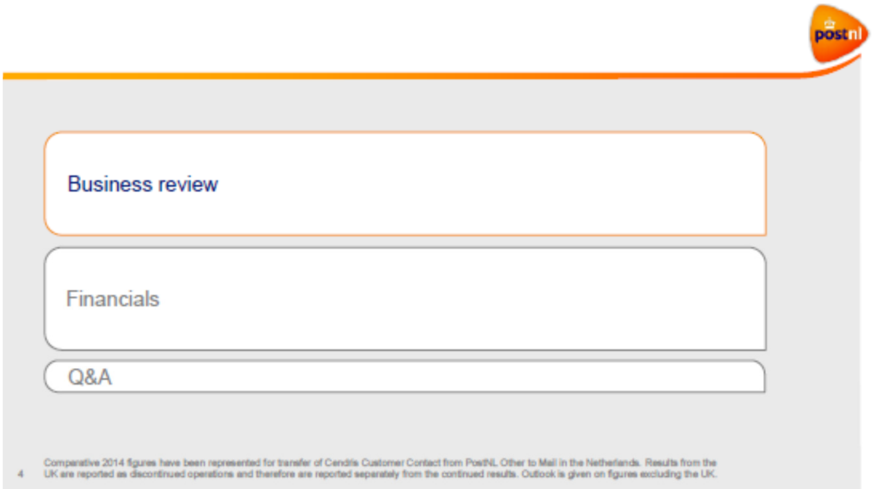
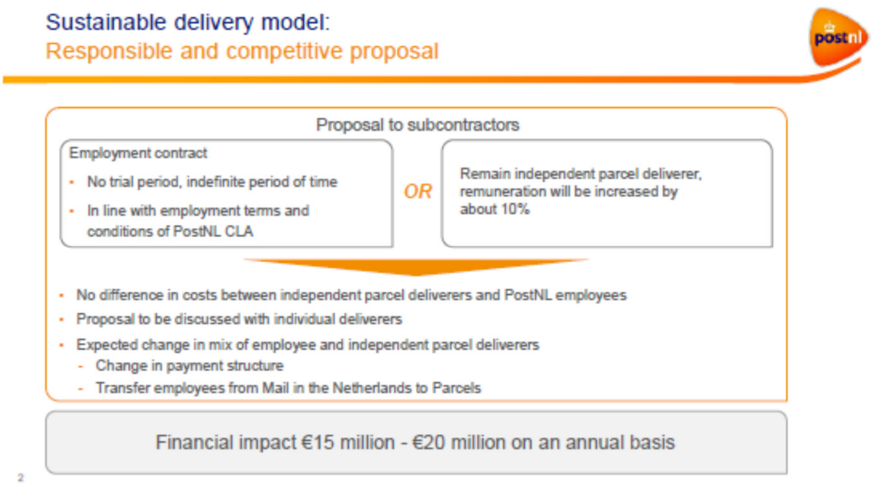

Q2 & HY 2015 Results
3 August 2015

Karen Berg: Welcome to this conference call on the Q2 results of PostNL. Also welcome to those on the conference call. I am here with Herna Verhagen and Jan Bos. My name is Karen Berg. Herna will start with the explanation of the operational performance and Jan will continue with the financials. I would like to hand over to Herna.



Herna Verhagen: Welcome on this beautiful morning in Amsterdam. I will give you a heads up of the business performance in Q2. As we said in the press release, Q2 was solid. We had solid results in the second quarter and therefore also reconfirmation of the full-year outlook for 2015. Next to solid results we also saw a strong improvement in our equity position. We are on track to achieve the full-year outlook.

I would like to start with some recent developments, developments which happened after June 30 of this year, but that, in my view, are important to mention. The first one is about Parcels and of course the sustainable delivery model we want to introduce within Parcels. The second one is the intended management buy-out of the UK.



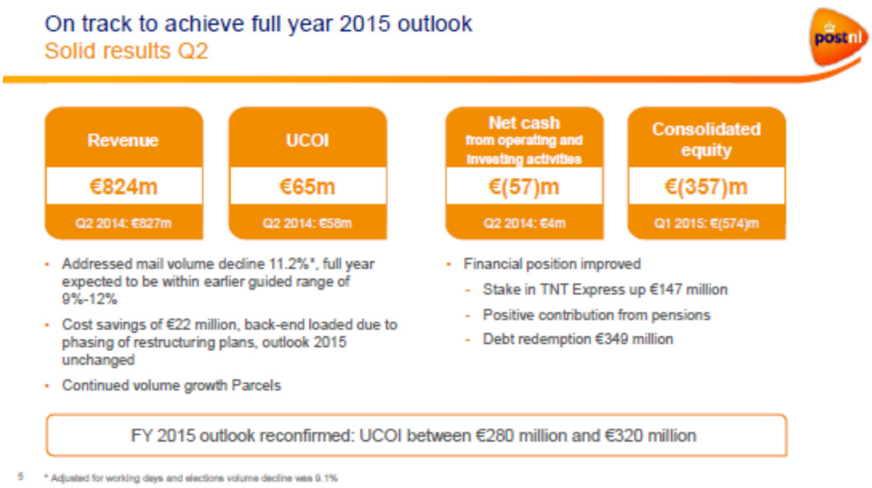
I start with Parcels. A sustainable delivery model. In the negotiations we did with the FNV, one of the Dutch unions, we came to a result which in our view is a responsible and competitive proposal, which we are offering our independent workers. That responsible and competitive proposal is that people can choose for an employment contract with PostNL under the same conditions as our current parcel drivers. That means that they have an employment contract for an indefinite period of time, there is no trial period and that the contract is in line with all the other remuneration elements of our parcel drivers. The other choice is that they stay and want to be independent. Then they have a raise in their payment of around 10%. With this proposal there is no difference anymore between the cost we have for our subcontractors and the cost we have for our employed people. This proposal will be discussed with every independent subcontractor, which means we will have 1,150 meetings in the coming period to find out who wants to choose for a labor contract and who wants to stay independent.

In our view it is a big step forward to a sustainable delivery model, which is important if you think about the importance of Parcels within PostNL and the growth we still expect for the next period. This way to a sustainable delivery model is important for our company. When we informed the market about this proposal, we said that the cost impact is around EUR 15 million to EUR 20 million on a yearly basis. In the second half year of 2015 we expect a cost of EUR 5 million to EUR 7 million. We still expect to be within the band of 11% to 13%, which is the underlying cash operating income margin guidance we gave for Parcels. In our view an important step forward, which we will implement in the coming months and also an important step forward with regards to the developments in the parcel market.

€ million	Q2 2015
Exit costs E2E	(23)
Impairment	(24)
Operational results	(1)
Tax	5
Total result discontinued operations after tax	**(43)**

The second important development is the management buy-out of the management of Whistl in the UK. We have started our strategic review on International, so in the countries UK, Italy and Germany, as we announced with the results of Q1 2015. The strategic review in the UK has been finalized and has led to the management buy-out. In the decision of that management buy-out there was a careful balance between the opportunities we see in the UK versus the desired risk profile we want to have as a company. It was in our view the best decision to do the management buy-out. We maintain to have 17.5% in the company, so we can profit from further developments we think we will see in the UK. Completion is expected somewhere in the second half of this year, depending on financing and on final documentation.

