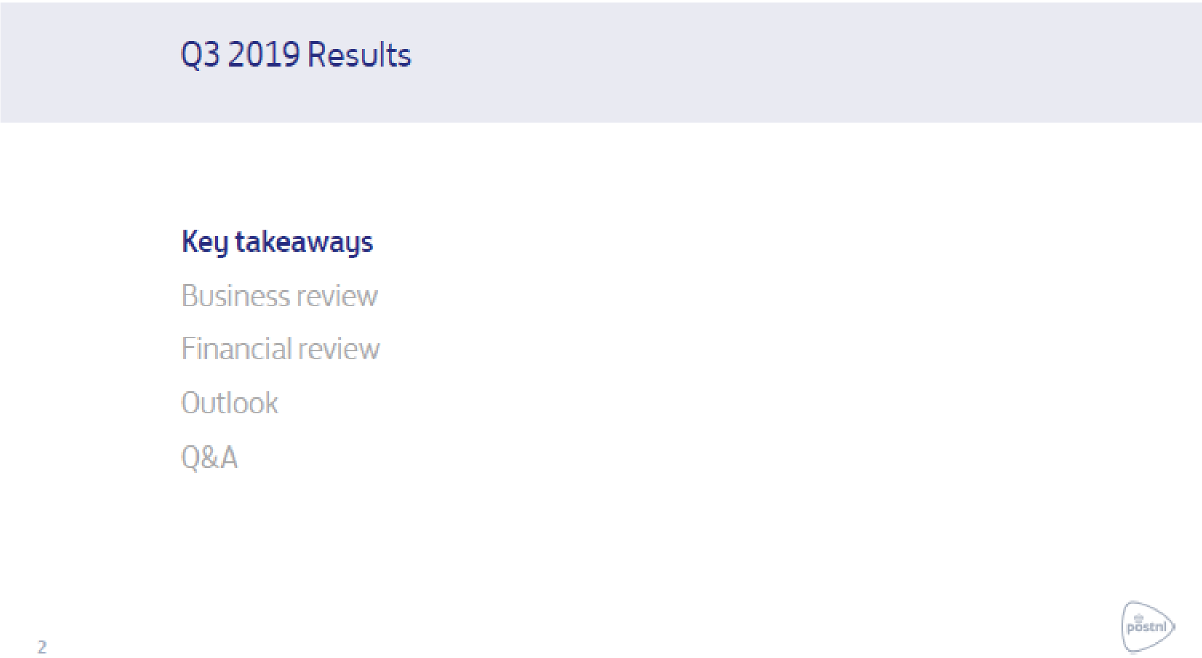

Q3 2019 Results
The Hague, 4 November 2019
postnl

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Good morning everyone. This is the analyst call for the third quarter results of PostNL. My name is Jochem van de Laarschot, Investor Relations of PostNL. I am here with Herna Verhagen, CEO, and Pim Berendsen, our CFO. To start off, Pim will go through the slides that you can find on de website and afterwards we will have Q&A.

Pim, please go ahead.



Pim Berendsen – CFO PostNL: Thank you, Jochem. Welcome to you all and good morning.

Key takeaways Q3 2019

- Sandd acquisition completed, financial impact reconfirmed; focus on completion of integration in HY1 2020
- Sale of Postcon to Quantum Capital Partners completed
- Current volume development impacts margin improvement at Parcels
- Result at Mail in the Netherlands slightly better
- Overall, satisfying Q3 performance
- Outlook 2019 UCOI confirmed

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Let’s first look at the key takeaways of the third quarter.

To begin with, of course we have completed the transaction with Sandd on 22 October, which will enable us to get to a secure, reliable, accessible and affordable postal service going forward. We aim to complete the integration in the first half of 2020 and we reconfirm all the financial impact and details as we have presented before, which basically means run rate synergies of EUR 50 million to EUR 60 million and the delay in masterplan savings, cost savings and implementation costs exactly as we have communicated before.

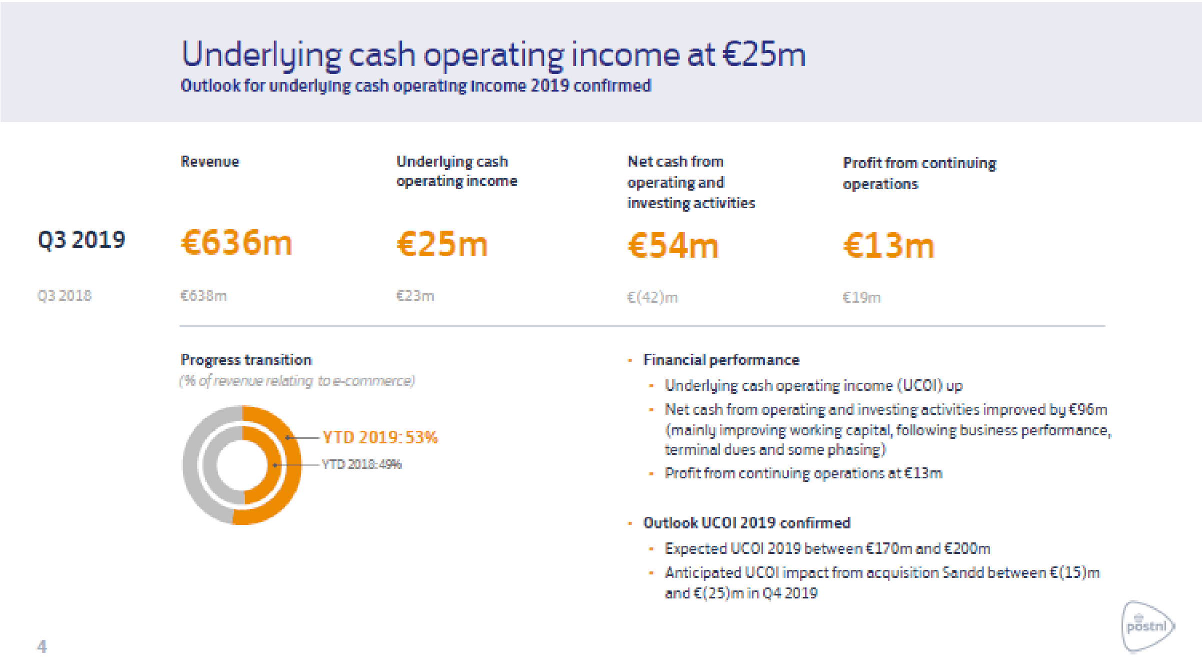
We have completed the transaction, the sale of Postcon to Quantum Capital Partners early last week.

Volume growth at Parcels came in at 11% with a continuing lower growth rate in some customer segments, predominantly fashion and electronics, and this has impacted the margin development at Parcels.

The results of Mail in the Netherlands was slightly better than last year.

And against the backdrop of these developments, we see a Q3 performance which is in line with our own expectations.

We reconfirm the 2019 outlook for underlying cash operating income of EUR 170 million to EUR 200 million excluding the implications of the Sandd acquisition, which translates to EUR 150 million to EUR 180 million, including Sandd. The difference between those two is the EUR 15 million to EUR 25 million impact on underlying cash operating income, as we have guided the market already two times before.



On slide 4 we are looking at the progress we make within our business. Let's look at the results first. Revenue is more or less in line with revenue last year, at EUR 636 million. The underlying cash operating income is EUR 2 million better, at EUR 25 million. We see a very strong improvement in our net cash from operating and investment activities, an improvement all in all of EUR 96 million, which is explained by lower capex, lower interest and a fundamental improvement in working capital, some terminal dues and phasing over the quarters, but all in all, a very important improvement on net cash.

Profit from continuing operations at EUR 13 million in comparison to EUR 19 million last year.

Based on the results of this third quarter, the results of the first half and the expectations we have for the remainder of the year, we reconfirm the 2019 outlook.

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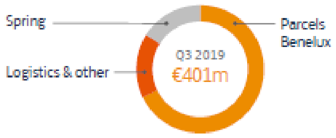
Let's go to the different segments in a little bit more detail and let's start with Parcels.

Parcels

Current volume development impacts margin improvement

	Revenue	Underlying cash operating income	Volume growth
Q3 2019	€401m	€27m	11% (13% YTD)
Q3 2018	€375m	€28m	

Revenue mix



Revenue development Parcels Benelux

- Effect volume growth (€34m), slightly offset by negative, though improving, price/mix effect of €3m
- Continuing lower growth in some customer segments (fashion and electronics)
  - Market research shows increase in value per parcel resulting in a slowdown in overall volume growth
  - Rationalisation webshops

Logistics and Spring

- Growth in Logistics and Spring; business environment remains challenging, impacted by global macroeconomic pressures

Result Parcels at €27m

- Performance at Parcels Benelux flat
  - volume/price/mix resulted in performance improvement of €5m, organic cost increases (CLA and indexation) of €4m and better operational efficiency offset by costs related to infrastructure expansion: additional costs up €1m
- Other result, mainly Spring, down €1m

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In Parcels, the current volume development in the quarter was 11% growth and year to date growth is at 13.4% which is a slightly lower growth as we have seen in previous quarters. That has impacted our margin development.

