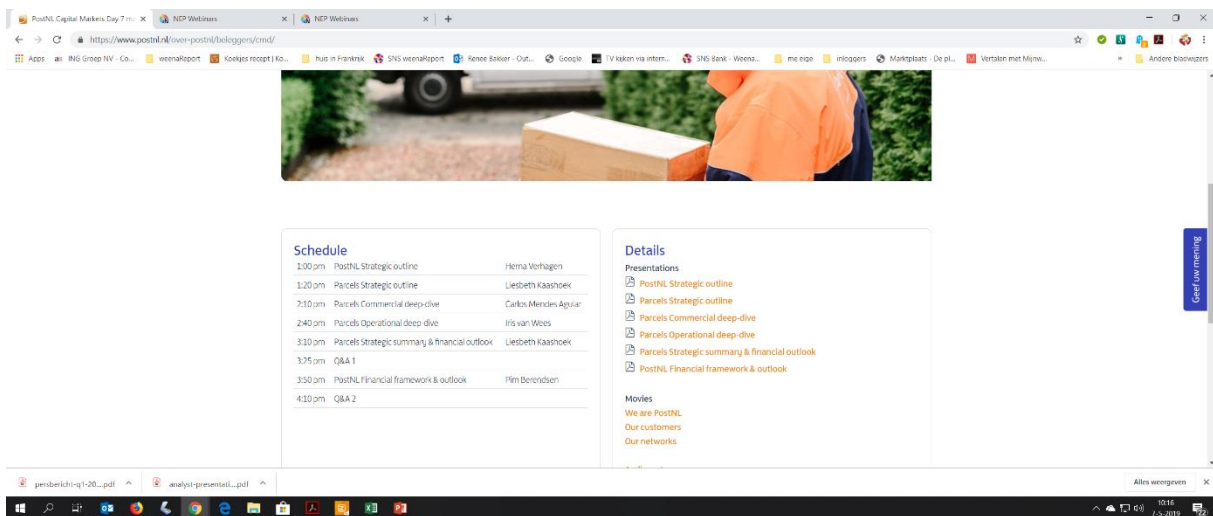




Jochem van de Laarschot – Director Communications & Investor Relations PostNL:

Thanks again for joining us here today for the next part of our meeting, the Capital Markets Day, focused on parcels. Allow me to take you through the program just to manage your expectations for the next four hours.



In a moment Herna Verhagen will start the meeting talking about the PostNL strategy as a whole. Liesbeth Kaashoek, Managing Director of the Parcels business, will follow up with the overall strategy for the Parcels business. After that we will see two deep-dives. Commercial will be done by Carlos Mendes Aguiar and Iris van Wees will focus on the operational side of things. It is her home where we are right now. After that we will have a brief moment for Q&A fully focused on the Parcels business. Pim Berendsen will then follow up with the financial strategy and Herna and Pim will close off with a Q&A at the end of the session, which should be around 5.00 p.m. That is what we are aiming for.

Herna, please go ahead.



Your Favourite Deliverer

Strategic Outline PostNL

Herna Verhagen
CEO



Herna Verhagen – CEO PostNL: It is already a bit warmer over here than it was on the other side. Probably, by the end of this afternoon you will have your jackets off. I will not.

Welcome, we are proud to have you here today. This is one of our newest sorting centres. Most of you walked around this morning and some of you will do that in the afternoon. Iris will tell proudly about how she and her team developed this over the last few years and how we will develop this going forward. It is a beautiful centre and in my view it gives you a good feeling of what PostNL in the end is. It is a company of mail and a company of parcels. It is a company of people and it is a company of operational efficiency. But it is also a company of innovation, because in the end, attracting those consumers and customers to this brand and to our people is also about innovation.

That is the story of this afternoon. It is a story about how we came where we are today, but also a story about how we are moving forward, what we will do in innovations, what we will do to maintain to be the favourite deliverer of The Netherlands and of course of Belgium, and what we will do to reach a better balance between volume, profitability and cash flow generation.

I would like to start with giving you an overview for the whole of PostNL, which is a strategic outline, and which gives a little bit of colour on parcels – Liesbeth, Carlo and Iris will give much



more detail – and a little bit of colour on mail in The Netherlands. The financials in this part of the presentations are little. You will have to wait till the end of the afternoon, when Pim is on stage to give you the full picture.

Our purpose and strategy



Purpose: to be your favourite deliverer

- Delivering special moments, connecting everyone, anywhere
- At the heart of society – we are close by in every street
- We keep it simple, we will do it smart and we will do it together



Shaping the growth of e-commerce

- We help our customers to grow and transform ...
- ... with excellent (innovative) services creating value ...
- ... and efficient, high quality networks



Be a profitable and socially responsible company

- We aim to grow profitably with sustainable cash flow generation ...
- ... taking care of the needs of society, our people and our environment

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If you think about PostNL and about the purpose of this company, the purpose of this company is to be your favourite deliverer. We do deliver special moments to everyone and everywhere. We are at the heart of society in The Netherlands and in Belgium, at very street almost every day. Of course, we want to keep it simple, smart and we want to do it together. To be the favourite deliverer in our view gives us a licence to operate in the future, because in the end we believe that you as a consumer will decide on who will deliver your parcels, when and where. To be your favourite brand and love brand in that part is crucial.

