.



# Q&A

## Preliminary FY 2021 results



- Publication Q4 & FY 2021 results on 28 February 2022
- Full details Q4 & FY 2021
- Progress execution of strategy
- Outlook FY 2022

7

- **David Kerstens – Jefferies**

Good morning, Pim, a couple of questions, please. First of all, you highlighted some final non-recurring effects related to Covid in Q4. Can you give the non-recurring parcels volume and letter volumes that you had? I think you only gave the EBIT-impact in the press release.

Looking at the 2022 guidance, I think it implies that profitability is not falling back to 2019 levels pre-Covid. Can you explain why that would be and why you would be at a structurally higher level in terms of EBIT margin? You highlighted 8.9% for 2021. That will obviously come down, but well above 2019.

You mentioned the underlying substitution rate, only 5% in 2021 and -9% in Q4. What should we assume for run rate in 2022? Is that more like the 9% you had in the fourth quarter?



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Then maybe another question on the expectation of higher IFRS pension expenses. Why would you expect higher expenses in an increasing rate environment? Is that because the rate year-on-year is still higher when you compare January to January last year?

Finally, on the inflationary costs. You highlighted energy and transportation but have you also already incorporated potentially higher labour costs following the conclusion of your labour negotiations?

**Pim Berendsen – CFO PostNL:** David, thanks for your questions. Please remind me if I missed some of them. Your first question was related to the volumes. Well, a lot more detail will be presented at the end of February. Clearly, the vast majority of the non-recurring Covid impact in the fourth quarter was in the Mail business, so not so much in the Parcels business. All in all, there is not much more than 1 million to 2 million of non-recurring Covid volume in the Parcels segment. Clearly, on the Mail side we have seen benefits of for instance booster campaigns that had an impact on the volume in the Mail business.

You are absolutely right; on the margin we do not expect it to fall back to 2019 numbers. It is clearly also what I have said quarter after quarter as a function of the improvement measures that we have taken. So, on the Parcels side the introduction of different pricing strategies and the operational metrics that we have introduced in our Capital Markets Day campaign will all benefit to that margin profile. That is indeed what we have talked about before.

If you talk about the substitution rate being around 5% for 2021 and the higher number around -9% (note: refers to total volume decline) in the fourth quarter, this has not yet changed our perspective of the volume development into 2022. Originally, that was 8% to 10% and we have clearly indicated at the Q3 numbers that we expect a slight improvement on the substitution rate, so we would expect to be below the 8% volume decline expectations for 2022.

The higher expense, you could say how can that be given the fact that interest rates are moving up. From an IFRS point of view you fix your pension expense at an interest rate date at the end of the year, so the 31 December 2021. That is indeed in connection with the interest rate and other pension parameters leading to a higher pension expense, which obviously will not lead to a higher pension cash out and, as a consequence, a bigger delta coming back at other



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comprehensive income in 2022. But pension expense from an IFRS point of view will increase in comparison to the full year 2021 pension expense.

We have taken into account our latest expectation on also wage increases that are part of the indications that are on the slide. Negotiations on collective labour agreement for postal deliverers are ongoing but our expectations are a part of the indications that I have given for 2022.

**David Kerstens – Jefferies:** Thank you very much. At this stage, can you already say how much the pension expense in the P&L will increase, given you have fixed the rates already now.

**Pim Berendsen – CFO PostNL:** An indication, certainly you will get the exact right number as part of the outlook but take into account EUR 5 million to EUR 10 million.

**David Kerstens – Jefferies:** And then, if interest rates continue to rise this year then next year it will come down again. Is that the right way to look at it?

**Pim Berendsen – CFO PostNL:** Exactly! So, during the year the pension expense will not change but if you would work up to the end of this year with higher interest rates and, in comparison, potentially significantly – relatively speaking – higher interest rates, then indeed for the year thereafter it would lead to an improvement of the pension expense in comparison to the 2021 rates.

**David Kerstens – Jefferies:** That is clear. Thank you very much, Pim.

**Pim Berendsen – CFO PostNL:** What we will do at the Q4 report is that we will indicate the delta and also the impact that delta has on EBIT to cash EBIT, cash EBITDA, to make explicitly clear how pension expense lead to pension cash out and what the implications are for EBITDA if you want to compare that with peers in terms of valuation metrics.

**David Kerstens – Jefferies:** Thank you.



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**Marc Zwartsenburg – ING:**

Hi Pim, good morning, a couple of questions. First of all, on Mail NL. You had a very strong EBIT margin, even if you exclude the Covid-support in Q4. Can you give a bit of an explanation why that margin is so high, despite the fact that in terms of mail volume decline you are close to 9%? Connected to that, do we maybe have an issue with that threshold in the USO in terms of cap if you look at the EBIT margin for the full year of the Mail division?

My second question is on the outlook for 2022. It is not completely clear to me if there is any Covid-support in that number because obviously also in January we still have some support in Mail from the booster letters and in Parcels probably a few weeks of lockdown. Is there anything from those two elements included in the outlook or is that more like the room you have taken to have at least a bit of leeway on the outlook?