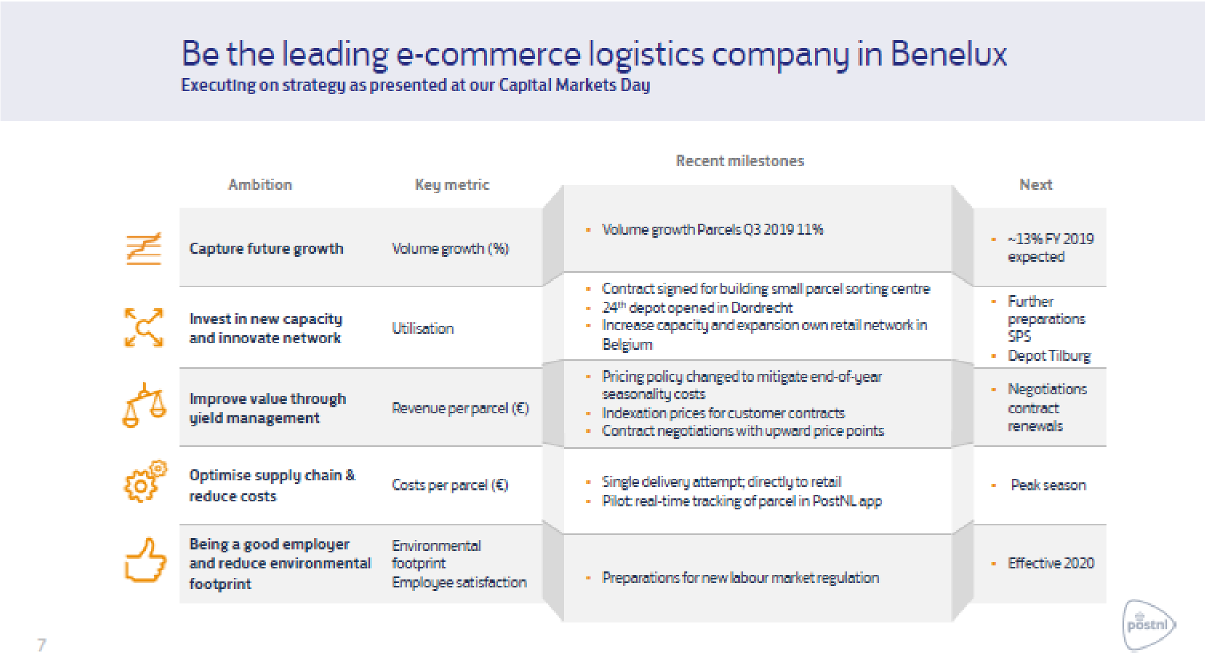
The underlying cash operating income came in at EUR 27 million, more or less comparable to last year, at a margin of around 6.7%.

Revenue increased to EUR 401 million and of course, based on the growth that we just talked about of 11%.

That growth has been impacted by lower growth rates in certain customer segments, for example fashion and electronics. Next to that, market research also indicates still a higher growth in online spending than the growth in the number of transactions, basically indicating a slightly higher value per order. Next to this, we have seen some rationalisations in e-commerce value chains. Customers are focussing a bit more on taking product categories out that are less contributing to their bottom line and cash performance and also, a combination of orders in one box. All in all we see a slight deterioration of the growth rate in the market. We do not have any indications that we are losing market share significantly, so this brings the growth rate a little bit below our expectations and we expect to end the year with a growth of 13% in volume terms.

The logistics business has done well in revenue. Spring revenue was backed by the transition towards the government provider of global e-commerce solutions. That means that basically our e-commerce business has grown quite significantly, but the deterioration of cross-border mail in line with digitalisation that we see across Europe also continues, which has together with the global macroeconomic pressures, impacted Spring's result in this quarter.

Overall Parcels performance for the segment was flat, EUR 1 million down in comparison to last year, EUR 8 million of volume growth, a price mix effect of EUR 3 million down, an increase of organic costs amounting to EUR 4 million, and together with capacity optimisation and operational efficiencies, we saw a Parcels Benelux result which was flat in comparison to last year and Spring EUR 1 million down, which basically brings us to the EUR 27 million that we reported.



Then over to Slide 7, last May at our Capital Markets Day, we presented the strategy of Parcels, getting to a better balance of volume growth, margin development and investment levels that will accelerate the free cash flow creation from our Parcels segment. And of course we said that on the back of our ambition to want to be the leading e-commerce logistic company in the Benelux. We want to be the favourite deliverer and in order to maintain that position, we have defined five key elements of that strategy that are crucially important. Let's look at them one at a time to show how we look at progress.

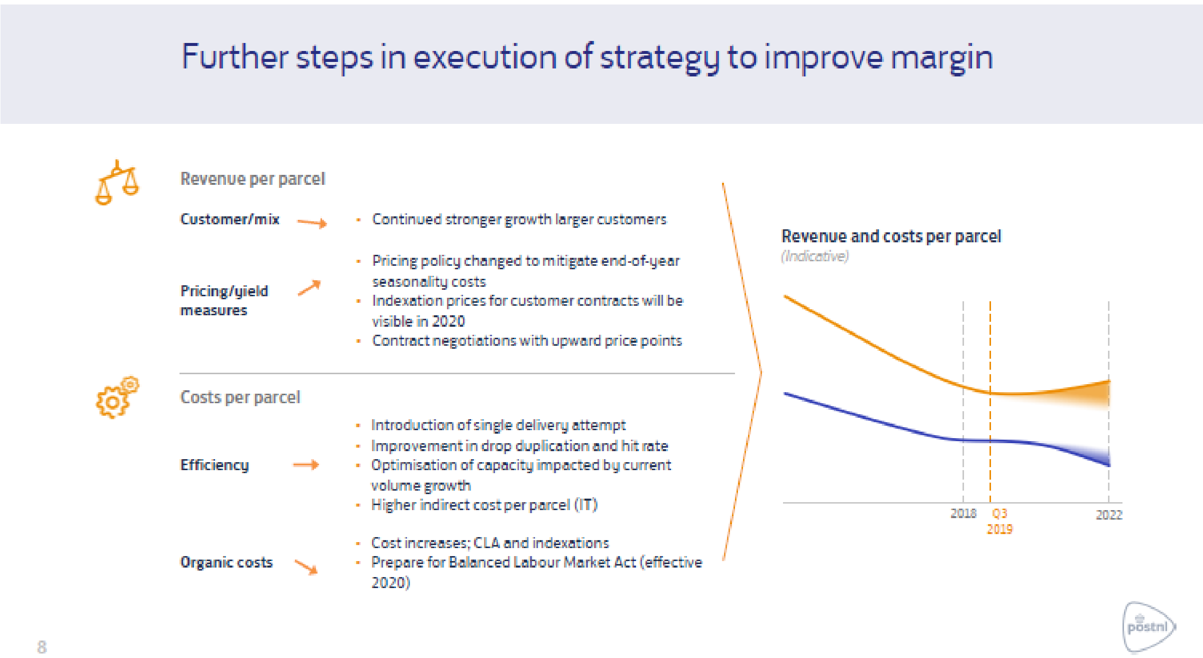
The first ambition relates to future growth. As we just discussed, volume growth of Parcels in the quarter came in at 11% with 13% full year 2019 expected.

Investment in new capacity and innovative networks. We have signed the contract for the small parcel sorting centre, which will help us increasing the capacity in our sorting facilities whilst at the same time bringing down the cost per parcel. We have opened a 24th depot in Dordrecht and we expect to open the depot in Tilburg quite soon in time for the peak period.

The third component is all about improving value through yield management through both revenue per parcel improvements as well as cost per parcel improvements. I will come back at the revenue per parcel lines a little bit. Straight afterwards we have a separate slide.

On the cost per parcel, we have introduced only one delivery attempt. Based on data analytics and big data, we have simulated the fact that basically when somebody is not at home first time right, there is a very big likelihood that he will not be there next time around as well. So we redirect the parcel straight to our retail network, which improves the hit rate and which improves our operational efficiency.

Being a good employer to reduce our environmental footprint is crucially important for us as well. We work hard to reduce our environmental footprint. Our scientific based targets are approved. We aim to achieve an emissionfree target of PostNL towards 2025 and 2030 and besides that we are preparing for changes related to Dutch labour regulation, which will become effective as of 2020.



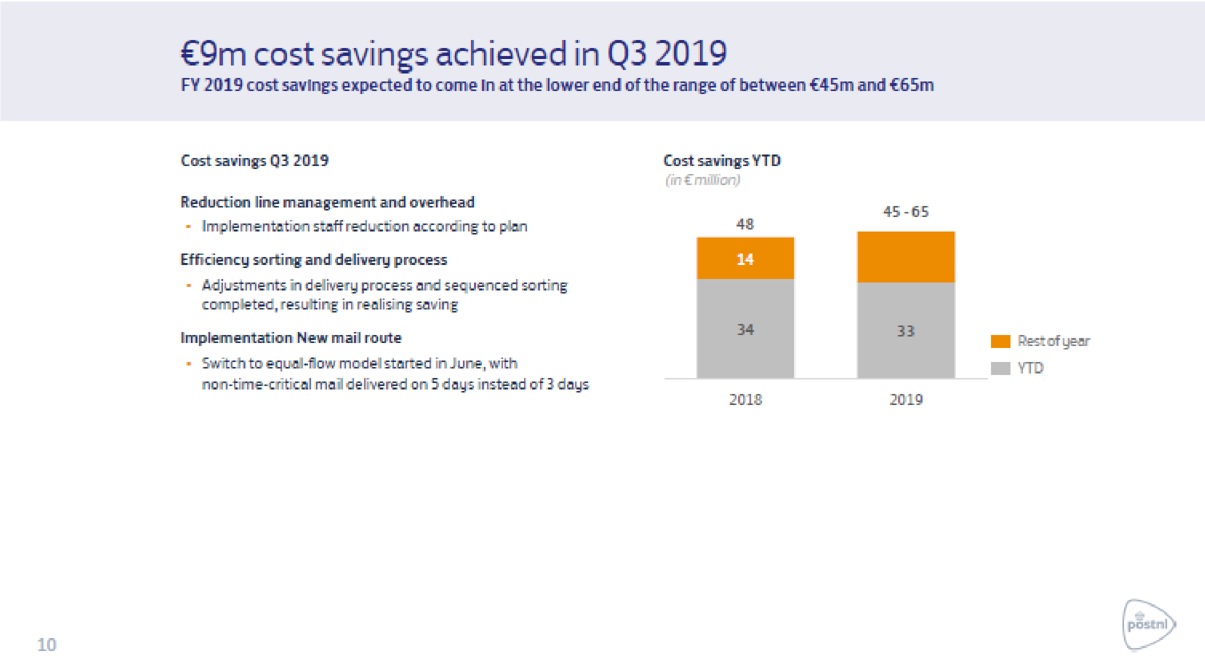
As mentioned before, our ambition is to improve value by yield management and optimising our supply chain and reduce cost. On this slide, you will see an update on revenue improvement and cost improvements. On the revenue side, we saw a stronger growth for larger customers in Q3 in line with previous quarters, which had a slightly negative however improving impact on our revenue per parcel. We are in full preparation to implement pricing initiatives and took different measures to increase our revenue per parcel. The first one relates to pricing policy changes to mitigate end-of-year seasonality costs, which will be visible and will be applicable to the 2020 peak period. Next to this the price indexation for 2020 is approved and will increase our price points for the various customer contracts that we are currently renegotiating.