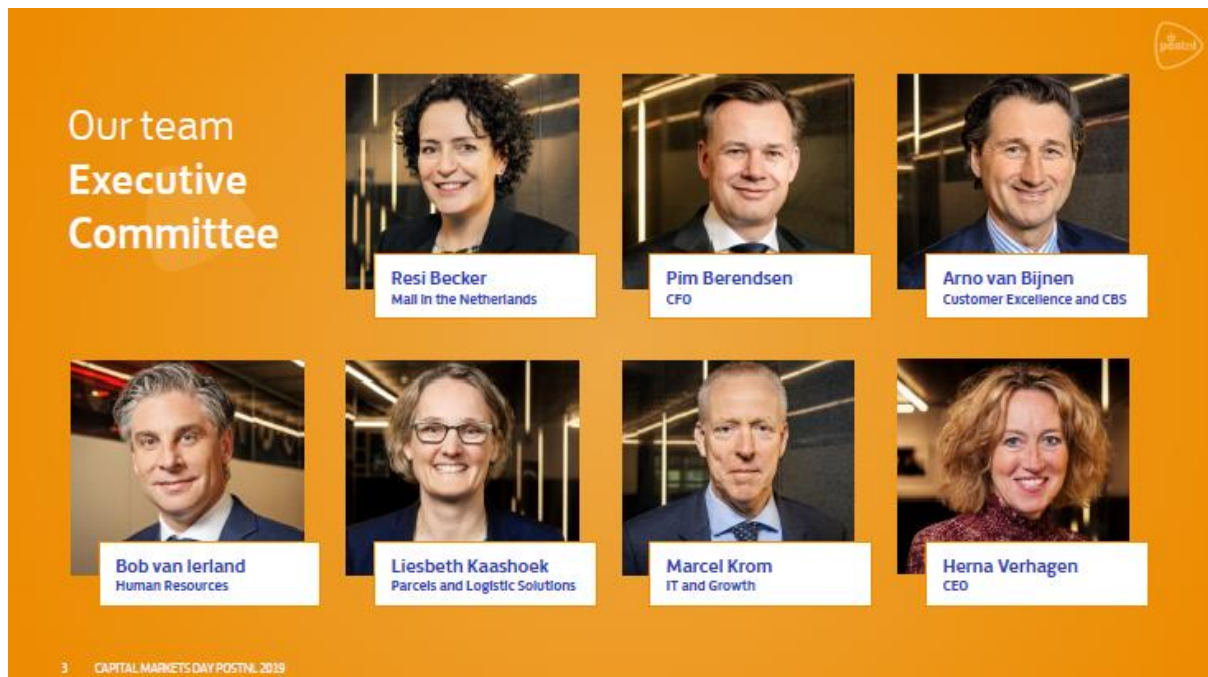
This is what we do for mail as well. Also, when we deliver mail, we are a favourite deliverer. We deliver special moments with birthdays, with births, with marriages. We are in the heart of society with more than 23,000 mail deliverers in The Netherlands.

We are also shaping the future of e-commerce. We did that in the past and we will do it in the future. That is what we do to help our customers grow and help them transform, make them



more successful in the e-commerce road they have to go, and they want to go. That is what we do via innovation and via excellent services.

Our quality in Parcels is above 98%. Our quality in Mail is around 95%. Very high percentages of quality of delivery within 24 hours. We want to do that profitably and we want to do it in a social manner. The presentation of this afternoon is of course: how do we grow more profitably than we did over the last few years and how do we generate more cash? The story about consolidation is of course also a story about profitability and a story about how you manage a decline in the market in a social manner. Taking care of society, meaning sustainability, is of utmost importance to us, because the licence to operate in the future, especially in the inner parts of the big cities, is that we will be able to deliver CO₂-neutral. A clear purpose to be your favourite deliverer. It sounds simple but filling that in in the next coming years is the challenge we have.



Who will deliver our promise to be your favourite deliverer and who will deliver our financial results? This is our Executive Committee Team. Of course, you will find over here Pim, but also Resi, who is responsible for Mail in The Netherlands, our full mail operations. If consolidation will take place, she will be responsible for the integration as well. Arno van Bijnen is responsible for Customer Excellence and cross-border solutions, very much focussing on



customer excellence, customer satisfaction on line, how to move our customers further online and be better able to help them and transform them. Bob van Ierland is responsible for HR and therefore of course for the turnover and the change in our total employee population. Liesbeth you will see in a minute. Marcel Krom is responsible for IT. There is a big IT-transformation behind the transition of PostNL.

2015-2018: Building the postal and logistics solutions provider of the Benelux

Transition is well underway

From 30% to 48% e-commerce related revenue

- 61% parcels volume growth
- 25% mail volume decline
- Focus on Benelux: Nexive and Postcon held for sale
- Digitisation visible by growth from 3.5 million to 4.4 million PostNL app users
- Some small bolt-on acquisitions enhancing our e-commerce proposition in data and logistics

Financial health has improved

Reduction of debt

- Sale of remaining stake in TNT Express (2016)
- Eurobonds redemption in 2016, 2017 and 2018, partly refinanced with a new Eurobond (maturity 2024)

Reduction of our pension risk

- Unconditional funding obligation: €160m (2015-2019)
- Limited risk for further top-up payments; potential amount maximised

Business performance reflects transformation

- €168m annual structural cost savings
- Significant financial impact (UCOI €40m - €45m) from regulatory measures absorbed
- €128m investments in (growth of) Parcels

Return to positive consolidated equity (2017)

- Restored progressive dividend in 2017

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Looking back shortly: where do we come from? In 2015 we said we will build the postal and logistics solutions provider of the Benelux. In the years 2016, 2017 and 2018 we brought the e-commerce percentage of our revenue to 48%. You just saw that it is now 51% in the first quarter. 61% of growth in parcel volumes in three years' time. 100% in five years' time. That gives you a little bit of a feeling how fast this market is developing. On the other hand, a strong decline in mail: 25% of volume decline in three years' time. In those years we decided to put focus on the Benelux. That led to the decision to divest Nexive and Postcon. We further invested in our digitisation, which is partly our IT backbone, but also partly the developments in our PostNL app, which we brought up to almost 4.5 million unique consumers using our app. And small bolt-on acquisitions help us to add value to our customers, like for example Extra@home, the delivery of heavy goods, but also some health.