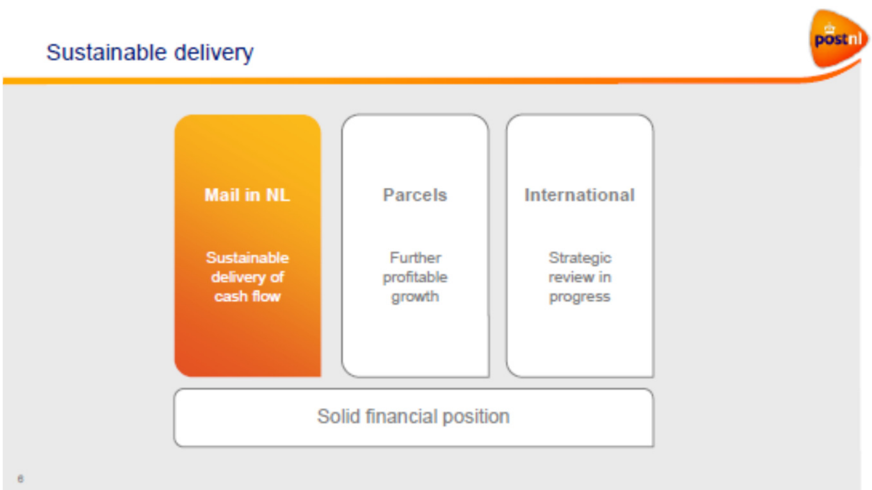
The UK is reported as discontinued operations in our Q2 results and it also has an effect on the result of discontinued operations after tax of EUR 43 million. Part of that amount is because we did exit end-to-end and we are bearing the cost of that exit, which is EUR 23 million and in net amount EUR 18 million. And it is an impairment of EUR 24 million. The strategic review of Germany and Italy is still going on. All options are open.



Back to the Q2 results. As said it was a solid quarter. You see revenue is more or less in line with the revenue we had in the second quarter of 2014. The underlying cash operating income in Q2 showed an increase of 12%: from EUR 58 million last year to EUR 65 million this year. I will of course come back to the results of Mail in the Netherlands, Parcels and International, which are underpinning the EUR 65 million.

Another important improvement is in our consolidated equity. The consolidated equity went up by almost EUR 220 million, from EUR 574 million by the end of Q1 2015 to EUR 357 million by the end of Q2. Two main reasons. First of all the increase in share price of TNT Express, counting for EUR 147 million, and a positive contribution from pensions of around EUR 71 million.

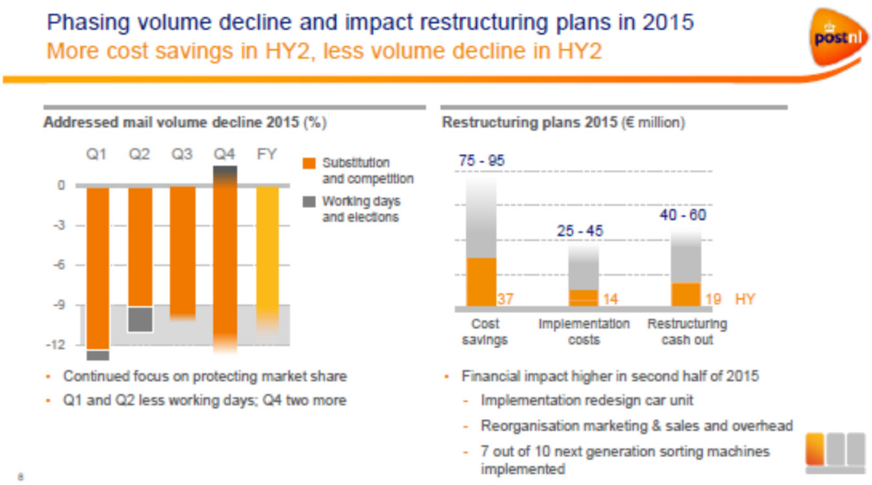
The second important step we took in the second quarter is of course the debt redemption of EUR 349 million, which we paid out of our own cash. These results mean that we expect the underlying cash operating income by the end of the year to be somewhere between EUR 280 million and EUR 320 million, a reconfirmation of our outlook.



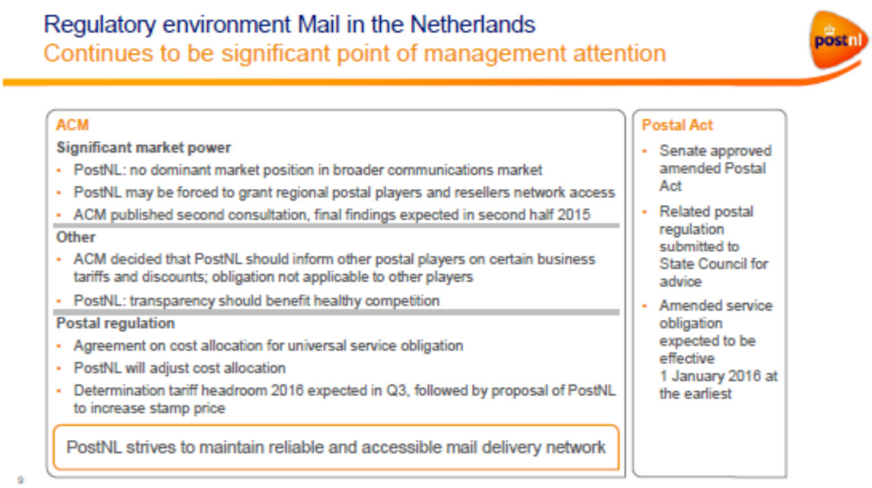
Let me give you a little bit more detail by segment to Mail in the Netherlands, Parcels and International.

The results of Mail in the Netherlands showed another quarter with volume decline: 11.2% in the second quarter. If you take into account the working days and of course the election mail, the underlying volume decline was 9.1%. There were cost savings within Mail in the Netherlands: EUR 22 million, which is a little bit less than last year. The underlying cash operating income came in at EUR 40 million. Last year it was EUR 48 million. The performance of Mail in the Netherlands is in line with what we expected. The volume decline was partly compensated by cost decreases and by price increases.

In Mail in the Netherlands it is also important to keep innovating. Keeping your customers willing to send mail does mean that you need innovation. One of the innovations I would like to mention is a further roll-out of our track-and-trace mail. The track-and-trace you know from a parcel is that it is labeled. You can follow your parcel from the beginning to the end. Today we do that as well for certain mail, for example election mail. You can follow when the election mail is printed, when it is delivered, or, when it returns because someone moved or unfortunately died, you can find out which people did not receive their mail. It is an important add-on for our customers to be sure that they can trace their mail items as well.



If we talk about Mail in the Netherlands, we always talk about three elements: price increases, volume decline and our reorganization plans. Last but not least we talk about regulation. That is the third slide. Let us first talk about volume and cost. The volume decline in the second quarter is 11.2%. Q1 and Q2 have less working days than the second half of the year. In Q4 we expect two working days more. That means that the volume decline of the addressed mail is expected to be in the bandwidth of 9% to 12% in 2015. Restructuring plans we already discussed in Q1. We reiterate that cost savings in the second half year of 2015 will be higher than in the first half year. That has to do with the phasing of our reorganization plans. For example, the implementation of our new sorting machines is more phased towards the second half of the year than it was in the first half of the year. The same for the implementation of the redesign of our car unit. Also more phasing in the second half than in the first half of the year. And the same for the reorganization within Marketing and Sales. Therefore our expectation is that the cost savings in 2015 will be within the given bandwidth of EUR 75 million to EUR 95 million.