For our ambition to reduce cost per parcel, we work hard on improving our efficiency with focus on first time right. As said, we have introduced one delivery attempt in our operations, which improves the efficiency. Next to that, there are still increasing hit rates and drop duplication is going in the right direction as well. The optimisation of capacity and the opening of additional depots was impacted by the current volume growth, which was slightly below our expectations, which basically means that on a cost per parcel side, we have a higher cost per parcel as a consequence of that increase in capacity as well as higher indirect costs per parcel, because of an increase of IT cost against a lower growth than we expected.

To conclude, the current volume development impacts margin improvement this quarter, but we will take further steps in execution of our strategy to improve future margin. So if we look at margin this year, we have adjusted the margin expectations of Parcels to around 7% from 7.5% to 9.5% down which is predominantly driven, as you can see on this slide, by the cost per parcel development impacted by the lower growth than we expected.

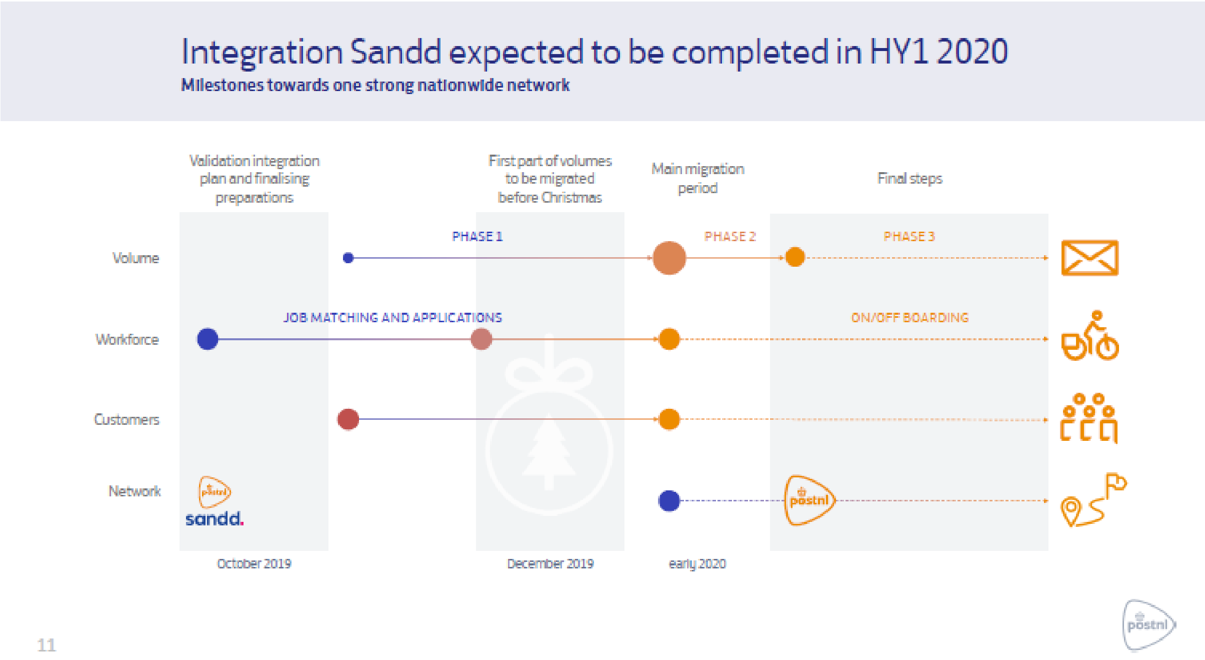
Let's move over to the Mail part of the business. The performance in Mail was marked by volume decline, price increases and cost savings, an 8% revenue decline from EUR 371 million to EUR 342 million in the third quarter of this year. The underlying cash operating income improved by EUR 1 million. Overall, volume decline was 10.6% in the quarter, which brings the year-to-date volume decline at 9.9%. The biggest part of this volume decline is due to substitution, as we have said before, and will continue for the next quarters and years to come. Loss of volumes to competition in this quarter was around 3% and of course, that mainly relates to volume lost to Sandd. Also for the year-to-date figures, loss to competition is approximately the 3%. That is predominantly volume lost in Q4 2018, beginning 2019 to Sandd on a number of specific lines that moved over to them. Certainly, this element of volume decline will now cease to exist, given the fact that we have completed the transaction with Sandd. Delivery quality is stable at 95%. The underlying cash operating income slightly improved. We see an impact from volume/price/mix of EUR 12 million in this third quarter next to autonomous cost increases of EUR 6 million. The cost savings in the segment Mail in the Netherlands were EUR 7 million. There we see that volume decline together with autonomous cost increases are not offset completely by cost savings.

Other effects, mainly less cash-out for pensions and provisions and results from terminal dues, as we have seen in previous quarters as well, have had a positive impact of EUR 12 million in the quarter.



On slide 10, we see the cost savings that were achieved in Q3 2019. All in all, EUR 9 million for the combination of Mail in the Netherlands and overhead restructuring benefits. It remains crucially important to keep focusing on taking as much cost out, knowing that volume decline will continue of course also after the acquisition of Sandd.

For the full year, we expect cost savings to come in at the lower end of the range between EUR 45 million and EUR 65 million.



On Slide 11, you can see an overview of the timing of the integration plan with clear milestones to complete this integration of Sandd in the first half of 2020. As said, on 22 October we have completed the transaction and have immediately started with validation of our integration plans and have started also with offering contracts to Sandd's mail deliverers as well as starting to discuss the other employees as well and allow them to submit for vacancies that we have at PostNL.

The first phase is all about validation of the plan, finalisation of the preparations and then first part of volumes are expected to be migrated before Christmas time. That will predominantly be the 24-hour mail. The big migration will start early in 2020, in which we will migrate all Sandd volume as quickly as we reasonably can to PostNL networks. We expect to finalise that early in 2020.

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Let's now move to the financial review section of the deck and first to slide 13, where you see the financial highlights of our continuing operations.

Financial highlights continuing operations

(in € million)	Q3 2018	Q3 2019	YTD 2018	YTD 2019
Reported revenue	638	636	1,978	2,001
Reported operating income	31	23	92	82
Project costs and other	2	2	24	13
Elimination intercompany results from discontinued operations	(1)	1	(6)	0
Normalised EBIT	32	26	110	95
Restructuring-related charges	(3)	1	0	1
Underlying operating income	29	27	110	96
Change in pension liabilities	2	0	9	7
Change in provisions	(8)	(2)	(31)	(6)
Underlying cash operating income	23	25	88	97
Net cash from/(used in) operating and investing activities	(42)	54	(76)	79

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EUR 25 million of underlying cash operating income in comparison to EUR 23 million. Net cash improved by EUR 96 million. And as you know, in May we have introduced the normalised EBIT metric which we will be using as of 2020 as the key profit metric. To help you compare, we have included the normalised EBIT here as well, which came in at EUR 26 million in comparison to EUR 32 million normalised EBIT in Q3 2018.

We are definitely happy about the progress that we are making on cash and cash flow since – as we discussed before – ultimately free cash flow is the basis, on which we paid and can pay dividends and remain to have a resilient balance sheet going forward.

Statement of income

Profit for the period increased by €36m in Q3 2019

(in € million)	Q3 2018	Q3 2019	YTD 2018	YTD 2019
Revenue	638	636	1,978	2,001
Operating income	**31**	**23**	**92**	**82**
Net financial expenses	(5)	(4)	(21)	(11)
Results from investments in associates and joint ventures	0	0	0	0
Income taxes	(7)	(6)	(20)	(18)
Profit from continuing operations	$\boxed{19}$	$\boxed{13}$	**51**	**53**
Loss from discontinued operations	(49)	(7)	(68)	(45)
Profit for the period	**(30)**	**6**	**(17)**	**8**

- Loss from discontinued operations: €(7)m in Q3 2019, partly explained by a negative, however improving, business result of Postcon and Nexive
- Sale of Postcon to Quantum Capital Partners completed end of October
- Disposal process Nexive still in progress

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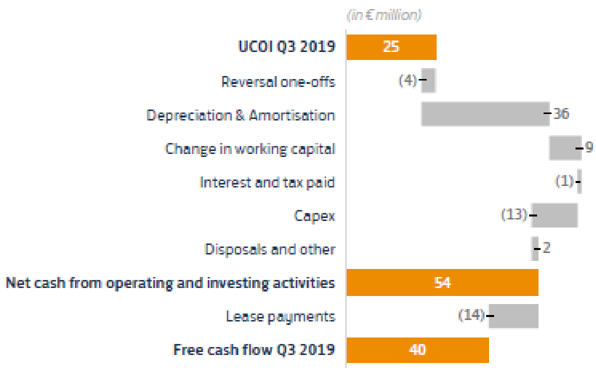
If we go to the statement of income then you can see the profit from continuing operations at EUR 13 million, which is EUR 6 million lower than last year. Net financial expense is lower of course, because of the redemption of the Eurobond in August 2018. In this period, we report a result from discontinued operations of EUR 7 million negative, which is explained by the combination of negative, however improving, business results of Postcon and Nexive. Last year the negative result was mainly explained by a fair value adjustment and negative business results from Postcon and Nexive as well. The sale of Postcon to Quantum Capital Partners was completed last week Thursday and we are still in the process of selling Nexive.