The financial health over those years has changed a lot. We saw a strong reduction of debt, of course the pay-back of the bonds but also the sale of the shares we still had in TNT Express by the beginning of 2016. There was a strong reduction in the pension risk. We just discussed what pensions is today. The risk to top-up payments is very limited at this moment in time. This will be the last year in which we will have an unconditional funding obligation.

Our business performance reflects in my view the transition we are in. Lots of cost savings within Mail in The Netherlands and on the other hand also big impact from regulations. EUR 40 million to EUR 45 million of underlying cash operating income on a yearly basis. On the other hand, strong investments in Parcels, underpinning the growth we have seen over the last few years.

We returned our equity into positive equity and started to pay out a progressive dividend.

2015-2018: Key elements in our transformation
In the midst of society with balanced stakeholder approach

Consumer in control	Transformation of networks	Digitisation and technology	Social commitment	Sustainability
New tailor-made solutions and NL services extended to Belgium. Investments in proximity, increased online presence and transactions	Improvements in network efficiency with new parcel depots, and reduction of mail sorting centres and depots. Introduction new processes (SMX, SMC, two bundle delivery)	Investment in flexibility and ability to combine our networks. Enhancing our agile capabilities, advanced analytics skills and increased automation and robotisation	Headcount reduced in socially responsible way, from 45,000 to 38,000 with increased focus on internal mobility programme. Introduction of sustainable delivery model with more PostNL employees	29% improvement in total net CO ₂ emissions resulting from initiatives such as 20,000 solar panels, energy efficient depots, e-cargo bikes and city logistics. BREEAM certificates

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What were the important key elements in this transition? Consumer in control: the choice to put you as a receiver of a parcel in control of the parcels that are brought to your home is in our view of utmost importance. Of course, the transformation of our networks. We expanded the number of sorting and distribution centres, like we are over here, but we also changed the network within our Mail division, because for the cost savings within Mail it is important that



our machinery for example is updated year over year. There were introduced for example the SMX, which is a machine that can sort all kinds of mail volume together.

Digitisation and technology in the sense of artificial intelligence, in the sense of collecting data, in making sure that we know what you want to do as a consumer. In the story of Liesbeth and Carlos you will find lots of examples of what we did over the last few years in this area and of what we will do going forward.

A social commitment on the one hand of course to the reduction of people we still have in our Mail division. We have more or less around 2,000 people leaving our company year over year, which is a mirror of our volume decline. Doing that in a good way is important also for all the changes going forward. On the other hand, we invested in a sustainable delivery model and you will probably remember the strikes we had in 2014 and 2015 because of the independent people we had. Most of those are changed into labour contracts.

And sustainability. Sustainability will be an important part of the story of this afternoon. We did a lot over the last few years but there is still a lot to do going forward if we want to reach our goal to be emission-free in our last mile by 2030.

2019 – onwards: Your favourite deliverer
Balanced growth, resulting in improving profitability and cash conversion, is basis for value creation

- Multiple levers to shape the growth of e-commerce**
 - Excellent services and smart yield management
 - Focusing on efficiency and managing capacity
 - Investments to accommodate growth
- Secure a sustainable mail business**
 - Consolidation of networks is necessary
 - Ongoing focus on cost savings to offset structural volume decline
- Balanced stakeholder approach**
 - Taking care of the needs of society, our people and our environment contributes to value creation

Manage our performance to improve longer term financial perspective

- Growing profitability
- Sustainable cash flow conversion after 2020
- Maintain strong financial position with clear priorities for capital allocation

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If we then look forward from 2019 onwards, we see that our purpose remains to be your favourite deliverer. In our view, if we are your favourite deliverer there is the biggest value in being able to keep PostNL in the centre of what is e-commerce and Parcels in the Netherlands. Together with balanced growth. That balanced growth needs to deliver a better profitability, an improved profitability, together with a better cash generation.

How we will do that within Parcels, that is of course explained in the next 2.5 hours. Within Mail we continue to say that it is important to consolidate. With the decline we see year over year it is impossible to keep a few independent delivery networks in the Netherlands next to each other. To fill the mail bag of one mail deliverer with all the volume is the best we can do going forward to remain a sustainable company, a company that delivers sustainable margins and cash flows. Of course, cost savings are necessary also for the next coming years.

And a balanced stakeholder approach, creating clear value with better profitability and cash generation, next to the fact that PostNL in Dutch society is part of that society, leading to growing profitability, a sustainable cash flow conversion after 2020 and remaining a strong financial position.



Secure a sustainable mail business



Committed to providing reliable, accessible and affordable postal services

- We are proud to be the universal service provider
- However consolidation is necessary to safeguard a sustainable, profitable and cash generating postal service
- The regulatory framework is important to be able to meet our commitments

Continued operational focus and quality of service

- Further cost savings are essential
- Two mail networks (after approval merger) will be integrated securing cost efficiencies (annual UCOI contribution €50m - €60m*)
- We will do this responsibly towards our people

Focus on customer

- Offering high-quality services and new, innovative propositions to add value, for example digital direct mail in PostNL app

*Numbers for intended consolidation unchanged (refer to presentation 25 February 2019); to be updated at closing of intended transaction



If we go one step deeper, then let's first look into what that means for our mail business. As said, consolidation is necessary to safeguard sustainable, profitable and cash generating mail services going forward. If we want to maintain mail services in every part of the Netherlands, for every Dutch man or woman, then consolidation in our view is inevitable.

Of course, together with the regulatory framework that fits to consolidation and less competition. There, the draft Postal Act, which we discussed when we talked about our Q1 numbers, needs to fill in part of that.

Continued focus on our operations and quality of service is important. We do not expect that with consolidation volume decline will change. That means that the day after you consolidate there is still volume decline which you have to offset via cost savings and price increases. So, there is no difference in that and cost savings are essential. The integration of the two networks is expected to deliver around EUR 50 million to EUR 60 million of yearly synergies, to be reached in the third year after consolidation. That synergy of course will help in the profitability and cash generation and whatever we need to do when it comes to consolidation, integration or managing the decline of the company, we will do that in a social manner.

