
2022
Q3 2022 Results
The Hague — 7 November 2022
postnl

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Waldorpstraat 3
2521 CA The Hague
The Netherlands
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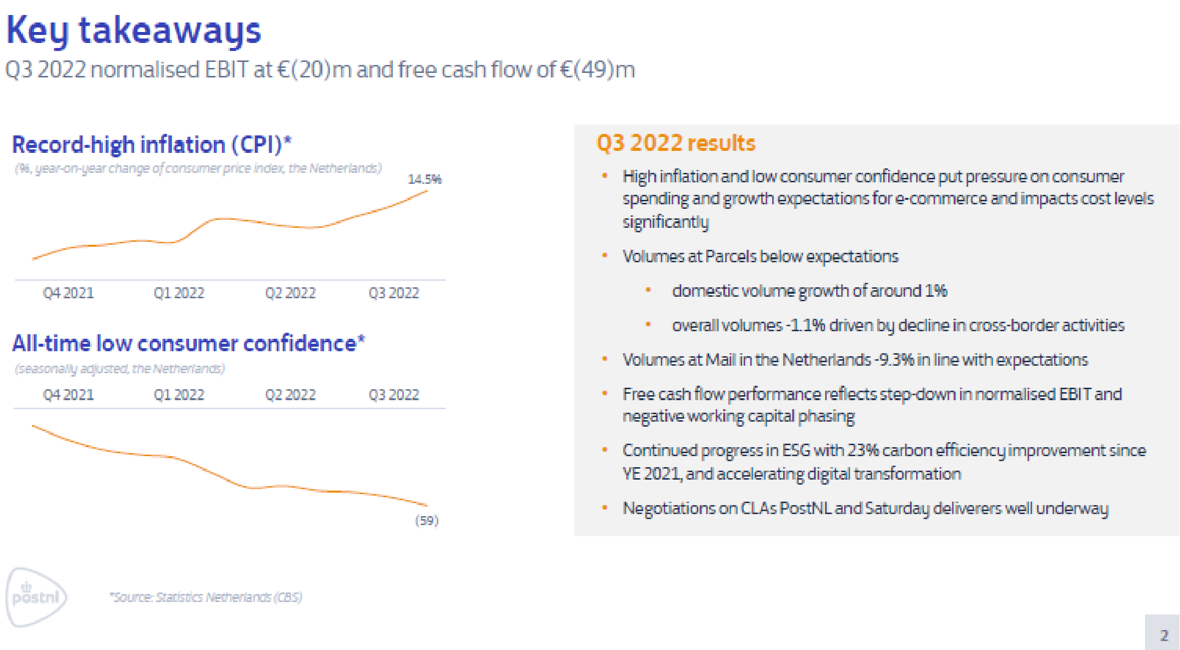
Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Thank you operator. Good morning. Thank you for joining us to all. With me here are Herna Verhagen and Pim Berendsen of our Board of Management to go through the presentation, which should be on your screen and that you can also find on our website, to be followed by Q & A.

Pim Berendsen – CFO PostNL: Thank you, Jochem, and good morning to all of you. Let's start with the first slide, our key takeaways.



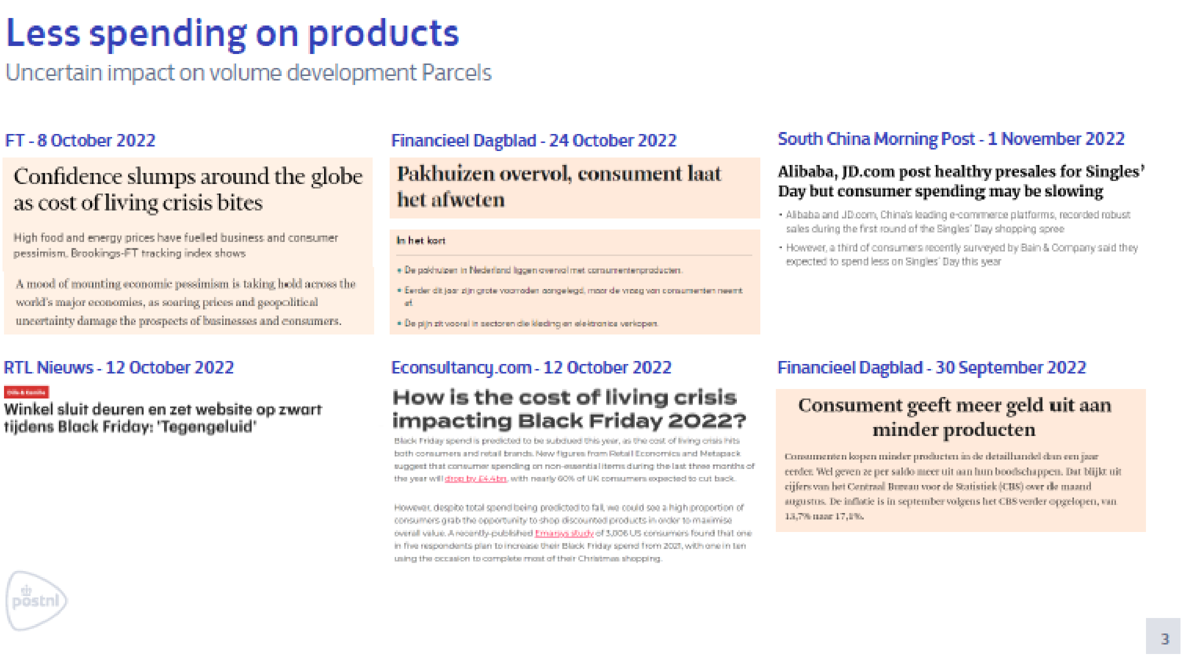
Obviously, these key elements were already flat on 21 October when we released the trading update, but it is clear that macroeconomic conditions have deteriorated further since our Q2 half year results in August, driven basically by two main drivers. All-time high inflation levels and at the same time consumer confidence being very low have had put pressure on our consumer spending and as such on growth expectations for our e-commerce business. Obviously, the higher inflation rates have pushed up even more than at the half-year numbers the organic cost increases that we have to absorb. As a consequence, volumes at Parcels were below expectations. Domestic growth of around 1%. Overall, minus 1.1% driven by declining cross-border volumes. Mail volumes were in line with expectations, being 9.3% down on reported levels and roughly speaking, 7.5% - 7.6% down if you correct for the non-recurring Covid in Q3 2021.

The free cash flow performance reflects a step down in normalised EBIT as well as negative working capital phasing. In other words, we have had settlements of bilaterals, terminal dues that were settled in the third quarter and will not repeat themselves in that sense in the fourth quarter.

We are continuing to make progress with our ESG objectives with a 23% carbon efficiency improvement since full year 2021 and we continue to accelerate our digital transformation program.

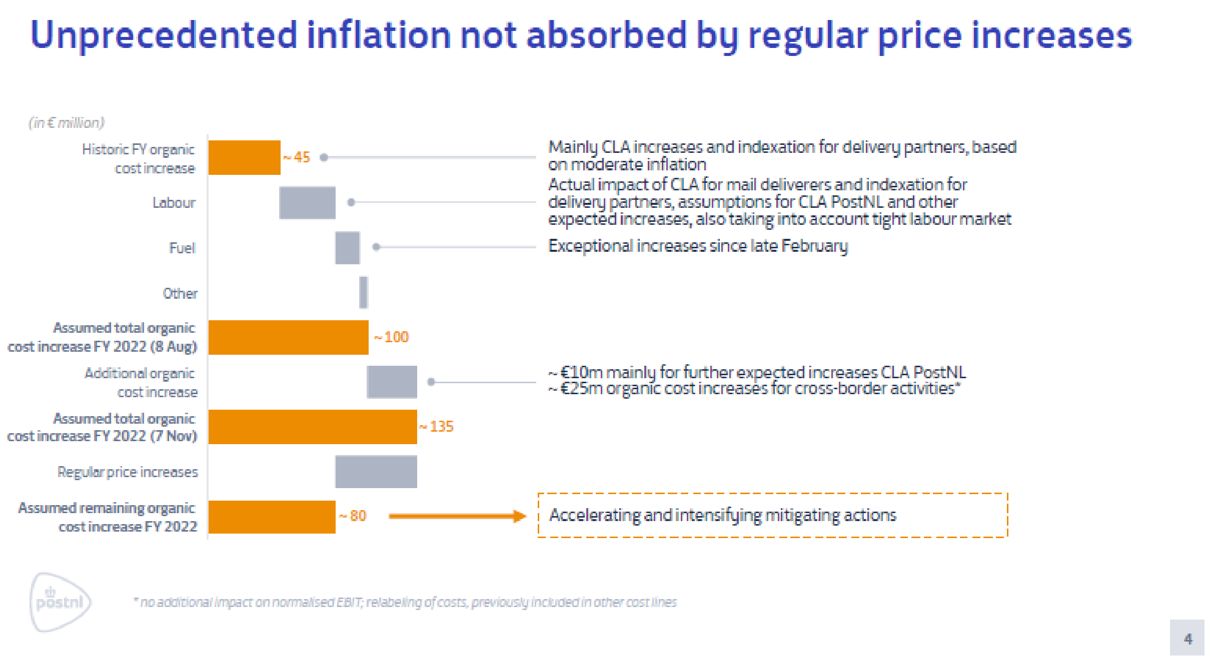
Negotiations on the collective labour agreements for PostNL and Saturday deliverers are well underway.

On the next slide you see a few highlights that indicate there is less spending on products and there is also a fair amount of uncertainty on the volume development on the e-commerce front.