Generation of free cash flow in Q3 2019



Capex
(in € million)

	Q3 2019	YTD 2019
Base capex	10	29
Cost savings initiatives	1	6
New sorting and delivery centres	2	3
Total capex (FY 2019: max. 80)	**13**	**38**

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Then we move to the free cash flow generation in the third quarter. Here on slide 15, you see the bridge from UCOI third quarter at EUR 25 million towards net cash from operating and investment activities EUR 54 million. Of course given the changes in IFRS 16, we separately report here the lease payments of EUR 14 million in the quarter bringing free cash flow for the quarter at EUR 40 million. On the right-hand side you see the split in capex. EUR 13 million has been spent in the third quarter and full year expectations are that it will not exceed the EUR 80 million capex number. Earlier on we indicated that early year it will not exceed EUR 100 million but we have brought this down to not exceeding EUR 80 million.

Consolidated statement of financial position

Green bond issued: €300m, coupon 0.625%, term of 7 years, no covenants, covers financing needs for medium term

(in € million)	28 Sep 2019		28 Sep 2019
Intangible fixed assets	208	*Consolidated equity*	*(26)*
Property, plant and equipment	445	*Non-controlling interests*	*3*
Right-of-use assets	213	Total equity	(23)
Other non-current assets	77	Pension liabilities	321
Other current assets	403	Long-term debt	695
Cash	525	Long-term lease liabilities	153
Assets classified as held for sale	178	Other non-current liabilities	23
		Short-term lease liabilities	51
		Other current liabilities	689
		Liabilities related to assets classified as held for sale	140
Total assets	**2,049**	**Total equity & liabilities**	**2,049**

- Adjusted net debt is €698m; gross debt (Eurobond, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position
- Adoption of IFRS 16 Leases per 1 January 2019
  - Recording of right-of-use assets and increased lease liabilities for operating leases, mainly related to rent and lease of buildings and transport fleet
  - Right-of-use assets include transferred finance leases and capitalised leasehold rights and ground rent contracts (from PP&E)

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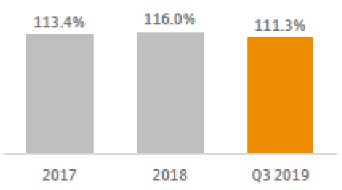
Slide 16 brings us to the balance sheet. Noteworthy there, is that our consolidated equity decreased to minus EUR 26 million, of course on the back of positive profit from continued operations offset by an interim dividend, which we paid out as a cash payment of EUR 23 million. Together with the negative result from discontinued operation this gets us the minus EUR 26 million consolidated equity position at the end of the third quarter.

Based on those numbers, our adjusted net debt position is currently EUR 698 million, which compares to an adjusted net debt position of EUR 702 million at the end of Q2. In September, we successfully offered a Green Bond of EUR 300 million in fixed rate notes with a coupon of 0.625%, a term of seven years and no financial covenants. This covers our financial needs for the medium term.

Decline in interest rates impacts pension position

Coverage ratio pension fund (12-months average)



- actual coverage ratio September 2019: 106.1%

(in € million)	YE 2018	Q1 2019	HY 2019	YTD 2019
Fifth and last instalment unconditional funding obligation (to be paid in Q4 2019)	33	33	33	33
Transitional plans	263	276	284	288
Provision for pension liabilities	296	**309**	**317**	**321**

- increased amount for one-off payment for transitional plans in 2020

Going forward lower interest rates will result in:

- increasing pension expenses to be visible in (normalised) EBIT in 2020; impact on equity mitigated by positive effect in OCI; expected impact on cash contributions limited

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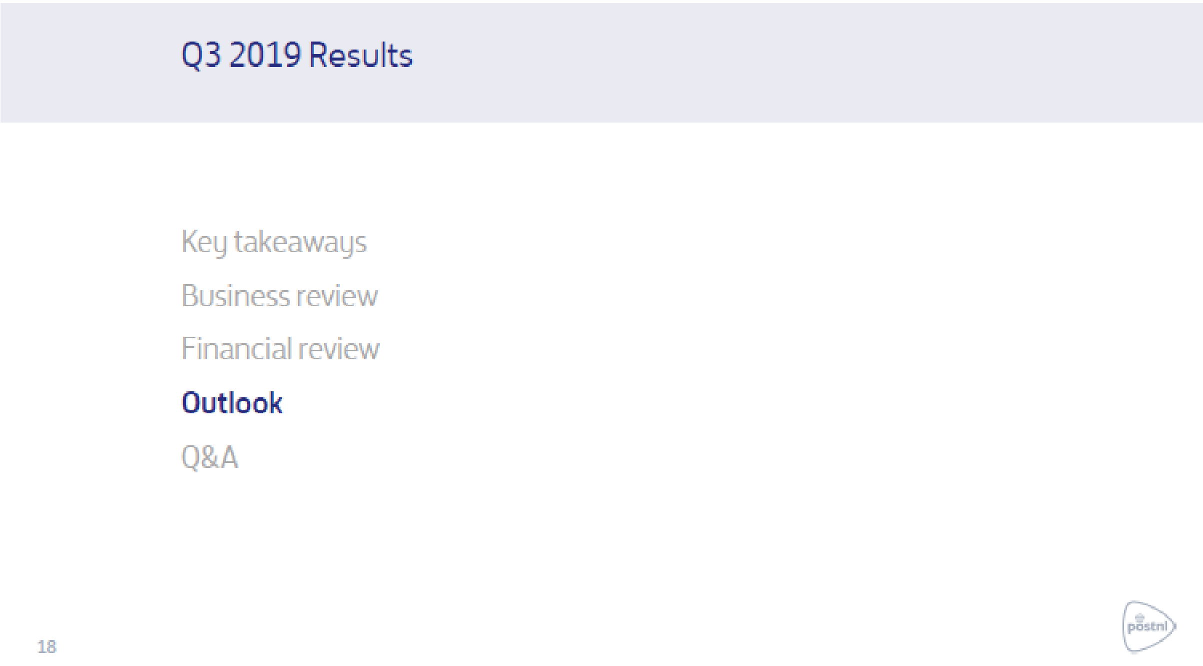
Then let's go to pensions. I will take you through the pension position at the end of this quarter. The 12-month average coverage ratio of the fund was 111.3%, above the minimum required level of 104%, however decreasing because of the decline in interest rates. The impact of the current low interest rates also show the actual month and coverage ratio of 106.1% at the end of September. The provision for pension liabilities for Q3 amounted to EUR 321 million, of which EUR 33 million relates to the fifth and last instalment of our unconditional funding obligation, which we will pay in this quarter. The other part of the provision relates to the accounting cost of our transitional plans. As you know, the payment of the related soft pension benefits will be almost complete in 2020 with a large one-off payment to be made at the end of 2020.

The decline in interest rates will obviously increase the related payments in 2020, which is already partly visible in this increased provision in 2019. Going forward, the lower interest rates will increase our pension expense negatively, impacting normalised EBIT. As the premium percentage of the regular pension plan is capped and currently already at the maximum level, the impact of the higher cost on our equity is mitigated by a positive effect in other comprehensive income. In other words, this interest rate will impact normalised EBIT. It will not impact equity and it will not impact our cash out on regular pension payments but as said, you will see an impact on normalised EBIT as a consequence of higher accounting pension expenses.

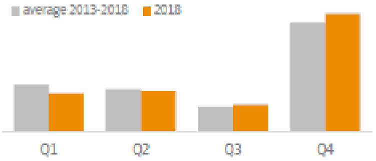
As a last remark, please be reminded that as of 2021, we will get to a much more normal pension situation, where actual pension expense and pension cash-out will only relate to one year's additional regular pension accrual for the people that are employed at PostNL.



Then let's move to the outlook.

Seasonal pattern

UCOI split 2013 - 2018



Working days	2018	2019
Q1	64	63
Q3	61	62
Q3	65	65
Q4	64	65
Total	254	255

Attention points for Q4 2019

- Underlying cash operating income Q4 2018: €100m
- Mail in the Netherlands: in Q4 2018 non-recurring effect from retro-active invoice to postal operators
- FY 2019 cost savings expected to come in at the lower end of the range of between €45m and €65m

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On slide 19 you see the seasonal pattern and, as always, Q4 brings the largest contribution to our full-year profit slightly less back-end loaded than in 2018 but of course still significantly higher profit numbers than in the first three quarters of the year. In Q4 2018, we had the non-recurring effect from the retro-active invoice to postal operators. If you look at Q4 going forward, our cost savings are expected to come in at the lower end of the range between EUR 45 million and EUR 65 million. We expect a full-year volume growth of parcels of 13%. And lastly, we have one working day extra in this fourth quarter in comparison to last year.