For Mail in the Netherlands focus on customers is important as well. We always talk about volume decline, cost savings, the fact that people have to leave, but in the end there are still lots of mail sending customers in the Netherlands. Mail volume is still 2.2 billion pieces. That means that being innovative for those customers, making sure that mail in their whole mix of communication remains important, remains visible, is what we want to do and that is what we try to do via offering high quality services together with of course more innovations when it comes to mail.



Shaping the growth of e-commerce



Creating profitable growth and improved cash conversion

- We will drive and facilitate continuing market growth and aim to balance the growth in all segments of our portfolio ...
- ... while taking care of all our customers based on our position, people, skills and networks

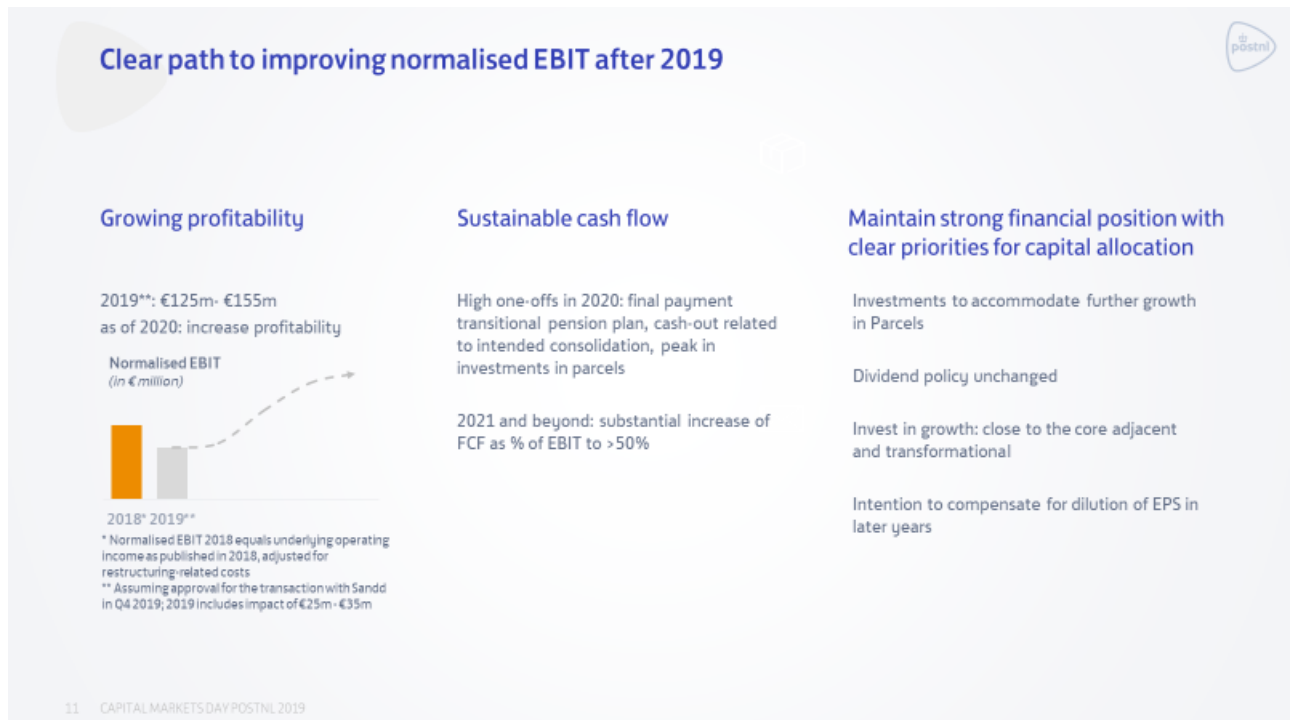
Customers & Operations

- We will continue introducing innovative solutions and new services, aim for higher customer satisfaction and improve our yield management ...
- ... and implement further efficiency measures and accommodate volume growth with smart and innovative investments in our capacity...
- and drive growth and efficiency through our state-of-the-art API-interactions, digital self-service channels and data driven insights in customer preferences

Sustainable / environment

- We will further implement our sustainable delivery model working with more own people
- Ambition for emission-free delivery in 2030

When it comes to Parcels, I will not dive into every sentence on this slide because that is the story of Liesbeth, Carlos and Iris. For us, here it is important to create profitable growth and improved cash generation. That is what we will do via yield management, taking care of our customers and making sure that we remain the favourite deliverer by innovations. That is what we will do by creating more efficient operations together with sustainability. In an environment in which we will be able in several steps till 2025 and in the end till 2030 to do the last mile of all what we do within PostNL emission free. If you translate this to the view that we want to be your favourite deliverer, that for being that we need to make sure that we secure our mail business together with shape the future of e-commerce growth more profitable with better cash generation. This is the translation in numbers. There will be much more detailed numbers on the slides of Liesbeth, Iris and Carlos and after that on PostNL level, when Pim is presenting the facts and figures of PostNL.



For profitability, our normalized EBIT 2019 is expected to be EUR 125 million to EUR 155 million. Take into account that we assume in every number we show you this afternoon, that consolidation will take place Q4, 2019. So, the first cost of consolidation are in these numbers as of Q4, 2019 and in the end of course also the synergies. As of 2020, we expect an increase in our profitability, slightly in 2020 and more upwards the years after.

in 2020 we will have high one-offs. These will be explained in detail. As of 2021 and beyond we expect a substantial increase in our free cash flow of EBIT to above 50%. Together with maintaining a strong financial position to make sure that we can invest in further growth of Parcels, to deliver an unchanged dividend policy, to invest in growth which is close to the core and adjacent to what we do and last but not least with the intention to compensate dilution of EPS in later years.