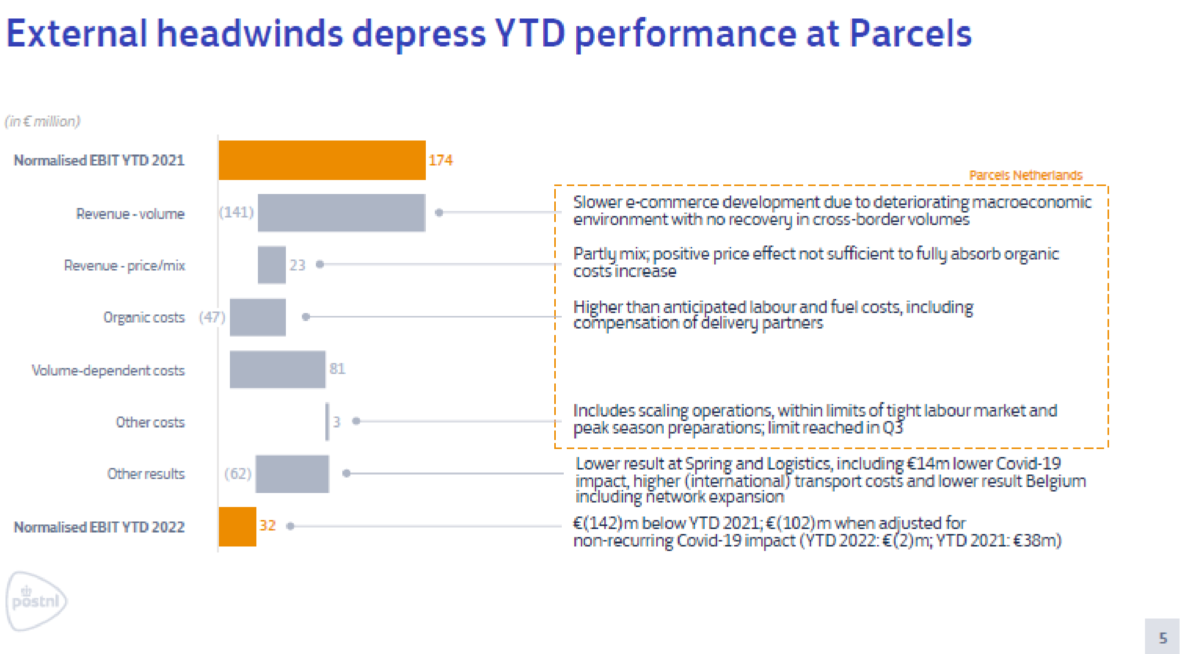
It is also clearly the case that our customers find it very difficult at this point in time to predict where volume will go. We do expect that this challenging and uncertain environment is to continue for the next quarters to come and that is also why it is very difficult at this point in time to give a precise view on volume development for the remainder of the year.

Nevertheless, we do expect a significant peak period. The ramp-up is already starting and more or less the same volumes as last year is our current expectation, but as said, the uncertainty is large.

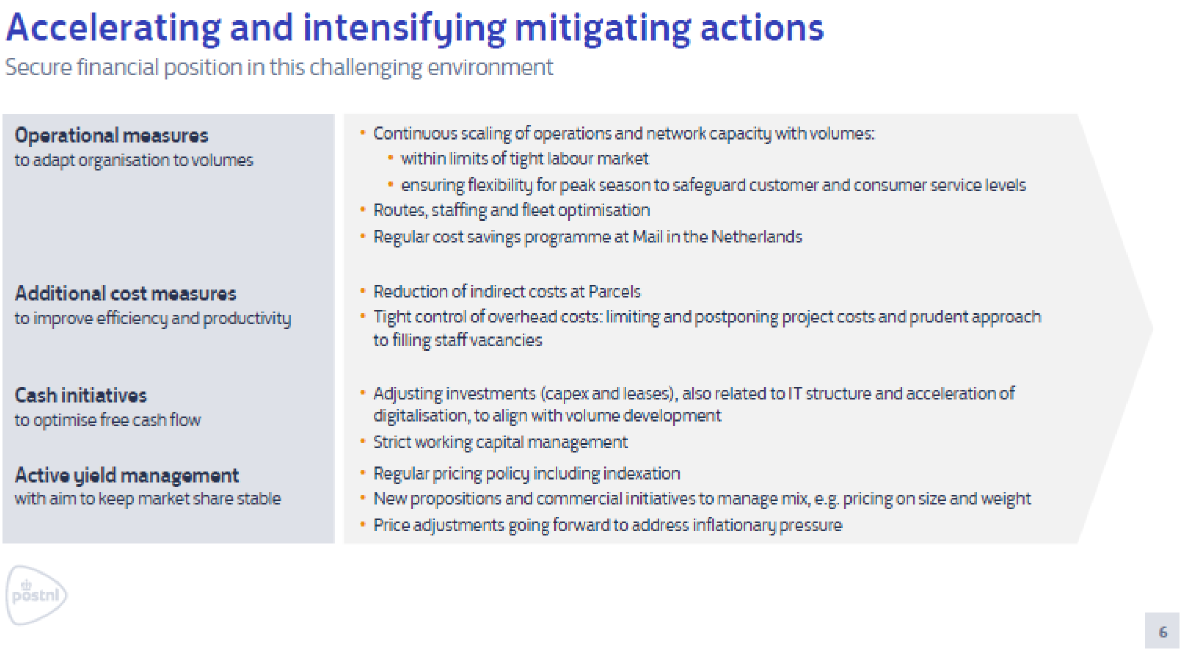


The previous slide really talked about consumer spending and the drivers behind it and the next slide, which is slide 4, talks about the unprecedented inflation that cannot be absorbed within the year by regular price increases. It is the bridge that you have seen before: at least until the EUR 100 million assumed total organic cost increases that we reported on 8 August. There are two components of additional organic costs increases. One that actually impacts the bottom line, which is roughly speaking, EUR 10 million additional for the collective labour agreement negotiations and the other EUR 25 million organic cost increases are for cross-border activities that were in the previous quarter reported in several other buckets. We basically have taken that out to really show the overall organic cost increases that we have to carry. But the last element does not impact the bottom-line expectations.

If you then look at regular price increases, you end up with a gap of roughly speaking EUR 80 million that we cannot offset in the year through price measures. That is obviously the reason that we have taken several mitigating actions to compensate at least as much as we can part of this. I will get back to those in a few slides later on.



Although it is obviously a Q3 report I thought it wise to spend a bit of time on the year-to-date Parcels performance. You see a big volume impact because of the drivers we just discussed, a positive price/mix but obviously not enough to absorb the organic cost that are EUR 47 million year-to-date within the Parcels segment. Volume-dependent cost is basically countering part of the volume loss. Other cost are EUR 3 million and include scaling operations. A big element is the other cost development here as well. You have seen that back in each of the quarterly reports, but we also see in comparison to last year a big step down in Belgium, a big step down in Logistics and also Spring is still not performing better than last year. That leads to the year-to-date performance of Parcels of EUR 32 million. Please beware that if you compare this with last year you need to correct roughly speaking EUR 40 million for the non-recurring Covid effect.



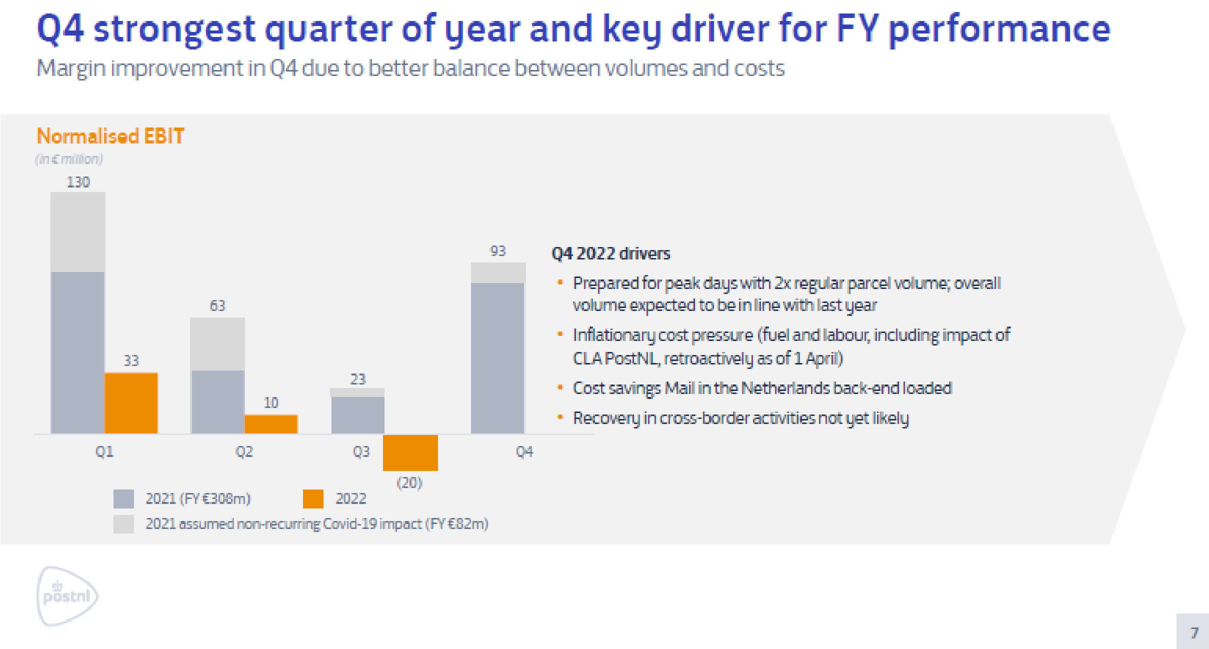
Slide 6 talks about all measures that we are currently taking to secure the financial position of PostNL and to secure the balance sheet as much as we can.

So, there are operational measures that are really focused on scaling the operations with the latest views on volumes. We have to do that in a very tight labour market, so that restructures a little bit. At the same time, we need to ensure the flexibility for peak season, so that we can safeguard the consumer and customer service levels that we have agreed.