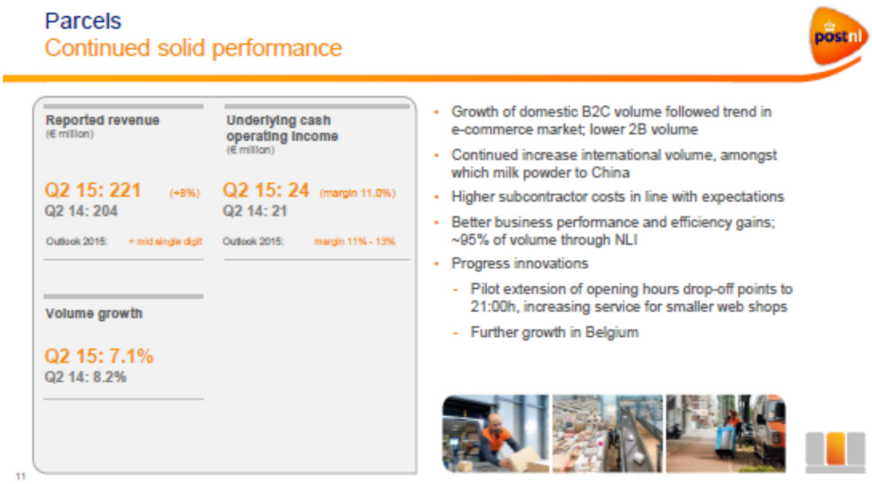
The third element which we always discuss is that of the regulatory environment. The regulatory environment in Mail in the Netherlands is developing quickly. It continues to need significant management attention. What are the important developments of Q2? First of all the Postal Act. The Postal Act was approved by the Senate and is translated into postal regulation, which now needs to be approved by the State Council for Advice. When it is approved by the State Council for Advice we will have the possibility to reduce the amount of mail boxes and post offices, which will start at the earliest January 1, 2016. The second important part is that of postal regulation. With ACM we reached an agreement on the principals of cost allocation. We will adjust our cost allocation and we do think that there is room for a tariff increase on January 1, 2016, which is in line with our price increase policy of the last years. But of course ACM needs to finally decide on the headroom we have when it comes to price increases.

Another important dossier is that of the significant market power. ACM brought to market a second consultation document to find out what their new thoughts are and what the market reaction is. We still say that we do not have a dominant market position. If you look into the mail market, in our view the thing which is really eating the mail market is not the physical competition but substitution. If you have to define your market, you have to take into account physical mail as well as digital mail. Secondly, if ACM still think there is significant market power, we ask them to take measures which are proportionate to what they see. The expectation of ACM nowadays is that they will finalize the significant market power dossier in the second half of 2015.

In all the things we do, especially the things we do with ACM, we strive to maintain a reliable and accessible mail delivery network, today, tomorrow but also in the future. Therefore it is important to take into account how a mail market will look like with regards to the decrease in the mail volumes over the next years.

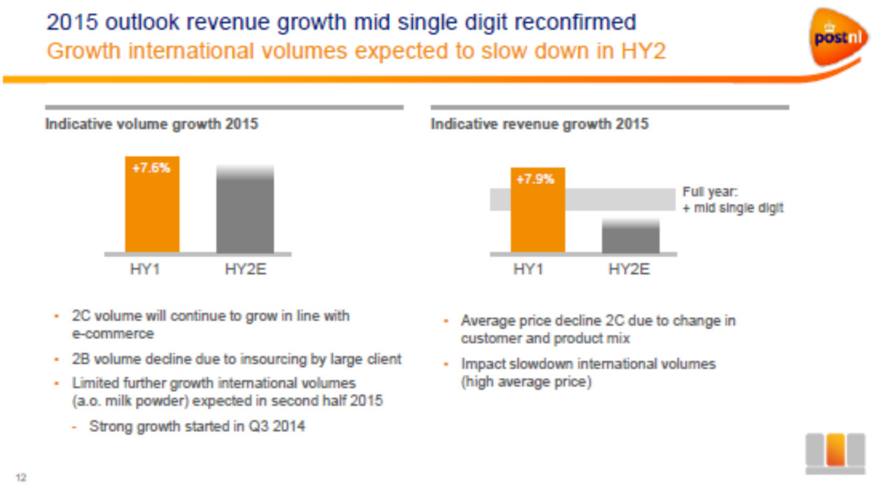
Results of Mail in the Netherlands were in line with our expectations. We did see that volume decrease was partly compensated by price increases well above inflation and by the cost savings.

Then Parcels.



In our parcel market we did see volume growth: 7.1% in the second quarter of 2015. This volume growth comes from growth in to consumer volumes. Those volumes are the ones coming out of the orders we place at web shops. That growth is in line with the trend we see in the e-commerce market. Next to that we again saw growth in our iInternational volumes. That is mainly milk powder to China. The higher volumes translated in a higher revenue: 8% revenue growth compared to Q2 2014, and in a higher underlying cash operating income. The higher underlying cash operating income is coming of course from the volume, but also out of efficiency gains, which have to do with the roll-out of our new logistical infrastructure, and of course taking into account the higher subcontractor cost.

In Parcels innovation is also of utmost importance. Parcels is a fast growing market and we foresee that this growth will continue. That means that we need to be placed as the best in this market to do parcel business with. One of the things we are developing at this moment in time is a pilot with the extension of opening hours for drop-off points for parcels. When you are a very small web shop, in most of the occasions your parcels are delivered by the end of the day at a post office or a drop-off point. Those drop-off points today are normally closed around 17.00 or 18.00, which means that, when you do a lot of business in the evening, you do not have the possibility to deliver next day. We are piloting to extend the opening hours till 21.00. When this is successful, we will roll it out to much more drop-off points in the Netherlands to enable also the small web shops in the Netherlands to make use of our network and to enable them to bring in their volume later in the evening.



With regards to Parcels it is important to understand what will happen in the second half year to volume and to revenue.

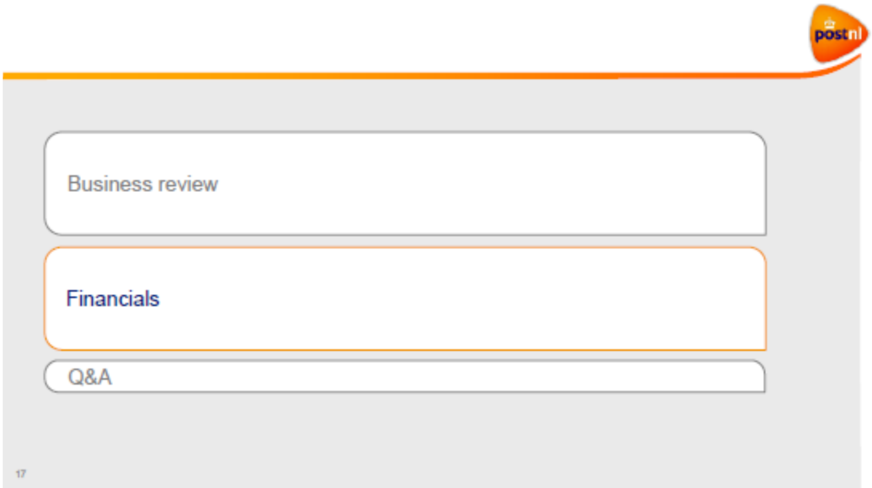
That has to do with the fact that the growth in international volumes did start in Q3 and Q4 2014. If you look into volumes of Parcels, we have to consumer volumes which are growing in line with the e-commerce market. That is what we expect for the second half year as well. To business volumes show a small decline due to the insourcing of one of our biggest clients. What will mainly impact the volume development of the second half year is the fact that the growth in milk powder started in Q3 and Q4 2014. The amount of milk powder is not disappearing, so it is still sustainable, but we do not expect that the enormous growth we did see in the last half year of 2014 will be there again in the second half year of 2015. That will impact of course the average indicative volume growth over the second half year of 2015. The impact will be bigger on our revenue, because parcels that are sent to China have an average higher price than the parcels that are sent in the Netherlands. The biggest part of our volume, which is related to domestic to consumer, is growing in line with e-commerce trends. We do see a change in the growth in the milk powder volume to China. The revenue outlook, which we always set on mid-single digit, is reconfirmed.