So, being your favourite deliverer is our purpose with the clear strategy in Mail and a very clear strategy in Parcels. This afternoon, we would like to put the light on Parcels and therefore, I invite Liesbeth to take the floor, together with her team, to start the deep dive on Parcels.



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Warning about forward-looking statements:

Some statements in this presentation 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 presentation 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 presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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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 for 2019 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 outflows. 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 adjusted normalisations within normalised EBIT.



Capital Markets Day Parcels

Focus on our Potential

Liesbeth Kaashoek

Director Parcels & Logistics Solutions







Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: Thank you, Herna. Again, welcome in this depot. It is our 22nd depot and we just opened Amsterdam, just before peak season. But is not our last anymore. Last Sunday, we opened our 23rd depot in Almere.

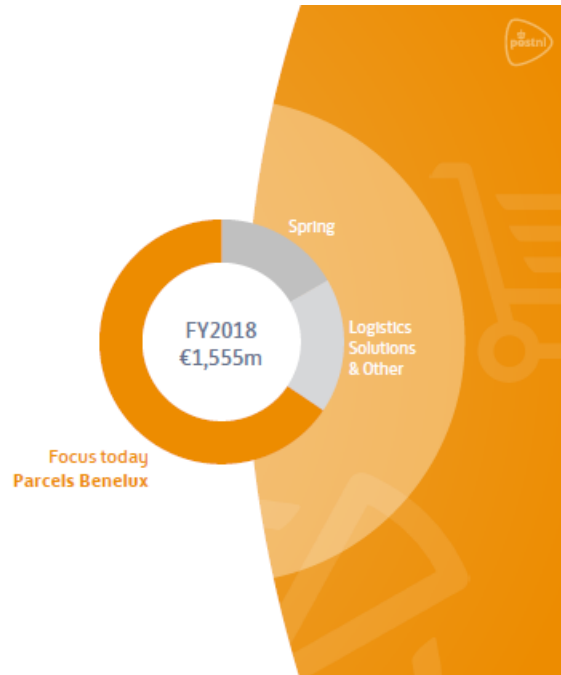
With two of my colleagues, Carlos Mendes Aguiar – he is already 22 years with our company and always in commercial roles, always interested in e-commerce. He even started our first e-commerce unit long ago, and Iris van Wees. Iris van Wees just re-joined the company one month ago. But she is not new to Parcels because she has worked at PostNL, at Parcels, before. She is one of the team members who developed the structure we have today. In the meantime, when she was away, she did some consultancy with us as well. So, she is not new to Parcels.

Before we dive into our story, let me first show you a small movie.

VIDEO

Agenda

-  E-commerce market has grown substantially in recent years
-  PostNL has enabled e-commerce to grow
-  We expect strong e-commerce growth going forward and anticipate specific trends
-  We improve the balance between volume growth, profitability and cash conversion







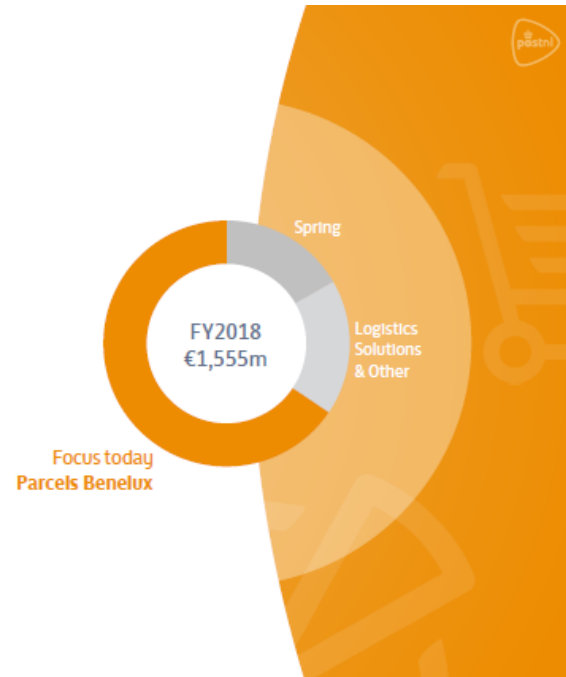
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Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: What we will discuss today is how we see the market and how we see it has developed, our position in that market and how we are looking forward to it. In the end, we will translate it in the financials.

Today, we will focus on Parcels Benelux. We will not focus that much but only touch upon Logistics Solutions and Spring. The focus is on Parcels.

Agenda

-  E-commerce market has grown substantially in recent years
-  PostNL has enabled e-commerce to grow
-  We expect strong e-commerce growth going forward and anticipate specific trends
-  We improve the balance between volume growth, profitability and cash conversion



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First, let's look at the market.

E-commerce market has grown substantially in recent years



We have enabled e-commerce to grow



Going forward, we anticipate specific trends and continued growth

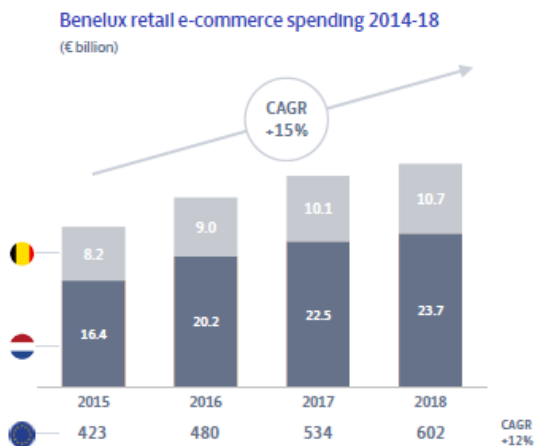


We improve the balance between volume growth, profitability and cash conversion



E-commerce market has grown substantially in recent years

Impressive growth in e-commerce spending in Benelux



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E-commerce growth in Benelux supported by

- 
Internet penetration
 Consumers have easy internet access. Internet penetration in NL at 98% and BE at 86% (EU average: 87%)
- 
Mobile commerce
 58% of online shoppers in NL and 46% in BE use mobile devices to purchase goods online.
- 
Logistics
 NL and BE high-rated logistics infrastructure for delivery of goods (NL #2, BE #4 in LPI)*

Source: Thuiswinkel Monitor, BeCommerce, GfK Logistics Performance Index, Eurostat, CBS
 *: Aggregated Logistics Performance Index 2012-18, with 163 participating countries

The e-commerce market has grown substantially in the recent years. If you compare the Benelux market with the European market, you see average growth of 15% compared to 12% in a European market.