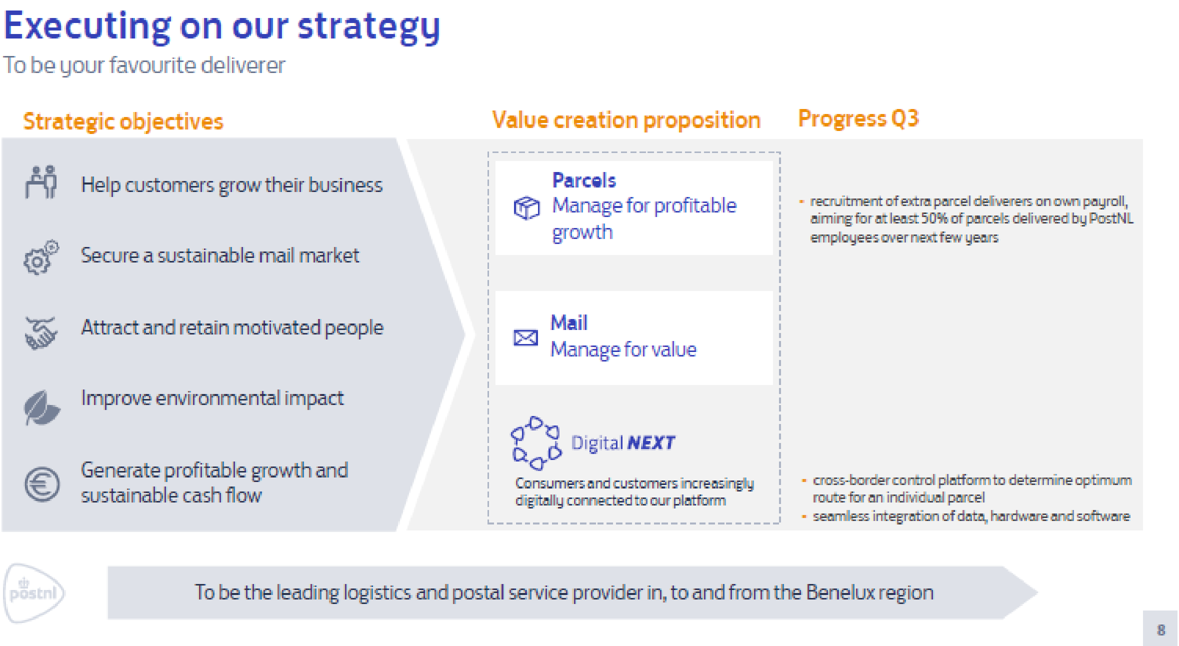
We are continuously optimising our routes, staffing and fleet and we continue with the cost saving programs at Mail in the Netherlands that are a bit back-end loaded within the year.

If you talk about additional cost measures, these are much more related to the indirect or overhead costs of the group, both at group level as well as at Parcels level.

I briefly talked about the balance sheet, it is not only that we look at mitigating measures on the P&L side but also really on the balance sheet elements like capex, leases but also working capital management. Active yield management continues to be in place, so we are trying to find optimisation within the agreements that we have, but more importantly, this will be a key element for contract negotiations that are currently ongoing for 2023.



On slide 7 you find the quarters. For Q4, we expect a significant step up in performance in comparison to Q3. As I said, we expect roughly speaking the same volume in Parcels as last year. We are very much prepared for the peak days with two times the normal volume for Parcels. Inflationary cost elements will continue to impact the fourth quarter. And as said, cost savings in Mail in the Netherlands are back-end loaded. We do not see currently nor do we expect a significant improvement in the cross-border space.



Slide 8 talks about the strategy. Considering all the mitigating actions and measures we just talked about we have not changed our strategy, nor do we plan to do so. We think about where we smartly phase certain investments that are related to the strategy, but we will continue with our sustainability program, we will continue with the recruitment of extra parcel deliverers, and we also certainly will continue with our Digital Next program, but we might phase some of the investments slightly later in time, just to help us improve the strength of the balance sheet.

Q3 2022 performance

Results depressed by deteriorating macroeconomic environment

Key financial metrics

(in € million)	Q3 2021	Q3 2022	change	YTD 2021	YTD 2022	change
Revenue	729	709	-3%	2,530	2,261	-11%
Normalised EBIT	23	(20)		216	23	-89%
Assumed to be non-recurring and related to Covid-19	*5*	*1*		*74*	*2*	
Free cash flow	10	(49)		223	(39)	
Normalised comprehensive income	27	(3)		196	50	-75%

9

Slide 9 and further really talk about the third quarter. You have seen the figures before. Revenue came in at EUR 709 million, which is 3% below last year and EBIT came in at minus EUR 20 million. The year-to-date EBIT is EUR 23 million positive.

As said, the Q3 performance was driven by a softer than expected volume development at Parcels and while we continue to scale our operations to volume we have reached the limits of what we can do, as we cannot fully scale down while preparing for our peak season. The cost are therefore increasingly high, also relatively to volumes.

Free cash flow came in at minus EUR 49 million, reflecting the step down is normalised EBIT but, as said, also more settlement on terminal dues. So, this quarter's result is not necessarily the proxy for the end of the year.

Parcels: Volumes lower than anticipated with rising costs

Costs increasingly high relative to volume

	Revenue	Normalised EBIT	Volumes	
Q3 2022	€506m	€(1)m	80m	-1.1%
Q3 2021	€505m	€27m	81m	

Revenue mix

in € million	Q3 2021	Q3 2022
Parcels Netherlands	329	332
Spring	95	95
Logistics solutions and other	95	93
Eliminations	(14)	(14)
Parcels	505	506

Volume

- Domestic volume up around 1% reflecting a slower though continued upward trend in e-commerce
- Overall, volume decline of 1.1%,
  - as a result of cross-border activities, mainly driven by lower import volumes from Asia
  - recovery in cross-border activities not yet visible
- Domestic market share stable during the quarter

Revenue

- Volume decline offset by a positive price/mix effect: price increases and favourable change in mix
- Stable revenue Spring due to price increases (surcharges) offset by lower volumes; Logistics also more or less stable

Costs

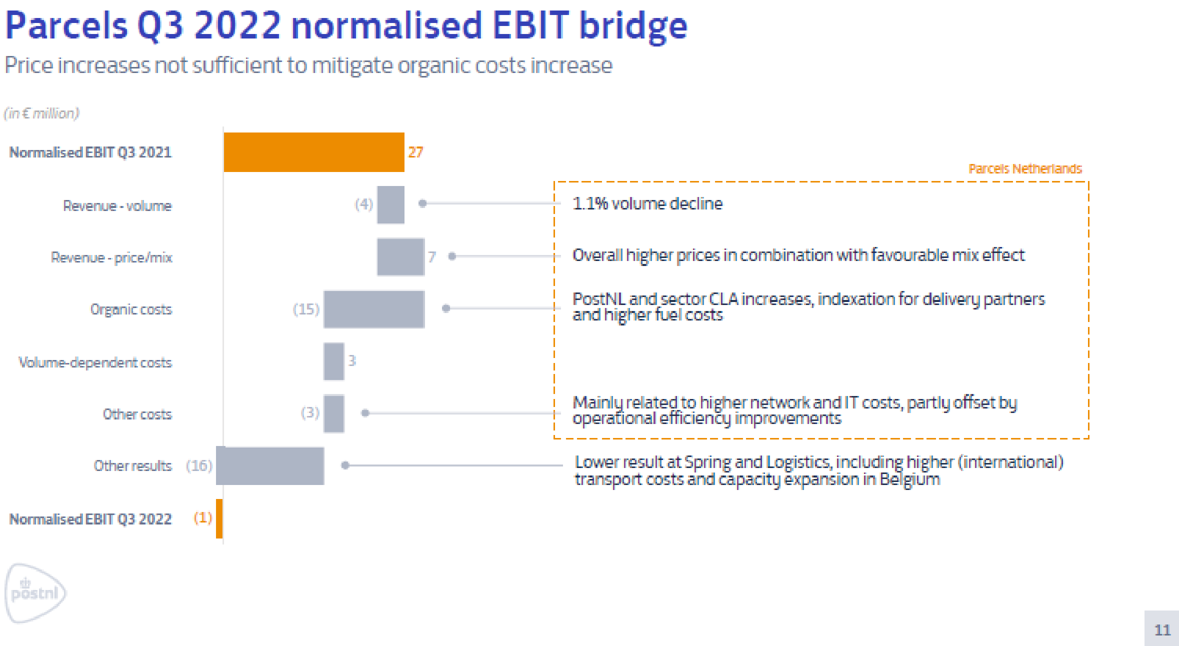
- Inflation results in increase in fuel and labour costs
- Continuously align network capacity with volumes within limits of tight labour market
  - maintain necessary flexibility for peak season
  - safeguard customer and consumer service levels

10

If we then go to the Parcels segment, we see revenues of EUR 506 million, almost the same as last year. So, volumes -- revenues, I should say – are more or less flat, driven by an overall volume decline of 1.1%. It is minus because of cross border; without this it would be slightly positive.

Price/mix was positive. Revenues at Spring and Logistic are flat year-on-year but at the same time results deteriorated because of margin pressure driven by more organic cost increases and freight shortages.

Normalised EBIT came in at minus EUR 1 million, compared to EUR 27 million last year.



I just discussed the key components. EUR 27 million compared to minus EUR 1 million. The other result here is a big minus EUR 16 million, driven by Belgium, Logistics and Spring and the other elements we just discussed.