Outlook underlying cash operating income FY 2019 confirmed

Anticipated UCOI impact from acquisition of Sandd of between €(15)m and €(25)m in Q4 2019

	Revenue		UCOI / margin		compares to normalised EBIT (margin)
(in € million)	2018	outlook 2019	2018	outlook 2019	
Parcels	1,555	+ high single digit	117 *(7.5%)*	~ 7%	~ 7%
Mail in the Netherlands	1,678	- high single digit	93 *(5.5%)*	>= 5%	>= 5%
PostNL Other / eliminations	(461)		(22)		Δ~(15)*
Total	2,772	**+ low single digit**	188	**170 - 200**	**155 - 185**
Adjusted for acquisition Sandd				**150 - 180**	**120 - 150**

- normalised EBIT as new key metric for profitability as of 2020 (comparative numbers for 2019)
- reflection of business performance; one-off and significant non-business-related items are excluded and explained
- normalisations in EBIT equal to underlying items in UCOI for 2019 except for restructuring-related costs

** difference between UCOI and normalised EBIT visible in PostNL Other, mainly due to pensions*

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We confirm our outlook for 2019 underlying cash operating income and expect to deliver underlying cash operating income of between EUR 170 million to EUR 200 million before consequences of Sandd.

Taking into account the developments in 2019 so far, the outlook for Parcels has been adjusted to high-single-digit growth in revenue and an expected full-year margin of around 7%.

At Mail, we expect addressed volume decline between 8% and 10%, partly offset by price increases resulting in a high-single-digit decline in revenue. Our margin guidance has been adjusted to exceeding 5%.

Adjusted for the expected and earlier communicated financial impact from the acquisition of Sandd in Q4, this will translate to an underlying cash operating income of between EUR 150 million and EUR 180 million, which should be comparable to normalised EBIT of between EUR 120 million and EUR 150 million.

Reconciliation outlook FY 2019, including impact Sandd

Financial impact Sandd

- UCOI contribution synergies of around €50m - €60m
- Integration-related cash-out of approximately 1x run-rate synergies, equally split over 2019 and 2020; one-off costs (non-cash) related to accelerated depreciation in 2019 and 2020
- Delay in implementation of current cost savings plans will impact result by €(30)m - €(50)m (cumulative) in period 2019 – 2022 (25 February 2019: €(50)m - €(70)m)
- Expected UCOI impact in Q4 2019 expected to be between €(15)m and €(25)m

(in € million)	FY 2019	FY 2019 including Sandd
Underlying cash operating income	170 - 200	150 - 180
Change in pension liabilities	~ (10)	~ (10)
Change in provisions	~ 10*	~ 15
Underlying operating income	170 - 200	155 - 185
Restructuring-related charges	~ (15)	~ (35)
Normalised EBIT	155 - 185	120 - 150
One-offs excl. restructuring-related charges	(10) - (20)	(45) - (55)
Operating income	140 - 170	70 - 100

**impact less than indicated before*

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On the next slide, I will explain in more detail the financial impact of the transaction of Sandd.

What we have done in this slide 21 is a comparison of full year 2019 with and without Sandd on the different profit metrics that are in use. First on the business case, we have started the validation and no changes whatsoever on the financials of the business case that we have presented on 1 October. The annual underlying cash operating income in synergies will amount to EUR 50 million to EUR 60 million reaching full run rate in 2022. The integration-related cash-out approximately one-time run rate of synergies are roughly equally split over 2019 and 2020. This includes one-off costs non-cash related to accelerated depreciation in 2019 and 2020. Due to quicker integration, we have to depreciate in an accelerated way some of the assets of Sandd. The delay in the implementation of the current cost savings plan will impact the results by EUR 30 million to EUR 50 million negative cumulative for the period 2019 to 2022. The expected negative UCOI impact in Q4 is expected to be between EUR 15 million and EUR 25 million.

When we look at the confirmed outlook, excluding Sandd, the expected full year cash outflow from provisions is expected to be around EUR 10 million. Remember that we have indicated

EUR 20 million to EUR 30 million in our annual report. Normalisations in EBIT are equal to the underlying items in UCOI for 2019 except for restructuring-related costs.

When we look at the full year 2019 numbers, including Sandd we see an increase of the change in provisions due to expected restructuring cash-outs related to the integration of Sandd in Q4 2019. Of course, this follows higher restructuring-related charges. This will impact normalised EBIT by around EUR 35 million to EUR 120 million EUR - 150 million normalised EBIT, including Sandd for 2019.

As we indicated in the beginning of the year – and I want to revisit that right now – is that we expect a strong improvement in net cash from operating and investment activities. Remember that we were minus EUR 19 million for 2018 and we expect that net cash will come in at between EUR 80 million and EUR 110 million and this number does include the impact of Sandd that will be visible in Q4 2019. We will need around EUR 60 million for lease payments and the balance will be there for the cash component of dividends and acquisitions.

All-in-all, it is crucial to show this improvement in net cash, because of course it is the most important metric that will drive shareholder value going forward.

Key takeaways Q3 2019

- Sandd acquisition completed, financial impact reconfirmed; focus on completion of integration in HY1 2020
- Sale of Postcon to Quantum Capital Partners completed
- Current volume development impacts margin improvement at Parcels
- Result at Mail in the Netherlands slightly better
- Overall, satisfying Q3 performance
- Outlook 2019 UCOI confirmed

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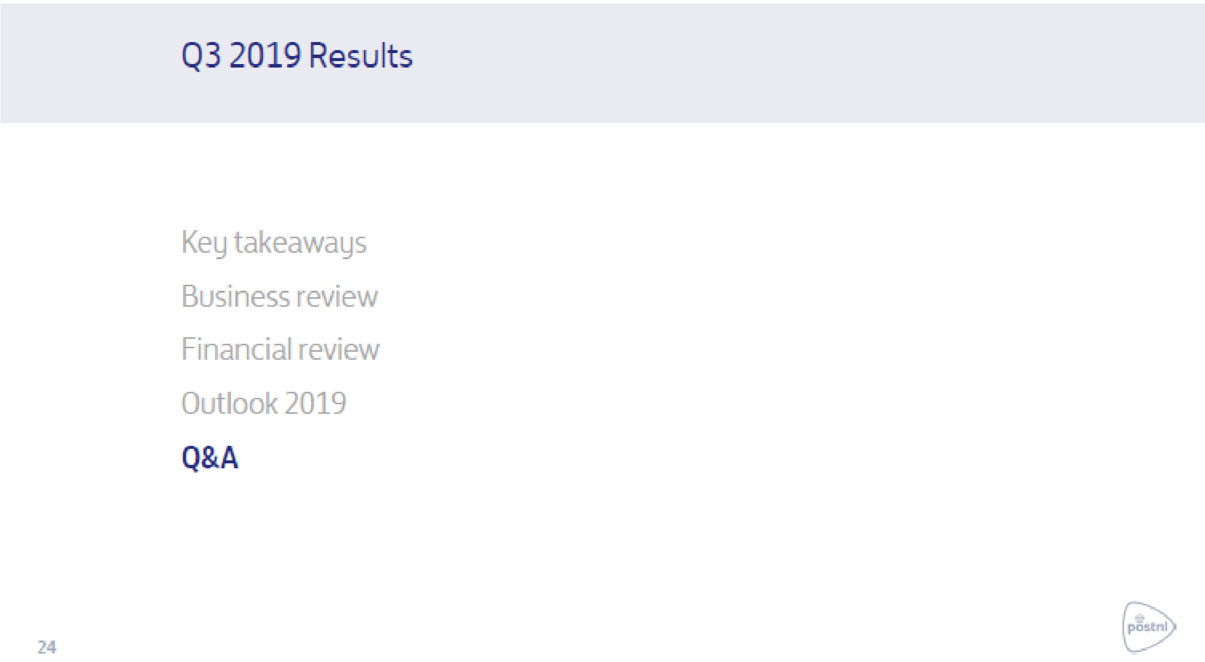
To conclude, Q3 performance was in line with our expectations. It is fundamental that we have managed to complete the transaction with Sandd. We are also happy that we were able to complete the sale of Postcon to Quantum.

Volume growth at Parcels came in with 11%, slightly lower growth rate in certain customer segments, which impact our margin development at Parcels.

Mail results were slightly better than last year and against the backdrop of these developments, we saw a satisfying Q3 performance and we reconfirm our 2019 outlook.

Jochem, back to you for Q&A.



- **Frank Claassen – Degroof Petercam**

Good morning, two questions please. First of all, could you give us a feel for how big the impact is of the low interest on the pension costs going into 2020 on EBIT? Some quantification would be helpful.

Secondly, on working capital. You made big improvements but what are the drivers and is it sustainable? Could we expect it also to continue? Thank you.

Pim Berendsen – CFO PostNL: Thank you, Frank. Well, if you go back to the 2020 interest rates and consequences of those on pension expense, they are of course not completely sure yet. We will fix those when it is the 1st of January 2020. But roughly, with current interest rates, if they were to keep at the level where they were at the end of September – luckily we have seen some increase already – you could and should think of an impact of roughly between EUR 15 million to EUR 25 million on a full-year basis on pension expense increase.

Frank Claassen – Degroof Petercam: Okay. That is clear, thank you. And working capital?

Pim Berendsen – CFO PostNL: There are a couple of components to working capital. There is always some phasing elements of terminal dues. In this quarter, we had also some phasing element in relation to cut-off date. But fundamentally, working capital is improving and we do that because we launched several initiatives to improve our weighted average days to pay initiatives that improve the DSO. This element of working capital improvement will definitely be sustainable and we expect to continue improving on those. But please bear in mind that working capital is always influenced also by bigger terminal due settlements if and when they occur. So quarter-between-quarter you might see some deviations but fundamentally, we seek and see an improvement of working capital.