This growth is also supported by internet penetration. Internet penetration in the Netherlands and Belgium is high, as well as the use of the smartphone. It is easy to order as well with your mobile phone.

And of course logistics. The Netherlands and Belgium are both small countries. If you drive through the Netherlands, it is about 200 to 300 kilometres and then you have had all of the Netherlands. It is small but it has also very good roads and very easy roads. So, it is easy to do logistics, and very dense. That helps to support growth in the market.

We see that about 90% of the consumers already orders online. The number of purchases they do grew last year about 10%. So, there are a lot of people already ordering online and they order more. So consumers really embraced e-commerce. They like it.



>90% of Benelux consumers¹ buys online

Source: Thuiswinkel Monitor, BeCommerce, GfK, CBS, IPC

¹ > 15 years old

² multiple answers possible

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What is special in the Dutch and Belgian market is that they wish to have home delivery. It is normal; everybody gets his parcels at home and if you are not at home it is also okay to deliver it to their neighbour. That is no problem. In some other countries that is not the case.

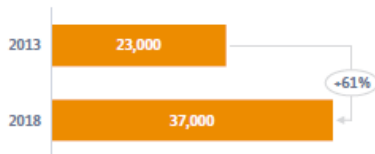
If I look at my children at home, they think it is completely normal. Sometimes, they go even to a retail shop physically and come home to order online. Even at 10 at night they come at my desk and say 'Mum, I need to order a dress because I have a party tomorrow; is that possible?' Then we order it and they have no doubt about it that it will be delivered the next day. And if they doubt, they take a same-day delivery.

Online retail market characterised by many players and free-of-charge next-day delivery



webshops still growing rapidly

Dutch webshops registered with Chamber of Commerce



Source: Chamber of Commerce NL

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NL and BE markets relatively fragmented

Market share top 3 (%)



Source: ING economisch bureau (2019)

If you look at the customers, the retailers, the online web shops, you see that the number is still growing. If you look at it compared to 2013 it has a growth of more than 60% in the numbers of web shops. What you also see is that the Benelux market is much more fragmented. The top-3 of our customers have 27% in the Netherlands and even less in Belgium, only 19%. Our customer bol.com is kind of a Dutch Amazon-version. They deliver in Belgium as well as in the Netherlands.

It is also normal in the Netherlands to have next-day delivery and free of charge. It is made very easy in this market to grow and to have online ordering.

We have enabled e-commerce to grow

- E-commerce market has grown substantially in recent years
- We have enabled e-commerce to grow
- Going forward, we anticipate specific trends and continued growth
- We improve the balance between volume growth, profitability and cash conversion

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I am also sure that the market has grown because we were there.

We help customers grow

We have developed value-added services with our partners

Examples

- Developing new products and services with our customers, such as Sunday delivery and return-on-demand
- Wine delivery through gentle handling and smart sorting solutions
- Integration bol.com fulfilment and PostNL sorting depot

Customers using our value-added services are growing faster

Growth 2018 (%)

Without services	~10%
With services	~15%

+150%

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We were there to enable the growth in the online market. We did that in five ways. First of all, we were really close with our customers. We develop value-added services. For example, with a big fashion retailer we took care that we can have return-on-demand. So, if you do not like your dress, you can order a pick-up at you home address to get that done. You see that customers using those value-added services pays off, because you grow faster when you have those added services. Your shop is used more than other shops.

But it is not only value-added services. It is also innovations. For example, a wine company that had real trouble with the boxes with the six bottles of wine in and then they break. We took care that in our process we can handle those boxes without breaking the wine. Also, that makes it easier to order wine online without breaking the bottles.

And of course, we already said before – Pim and Herna probably did in another quarterly review – that together with bol.com we integrated our sorter in their fulfilment centre, taking care of less cost, less transportation and better times on the whole supply chain.



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We enable consumers to shop more by receiving deliveries quickly, conveniently and reliably



7 days a week, 5 evenings and in specific time slots



Late-night shopping, same-day delivery, rerouting solutions and easy return services



Digital interactions with our senders and receivers, 4.4m accounts



Strong retail network in Benelux with around 4,250 retail points, scan & go solutions

The second – and I think that is a key driver also going to the future – is that we help consumers to shop online. We make it easy. It is no hustle to do so. What have we done? If you look five, seven or ten years back, it was normal that you got your parcel in two or three days. Now it is



normal that you have your parcel the next day. We can deliver at your home seven days a week, even on Sunday. We can also deliver in the evening, five evenings in the week and in specific time slot. If you want to have a two-hour time slot, we can do it. We also made late-night shopping possible. If my children come at ten o'clock in the evening, that is no issue. At most shops you can order until midnight and we will deliver it the next day. Of course, we have same-day delivery and easy-return solutions. For example, if you do not like the dress, you can give it directly to your parcel driver and he will take it for you to our sorting centre.

Also, we have our app. As Herna already said, it is very important to have digitized contact with our consumers. In their app, in their mobile phone, they can follow their parcel. You get an estimated time of arrival, but you can also say that you are not at home. Then you can re-route your parcel. You can re-route it to the next day, you can re-route it to a pick-up point or even re-route it to another evening. So, it makes it easy. Even if you are not at home, we can take care that the parcel arrives when you are there.

If you want to pick-up that is quite easy too. Within five minutes of your home you have a pick-up point. You can get your parcel there or you can send it. We have more than 4,000 pick-up points in the Benelux.