Mail in the Netherlands: Solid performance

Mitigating volume decline through moderate pricing policy and cost savings initiatives

	Revenue	Normalised EBIT*	Volumes
Q3 2022	€328m	€(1)m	390m -9.3%
Q3 2021	€345m	€12m	430m

* €1m Covid-19 impact in Q3 2022 versus €5m in Q3 2021

Volume
- Overall volume decline of 9.3% in line with expectations
- -7.6% excluding non-recurring Covid-19 impact

Revenue
- Moderate pricing policy
  - stamp price stable in 2022, 5.2% increase as of 1 January 2023
- Favourable mix
- International mail: mainly lower non-EU import and less gateway volumes

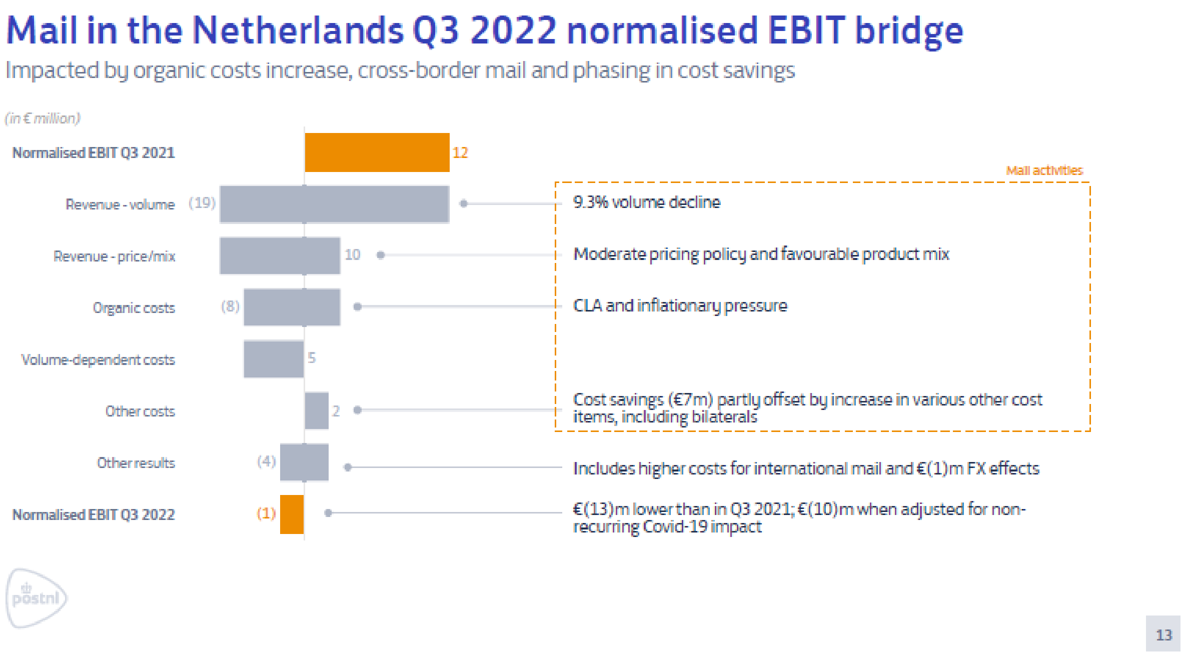
Costs
- Increased labour costs
- Further cost savings achieved through efficiency gains in collection and sorting processes

12

On slide 12, we see revenue numbers of Mail in the Netherlands of EUR 328 million in comparison to EUR 345 million last year. Normalised EBIT came in at minus EUR 1 million compared to plus EUR 12 million last year. EUR 13 million down. If you correct that for non-recurring Covid it is EUR 10 million down.

It has in our view been a solid quarter. The volume decline of 9.3% was also what we expected. If we correct for non-recurring Covid, it is actually 7.5% down and we continue with our moderate price policy. The mix was positive.

Obviously, also Mail suffers from higher organic costs, as we have already shared and shown before.



The Q3 bridge on slide 13. Revenue volume effect, driven by 9.3% volume decline, a positive price/mix of EUR 10 million, higher organic cost of EUR 8 million, and positive other costs that are driven by cost savings of EUR 7 million in the quarter, offset by various other cost items including bilateral results.

And in Other results you see higher costs for International Mail and also including there negative FX effects relating to the higher SDR rates than originally budgeted for. This brings the normalised EBIT at minus EUR 1 million for the quarter.

On slide 14 we look at the cash flow. Obviously the bridge starts with the minus EUR 20 million normalised EBIT bridge, EUR 37 million of D&A and EUR 36 million of capex in the quarter. We have reduced the capex levels for the entire year to bring it more in line with volume developments. You see a significantly higher than last year change in working capital, which is in part related to the terminal dues settlement in this year. And the other elements are more or less in line with last year. There is a tax refund in 2022. That makes it a positive plus EUR 5 million in the quarter, bringing it in total to minus EUR 49 million.

Balance sheet

Adjusted net debt at €594m

Balance sheet

(in € million)	1 October 2022
Intangible fixed assets	380
Property, plant and equipment	446
Right-of-use assets	277
Other non-current assets	64
Other current assets	443
Cash	477
Assets classified as held for sale	5
Total assets	2,091

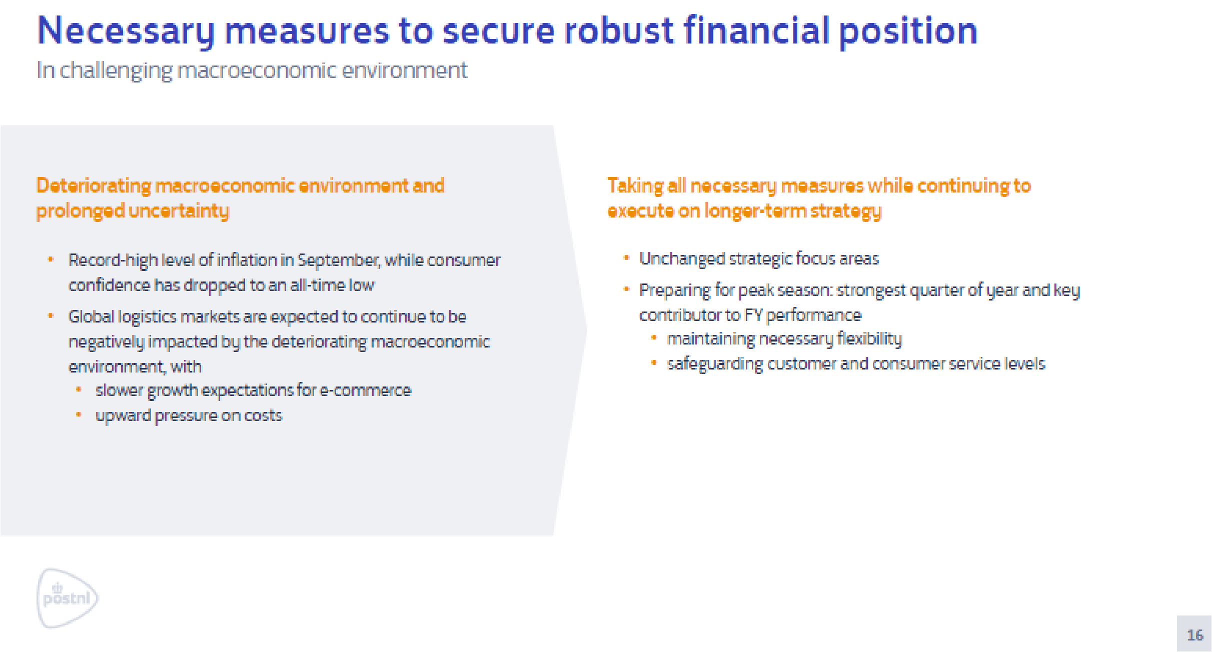
	1 October 2022
Consolidated equity	*131*
Non-controlling interests	*3*
Total equity	134
Pension liabilities	67
Long-term debt	697
Long-term lease liabilities	254
Other non-current liabilities	105
Short-term lease liabilities	63
Other current liabilities	771
Total equity & liabilities	2,091

Adjusted net debt

(in € million)	31 December 2021	1 October 2022
Short- and long-term debt	732	744
Long-term interest-bearing assets	(20)	(18)
Cash and cash equivalents	(848)	(477)
Net debt	(136)	249
Pension liabilities	67	67
Lease liabilities (on balance)	333	318
Lease liabilities (off balance)	17	42
Deferred tax assets on operational lease liabilities	(79)	(81)
Adjusted net debt	203	594