Frank Claassen – Degroof Petercam: Can you remind me; this quarter was helped by the terminal dues? Could you quantify that?

Pim Berendsen – CFO PostNL: I cannot really quantify that.

Frank Claassen – Degroof Petercam: But it was a positive?

Pim Berendsen – CFO PostNL: There was less cash out on terminal dues than in Q3, 2018, and there were some cut-off phasing elements whereby some payments were done in Q4 rather than in Q3 last year.

Frank Claassen – Degroof Petercam: Okay. Thank you very much.

- **Mark Zwartsenburg – ING**

Good morning everybody. First to come back also on the working capital, Pim, I think you mentioned at the Capital Markets Day that the cash-out will be a touch higher versus 2018 for Parcels. Therefore, should we still assume that the cash-out for working capital then, given what you just said, is less of a cash-out this year than last year? Is that the right conclusion from what you were saying?

Pim Berendsen – CFO PostNL: What I said at the Capital Markets Day is that the normal patterns of working capital investments in Parcels and Mail are different. So Parcels is growing, it has a positive working capital, which means that growth in Parcels will come at an increase of working capital requirements whilst it is the other way around at Mail. So we see an investment in working capital in Parcels but as said, we also see fundamental improvements on the key drivers that impact working capital. And we do that both on the side of Parcels as well as in Mail. The combination leads to an improvement of overall working capital but that does not mean that there is not an investment in working capital requirements for Parcels anymore.

Mark Zwartsenburg – ING: Clear. And then going back to your guidance of the net cash flow of the EUR 80 million to EUR 110 million it now is. That is now a combination of say EUR 20 million lower capex that you are expecting – as you said the EUR 100 million versus the maximum EUR 80 million now – slight improvements on working capital and then you have the result of Sandd in there. That combination, including the result of the group of course, leads to a slight shift that the cash flow was actually EUR 10 million guided lower…

Pim Berendsen – CFO PostNL: It is a combination of these effects. It was EUR 90 million to EUR 120 million without Sandd and in combination with the elements you talked about it is now EUR 80 million to EUR 110 million for full year.

Mark Zwartsenburg – ING: Then over to the Parcels division. You are guiding for a high single-digit revenue growth for the full year now. That seems to imply that for Q4, we should see an acceleration of topline to perhaps a double-digit number again, if you are in the high single digits. Is that the correct observation?

Pim Berendsen – CFO PostNL: I do not think so. Year-to-date volume growth is at 13.4% on the back of a third quarter that delivered 11% growth. We expect the full year to be at 13%, which basically means that Q4 will need to follow the same trends in Q3 to get to the 13% growth full year.

Mark Zwartsenburg – ING: And in terms of revenues?

Herna Verhagen – CEO PostNL: We will look it up in a minute, Marc. We will come back to you.

Pim Berendsen – CFO PostNL: There is no fundamental change in trends.

Mark Zwartsenburg – ING: Okay. And then on the margins. If you put your targets in there against your guidance, it seems to point to a sort of similar margin as last year in Q4. Is that indeed the line of thinking that we should see some improvement in the margin because of the seasonal peaks bringing you back to the same levels as last year. is that correct?

Pim Berendsen – CFO PostNL: That is correct. Given where we are right now at 6.7% margin it will bring us to around 7% margin.

Mark Zwartsenburg – ING: And maybe to drill a bit further into that margin, we have seen some inflationary pressures. At the same time, if I look at slide 8 with the price mix and on the one hand the cost developments – the graph that is showing the development of your margin – it seems to suggest that also 2020 the margin will be more or less in line with this 7% for the Parcel division. Is that correct? That we should see some efficiencies as from 2020 is that a correct observation from slide 8?

Pim Berendsen – CFO PostNL: No. Let me make a few points on slide 8. On the revenue per parcel side, we slightly diminishing price/mix effects, which is positive. And we see a gradual increase in price points. The impact those improvements will have will take slightly longer than just this quarter as we also said because we are currently negotiating the terms for next year and also bringing in that discussion policy changes to mitigate end-of-year seasonality cost. So there it will have more impact in 2020 than in 2019, where basically the most important driver that brings the margin below the 7% currently is that the cost per parcel development is less favourable than we want. That is driven by a slightly lower growth and as a consequence also less coverage for indirect cost and indirect cost increases on the back of capacity increases as well as IT costs. Basically the lines indicate that over the period from 2018 onwards to 2022, we will see an improvement of those margins and helped by the growth then an acceleration of free cash flow conversion. We have not been that specific on 2020 margins.

Herna Verhagen – CEO PostNL: The overview we gave on slide 8 is also to give you the idea that we started with the introduction and implementation of all the actions which we mentioned at the Capital Markets Day around pricing and efficiency. That is also the reason why this slide is in the pack.

Mark Zwartsenburg – ING: I should not read it as the margin exact, extrapolating. If I look at the graph it seems to suggest that even 2020 could be slightly lower than the 7% but that is not how I should read it?

Herna Verhagen – CEO PostNL: It is not meant as that specific, to be honest.

Mark Zwartsenburg – ING: Okay. Then the other question is whether we should see some improvement or operational leverage in Parcels for next years and the years thereafter? Particular looking at next year, should we see some operational leverage?

Herna Verhagen – CEO PostNL: The first items, which should bring the operational leverage are introduced, for example we introduced to ring the door once and then, when someone is not at home we will bring it immediately to for example a retail store, which helps because most of the people who are not at home are not the second day at home as well. So it delivers efficiency on our side. On the other side what it does for consumers is that they have their parcel one day earlier. A second thing, which we are doing to optimise our capacity is the fact that when you look into the app, we will become more specific around the time, at which we come to your door. That gives us the opportunity to have less time at the door. So some of those initiatives should bring efficiency in 2020, next to the fact that of course drop duplication increases – it does in 2019 and it will in 2020 – with the growth of volume. That is on the efficiency side and on the other side of course there is a positive impact on the yield side where we started seasonal pricing and started discussions around the contract renewals for the year 2020.

Mark Zwartsenburg – ING: And then maybe on Spring. Maybe the results improved a tiny bit in Q3 but not that much. How should we see that develop? And then the second question is how crucial is Spring still in the strategy? Because we might be waiting for a long, long time before we see a sort of normalised margin there. But at some point I would say, how crucial is still? It is currently a negative for your margin on the Parcels division and therefore giving an extra negative read to the margin development, perhaps in the next quarters as well. How do you see that?

Herna Verhagen – CEO PostNL: What you say of course is correct. It gives a negative margin. Spring is a volatile business, so it is much more difficult to exactly forecast what will happen within Spring. It is also a very asset-light business and that is the other side of the coin. This means it has only a few people around the world and the rest is of course bought in via other distributors. Spring brings in volume and margins as we report on the Parcels next to that. It has international Mail and international Parcels and these contribute positively to the margins of Parcels and Mail. You do not see those margins because they disappear in the overall margins we report on Mail Netherlands and Parcels. So, there is a strong connection, a strong link to the positive contribution the international business still has within Mail and Parcels.

Mark Zwartsenburg – ING: And then maybe a last one, on the proceeds from Postcon. Pim, can you help us? I know contractually you might not be able to give them but it there anyway we can get a sort of assessment of how we can get …

Pim Berendsen – CFO PostNL: No, as I already told you at the end of Q2, we have disclosed those financials in total. So, for the combination of Postcon and Nexive the remainder of book value and the DTA that relates to that is where we are. Postcon has been completed but we are still negotiating Nexive and it is not in the interest of the company now to be specific on what relates to what. We still seek to try to get to a deal for Nexive, hopefully before the Q4 announcement.

Mark Zwartsenburg – ING: Before the announcement or the end of the year?

Pim Berendsen – CFO PostNL: Before announcement is what I said.

Mark Zwartsenburg – ING: Okay, so not before year end.

Pim Berendsen – CFO PostNL: That can still be before announcement! We are still working on it but we are really happy that we have completed Postcon.

Mark Zwartsenburg – ING: Thank you very much!

- **Ruben de Vos – KBC Securities**

Hello, I have three questions. The first one relates to the seasonality. The presentation shows that you have adapted pricing to mitigate end-of-year seasonality costs. It seems like a good development ahead of a hectic Q4 period. I was just wondering what the feedback of the webshops has been following the new pricing policy. It looks like there is an increasing trend in Europe that more consumers tend to postpone spending until big promotion days. So I am just curious whether that has led to differences in behaviour by the webshops?

Secondly, the cost savings realised in Q3 were below the run rate of the last twelve months and you have also lowered the cost savings guidance for the year. Could you give some more colour on the revised outlook and to what degree has the consolidation of Sandd already impacted the cost savings target for 2019?

Lastly, you are preparing for a new labour market regulation. Just wondering whether you could provide an update on what sort of measures you have taken and that you will take. Thank you.

Pim Berendsen – CFO PostNL: I lost count! They were not three questions but I think I have five. But never mind, please remind me if I missed one!

The end-of-year seasonality. Of course we have planned for the Q4 peak once again but when I talked about the change to pricing policies reflecting the consequences of this capacity I also said that we negotiated and implemented those for the 2020 peak season, so that will not yet have its impact on the revenue per parcel side in 2019. Those agreements were already fixed, so we can only introduce that when the legal agreements allow us to do so. And yes, particularly for this year again we see a relatively short period between Black Friday and Sinterklaas. It is always a question as to how much of that volume shift from different weeks in the year towards those peak moments where indeed consumers also seek the lowest point for the products that they want to have. So only as of 2020, those pricing policy changes will be positively impacting us.