Then a question on the dividend. You provided the comprehensive net income, we know the policy is 70% to 90% but if you are at the low end, you are just below the 40 cents that was once mentioned last year as the dividend we should expect over 2021. Can we therefore assume that the pay-out ratio is at least 75% to just come to the 40 cents per share? How should we look at 2022? I know it is early but we have an outlook and of course we had Covid-support in 2021, which will hopefully not be the case in 2022. Would that then imply that your dividend would come down because of the policy on the pay-out ratio to a level closer to 30 cents? Or would you say you have enough room in your cash flows to exempt from the 70% to 90% and still have a sustained and later on growing dividend? That is adjacent to your excess cash. You have more excess cash than the EUR 250 million in your share buyback, so would you be able to use that to give at least a sort of a bridge in 2022 on the dividend to keep it at a certain level and then grow again?

Lastly on Parcels volumes generally. Could you give us a bit of an indication to how the year started out because you had very tough comps last year. We had some lockdown in January and hopefully by tonight it is over, but can you give a bit of an indication where you start off on the year?

**Pim Berendsen – CFO PostNL:** Thank you, Mark. Your first question was related to the margin within Mail and whether or not that would be an issue in terms of our USO margin



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levels. Clearly, the Mail in The Netherlands business, the full year has done a margin around 9% to 9.5%. You know that the threshold for USO is specifically related to the USO and we do not expect an issue there. The margin in the quarter is obviously influenced by the product mix in the fourth quarter, where in comparison to other quarters there are significantly more single items. So all in all, a very good margin at Mail and no issue expected on the USO thresholds.

**Marc Zwartsenburg – ING:** Pim, one second. On the margin, because I am excluding the high margin booster mail, vaccination and what have you. But even if you strip that out the margin is still very high. Is that the mix of Christmas cards or is that something else?

**Pim Berendsen – CFO PostNL:** It is to a large extent Christmas cards. The fourth quarter margin is always high, driven by Christmas cards. Those Christmas cards and the development of those Christmas cards is not necessarily excluded as non-recurring Covid. So, that is the key driver there.

**Marc Zwartsenburg – ING:** Okay, clear.

**Pim Berendsen – CFO PostNL:** Then you had some questions on the outlook. Clearly, I have not presented an outlook yet. I have given an indication on some of the components. You asked whether or not there is Covid-support in it. Well, there is still a little bit of a lockdown and at the same time you know, as we have also communicated, that we are additionally compensating our retailers to ensure that they keep their stores open. Clearly, that is an additional cost and this offsets the additional volume that might be there. So, in terms of volume you are right that in January there might be a little bit more volume on mail predominantly related to booster mailing, but we do not include – financially speaking – a significantly material impact on the 2022 numbers driven by Covid-19.

Then you had a question related to the dividend policy. Having mentioned the normalised comprehensive income I think you said the low end of the dividend. That is not what is on the slide nor in the press release. What we have said is ‘to the lower end’ of the bandwidth. I clearly remember what I have said about the 40 cents, so you should not expect a dividend below that 40 cents. Going forward, knowing that the dividend over 2021 will be influenced also by the non-recurring result that we do not take out of the normalised comprehensive income, clearly dividends will go down a little bit. I do not think they will go down to the level of the 30 cents



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that you talked about. Again, it is a function of a choice in pay-out ratio that we want to apply on the 2022 results, which is not up for debate today. But clearly, we do understand that dividend and dividend return are key components of our equity story.

On January, I think it is a bit too early to be very specific. Other than, we see no change in patterns from December into early January.

**Marc Zwartsenburg – ING:** But what was December then?

**Pim Berendsen – CFO PostNL:** Let's say you have seen a good result in Q4 in the underlying growth rate excluding non-recurring Covid and cross-border significant growth of 14%. We also expect growth to continue from December to January. But indeed, without taking out the non-recurring Covid it will be difficult comparisons. Again, that is also nothing new; that is what we have shared with you before.

**Marc Zwartsenburg – ING:** That is very clear. Thank you very much, Pim.

- **Marco Limite – Barclays**

Hi, good morning. My first question is on Parcels volume in Q4. If I am not wrong, in the past the guidance was for flattish volumes in Q4. So, if you are seeing anything in particular that can explain the minus 5% on a reported basis, international was lower and maybe Christmas was lower. Following up on this question, may I ask what the assumption is for volume growth for your 2022 outlook? You gave a broad indication for letter volume decline for next year but it would be quite useful to have a broad idea of what you are expecting for next year.

My second question is on the share buyback. You were clearly saying that the share buyback programme aims at neutralising the new shares issued related to the dividend payment, but let's assume that the traditional 40% to 50% of dividend pay-out with shares actually is shifted to cash, does your share buyback of EUR 160 million to EUR 170 million for next year change or not? Does that mean you are paying more cash to shareholders in case that 40% will be lower?