Last but not least International.

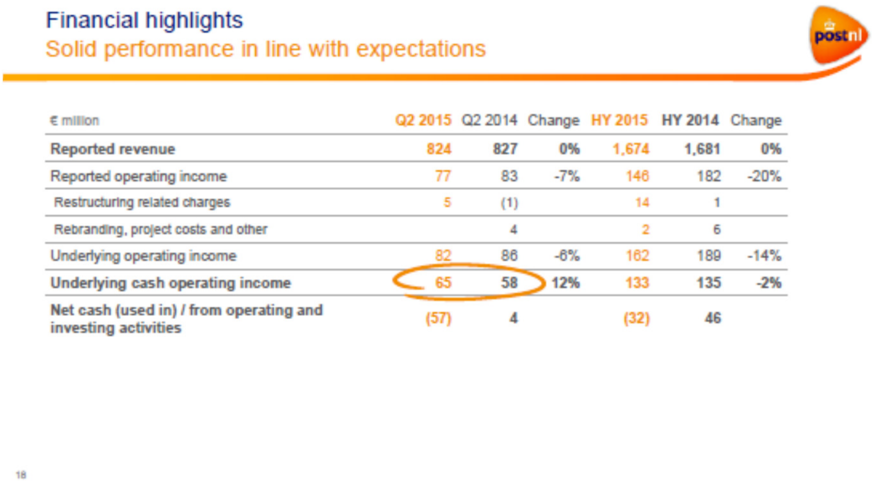
In the numbers of International the UK is out. It is now reported under discontinued operations. Revenue did go up with 8% to EUR 233 million. We also saw an improvement in our underlying cash operating income: from 0 in Q2 2014 to EUR 5 million Q2 2015. Every part of International contributed to that EUR 5 million of result. In Italy results were on track. The implementation of our parcel network is on track and delivers good results. Also we see continued volume growth in Formula Certa. In Germany we see higher revenue, which is partly because more revenue of new clients is coming in and because existing clients are doing more volume in our network. Secondly, we also see an improved performance because the cost saving actions we started in Q4 2014 are bringing in the cost savings. So International improved its results.

To summarize, we are on track to fill in our full year 2015 outlook, the EUR 280 million to EUR 320 million of underlying cash operating income. We have sound Q2 results. We did see a strong improvement in our equity. Going forward of course we have attention points. The first one is the management attention needed for our regulatory files. The second is the strategic review of International, which is in progress for Italy and Germany. Also there is the implementation of a sustainable delivery model.

We would like to give you more financial background, for which I would like to hand you over to Jan Bos.



Jan Bos: First of all, stable revenue. Our underlying cash operating income improved by EUR 7 million.


Financial highlights
Solid performance in line with expectations

€ million	Q2 2015	Q2 2014	Change	HY 2015	HY 2014	Change
Reported revenue	824	827	0%	1,674	1,681	0%
Reported operating income	77	83	-7%	146	182	-20%
Restructuring related charges	5	(1)		14	1	
Rebranding, project costs and other		4		2	6	
Underlying operating income	82	86	-6%	162	189	-14%
Underlying cash operating income	65	58	12%	133	135	-2%
Net cash (used in) / from operating and investing activities	(57)	4		(32)	46	

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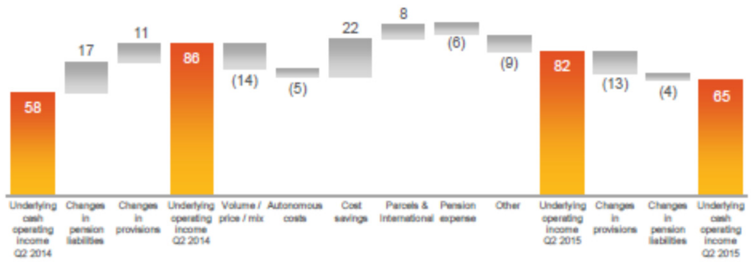
To our conclusion a solid performance, also fueling our confidence and our full year outlook of between EUR 280 million and EUR 320 million of underlying cash operating income. Our net cash from operating and investing activities was negative, as expected, due to a tax payment over 2014. That explains the minus EUR 75 million of negative net cash from operating and investing activities.

Underlying (cash) operating income

Solid business performance and lower cash out restructuring and pensions

Underlying cash operating income (€ million)



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Looking at the bridge, which explains the underlying operating income and underlying cash operating income. First of all the underlying operating income. That is between the second and the third orange bar. You see a slight decrease in underlying operating income by EUR 4 million, mainly explained by the negative combination of volume and pricing in Mail in the Netherlands of EUR 14 million, negative autonomous cost and compensated by cost savings of EUR 22 million. Then the improvement in underlying cash operating income from EUR 58 million to EUR 65 million. That is explained by lower restructuring cash-out and also lower pension cash-out.

Lower result in Mail in the Netherlands

Compensated by better performance other segments

€ million	Revenue		Underlying operating income		Underlying cash operating income	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Mail in the Netherlands	463	487	57	69	40	48
Parcels	221	204	26	22	24	21
International	233	218	3	(1)	5	0
PostNL Other	45	49	(4)	(4)	(4)	(11)
Intercompany	(138)	(131)				
Total PostNL	**824**	**827**	**82**	**86**	**65**	**58**
	HY 2015	HY 2014	HY 2015	HY 2014	HY 2015	HY 2014
Mail in the Netherlands	939	992	116	153	86	110
Parcels	437	405	51	48	49	46
International	485	448	6	1	8	2
PostNL Other	92	98	(11)	(13)	(10)	(23)
Intercompany	(279)	(262)				
Total PostNL	**1,674**	**1,681**	**162**	**189**	**133**	**135**

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Then the explanation per segment. First of all Mail in the Netherlands. A revenue decline of 5%, explained by 11% volume decline in addressed mail and partly compensated by price increases. Then our underlying cash operating income in Mail in the Netherlands: a decline of EUR 8 million. You see that the negative impact of volume and pricing of EUR 14 million and the autonomous cost increase of EUR 5 million is only partly compensated by EUR 12 million of cost savings.

Within Parcels you see an increase in revenue of 8%, partly by the international growth, and an increase of underlying cash operating income of EUR 3 million. There is the negative impact of higher subcontractor costs of EUR 2 million, which is more than compensated by the improvement in revenue and also by more efficiency coming from our new logistic infrastructure.

Within International there is also an increase in revenue, of 8%, with a small positive impact of foreign exchange effects of EUR 4 million. The underlying cash operating income improved by EUR 5 million. All countries contributed to the improvement, partly fueled by incidentals.

PostNL Other: an improvement in underlying cash operating income of EUR 7 million. There we see the impact of cost savings of EUR 10 million, contributing to the overall result. All in all a solid performance with an increase of our underlying cash operating income.