We have a web-based network and achieved substantial efficiencies in recent years

We have transformed into a flexible web-based network, close to our consumers and allowing late cut-off times for our customers



... and achieved strong efficiency gains



Strong efficiency gains
+30% more parcels handled per sorting depot than originally planned



This was made possible by our third driver, a very good network, a web-based network. Especially in The Netherlands and Belgium that is a good network to have because we have a dense situation. We transformed in the years from a hub and spoke to a web-based network. It enables us on the one hand to be close to our customer, so we have the late pick-up times, but on the other hand to be also close to the consumers. We also improved our efficiency a lot in this depot structure. We improved our efficiency between 2013 and 2018 with 30%, while our volumes almost doubled at the same time. So, it really helped us to deliver with a good quality and we could improve our services with this network.



And it is sustainable. Sustainability is not only a social discussion point right now to be put on the slide as well. We think it is crucial to our business. In cities, especially in inner cities, there will be pressure on emission fees. So, in 2030 we want to be the partner who delivers emission free. We do that together with customers, consumers and our employees. Customers ask it from us.

One example I really like is also with bol.com. We do a pilot in Amsterdam where we improve our service level by doing a 2-hours delivery in Amsterdam on an electrical bike. So, that is sustainable and improved service to our consumers.

You can see here outside that we have re-loading docks for our cars. In this area we drive about 30 cars on electricity. I talked to Kees van Doorn, parcel deliverer in Utrecht, and he said it was a kind of game to have as much kilometres on your battery. It is a kind of sport to be the one who drives the most kilometres on one battery. They can do about 150 kilometres right now. With our suppliers we will develop on these electrical vans and improve them further.



Our people make the difference

We have invested in strong growth of own personnel to develop a sustainable workforce

Total number of own deliverers



Year	Total number of own deliverers
2014	Low
2018	High (+143% increase)

88% employee loyalty PostNL
of our employees indicating that they expect to stay

Parcel deliverers are highly appreciated by our receivers



8.5 score of our parcel deliverers by receivers

What we do

- Continuous dialogue with our personnel and contract partners
- Stimulate people working for mail business to switch to parcels
- Optimise working conditions
- Specific measures for our elderly employees to keep them fit for work till their pension
- Our partners must demonstrate to us that they make fair payments to their employees
- We employ people with a distance to the labour market

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We can talk about logistics and IT, but in the end we are a people company. And people do make the difference. The one who is delivering your parcel when it is on your doorstep is your parcel deliverer. If he does it with a smile, it is much better. I experienced it myself, because Pim and I went in our peak season together driving an evening route, delivering parcels. In the peak season everybody at head office helps out to deliver parcels. Every time you get there with your parcel it feels like you give a present to someone. They are really happy that you are there and that you are delivering the parcel.

Parcel deliverers are also really highly appreciated. We take samples and ask consumers how they liked the delivery of their parcels. They rate the deliverers an 8.5 out of 10. So, they are really happy on average.



We also work on a sustainable work force. We grew in the number of employees. We hired 120 transport drivers for the big trucks and 350 parcel drivers last year. We intend to grow further in 2019.

We want to be a social company. Every time we are in continuous dialogue with our personnel and our distribution partners to look how we can improve and how we can better the relationship.

Those are the five drivers from our Parcel business.

Our Logistics Solutions complement our parcel business by offering additional services in the Benelux area

- Time-definite**
Offering time-specific e-commerce services like instant delivery or return-on-demand
- Fulfilment**
Fulfilment services for small & medium-sized e-tailers
- @Home services**
Delivery, installation and exchange of large and heavy e-commerce goods (e.g. furniture and white goods)
- Tailored networks**
Collection, sorting and distribution networks with industry-tailored solutions
- Shipping platforms**
Shipping platforms helping small businesses to easily ship both parcels and freight

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Now we will touch upon Logistics Solutions. Logistics Solutions really add to our proposition to customers, because it is offering additional services also in the Benelux. For example, the time-definite network, a small car network that helps us out to deliver and collect in certain time slots. It is also fulfilment. In this fulfilment we work with highly robotised for pick and pack of the parcels. There, the smaller and medium-sized enterprises come when their attic is full, and they cannot do their fulfilment anymore. Then we are there to help them grow. We help new customers and small customers grow in the e-commerce market.

Then we have our @home services. If you have the smaller parcels, you also have the big parcels: the couches, the washing machines, the ovens. We help to deliver them. We can do



that with two-men handling or with one-man handling. If you want to we can also place your washing machine and connect it to the water and the electricity. We can take care that it is also working when you are not at home. If you are living in The Netherlands it is easy to do that. We even do that for a big Michelin-star restaurant. They asked us to deliver their ovens and to install them in their restaurant.

Our tailored networks are more focused. That could be on cargo, on pharma and care. We have a big pharma and care network in Belgium, delivering to hospitals. If I talk to customers, a big fashion customer which has also home and garden in his shop, is really happy that he can send his parcels to us but also his bigger parcels and his freight. It is easy for them – one-stop shop – to do that at once. If it does not fit in the parcel network, we can put it to the extra @home network.

Last but not least our shipping platforms, where we help also smaller businesses to make it easier to go online and easier to ship.