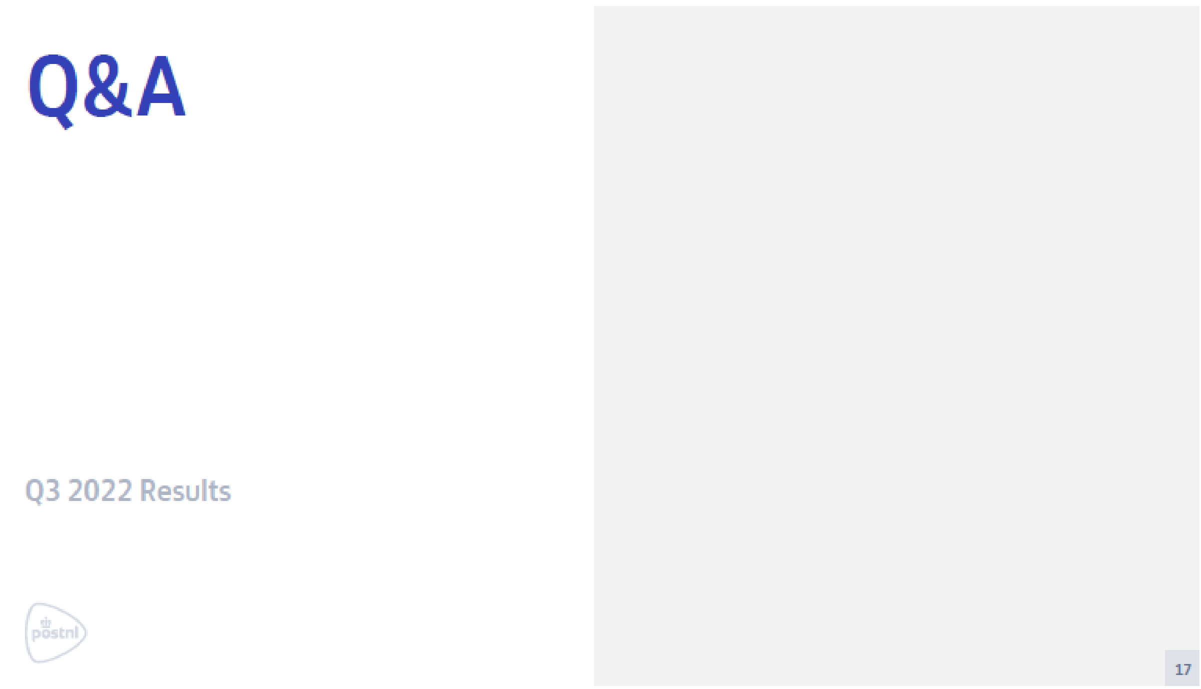
15

On slide 15 you see the balance sheet. Our cash position decreased in the quarter, which is obviously related to impart the business performance, but also in relation to the payout of the interim dividends of roughly EUR 50 million that was paid in August. All in all, that impacts our adjusted net debt position quite significantly. If you compare the adjusted net depth at the end of 2021 to the position per 1 October you see a deterioration of close to EUR 400 million, which is obviously very significant, in part relation to the share buyback program, to the dividends paid, but also the lower cash as a consequence of lower results in this unprecedented time. We are doing everything we can to keep this balance sheet strong and to make sure that we try to not exceed the two times adjusted EBITDA as our leverage ratio. That is also why we take mitigating actions in the level of capex, the level of lease additions that we add as well as our working capital position.



Let me go to slide 16. As discussed, in this challenging environment with record-high levels of inflation and lower consumer confidence with global trade and no signs of an improvement, it is really difficult to be precise in what to expect. Because of that, we just take all necessary measures to mitigate these consequences as much as we can to keep a focus on our competitive position and executing our strategy while at the same time making sure that our balance sheet stays strong. That is what we aim for. We are heading now towards a very busy peak season. In any event very busy. We are well prepared for that to deliver twice as many parcels as on a regular day and to make sure that we are able to fulfill the requirements for our consumers and customers at the same time.

That concludes the introduction and presentation. Jochem, we can now move on to the Q & A part.



Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Thank you, Pim. With a brief problem with the audio, we had during slide 8 via the webcast, we will make sure that we can hear that back in the replay and read it back in the transcript. Apologies for that.

- **Frank Claassen – Degroof Petercam**

Yes, good morning all, two questions please. First of all, last year in the summer you have highlighted new 2024 targets, some volume growth targets and also some additional growth capex of EUR 450 million. How should we now look at these 2024 targets, given the new environment?

Secondly, you assume flat volumes for Parcels Q4. On what do you base that assumption? Can you elaborate on that? What have you seen so far in the quarter? What if there will be a decline? Can you still adjust your cost base? Could you elaborate on that, please? Thank you.

Pim Berendsen – CFO PostNL: Thank you Frank, for your questions. Last year summer we introduced a perspective on 2024 on the back of a step-up in investments. We wanted to indicate what the benefit was going to be on that step-up in investment and those related to our Digital Next program as well as on more investments in Parcels, given the volume expectations at that point in time. Clearly, we have now seen very different market circumstances within 2022. I also tried to say that it is not easy to predict volumes from today onwards to the end of the year, let alone that now I can already say something about 2023 and 2024. But what is clear is that the baseline has moved significantly away from us, so the expected outcome in volumes for 2022 will be significantly different than we expected at the time that we introduced that perspective on 2024, And growth rates might also have slowed down, given the specific markets and circumstances that we talked about. More precise I cannot be at this point in time given the high level of uncertainty and the big spread in potential volume scenarios that we are looking at.

That comes back to your second question: flat volumes for Parcels and what do you base that on and what has been the progress so far within the quarter? There is a level of uncertainty around our volume expectations. It is a function of what our customers tell us, and it is a function of our own data analytics on the trend lines that we see. And that is basically indicating, roughly speaking, more or less the same volumes as the fourth quarter last year. It then requires a pretty significant step-up from September volumes towards October, and in the dailies and the weeklies we see that step up in absolute volume. So that is at least a sign that is positive in relation to that flat line volume expectation.

The second part of that second question was what if is this is not reality and you come up short in terms of volume; can you then still do something in terms of cost? There, the fair answer is not really that much anymore. We are in this tight labour market. In preparation of the peak period, we have done whatever we can to optimise the cost base given this volume expectations. We have locked in transport routes; we optimised the routing matrix between the depots and we have taken onboard the people that we think we need to make sure that we deliver the service our customers want. If it becomes significantly off, then it will have positive or negative financial consequences. The cost base will not move much in the fourth quarter anymore.

Frank Claassen – Degroof Petercam: That is helpful. Thank you very much.

- **Marc Zwartsenburg – ING**

Thank you, a couple of questions from my side, the first being to clarify. You mentioned an additional organic cost increase of the EUR 10 million related to the CLA increase. Are you referring to the current CLA negotiations that are running and that when you reach an agreement will be backward looking? Can you explain maybe where that EUR 10 million refers to and how this exactly works, as from which date this would come in

Secondly, on the cost savings. I recall at Q2 that these cost savings, particularly at Mail in the Netherlands, were back-end loaded. Can you give us a bit of a feel for what kind of cost savings we should expect in the Mail NL division for Q4?

Then a question on Spring and Logistics? You mentioned cross-border not seeing much of a recovery. If I take your flow and look at what you have been performing last year, it must have been loss making in Q3. It was only slightly profitable in the first half, so would it also still be loss making – Spring and Logistics – for the full year of 2022, since there is no recovery. But they are only slightly profitable in the first half, so would it also still be loss making Spring and logistics in for the full year of 22? Since there is no recovery there? Can you share a bit what the performance is of that business. It is a broker model; how do you see that developing forward? If things stayed stable, would you then easily be able to shed some cost and be able to report positive numbers there?

Then on your balance sheet. Obviously, we do not exactly know where we will come out for the full year – otherwise we would have an outlook – but if you would comment? Do you still expect the leverage ratio, so net debt to EBITDA, to remain below the two times? And if not, would that have any impact on your dividend or on your share buyback program? Those were my questions.

Pim Berendsen – CFO PostNL: Thank you, Marc. Your first question related to the EUR 10 million in the organic cost bridge. That is basically the step-up in cost that we expect in the current collective labour agreement negotiations. That is driven by higher inflation rates and that has required us to step-up the increase percentages that we currently assume. And that has had within the year this effect. That is indeed assuming a retroactive effect from 1 April of this year, which was the termination date of the previous collective labour agreement.

On the Spring and Logistics part we need to detail that out a bit further. It is not only Spring and Logistics, but there are also other results. It also includes Belgium, for instance. So, Spring is not loss making and Spring will not be loss making full year either, but there are definitely significant downsides in the transportation components of other businesses. Our transport business suffers from higher organic cost increases and lower volumes as well. Our logistic business basically missed a home-and-garden season. We talked about that before and we also saw deterioration of the margin development. Belgium is loss making at this point in time as a consequence of lower volume expectations and higher organic costs. So, it is the combination of those elements that make this such a big step-down year-to-date of minus EUR 62 million. Logistics is a combination of different businesses. Some are doing okay but as said, the parts of the business that are related to transportation are suffering from the same market dynamics as the our domestic Parcels businesses.

If we talk about the balance sheet …

Marc Zwartsenburg – ING: Pim, can I come back to this one, if you take it all together. I know it is a lot of moving parts. If you take Spring and Logistics plus other, all together, would it still be profitable for the full year?

Pim Berendsen – CFO PostNL: If we take it all together, probably not.

Marc Zwartsenburg – ING: Okay. Clear.

Pim Berendsen – CFO PostNL: But, as said, Spring will be.

Marc Zwartsenburg – ING: Yes.

Pim Berendsen – CFO PostNL: Regarding the balance sheet, we are aiming at staying below 2 (note: leverage ratio < 2). That is what we are aiming for. We think we can get there, assuming that parcel volumes come in, as said, at the level of last year. Then it also assumes that the mail performance, talking about Christmas cards, comes also in accordance with expectations. As said, if I had a number, I would have been as transparent as I have been in the past and put it on a sheet, but we are aiming to get to an adjusted net debt over EBITDA not exceeding the 2. That is also why the mitigating actions are not only focused on the P&L but as much in the balance sheet.

I skipped one of your questions that was related to the cost savings being back-end loaded in Mail. I would say that in the fourth quarter, an additional EUR 8 million to EUR 10 million of cost savings need to be realised. That is a function of very many different projects, and not one single thing. So, we are quite comfortable that we will get there.

Herna Verhagen – CEO PostNL: And some of the initiatives that we introduced in 2022 are back-end loaded, so they will get in more cost savings in the later part of the year.

- **Marco Limite – Barclays Capital**

Good morning, thanks for taking my question. My first question is about one of your slides where you mentioned that you are aiming to move on your own payroll, to about 50% of the workforce. In the past you have mentioned that about 70% of the parcel deliveries are outsourced. It seems like there is a small change in the strategy there. Can you just clarify why are you changing that, and you know what has changed compared to the past that is making you slightly adjusting your strategy there?

My second question is again on the balance sheet and your target of two times net debt to EBITDA. To what extent in your view can you adjust capex to maintenance level? For example, if I look at, you know the capex numbers in 2020, 2018 and 2019, it was about EUR 60 million or EUR 70 million of capex. Clearly, in the past you put your target over a much higher capex, but I am just wondering how much of the official capex is really committed and if you think that in a low single-digit volume growth scenario you can trim capex as much as going back to the sort of maintenance capex before 2021. In the past, about 40% of the dividend was a share dividend and therefore, there was a cash outflow. If you want to keep your current dividend policy as sustainable, I guess you need to achieve a full free cash flow coverage of your dividend. So, when you do your budgeting plan and your free cash flow forecast, are you assuming the dividend to be paid fully in cash or do you still assume that 40%-60%, the historic proportion of that split just to understand how you think about the free cash flow coverage, the dividend coverage.