If you say cost savings are slightly lower than the run rate you are correct, so EUR 9 million. The reason why that is slightly lower is that we from an operational cost point of view we reached and have improved the efficiency and productivity norms. So the number of hours that we use to deliver the mail has improved in accordance with the productivity targets we set. But the hours have been slightly more expensive, so in fact a mix between additional hours worked, a bit more temp labourers, and slightly more expensive temp labourers than expected. That has driven run rate savings down a bit and that also leads to the low end of the range of EUR

45 million to EUR 65 million guidance on cost savings this year. Honestly, this has not been impacted by the Sandd transaction for 2019.

Herna Verhagen – CEO PostNL: The new labour market regulation, the so-called Wet arbeid in balans – we will try and find a better English translation – means that the flexible workforce becomes more costly in 2020. That will have an impact of course, because we use flexible workforce in Mail and to a bigger extent within Parcels. At this moment in time we are trying to find out if we can mitigate and, if so, how far we can mitigate the impact of that new law.

Ruben de Vos – KBC Securities: Thanks. I just have one follow-up on the Parcel volume growth. I think one of the reasons for the moderation in growth was also that, as I have read, you have taken measures in terms of less return shipments by the web shops. Could you give a rough indication on how that trend has changed in 2019 versus 2018?

Herna Verhagen – CEO PostNL: That is correct. Web shops try to become more economical, in two ways. They try to collect several things ordered into one box, so into one parcel and they try to reduce the amount of returns. That of course also impacts the volume growth overall in the market.

Ruben de Vos – KBC Securities: Thank you.

- **Tobias Sittig – MainFirst**

Good morning. I have two questions on Parcels.
Thanks for taking my questions. Two on Parcels for me, please. Your revenue growth assumption that you outlined on the Capital Markets Day is above 10% until 2022. Now you are trailing below, so you need an acceleration of that growth. Where do you think that can come from? Or is it more realistic now to assume a slightly slower growth also in the coming years on the revenue side and then probably also on the volume side there on the back of the trends that you have outlined?

Secondly, following up on the question before on e-commerce client behaviour, that trend to consolidating shipments or orders into one shipment is that something you see just with the top customers or do you see it on a broader scale? Because it also implies different logistics on their side and probably also a different proposition to clients in terms of next-day delivery for everything. So do you see a trend of that changing in the Dutch market from next-day promise to getting all-in-one propositions being made there? Thank you.

Pim Berendsen – CFO PostNL: Regarding your first question, on our Capital Markets Day we basically set the expectation at 14% CAGR volume growth and translating that to roughly the 10% revenue growth, whereby indeed volume growth and revenue growth would come closer together in comparison to the trend lines of the previous years on the back of the commercial initiatives, of which a few were discussed earlier on today. At this moment, year-end expectations are 13%, so 14% CAGR is the combination. Some years it is higher, some years it is lower. At this moment, we do not have a fundamentally different view than the one we presented in May at the Capital Markets Day.

Herna Verhagen – CEO PostNL: Regarding your second question, it is much more with the bigger customers. If you want to consolidate in one box you have to have the stuff together in your warehouse. So it is much more related to bigger customers than to smaller ones, but we do not see it is a trend from next-day to all together. We do not see that in the market. So, it is still next-day but there is a more economic behaviour when it comes to the amount of returns and the amount of things ordered in one box.

Tobias Sittig – MainFirst: Okay. And then just following up on the first questions, because you say, you are still within the bandwidth but you would need an acceleration of growth or some of the trends that you outlined to reverse in order to get three years with 15% growth or more to offset for that. What is your thinking there? What should be the drivers for reacceleration?

Pim Berendsen – CFO PostNL: There are still several product categories online that are not yet that mature, which we expect also to see increases from, for example health and food, categories where we anticipate an acceleration of the growth, which will help us to get to the roughly 14% on volume.

Tobias Sittig – MainFirst: Thank you.

- **David Kerstens – Jefferies**

Good morning, three questions please. First on the market share loss. You talked about 3 percentage points to Sandd. I think in the past you always highlighted that you lost market share to regional competitors on the back of Significant Market Power. How should we see this share loss to Sandd? Is that mainly due to Van Straaten Post or is it in the traditional Sandd business? How large is Van Straaten Post today within Sandd? Some colour on that would be helpful.

Secondly, on slide 21, you highlight the one-offs excluding restructuring-related charges with Sandd increasing to EUR 45 million to EUR 55 million. I think in the call on October 1 you said that the one-off transaction costs for Sandd were EUR 10 million to EUR 20 million. So now you are basically guiding for an additional EUR 25 million. What is that related to, please?

And then finally on the pension accounting impact. I heard you say there will be a potential impact of EUR 15 million to EUR 25 million. Will you report it in normalised EBIT or will that be adjusted now that you just moved from UCOI to normalised EBIT?

Pim Berendsen – CFO PostNL: Your first question related to market share loss. In earlier quarters and definitely in 2018 we have always seen a loss to competition of somewhere between 1% and 2% as part of our overall volume decline. In this year we see a market share loss of roughly 3%, which is then the loss to all other postal operators. So not necessarily only Sandd, but of course predominantly Sandd. So this 3% is currently lost to Sandd on contracts that Sandd gained in Q4 2018 and the beginning 2019. That moved over and this, as a consequence, were in the base of 2018 numbers and not anymore because they were delivered by Sandd. It is a combination of volume loss on time sensitive and non-time sensitive mail. So, basically it hits both VSP and Sandd volume numbers but VSP is completely part of Sandd and as a consequence of the transaction completed we will a large diminishing element here on loss of market share.

David Kerstens – Jefferies: Did you have that impact as well in Q1 and Q2 or was that still small? Did those contracts move in Q3 mainly?

Pim Berendsen – CFO PostNL: No, it was already in Q1 and Q2 as well, also slightly above the 1% to 2% that we talked about.

Herna Verhagen – CEO PostNL: It was based on contracts won at the end of 2018 and the beginning of 2019.

David Kerstens – Jefferies: Okay.

Pim Berendsen – CFO PostNL: Slide 21 relates to additional depreciation cost as a consequence of a quicker integration, which means that we will use the assets of Sandd shorter than originally envisaged and that leads to an acceleration of your depreciation line. But all-in-all that is a positive sign, because that also means that we will migrate volumes over as quick as we can leading to the run rate synergies we talked about.

David Kerstens – Jefferies: How big is that effect in terms of accelerated depreciation? Is that as much as EUR 20 million to EUR 25 million?

Pim Berendsen – CFO PostNL: EUR 20 million to EUR 25 million. So, it is phasing otherwise it would have been depreciated in 2020. But now it has accelerated. EUR 20 million to EUR 25 million.

The increase in pension expense will be reported as part of normalised EBIT, so we will not create a different underlying adjustment for that. So that is what happens with the normalised EBIT definition. Then the gap between UCOI and normalised EBIT will increase. At the same time, we also will provide guidance on the free cash flow metric, which includes of course only the cash out to pensions. So the combination of the two will give you the proper picture of where we are heading.

David Kerstens – Jefferies: So, 2020 it will basically be the final year where you see this mismatch between the cash contribution and the accounting cost of the pension scheme?

Pim Berendsen – CFO PostNL: Not if it goes above the regular pension expense. That will continue, but all the difficult elements that relate to transitional pension plans, top-up payments, will be gone as of 2021. What is left in 2021 is a more or less, at that moment in time, stable gap between pension expense and pension cash outs.

David Kerstens – Jefferies: How large is that gap?

Pim Berendsen – CFO PostNL: That of course depends on the interest rate. I think you can see it in the previous quarters. And, as I said on another questions, at current interest rate levels I should say better but at end-of-September interest rate levels, the increase of pension expense would be roughly EUR 20 million to EUR 25 million.

David Kerstens – Jefferies: Great. Thank you very much.

- **Henk Slotboom – The Idea!**

I would like to drill down a little bit deeper on what happened in Parcels, because I still have the feeling that I miss something here. On slide 6 you give the delta on the sales figure for the effect of volume growth in Parcels Benelux and that is EUR 34 million. EUR 3 million of that was wiped out 0-by the price/mix effect. So if I go back a year, that you were kind enough to specify what the sales were in Spring and also automatically deducting that, it brings you back to Parcels Benelux plus logistics. Now, I see a gap in the second quarter. When I do the math correctly, I see a gap in the sales of Parcels Benelux and logistics compared to the second and the third quarter of this year. Still I see a deterioration in the results at the end of March. If I make the adjustment for Spring, Spring was more or less breakeven in the third quarter of last year and it is minus 1 this year. I see a delta in the profitability of Parcels Benelux plus logistics from the second quarter onto the third quarter of EUR 5 million. What am I missing here exactly? Is it really so big that a difference between 13% growth, which you did in the second quarter and 11% volume growth in the third quarter? Is that creating such a big gap?

Pim Berendsen – CFO PostNL: You went very quickly Henk with trying to explain how you came to that conclusion, so I need to think this over a bit more carefully. But if I look at Parcels' performance in Q3, I see a positive impact of volume of EUR 8 million compared to last year, offset by a negative price mix of EUR 3 million, which has been higher in the past, but with also an increase in organic costs of EUR 4 million, together with capacity optimisation and operational efficiencies that are impacted by that lower growth. Yes, lower growth has its implications on overall Parcels margin or results given the fact that we have invested in IT and in expansion of capacity, which also then leads to an increase of indirect costs per parcel. You have assumed that on the back of higher volume growth than 11% and missing out on several percentage points of growth, it then has pretty significant implications on overall domestic parcel results. I cannot calculate that quickly as you have done so. So, I will not say that 5 is the correct number but it definitely has an impact on Parcels' profit.