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**Pim Berendsen – CFO PostNL:** Thank you, Marco, for your clear questions. The first one relates to the Parcels volumes in Q4. You say 'assumed flattish in Q4 and now minus'. I think the biggest component that is in between those is actually the development of cross-border volumes. That cross-border volume turned out to be a significant minus that has caused the minus 5 that you refer to. So, at the domestic level it is more or less flattish and it is really a big step down in cross border volumes in comparison to Q4 last year, driven by a steep increase in freight costs as of October. That, together with supply chain issues, has caused delay in the recovery of that cross-border volume and basically makes Chinese web shops less competitive, both in terms of price points and in transit times compared to just going to a physical retail store or just ordering it from a Dutch or mainland Europe web shop. So, that is the explanation behind the volume developments, so predominantly driven by cross-border developments, which you can also see back at some of our peers.

Assumptions on 2022 on Parcels. I think it is too early to say. There will be growth and that is clearly also what we indicated. On 28 February we will substantiate the components of the bridge that you are used but not today.

On the share buyback programme. We came to the number based on an assumed split but it is a fixed amount. So, the amount will not change irrespective of whether or not shareholders select a different split between share and cash dividends. So, EUR 160 million to EUR 170 million in 2022 and another EUR 80 million to EUR 90 million in 2023, which is fixed.

**Marco Limite – Barclays:** Okay, thanks. Then a quick follow-up question. Earlier you mentioned that you expect a few cents of EPS accretion from the buyback but can you clarify that point? Let's assume your base scenario where with the buyback you are going to neutralise the new shares issued related to the dividend payment. Therefore, you will be issuing your shares but you would buy back those shares. I am really missing where those few cents of EPS accretion are coming from.

**Pim Berendsen – CFO PostNL:** The way we talked about development of earnings and dividend per share before already included the dilutionary effect of our dividend policy, given the fact that the selection our shareholders make was roughly speaking 40-60 anyway. So, we have calculated the dividends per share on the back of the assumption that year over year we add more shares. Now, we launch a programme that is going to take out a significant part of





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the outstanding shares and a first tranche that obviously takes out more than only the share dividend on the book year 2021. It already takes out the shares on a potential 2022 share dividend. Again, in 2023 and basically those combined will have a positive impact on earnings per share.

**Marco Limite – Barclays:** Okay, that is clear. Many thanks.

**Pim Berendsen – CFO PostNL:** It is all a function of the share price against which we buy them back but let's say to the share price of yesterday you could expect to take out roughly speaking 50 million of shares that will then have a positive impact on earnings per share and dividend per share.

**Marco Limite – Barclays:** Thank you.

- **David Kerstens – Jefferies**

Hi, just two follow-up questions. In the cash flow guidance for 2022 you talk about a step-up in investments. There are some components of potential Capex for 2022 and beyond. Can you clarify what level of Capex you expect? I understand that this is roughly EUR 120 million plus EUR 100 million, so in excess of EUR 200 million. Is that correct?

Secondly, how do you feel about the 2024 ambition with the lower end of the range implying at least a EUR 100 million step-up in normalised EBIT over a two-year period. What will be the key drivers to achieve that number of EUR 330 million as the lower end of that range?

**Pim Berendsen – CFO PostNL:** Thank you, David. On the cash flow and on the cash flow bridge you will have to wait until the end of February. We indicated a step-up of investments, clearly halfway through 2021 and that is the combination of increases of Capex and increases of lease payments on the back of leaseholds that we will take. Together, that is definitely not the size of the EUR 100 million step-up but significantly less. How much exactly, we will let you know by the end of February. As said, also take note of the fact that there will be an investment in working capital in 2022 on the back of the settlement of terminal due positions. We have not said anything about 2024 and we have not changed our perspective on 2024. That is the answer I can give you there.



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**David Kerstens – Jefferies:** But what will be the key drivers? How important is a deduction of interest costs in that step-up in EBIT of EUR 100 million?

**Pim Berendsen – CFO PostNL:** It is not because we have calculated that on the back of the pension expenses at that time, so drivers are related to the continuous growth of Parcels keeping the key element of our strategy, the Mail business, more or less stable at a profit and cash flow level. That is fit for that part of the business. The contribution of our Digital Next programmes will be accretive as of the second part of 2023. Those elements together will lead up to the step up of the performance towards 2024.

**David Kerstens – Jefferies:** Yes. I am sorry, you said you expect to keep Mail EBIT stable.

**Pim Berendsen – CFO PostNL:** That is what we have said, clearly not on the level of 2021 but on the level that we have indicated before because 2021 also at the Mail side is influenced by around EUR 40 million of non-recurring Covid effects.

**David Kerstens – Jefferies:** Alright. Very clear. Thank you very much.

**Operator:** This was the last question for today. I would like to close the question-and-answer session and give the floor back to Mr. Jochen van de Laarschot.

**Jochem van de Laarschot – Director Communications & Investor Relations PostNL:** Thank you all for joining us today. We will be back on Monday, 28 February with the full details of the fourth quarter and full year performance. At that moment, we will also look forward to 2022 beyond what we have said today.

If you have any further questions for us you know where to get through to the IR team. Thanks again and we hope to see you soon. Bye bye!

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End of call