Herna Verhagen – CEO PostNL: I will take your first question on the workforce within our Parcels or e-commerce segment. Indeed, we changed our policy, and this policy change will take quite some years to move the percentage of 'own' parcel drivers up to around 40% - 50%. The reason why we want to change is to create a more sustainable workforce over time, sustainable in a few ways. Sustainable in the sense that we want to have grip on a certain part of our network and secondly, when it comes to sustainability and CO_2-emission, and it helps us in the speed of CO_2-emission reduction to have our own people with our own fleet. We think that moving forward with the changes we also want to start working with bigger delivery partners. We think that will help us to create a more sustainable workforce and a more sustainable network going forward. As said, it will take time and it is not done overnight. That is what we also said in our communication at the end of August.

For your second question on the balance sheet, we move over to Pim.

Pim Berendsen – CFO PostNL: Thank you for your questions Marco. On the balance sheet, we can trim down capex to some extent. That is also what we indicated before. If we look at lower volume expectations and we have a longer planning horizon, we can adjust particularly the network extension capex to that volume scenario. We have done that within the year 2022 already, because in the beginning we were anticipating capex levels of roughly speaking EUR 160 million, whilst today we do not expect it to be more than EUR 120 million - EUR 130 million by the end of the year. To go back to what you call 'normal maintenance levels' of EUR 70 million to EUR 80 million, that will probably be too much, also given the fact that, as we said, we will continue with executing on our strategic plans. That requires investments in Digital Next and in sustainability, so going back to that level is not really what we have in mind. Obviously, as soon as we have it, we will tune the level of investments for 2023 with the topline forecast at that level of volume growth to make sure – and that comes back to your third component – that we try to aim for a free cash flow that is enough to at least pay for the cash dividend, preferably more but at least the cash component of it.

Obviously, that has never been based on a 100% cash dividend. I think your 40%-60% has changed over the last couple of periods also because of the fact that we have a bigger shareholder that takes cash and not shares, so that shifted already to 55% cash / 45% shares. On that relative balance we seek to get to a free cash flow level that is sufficient to sustain that. As said, it all starts with volume expectations for 2023 and at this point in time it is just too early. We are working on various scenarios, but it is just too early to say something more about that.

Marco Limite – Barclays Capital: Thank you. Very clear.

- **Henk Slotboom – The Idea!**

Good morning and thanks for the presentation, Pim and Herna, and thanks for taking my questions. I have a few left. Do you want me to take them altogether or do I take them one by one?

Pim Berendsen – CFO PostNL: Whatever you prefer! If you want to do it step-by-step it is fine but if you want to shoot them first I will try to remember them. Otherwise, you just need to remind me.

Henk Slotboom – The Idea!: I will do them by turn. First of all, this is the time of the year that the tariff negotiations take place in Parcels for the larger clients. What is your first take? Do you feel there is sufficient room to absorb the cost inflation you will undoubtedly experience next year as well. Fuel prices remain high and there is an increase in the legal minimum wage as of January and undoubtedly, other cost will increase as well. What is your first take of what you are seeing at this point in time?

Pim Berendsen – CFO PostNL: That is a good question but at the same time a delicate question because there is a competitive sensitive part of all of this. We talked about different types of contracts. There are contracts with fixed indexation parameters in them and those will materialise, maybe not for 100% indexation given the height of it but at least a very significant part. Then there are contract renegotiations of bigger clients and there, we need to be aware of the competitive position as well. There, it is all about moving smartly and carefully to strike the best possible balance in not losing market share in the market with a little bit of overcapacity and at the same time cover as much of the organic cost increases that you quite rightly pointed out, just to mitigate the impact on our P&L. So, we are doing both. We will undoubtedly higher price/mix consequences and price increases than over the last couple of years. How much of the organic cost increase can actually be sheltered because of that? That is part of the current negotiations. Clients understand that cost have moved up but at the same time they are in the same marketplace, so they also see lower consumer spending hitting their P&L, so leads to tension in the value chain. That is also why you need to be smart in trying to find alternative ways to also find efficiency improvements that can help you bridging the gap together with your clients as well.

Henk Slotboom – The Idea!: Okay. Herna already mentioned that economic headwinds are likely to sustain for some quarters to come. For the fourth quarter you said that you locked in the capacity you expect to need and that there is very little you can do. Traditionally, the first quarter of the year is a seasonally weak quarter; can we expect that you will bring down the cost further going into 2023, given the fact that you are experiencing difficult times or more challenging times ahead? Will the measures that we can find on the first page of the press release be sufficient or will it take more than just that?

Pim Berendsen – CFO PostNL: Talking about the first quarter of 2023, yes, the cost will come down because we have locked in those volumes as part of our peak process for these couple of months. So, we have not locked them in for Q1, 2023. Secondly, whether or not the mitigating actions will be enough, that is a function of volume expectations going forward. If not, we will take additional measures to compensate as much as we can.

Henk Slotboom – The Idea!: Okay. Then, staying with Parcels, a couple weeks ago in the call concerning the trading update. You currently have 400 APMs installed in the Netherlands. In the fantastic city of Wijk bij Duurstede we already have two Albert Heijns and two Budbee locker boxes. It is not the first place of the world where the Budbees and whatever focus on when putting APMs, how do you see the competitive environment from that side? You already mentioned that we see a bit of overcapacity in the market with a number of new kids on the block where Budbee will merge with Instabox and DHL announced a new proposition concerning letterbox parcels, can you give me some more colour how you look at it and what it could mean for you going into 2023?

Herna Verhagen – CEO PostNL: I think the market of APLs is an important market and we will come to around 600 probably by the end of the year and we indeed we will come to around 600, probably by the end of the year on APLs and our aim is to have 1,500 in 2024. Indeed, these are not the big amounts when it comes to capex. On the other hand, when you think about 1,500 APLs or parcel lockers, if you fill them very efficiently, it is probably 4% to 5% of your total parcel volume. So, it is absolutely not the case that via those lockers you can help the market to big amounts. That is not what it is. We think that those parcel lockers are important for a few reasons. The first one is that you have to be at strategic places. So, what we try to do, at least this year where we of course place the first 600, is to take those what we call strategic positions. Secondly, those APLs are placed also in the neighbourhood of retail locations, which in many of the peak season moments during the year do not have enough storage capacity. So, for us it also helps in periods when it is very busy to have a certain overflow from retail stores to those APLs. When it comes to convenience for customers, at least some of our customers, an APL or parcel locker is important. On the other hand, parcel lockers will have a totally different position in our future delivery network than for example in Poland, where InPost is huge. That has to do with the size of the country, the density but also the fact that we already have delivery networks that are efficient and which, of course, are very dense. In that sense it will have a different position than in other countries but in our view it is strategically important. As said, it is not the big amount when it comes to investments.

Pim Berendsen – CFO PostNL: If I may add to this, Henk, it is also clear that these competitors are in a different market dynamic than they envisaged. In other words, they had business models that were really focused on growth and growth only at the expense of cash flow, so to speak, and also they need to manage their cash runwrate and their balance sheet better in this market environment. So, it is not to say that they will continue with the pace of rolling them out as quickly as they have done, so prior to these changes in market circumstances.

Henk Slotboom – The Idea!: Does that also apply to the Amazons and bol.coms of this world? Amazon has a hub in in Amsterdam, they have a hub in in Rotterdam and they recently opened a hub in Antwerp. If you can take parcels from Waalwijk into Belgium you can surely take parcels from Antwerp to the south of the Netherlands as well. I am aware that Amazon is not your biggest client, it is it is something that will more affect your German colleagues but bol.com is a large client and bol.com also has a deal via its parent company Albert Heijn with Budbee/Instabox because the two will merge. It is not only parcel lockers. Budbee has a bicycle network, Cyclone is a bicycle network, and they cover over 80 cities already. How do you see that insourcing trend? Is that something that will play a role going into 2023 or is that something that might may play on a somewhat longer period because the sluggish growth is pushing everybody to postpone a little bit of his plans.

Herna Verhagen – CEO PostNL: I would not compare Amazon to bol, to be honest. Amazon has worldwide a clear strategy when it comes to delivery and that is that in dense areas they do the delivery themselves. That is what you have seen them doing in the Netherlands, also in the period when they still had very small amounts of volume. I assume that they will continue that to expand and to fill their network. When it comes to bicycle delivery, as it was when we had Instabox but also Coolblue have their own delivery, it is part of the delivery market going forward that there are certain parts or certain elements in that market that are done either by companies themselves or by different companies who offer different solutions. In our assumptions we take into account the fact that when we think about this market, it will not all be a market that is next-day or where you need to have a dense network in all parts of the Netherlands. That is one. Secondly, if you think about the big amount of volume that needs to be distributed and delivered, you need different tools than only bicycles. Let's be clear about that as well. It is an element in the market, but it will not be the biggest elements. Thirdly, we think that these companies are hit by the fact that they see their growth disappearing at this moment in time and therefore, they have different worries when it comes to investments, capex, et cetera than investing in expanding their cycle networks.

Henk Slotboom – The Idea!: I have two very small questions left, first on Mail. How many Christmas cards did PostNL handle last year? Do you have a ballpark figure? Is it something like 120 million or so?

Herna Verhagen – CEO PostNL: By far not, but we stopped giving numbers already quite some years ago, Henk, but by far not.

Henk Slotboom – The Idea!: Then my last question. In the presentation we can see that the mix in mail improved. What caused that? Because last year was still positively impacted by the Covid mail, albeit less of course than in the first couple of quarters, but what caused the improvement of the mix in mail?