Statement of income

Net profit lower mainly due to UK

€ million	Q2 2015	Q2 2014	HY 2015	HY 2014
Revenue	824	827	1,674	1,681
Operating income	**77**	**83**	**146**	**182**
Net financial expenses	(19)	(24)	(40)	(48)
Results from investments in associates and joint ventures	(2)	(1)	(1)	
Income taxes	(17)	(16)	(31)	(38)
Profit/(loss) from continuing operations	**39**	**42**	**74**	**96**
Profit/(loss) from discontinued operations	(43)	2	(44)	2
Profit for the period	**(4)**	**44**	**30**	**98**

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Then to the development of our net profit. Net profit slightly decreased, if you look at the net profit from continuing operations, a EUR 3 million decline, which is in line with our underlying operating income. You see the one-off impact of the management buy-out of the UK of EUR 43 million, which Herna Verhagen already explained to you.

Net cash from operating and investing activities
Higher tax payments main explanation lower net cash

€ million	Q2 2015	Q2 2014	HY 2015	HY 2014
Cash generated from operations	**44**	**37**	**128**	**105**
Interest paid	(14)	(14)	(15)	(15)
Income taxes received / (paid)	(61)	(6)	(106)	(13)
Net cash (used in) / from operating activities	**(31)**	**17**	**7**	**77**
Interest / dividends received / other	(2)	2	(1)	3
Capex	(25)	(20)	(41)	(40)
Proceeds from sale of assets	1	5	3	6
Net cash (used in) / from operating and investing activities	**(57)**	**4**	**(32)**	**(46)**

		Q2 2015	HY 2015	2015 outlook
Capex	Base capex	16	25	
	Cost savings initiatives	3	6	
	New Logistics Infrastructure Parcels	6	10	
	Total	**25**	**41**	**Max 115**

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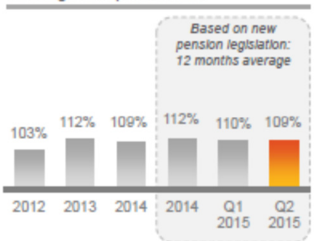
Net cash from operating and investing activities. First of all cash generated from operations: EUR 7 million plus, in line with the development of our underlying cash operating income. There are two points of attention: the income tax paid of EUR 61 million, the tax payment of 2014, which was expected. Later this year we have lower tax payments. There you also see higher capex. The higher capex are explained by investment in our new sorting machines in Mail in the Netherlands, which will contribute to more efficiency in our operations in Mail in the Netherlands.

Pension developments
Execution agreement adjusted to new pension legislation

€ million		Q2 2015
Return on plan assets in excess of interest income		(625)
Defined benefit obligation		1,120
Of which:		
Higher discount rate	*1,727*	
Change in rate of benefit increase	*(607)*	
Asset ceiling		(239)
Minimum funding requirement		(161)
Total pension		**95**
Net effect on equity within OCI		**71**

Coverage ratio pension fund



- Adjustment of execution agreement
  - Recovery period 5 years (in stead of 3)
  - Conditional obligation of €315 million released

Aligned with new pension legislation

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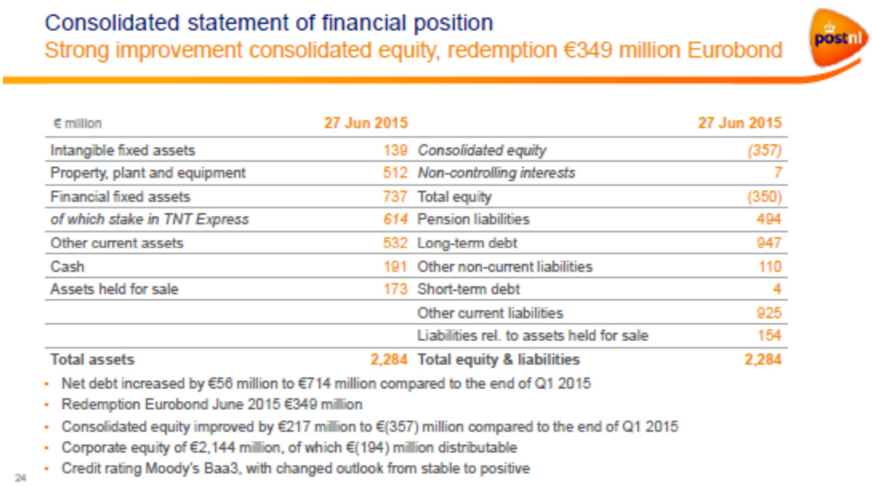
Pensions. In Q2 we have seen a coverage ratio of 109%. That is a 12-month average coverage ratio. There is a new rule of the Dutch Central Bank on calculation of the coverage ratio, that will have a negative impact as of mid-July of 1.6% on the coverage ratio.

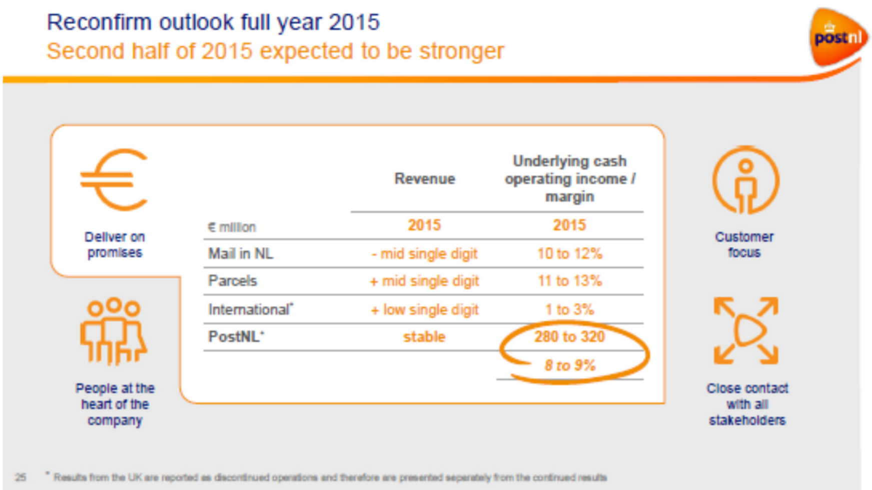
Equity improved by EUR 71 million due to the higher interest rates in pensions, with an impact of EUR 71 million, so that also explains part of the improvement of our consolidated equity. Last Friday we have published a press release on a new execution arrangement. The execution agreement is changed because of new legislation. Two main changes are that the recovery period will change from three to five years, and also our obligation to do top-up payments from three to five years. Secondly, our conditional obligation to pay EUR 315 million when possibly discounts would appear in the pension entitlement is terminated. We no longer have this conditional obligation anymore. That helps for de-risking on pensions.



€ million	27 Jun 2015		27 Jun 2015
Intangible fixed assets	139	*Consolidated equity*	(357)
Property, plant and equipment	512	*Non-controlling interests*	7
Financial fixed assets	737	Total equity	(350)
of which stake in TNT Express	*614*	Pension liabilities	494
Other current assets	532	Long-term debt	947
Cash	191	Other non-current liabilities	110
Assets held for sale	173	Short-term debt	4
		Other current liabilities	925
		Liabilities rel. to assets held for sale	154
Total assets	**2,284**	**Total equity & liabilities**	**2,284**