Henk Slotboom – The Idea!: Maybe we should take this one after the call. I will drop you a line and then you can see what you can do with it.

Pim Berendsen – CFO PostNL: Happy to look at it, no problem!

Henk Slotboom – The Idea!: The other question I had on Parcels is on pricing. You are currently talking to all clients with regard to the price negotiations for next year. Looking back at this year, what was on average the price increase you did for your larger clients? Is there a number you can provide us? How do you think that could evolve in going into 2020? Will it be more or less or maybe the same as in the price increases you did in 2019?

Herna Verhagen – CEO PostNL: On the Parcels' side we did not give any guidance on price increases we did from 2018 to 2019. That is what it is. No guidance.

Henk Slotboom – The Idea!: But with the price increases you have in mind for next year do you expect the negative price/mix effects will disappear.

Herna Verhagen – CEO PostNL: At the Capital Markets Day we said that in the end we will have a more positive price/mix effect, which means less negative impact. Because of the price increases we will make use of in the contract negotiations of 2019 towards 2020 and then of course going forward. So you should see first impact of that in 2020. With regards to the long-year contracts you will see it coming in later. But the answer is, yes. If you look into the revenue per parcel line which we showed you at the Capital Markets Day it includes an increase in revenue over a certain period of time and that meets those price initiatives.

Henk Slotboom – The Idea!: Thank you.

- **Andre Mulder – Kepler**

Good afternoon. I missed the first part of the presentation but can you help me with the drivers in Mail in the Netherlands? I am looking at a worsening of the revenue development and at cost savings that are at the lower end of the range. But you still produce a margin which is higher than the top end of the previous range. Can you please shed some light on that?

Pim Berendsen – CFO PostNL: The missing components there are indeed a higher volume decline and slightly lower cost savings, but those are offset by lower restructuring cash out and lower pension cash out as well as terminal due results and compensation for transitional payments that were paid to our staff that were long-term sickness, which we can recuperate.

So, those elements together have resulted in the Mail in the Netherlands' result being more or less stable compared to last year.

Andre Mulder – Kepler: To what extent are those elements structural? Or will they disappear next year?

Pim Berendsen – CFO PostNL: As you know, each and every year we try to get positive results on terminal due negotiations, so that is certainly something which is structural albeit that you do not exactly know from how much it will be there. That is a function of import-export volumes and different tradeline dynamics. The element of the transitional payments paid to long-term illness is of temporary nature, so that will not recur and will not be recurring.

Andre Mulder – Kepler: Thanks.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: As there are no further questions thank you, very much. Of course, we are happy to take any further questions you may have. Please do not hesitate to contact the IR department at PostNL. And for the rest, I would like to thank you for your participation. See you next time around. Thank you!

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End of call

Q3 2019 Results

Appendix

- Results by segment Q3 and YTD
- Underlying (cash) operating income Q3 and YTD
- Underlying cash operating income Parcels Q3 and YTD
- Generation of free cash flow YTD 2019
- Breakdown pension cash contribution and expenses

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Results by segment Q3 2019

(in € millions)	Revenue Q3 2018	Revenue Q3 2019	Normalised EBIT Q3 2018	Normalised EBIT Q3 2019	Underlying operating income Q3 2018	Underlying operating income Q3 2019	Underlying cash operating income Q3 2018	Underlying cash operating income Q3 2019
Parcels	375	401	30	27	30	27	28	27
Mail in the Netherlands	371	342	10	4	7	5	(1)	0
PostNL Other	17	19	(8)	(5)	(8)	(5)	(4)	(2)
Intercompany	(125)	(126)						
PostNL	**638**	**636**	**32**	**26**	**29**	**27**	**23**	**25**

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Results by segment YTD 2019

(in € millions)	Revenue YTD 2018	Revenue YTD 2019	Normalised EBIT YTD 2018	Normalised EBIT YTD 2019	Underlying operating income YTD 2018	Underlying operating income YTD 2019	Underlying cash operating income YTD 2018	Underlying cash operating income YTD 2019
Parcels	1,116	1,201	85	79	85	81	81	79
Mail in the Netherlands	1,195	1,114	55	37	54	37	22	28
PostNL Other	54	59	(30)	(21)	(29)	(22)	(15)	(10)
Intercompany	(387)	(373)						
PostNL	**1,978**	**2,001**	**110**	**95**	**110**	**96**	**88**	**97**

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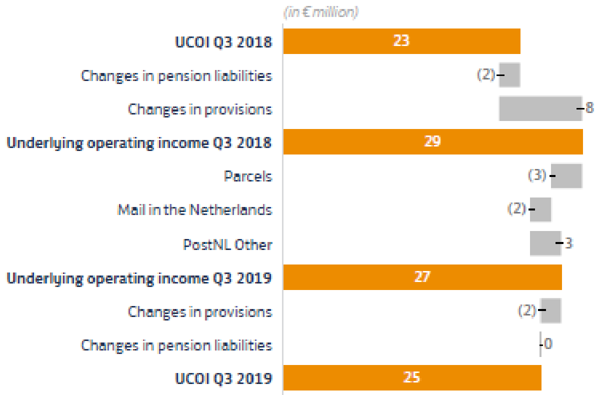
Underlying cash operating income increased by €2m in Q3 2019



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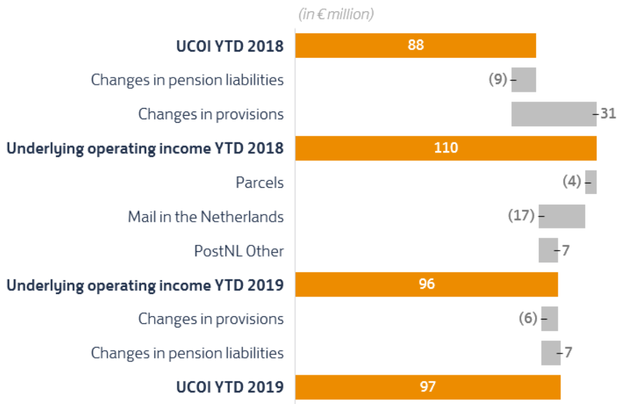
Underlying (cash) operating income YTD 2019



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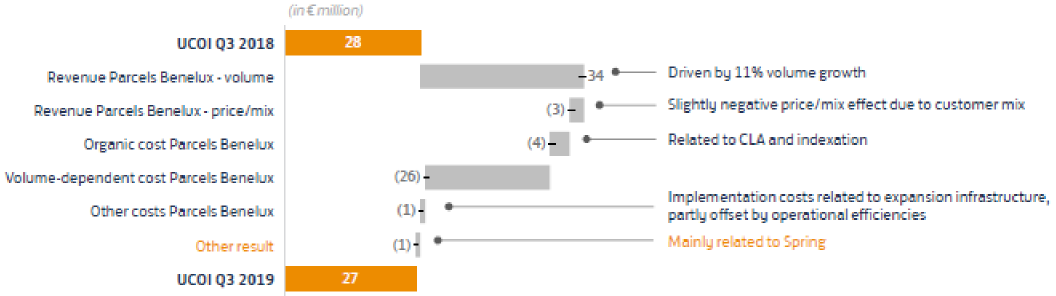
Underlying cash operating income Parcels Q3 2019



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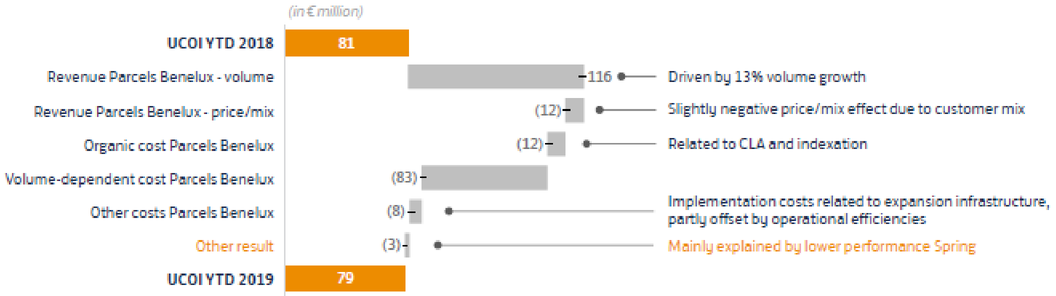
Underlying cash operating income Parcels YTD 2019



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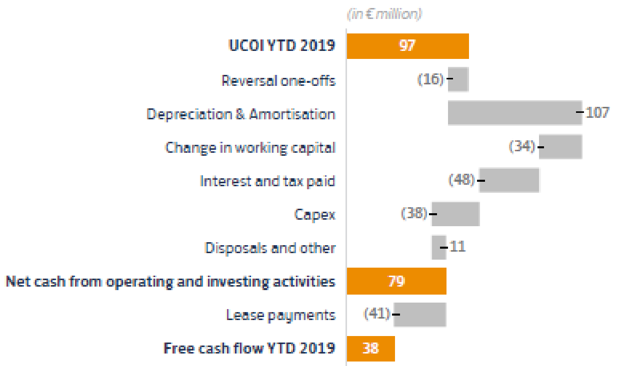
Generation of free cash flow YTD 2019



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Breakdown pension cash contribution and expenses

(in € million)	Q3 2018		Q3 2019	
	Expenses	Cash	Expenses	Cash
Business segments	25	30	25	30
IFRS difference	7		5	
PostNL	32	30	**30**	**30**
Interest	2		1	
Total	34		**31**	

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

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

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