Herna Verhagen – CEO PostNL: Partly the fact that there was a little bit less of direct mail, et cetera, so the low-priced goods. Partly it is the development of letterbox parcels, so there are few elements which helped the development of that price together with, where possible, fuel surcharges, et cetera.

Henk Slotboom – The Idea!: Okay. Thanks for all the answers and thanks for allowing me all those questions.

- **Stefano Toffano – ABN AMRO ODDO**

Good morning everybody and thank you for the answers so far. I have a very quick question on the balance sheet, because clearly the fourth quarter is important. If we take a back-of-the-envelope calculation that we assume the next quarter to be the same as last year, we will have PostNL very closely to 2.0 on net debt/EBITDA. That would then be the starting point for next year. Again, not so much flexibility. I have a question regarding this. At some point, there is a trade-off between capex and higher investments or, in this case, longer investments and the dividend payout. You obviously do not want to have the discussion every quarter and you will want to have some flexibility. So, at some point, when does lower cost and lower capex start to hurt future growth?

The second question is what you see in terms of competition, because some of your competitors have been aggressively continued to invest and you do not want your competitive position to erode. Can you maybe comment a little on that as well?

My third question is again specific on the parcel machines. We have seen at some players that higher costs of home delivery have driven the adoption of APMs and I do not know in that sense it is something that might hurt you going forward.

Pim Berendsen – CFO PostNL: Your calculation shows that we are going to be close to 2 and ' close' is the right way to look at it. It is going to be close towards that number, based on the expectations that we have. As said, we aim to keep it below the 2. It will not be significant below 2 on the back of your assumptions. That is absolutely right. How that then will subsequently evolve during 2023 is obviously a function of the volume and EBIT expectations and then the relevant components that bring EBIT and EBITDA to cash flow. At this point in time, we just do not know what the top line is going to be, and we will base the levels of investments and working capital requirements on those very different volume scenarios that we look at. By the time it is the fourth quarter, we have these analyses behind us and then I can certainly say a bit more on it than today, given the fair amount of uncertainty on volume developments going forward. We will try and make sure that we improve on the two times adjusted EBITDA leverage ratio. That is what we are aiming for.

The answer to the question what if you have too little flexibility, will you then basically surrender your longer-term e-commerce growth expectations by taking out too much of investments that could deteriorate your competitive position. That is not what we plan for. We want to keep the competitive position as competitive as we currently are, and that is also why in one of the earlier questions of Marco I said we will not go back to the roughly speaking EUR 70 million to EUR 80 million maintenance capex only because at the end of the day, although hit by very complex market circumstances we expect e-commerce to continue to grow on the back of online penetration, growing market share from offline. Over time, with lower inflation rates, consumer spending will at some point in time come back and reinforce growth through online penetration as well. Indeed, we need to strike a careful balance between short-term performance, short-term balance sheet requirements as well as long-term growth expectations that we continue to expect will be there. But to what extent, you need to be a bit patient I am afraid, because there we need the volume scenarios and the indication of how much quarters of this more we need to expect.

On the APL Herna tried to explain that it is strategically relevant, but it is really a small part of overall problems that we carry. So, I do not think it will move the needle, in terms of efficiency, volume being delivered through an APL or investment levels in comparison to the other drivers of the business.

Herna Verhagen – CEO PostNL: What plays a role as well in the Netherlands, is that cost differences between APL-deliveries and door-to-door deliveries are almost nil and that is because of the density of the amount of parcels we deliver.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Alright. That sums up our call for analysts around the Q3 results. Thank you for joining us. If you have any further questions you know where to find the IR team. As I said already, the replay and transcript of this call will be available soon on our website. Thanks, and see you next time.

End of call

Appendix

- Results by segment
- Full reconciliation income statement and EBITDA
- Free cash flow per segment
- Revenue mix for Parcels
- Assumed non-recurring impact related to Covid-19
- Result development (bridge) per segment YTD 2022
- Profit and normalised comprehensive income
- Pension expense and cash contribution

Q3 & YTD 2022 Results

18

Results by segment for Q3 2022 and YTD 2022

(in € million)	Revenue Q3 2021	Revenue Q3 2022	Normalised EBIT Q3 2021	Normalised EBIT Q3 2022	Margin Q3 2021	Margin Q3 2022
Parcels	505	506	27	(1)	5.3%	(0.2)%
Mail in the Netherlands	345	328	12	(1)	3.5%	(0.4)%
PostNL Other	52	56	(16)	(18)		
Intercompany	(172)	(181)				
PostNL	**729**	**709**	**23**	**(20)**	**3.1%**	**(2.8)%**

	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022
Parcels	1,756	1,579	174	32	9.9%	2.0%
Mail in the Netherlands	1,201	1,066	94	47	7.8%	4.5%
PostNL Other	150	165	(52)	(56)		
Intercompany	(577)	(549)				
PostNL	**2,530**	**2,261**	**216**	**23**	**8.5%**	**1.0%**

Note: Normalised figures exclude one-offs in Q3 2022 (€1m) and YTD 2022 (€5m); Q3 2021 (€0m) and YTD 2021 €(18)m

Full reconciliation of income statement and EBITDA Q3 2022

Income statement	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
(in € million)	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
Total operating revenue	729	709	505	506	345	328	52	56	(172)	(181)
Other income	1	1	0	0	1	1	-	-		
Cost of materials	(15)	(20)	(12)	(15)	(3)	(3)	(1)	(2)		
Work contracted out and other external expenses	(370)	(373)	(339)	(354)	(169)	(167)	(34)	(33)	172	181
Salaries and social security contributions	(226)	(225)	(80)	(86)	(118)	(113)	(28)	(26)		
Pension contributions & related costs	(40)	(43)	(7)	(8)	(11)	(11)	(22)	(24)		
Depreciation, amortisation and impairments	(37)	(37)	(19)	(16)	(10)	(7)	(8)	(14)		
Other operating expenses	(19)	(33)	(21)	(28)	(24)	(29)	26	24		
Total operating expenses	*(708)*	*(731)*	*(478)*	*(507)*	*(334)*	*(330)*	*(67)*	*(74)*	*172*	*181*
Operating income / EBIT	**23**	**(21)**	**27**	**(1)**	**12**	**(1)**	**(16)**	**(18)**	**-**	**-**

EBITDA	PostNL		Parcels		Mail in NL		PostNL Other	
Operating income / EBIT	23	(21)	27	(1)	12	(1)	(16)	(18)
Depreciation, amortisation and impairments	37	37	19	16	10	7	8	14
Reported EBITDA	**60**	**16**	**46**	**15**	**22**	**5**	**(8)**	**(4)**
Non-cash pension expense	18	19	0	0	0	-	18	19
EBITDA excluding non-cash pension expense	**78**	**36**	**46**	**15**	**22**	**5**	**10**	**15**
IFRS16 impact (depreciation RoU assets)	(16)	(16)	(10)	(11)	(3)	(3)	(2)	(3)
EBITDA excluding non-cash pensions and IFRS16	**62**	**20**	**35**	**4**	**19**	**3**	**8**	**12**

Full reconciliation of income statement and EBITDA YTD 2022

Income statement	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
(in € million)	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022
Total operating revenue	2,530	2,261	1,756	1,579	1,201	1,066	150	165	(577)	(549)
Other income	24	7	0	0	24	7	(0)	-		
Cost of materials	(47)	(60)	(34)	(46)	(8)	(9)	(4)	(5)		
Work contracted out and other external expenses	(1,253)	(1,146)	(1,151)	(1,079)	(578)	(510)	(102)	(105)	577	549
Salaries and social security contributions	(717)	(707)	(249)	(265)	(382)	(364)	(85)	(78)		
Pension contributions & related costs	(121)	(130)	(22)	(24)	(34)	(35)	(65)	(71)		
Depreciation, amortisation and impairments	(108)	(115)	(55)	(54)	(28)	(21)	(25)	(40)		
Other operating expenses	(73)	(92)	(70)	(80)	(82)	(85)	79	73		
Total operating expenses	*(2,319)*	*(2,250)*	*(1,582)*	*(1,547)*	*(1,112)*	*(1,025)*	*(203)*	*(226)*	*577*	*549*
Operating income / EBIT	**234**	**18**	**174**	**32**	**112**	**47**	**(52)**	**(61)**	**-**	**-**

EBITDA	PostNL		Parcels		Mail in NL		PostNL Other	
Operating income / EBIT	234	18	174	32	112	47	(52)	(61)
Depreciation, amortisation and impairments	108	115	55	54	28	21	25	40
Reported EBITDA	**342**	**133**	**229**	**86**	**140**	**68**	**(27)**	**(21)**
Non-cash pension expense	54	58	0	0	0	-	54	58
EBITDA excluding non-cash pension expense	**396**	**191**	**230**	**86**	**140**	**68**	**27**	**37**
IFRS16 impact (depreciation RoU assets)	(47)	(48)	(29)	(32)	(9)	(8)	(9)	(8)
EBITDA excluding non-cash pensions and IFRS16	**350**	**143**	**201**	**54**	**131**	**60**	**18**	**29**