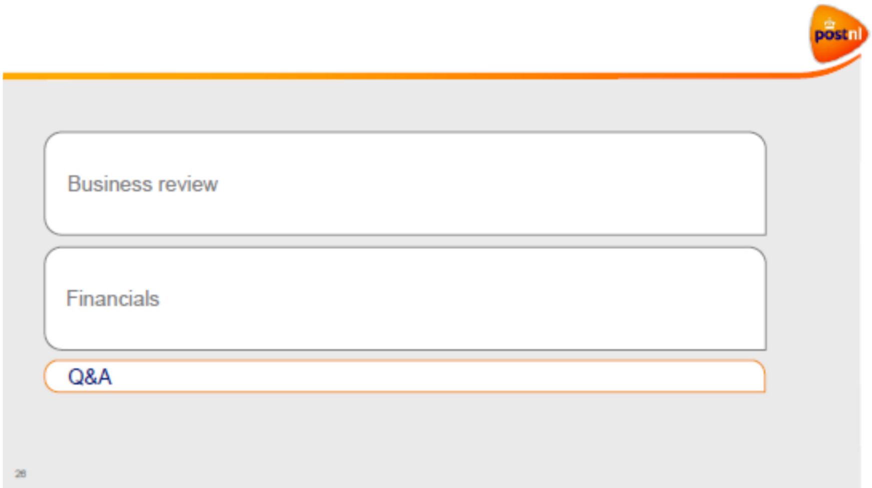
- Net debt increased by €56 million to €714 million compared to the end of Q1 2015
- Redemption Eurobond June 2015 €349 million
- Consolidated equity improved by €217 million to €(357) million compared to the end of Q1 2015
- Corporate equity of €2,144 million, of which €(194) million distributable
- Credit rating Moody's Baa3, with changed outlook from stable to positive

The balance sheet. Our consolidated equity improved almost EUR 220 million, explained by the share price improvement of TNT Express and by the impact of pensions of EUR 71 million. Next to the equity improvement also our debt position improved with the repayment of our bond in June of almost EUR 350 million paid out of our own cash position. Corporate equity is still negative. Also our credit rating improved with a positive outlook from Moody's. So an improvement also in our financial position. This leads to the conclusion that we can reconfirm our outlook for the full year 2015 and an outlook of underlying cash operating income between EUR 280 million and EUR 320 million.



€ million	Revenue 2015	Underlying cash operating income / margin 2015
Mail in NL	- mid single digit	10 to 12%
Parcels	+ mid single digit	11 to 13%
International*	+ low single digit	1 to 3%
PostNL*	stable	280 to 320
		8 to 9%

For the second half year there are some points of attention. First of all for Parcels the slowdown of volume and revenue growth, secondly the additional costs for subcontractors, which we expect to be between EUR 5 million and EUR 7 million. For Mail in the Netherlands we will have the positive impact of two more working days in the fourth quarter, which will help the results. We also have a better performance on our cost savings in the second half year. All-in-all this leads to the conclusion that we have a stronger second half year. We have the confidence that we will reach the target of EUR 280 million to EUR 320 million.



- **Marc Zwartsenburg – ING**

Jan, I heard you mentioning a new pension law as of half July, so this quarter. The discount rate will go down again. Will that have a EUR 100 million negative impact again? If the positive impact in Q2 was EUR 70 million because of the discount rate going up, would we see a reverse impact in the third quarter?

Jan Bos: It only has an impact on the coverage ratios and not on our equity position.

Marc Zwartsenburg – ING: Okay, that is clear. Then on Parcels. In the second quarter the margin on Parcels is 11%. In the second half we will get the additional cost and also in 2016. How do you feel about your margin target of 11% to 13%. Is the target safe for this year? Can you explain why you reiterate it? Then looking a bit ahead. Milk powder is leveling off, at least flattening out. That will have a negative impact on the margin, I assume. The additional cost of the new parcel delivery is coming in. Is 11% to 13% not a bit ambitious to use going forward?

Herna Verhagen: For 2015 we did reiterate the 11% to 13%. That means that the EUR 5 million to EUR 7 million will be covered within that bandwidth. Going forward it is indeed a question for November. With EUR 15 million to EUR 20 million extra when it comes to costs, we will see what the impact will be on Parcels.

Marc Zwartsenburg – ING: Can you share the margins you make on that milk powder? I know it is a very high number, but if you strip it out …

Herna Verhagen: We did not give disclosure on the margins we do for products or per line. In revenue you can see the effect of less volume going to China or less growth in the volume going to China is relatively small. In revenue it is bigger because prices to China are higher than prices in the Netherlands. Also taking that change into account, we still reiterate 11% to 13%.

Marc Zwartsenburg – ING: I have a final question about ACM. Why is it postponed again? Is the expectation now after the summer, so still in Q3, or is it so uncertain that it will be somewhere this year?

Herna Verhagen: That question can be best answered by ACM, because they have to give their final decision.

Marc Zwartsenburg – ING: You are not the only one talking to them.

Herna Verhagen: There will be a lot of market parties talking to ACM. We are not the only one reacting on a consultation document. They did not give clear guidance on when they will come up with their decision. That is the reason for saying the second half of this year. I cannot give you more guidance. I do not know if it will be Q3 or Q4.

David Tailleur – Rabobank

First of all a follow-up on the significant market power issue. If you look at the second consultation document, it does not seem to be directly in your favor. I know it is a bit early, but maybe you can give a little bit color on your feelings right now. I have also a question on Parcels. If you look at the impact of international volumes, could you give a breakdown on the part of volumes that is related to International? You basically target the slowdown in volume about 2.5% for H2. Could you provide a breakdown of the impact of the insourcing of the client and the international part on the slowdown from 7.5% to 2.5%? Finally, the reason for the insourcing of that specific client. Do you have more of these negotiations pending right now?

Herna Verhagen: First of all, a little bit more color on the second consultation document. We reiterate our standard. We do think that the market needs to be broader than ACM at this moment does. The reason why we did say it does need significant management attention, gives you a feeling that there can be an impact. That impact is not expected before 2016. The reason why we are not giving clear guidance on what the impact could be, is that discussions are still going on. Secondly, depending on what the decision is, we have to decide on mitigating actions. The combination of that will of course in the end give the impact. The color in my view is in the words “significant management attention”.

Your question about Parcels. The breakdowns you would like to have, are the breakdowns I am not going to give you. I give you a view on the international volumes. The amount of milk powder is around EUR 10 million revenue, which gives you a little bit of a flavor that it is not a big part. That is also the reason why it does have less impact on volumes and has more impact on revenue. It does have a higher average price.

When it comes to the insourcing of the to-business customer, we already mentioned something in Q1 and at the end of 2014. There are no discussions of that kind going on at this moment.

David Tailleur – Rabobank: There is also a statement on a new social plan in Mail in the Netherlands. To be clear: that is not related at all to the SMP ruling? Is it completely independent of that?

Herna Verhagen: The social plan is a negotiation we have with the unions about how we think we can do reorganizations in the future, especially the conditions we need to deliver to our employees for further reorganization. You should think about the amount of time people have to find another job, the amount of money we give people when they want to leave immediately, the amount of time we discuss with people up-front that we will change et cetera. That is what is in the social plan. That is totally independent from significant market power.

Philip Scholten – Kempen & Co

I have two questions. The first one is on pensions. Given you have now been released of the EUR 315 million, is it also fair to say that on the other unconditional top-up requirement, the 1.25% annually, the risk of you having to pay that is also almost zero, as you stated in the press release?

Jan Bos: No, it is only the risk on the EUR 315 million that has been terminated. There is still a risk when the coverage ratio is below 104% that we have to do top-up payments. We still have the advantage that in the calculation the pension fund will take into account the ability to recover the pension by itself. The risk is not zero, but it is a low risk.

Philip Scholten – Kempen & Co: That risk has decreased with the recovery period extending from three to five years.

Jan Bos: That risk decreased a little bit.

Philip Scholten – Kempen & Co: You previously mentioned a 98% ratio, which is actually the threshold at which the real top-ups would kick in, taking into account the recovery potential.

Jan Bos: It is a little bit lower.