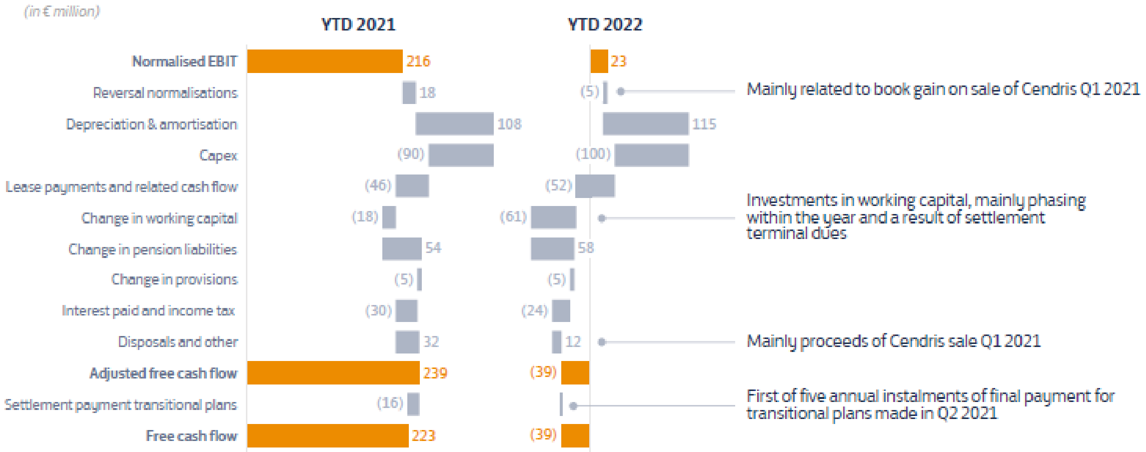
21

Free cash flow per segment Q3 2022

(in € million)	PostNL		Parcels		Mail in NL		PostNL Other & Eliminations	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
EBITDA	60	16	46	15	22	5	(8)	(4)
Change in pensions	18	19	0	-	0	-	18	19
Change in provisions	(5)	1	0	1	(5)	0	(0)	(0)
Change in working capital	(6)	(37)	41	23	(52)	(65)	5	4
Capex	(41)	(36)	(18)	(10)	(9)	(3)	(14)	(23)
Disposals	0	0	0	0	0	0	(0)	(0)
Interest paid	(5)	(5)	(1)	(1)	(1)	(1)	(4)	(3)
Income tax paid	3	9	(7)	0	(3)	0	12	9
Lease payments and related cash flow	(12)	(18)	(9)	(11)	(4)	(4)	2	(3)
Other	(2)	1	(3)	0	0	0	1	0
Adjusted free cash flow	**10**	**(49)**	**50**	**18**	**(53)**	**(67)**	**13**	**(0)**
Settlement payment transitional plans	-	-	-	-	-	-	-	-
Free cash flow	**10**	**(49)**	**50**	**18**	**(53)**	**(67)**	**13**	**(0)**
Free cash flow yield	0%	(6)%						

22

Cash flow YTD



23

Revenue mix for Parcels by quarter

(in € million)	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels Netherlands	444	361	383	345	329	332	1,157	1,038
Spring	145	105	131	91	95	95	372	291
Logistics solutions and other	102	105	100	98	95	93	298	296
Eliminations	(30)	(17)	(26)	(15)	(14)	(14)	(70)	(46)
Parcels	662	554	589	519	505	506	1,756	1,579

24

Assumed non-recurring impact related to Covid-19

Volumes

(around, in million)	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels	26	2	11	-	-	-	37	2
Mail in the Netherlands	12	15	23	3	16	7	51	25

Revenue

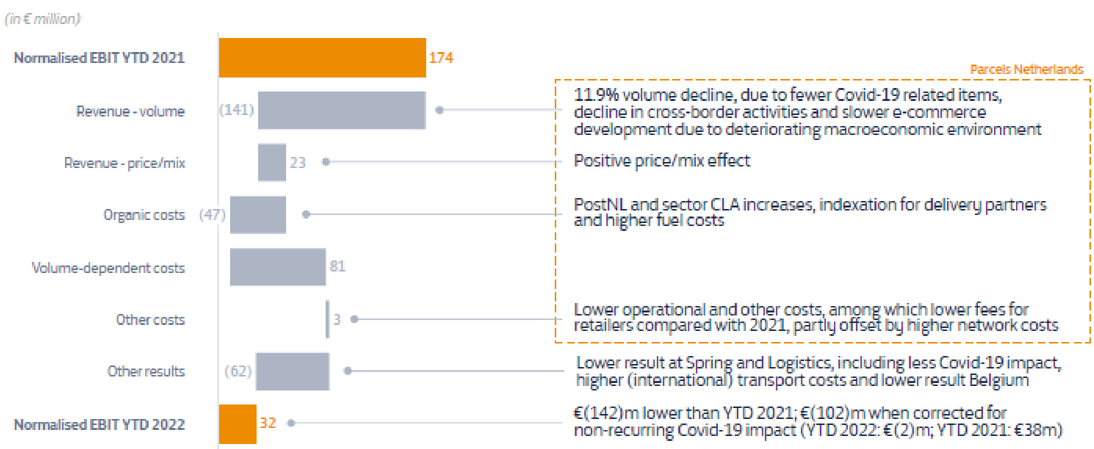
(around, in € million)	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels	137	2	78	-	-	-	215	2
Mail in the Netherlands	33	9	27	1	7	2	67	11
Eliminations	(6)	0	(9)	0	-	-	(15)	0
PostNL	**164**	**10**	**96**	**1**	**7**	**2**	**267**	**13**

Normalised EBIT

(around, in € million)	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Parcels	24	(2)	14	-	-	-	38	(2)
Parcels Netherlands	*17*	*(2)*	*7*	-	-	-	*25*	*(2)*
Spring and Logistics	*7*	-	*7*	-	-	-	*13*	-
Mail in the Netherlands	18	3	12	(0)	5	1	35	4
PostNL	**42**	**1**	**26**	**(0)**	**5**	**1**	**74**	**2**

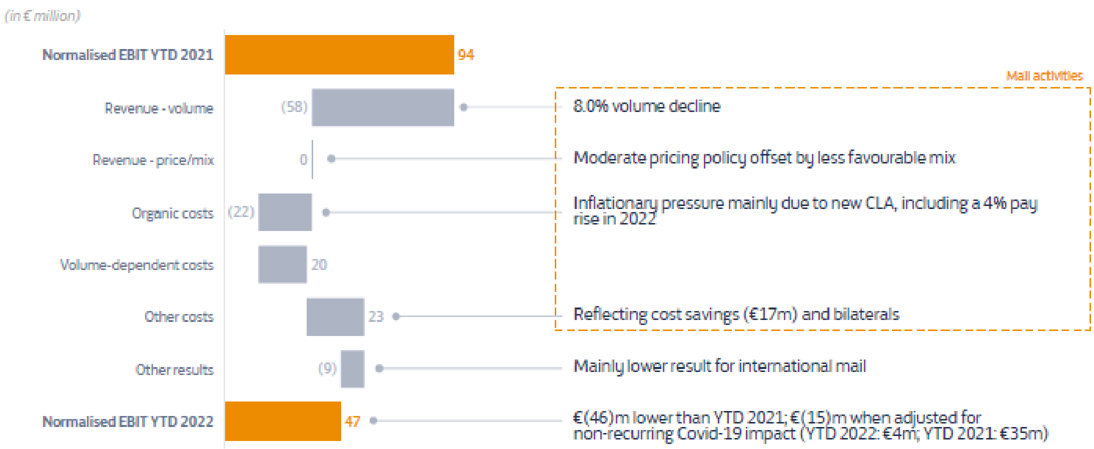
25

Parcels YTD 2022 normalised EBIT bridge



26

Mail in the Netherlands YTD 2022 normalised EBIT bridge



27

Profit and normalised comprehensive income* PostNL

(around, in € million)	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Operating income / EBIT	**148**	**30**	**63**	**9**	**23**	**(21)**	**234**	**18**
Net financial expenses	(5)	(6)	(4)	(5)	(5)	(4)	(15)	(16)
Results from investments in JVs/associates	0	0	(1)	(0)	0	(0)	(0)	(0)
Income taxes	(31)	(7)	(15)	(2)	(5)	6	(51)	(3)
Profit/(loss) from discontinued operations	24	(0)	(1)	(13)	(1)	(0)	22	(13)
Profit	**136**	**16**	**41**	**(11)**	**12**	**(20)**	**190**	**(15)**
Other comprehensive income (mainly related to pensions)	13	15	15	16	14	16	42	47
Total comprehensive income	**149**	**32**	**56**	**5**	**26**	**(4)**	**231**	**32**
Normalisation on EBIT, net of tax	(14)	2	0	1	0	1	(14)	4
Exclude result from discontinued operations	(24)	0	1	13	1	0	(22)	13
Normalised comprehensive income	**112**	**34**	**57**	**19**	**27**	**(3)**	**196**	**50**

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

28

Reconciliation of pension expense and cash contribution

(in € million)	PostNL		Parcels		Mail in NL		PostNL Other	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
Cash contribution	(22)	(24)	(7)	(8)	(11)	(11)	(4)	(4)
IFRS non-cash pension expense	(18)	(19)	(0)	(0)	(0)	-	(18)	(19)
Total pension expense	**(40)**	**(43)**	**(7)**	**(8)**	**(11)**	**(11)**	**(22)**	**(24)**
	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022	YTD 2021	YTD 2022
Cash contribution*	(67)	(71)	(22)	(24)	(34)	(35)	(11)	(12)
IFRS non-cash pension expense	(54)	(58)	(0)	(0)	(0)	-	(54)	(58)
Total pension expense	**(121)**	**(130)**	**(22)**	**(24)**	**(34)**	**(35)**	**(65)**	**(71)**

Total pension expense increased by €3m in Q3 2022 and €9m in YTD 2022, in line with earlier indication

- Visible in EBIT, EBITDA and profit for the period (after tax)
- Includes a substantial non-cash part (i.e. IFRS non-cash pension expense)
  - reversed via other comprehensive income, mitigating the impact on total comprehensive income
  - visible in free cash flow under "Change in pension liabilities"
- Sensitivity: pension expense increase/decrease of €25m per 50bps change in interest rate versus assumed indexation**

** Excluding settlement payment transitional plans (€16m in Q2 2021)*
*** Net change in the (IFRS) pension interest rate versus assumed indexation; expresses the (IFRS) pension expense impact; for a sensitivity analysis of the defined benefit obligation please refer to PostNL's Annual Report 2021*

29