Philip Scholten – Kempen & Co: My second question is on Parcels. You have made a proposal. We have still seen strikes or unrest. Have you already achieved a stable situation or is there a risk that you need to offer more beyond the indication you are giving of EUR 15 million to EUR 20 million? What is the timeline getting to a really stable situation?

Herna Verhagen: The proposal we made will be also done in individual meetings, which take place in the coming period. 1,150 meetings, so that is not done in one day. It will take some time in the coming period before we have clarity about who of them would like to have an employment agreement and who wants to stay independent. It therefore takes time before I can give a clear answer to your question. Will it lead to more cost? We think that this is a good proposal. We want to achieve that there is no cost difference between employed people and independent people. In our view that is a sustainable model.

Henk Slotboom - The IDEA!

I have a whole list of questions. Let me kick off with three questions. The first question is on Whistl. You can say it is over and done with. That is the good news, but the bad news was that it is costing a little bit more than I and most people had expected. The EUR 24 million impairment is clear. As far as I remember the last known book value of Whistl was around EUR 26 million. In May or June you came with the announcement that you were terminating the end-to-end business and that it would lead to a EUR 25 million to EUR 30 million one-off. That is EUR 23 million. Is the breakdown between cash and non-cash still the same as the 50-50 that was guided for initially? If so, I can understand that you have to pay severance pay to the people that are working there. What does the other part relate to? Is that cancellation of contracts? Maybe you can give some further insight in that.

My second question is also on the foreign business. There is still a claim on a body in Sicily that is collecting taxes. I saw that claim in the 2013 Annual Report, it is in the 2014 Annual Report and once again in the semi-annual report. It is now EUR 25 million. Meanwhile you are in the process of taking a decision on Italy. Into what extent could this potentially lead to further damage? For example, if you decide to sell Italy, I can imagine that the buyer does not want this risk on his books.

My third question. On slide 8 you give some guidance with regards to the volume development in Mail in the Netherlands. When I look at the fourth quarter bar, it hits a little bit more into the negative than the preceding ones. Is this purely a cosmetic thing because you expect to arrive at minus 9% to minus 12%? After all, in Q4 you have two additional working days. Why is there a one-off element that distorts the whole picture?

Jan Bos: With regards to Whistl, the exit cost is a combination of leave of employees, customer contracts, onerous contracts, any contracts on depots and also investments we have done on sorting machines and equipment. The difference between the book value we earlier communicated and the total impairment and exit costs of EUR 43 million is explained by a change in an intercompany loan to equity.

With regards to the claim on the tax payment organization in Sicily we have confidence that we will receive that receivable, but it takes more time than we hoped.

Then the last question on the volume development. In Q4, like we said in Q1, we will see some negative development on insurance companies, which will explain a higher substitution rate in Q4. All in all we are confident on the 9% to 12% volume guidance we have given for the full year.

Henk Slotboom - The IDEA!: If you allow me one follow-up question on Whistl. What is the current book value of the basis of the 17.5% stake?

Jan Bos: The expected cash proceeds are zero.

Wijnand Heineken – Independent Minds

I have two questions. Within the intercompany activities there was quite a strong cost reduction of EUR 10 million. Could you give some indications what we can expect as a run rate for those activities in the coming quarters and maybe in the longer term? The other question is on the international activities. You mentioned some incidentals. Probably they were not that material as they have not been filled in much more. Could you give a bit more background on what happened there?

Jan Bos: The cost reduction was partly due to IT. We have an IT program where we are changing our IT operations. Those savings are coming in, also in the next quarters. There were also some other savings on head office. We will not expect the same run rate for the next quarters on PostNL Other, but still savings will come in. The incidentals at International are part of the improvement of the EUR 5 million. There are several incidentals in Germany and Italy.

Wijnand Heineken – Independent Minds: Any quantification?

Jan Bos: It is part of the improvement of the EUR 5 million: EUR 2 million of EUR 3 million.

André Mulder – Kepler Cheuvreux

I have a question on Mail in the Netherlands. In the past you used to say that you would not care that much about market share until the arrivals would reach an amount of 25%. Looking at the development in volumes, would you say that the fight now shifts from volumes to price? I hear that you have been winning some orders where in the past there used to be a pricing difference of around 20%.

Herna Verhagen: Last quarter we said we would follow a protect market share strategy, which means that on certain market segments we look into what protect market share means for us. Does that mean that we go from a price increase strategy to a price decrease strategy? The answer is no. We will maintain our price strategy well above inflation till the end of 2017 on average over the years 2013 – 2017. It also means that on products in certain segments where we have more competition we do different price increases than we do in other segments. It is not a full change of our pricing strategy, not at all.

André Mulder – Kepler Cheuvreux: I have a question on the International first half year growth of 8%. You maintain the outlook at low single digit. That hints at stabilization in H2. Is that right?

Herna Verhagen: The low single digit is for underlying cash operating income. On revenue it is also low single digit. It means that we do expect less revenue increase in the second half year of 2015. We also see positive elements in Germany. Hopefully they will continue, also because of the ruling of the Bundeskartellamt, but that is to be seen. That is the reason for keeping low single digit revenue growth on International.

André Mulder – Kepler Cheuvreux: You say there is improvement in Germany. I do not need the decimals, but are you already turning to a profitable situation?

Herna Verhagen: Not this year. We do not expect to be in a profitable situation in 2015.

André Mulder – Kepler Cheuvreux: I have a last question on the remaining book value of the units in International in total.

Jan Bos: It is about EUR 70 million for Germany and about EUR 45 million for Italy.

André Mulder – Kepler Cheuvreux: Any idea of the book value for the other operations?

Jan Bos: No, we have a cross border organization with some small book value, but that is also with International.

Mark McVicar - Barclays Capital

I have a couple of questions, mainly around dividends and dividend policy. Can you just remind us of the definition of underlying net cash income? A related question is: if you are inching towards distributable reserves, when you get there will you wait to build a reserve or will you start paying out the 75% on accounts of the first year that you create reserves?

Jan Bos: Our dividend policy states that we are paying 75% of underlying net cash income. That is underlying cash operating income minus tax and interest payments. Our dividend policy also states that it is necessary to have a positive consolidated equity, so not distributable equity. It states that we want to have a BBB+ credit rating or ratios belonging to a BBB+ credit rating.

Mark McVicar - Barclays Capital: But none of that would stop you paying dividend on account of the first year that you created consolidated equity?

Jan Bos: Correct.

David Kerstens – Jefferies

I have a few questions. Jan, in a previous call you indicated that you expected equity would start to really benefit of discount rates that would rise beyond 3.7%. You still had an actuarial gain in this quarter of EUR 71 million. How would the situation change if you get to those kind of discount rates? Would you still have the offsetting effect from the change in benefit increase, the asset ceiling and the minimum funding requirement, as you described on slide 23? My second question is: what kind of interest saving would you expect from the Eurobond redemption. I understand it is the lowest coupon bond that you have redeemed. What was the interest rate on the multi-currency credit facility that we placed the Eurobond in and what kind of saving do you anticipate. Finally, what is your best estimate for the working day effect on cash operating income in the first half year? I saw the volume impact. It was not quite clear what the election effects had on the working day effect. Can you please clarify that a bit further?

Jan Bos: Answering your first question we said that during asset and liability ceilings changes in interest rates will have a small impact or no impact on our equity. If you look at the increase of the interest rate it was 120 basis points. That had an impact of EUR 70 million. The EUR 70 million is mainly reflected on the unfunded transitional pension plan. Secondly, if you look at the normal sensitivity outside the range of asset and liability ceilings the impact is estimated at about EUR 100 million net per 10 basis points of interest. We still confirm that above the 3.7%. Of course that depends a little bit on the asset return of the pension fund. The Eurobond was a bond with about 5% of interest rate. So you can calculate yourself. It will have a saving on interest between annually EUR 15 million and EUR 20 million. We have not disclosed the exact impact in revenues and/or results of elections on the second quarter on working days, only on volume.

David Kerstens - Jefferies: Was the election effect a negative effect as well?

Jan Bos: Yes.

David Kerstens - Jefferies: So the underlying working day effect in the quarter was more than the 2% that you indicated.

Mr. **Bos**: Working day impact was 0.8% in Q2. If you deduct 11.2% and 9.1% underlying volume decline, you can calculate the election effect yourself.

Hugo Turner - Credit Suisse

I have three brief questions. The first is specifically on the Postal Act. My understanding is that the postal regulation needs to be approved by the State Council of Advice. There is not the EUR 20 million saving that you expect to get already within the 2015 cost saving. Do you think you will be able to deliver that or is that postponed to 2016? The second question is: can you give us a couple of points on how you think you can mitigate the headwinds from higher subcontractor costs in Parcels in 2016 and 2017? What steps can you take? Then I come to my last question. I think you said there is going to be a negative 1.6% impact on the coverage ratio. Can you explain why that is happening?

Herna Verhagen: I will answer your first question. The cost savings of EUR 15 million to EUR 20 million because of the reduction of mail boxes and post offices is planned over a period of three years. There was a very small part in 2015. We will not realize that, but as said we still expect to be in the bandwidth of EUR 75 million to EUR 95 million of cost savings this year. We still expect that after approval by the State Council we can do those savings in the next years. It is not a saving to be done in one year. Secondly, you asked if I can give you a couple of points why I do think that with higher subcontractor costs we will maintain the margin of 11% to 13% for 2015. That is partly because we see efficiency gains and partly because we do see volume growth also for the second part of this year. Those are the two main reasons why we think that we can pick up the EUR 5 million to EUR 7 million within the given guidance of 11% to 13%.

Jan Bos: I will answer the last question. The Dutch Central Bank sets rules for how to calculate the coverage ratio for pension funds. They changed the way you have to use the interest rate. That has an impact on the coverage ratio of 1.6%, which will come in the next few months, as it starts from mid-July and we are using a 12-months average coverage ratio.

Andy Jones – RBC

I have three questions. Firstly on the exit costs from end-to-end. The press release notes a cost of EUR 18 million and the presentation notes EUR 23 million. I am assuming it is just the tax difference between the two. Can you confirm that? My second question. We saw an impressive performance on the head count in the Netherlands down more than 7%, but also wage costs down about 3%. I was wondering if there is anything specific underlying that. Finally on Mail in the Netherlands. Jan talked about three items: revenue, cost savings and the autonomous cost increases. If you sum up those three that would explain a total headwind on underlying cash income of EUR 17 million, yet you delivered EUR 8 million. I was wondering what other items in the bridge where in there.

Herna Verhagen: The gross effect is EUR 23 million and the net effect is EUR 18 million. In between is indeed tax. Your assumption is correct. On your second question, we do not expect a big change in the composition of our people in the Netherlands. It will be more or less in the same division as it is today. Of course we will continue to reorganize within our production unit, but also within Marketing and Sales and Head Office. That we will maintain for the rest of 2015 but also for 2016.

Jan Bos: A short explanation on the bridge. The decrease in underlying cash operating income of EUR 8 million is explained by the combination of negative volume development and positive price impact of EUR 14 million and EUR 5 million of autonomous cost increases. Part of the cost savings are realized at Mail in the Netherlands for EUR 12 million. That explains the negative development.

Andy Jones - RBC: Can I read between the lines that, given that the revenue decrease was EUR 24 million, about EUR 10 million of cost purely related to volume?

Jan Bos: No, the normal cost savings belonging to volume development are not in the bridge. They are in the volume price impact.

Matija Gergolet - Goldman Sachs

Firstly on the international division. While we are expecting your presentation in November, would it be possible to allow us to think more or better about that division? Could you give us the split between Italy and Germany on the revenue and also on the underlying operating income side? Secondly, I have a follow-up question. You mentioned that you expect a slight deterioration of the mail volumes due to the loss of one large customer in assurance. Did I hear that right?

Herna Verhagen: To start with your last question about the slight deterioration of mail volumes due to one large customer in insurance. I would like to correct that a little bit. In Q4 we do expect a positive effect of two working days, so also over the second half year a better volume. In Q4 there will be also some effect from substitution by insurance companies. It is not one big insurance company, but an average of all insurance companies which we expect in Q4. It will all be within the bandwidth of 9% to 12% decline of volume over the full year of 2015.

Jan Bos: We published a revenue report on Germany. There is 3% growth to EUR 160 million. In Italy there is 2% growth to EUR 60 million. Besides that we see growth in our cross-border activities which are also in the segment International.

Matija Gergolet - Goldman Sachs: Is it possible to get the profitability of Italy and Germany? You mentioned some qualitative comments.

Jan Bos: Germany is still not profitable. Italy is profitable.

Angus Tweedie – Bank of America Merrill Lynch

In Parcels you seem to have quite a strong pricing mix benefit in the quarter. I know you have been quite resistant to raise pricing domestically. Is it about International benefits or is there anything more underlying going on?

Herna Verhagen: In the second quarter you see the positive effect of international and the combination of volume growth, which is 7%, translated into revenue growth of 8%. Domestically, as we said earlier, our tariff increase policy in Parcels is very moderate.

Pieter Zandee – Rabobank

I have a question on the termination of the EUR 315 million conditional budget. In the press release it reads that there is now the requirement of supplemented deficit that is determined on the basis of the coverage ratio. Is that the 98% you referred to?

Jan Bos: The 12-months coverage ratio has to be above the 104% after a recovery period of five years. Calculating the amount of top-up payment you have to do, they take into account the ability of the pension funds' recovery itself. That starts at the first year with a coverage ratio of about 98% and then every year a little bit more. If the coverage ratio is below the 98%, we have to do a top-up payment for a maximum of 1.25% of the pension obligation.

Pieter Zandee - Rabobank: I also have a question on the long-term interest-bearing assets. I saw that they increase by EUR 39 million to EUR 46 million. What are these assets?

Pieter Zandee - Rabobank: Thank you.

Herna Verhagen: If there are no more questions, thank you very much! We hope to see you again in November.

End of call

Appendix

- Condensed information discontinued operations
- Breakdown pension cash contribution and expenses

Condensed information discontinued operations

€ millions	27 Jun 2015	31 Dec 2014
Non-current assets	13	40
Current assets	142	134
Total assets	**155**	**174**
Non-current liabilities	4	0
Current liabilities	150	132
Total liabilities	**154**	**132**

€ millions	HY 2015	HY 2014
Revenues	420	375
Operating income	(49)	2
Income taxes	5	0
Profit/(loss) attributable to the shareholders	**(44)**	**2**
Net cash from operating activities	(15)	(19)
Net cash used in investing activities	(2)	(9)
Net cash used in financing activities	0	0
Changes in cash and cash equivalents	**(17)**	**(28)**

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Breakdown pension cash contribution and expenses

Pensions	Q2 2015		Q2 2014	
€ million	Expenses	Cash	Expenses	Cash
Business segments	31	38	32	45
IFRS difference	3		(4)	
PostNL	**34**	**38**	**28**	**45**
Interest	4		5	
Total	**38**		**33**	

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