Spring helps our parcel business with cross-border solutions

Gateway to Europe
Offering postal gateway solutions into Europe for customers in Asia and Americas

Cross-border solutions
Providing global cross-border mail and e-commerce solutions

Strategic focus Spring

1. Offensive strategy to complement gateway
2. Increase development speed and innovation
3. Transition to e-commerce service provider

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Spring adds value to us as well. It helps our customers in the Benelux to deliver outside the Benelux. They have solutions for that, for other countries, Germany, France and the US. On

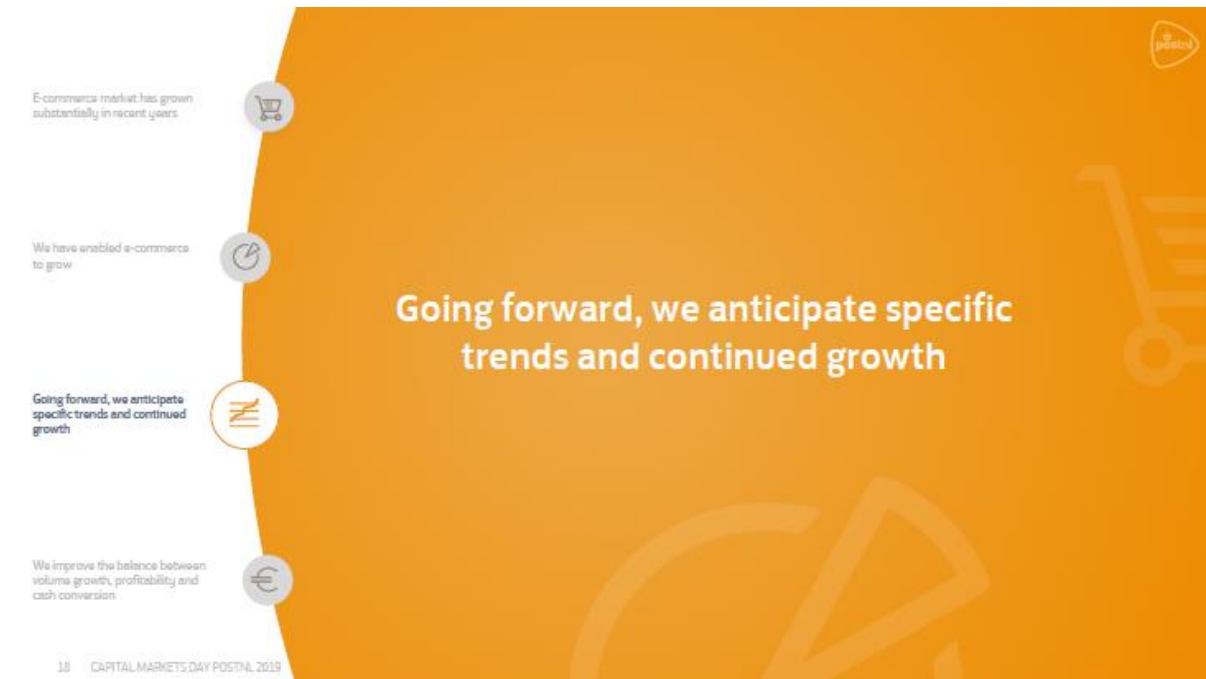


the other hand, it helps us as well to get the volumes into the Benelux from out of Asia and the USA.



So, altogether we have changed shopping in the Benelux.

You can see that in our revenue growth, because we had a revenue growth of more than 14% annually, in the end delivering EUR 1.5 billion revenue in 2018.



Going forward, we anticipate specific trends and continued growth

- E-commerce market has grown substantially in recent years
- We have enabled e-commerce to grow
- Going forward, we anticipate specific trends and continued growth
- We improve the balance between volume growth, profitability and cash conversion

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Let us look forward. Going forward we see some specific trends and we see also continued growth.



We foresee specific trends impacting the e-commerce business going forward

- Consumer in control
- Digitisation and growth of platforms
- Seasonality
- Tight labour market
- Sustainability

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Let us first look at the trends. Herna touched upon it as well: the consumers want to be in control. They want to know: where is my parcel, can I re-route it? And it must be sustainable. Sometimes we explain it like we are working towards a perfect parcel. A perfect parcel is a parcel that is first-time right. You know when it is coming, you can change it if you want to and it is sustainable.

The second trend we see is digitisation and the growth of platforms. We see big customers also changing into platforms. Digitisation is getting more and more important, not only on the commercial side but definitely as well on the operational side. Carlos and Iris will talk about that.

We also see seasonality. In The Netherlands, three or four years ago we would not have known that there was a Black Friday. We did last year, and we will for sure know this year that there will be a Black Friday. In The Netherlands we also have Sinterklaas. They are almost in the same week, so that puts pressure on us on seasonality and peaks. It is not only peaks during the year. You also see peaks during the week and during the evening.

The next trend is a tight labour market. We think it is crucial to connect to people and to connect them to our company. In a tight labour market, it is important that they want to work with you. Until now, we are able to hire people from the market into our business. Especially if you look at transport, for example the big trucks, sometimes we compete with international truck driving. People like to be at home in the weekends or in the evenings, so then it is better to work with us, because then you work in the Benelux-area.

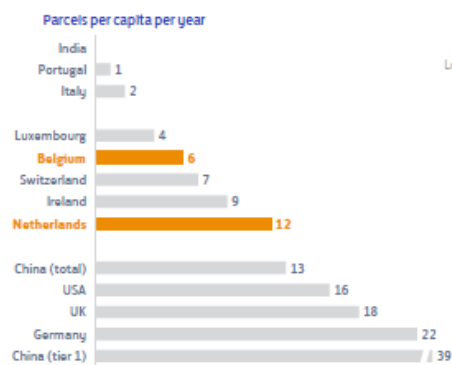
Sustainability I already explained. In 2030 we need to be emission-free.



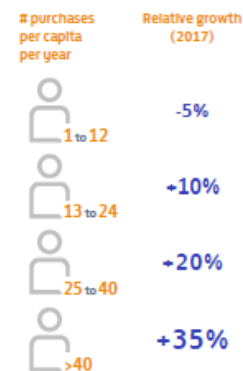
We expect Dutch and Belgian e-commerce market to continue to grow



Room for further growth, in contrast to other countries



Strong growth of 'heavy users' reveals growth potential



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Source: Statistics Netherlands (CBS) 2018

How do we look at our growth? We talk with our customers about how they see the growth. We look at our market and we look at the consumer behaviour. If you look at the market in The Netherlands and Belgium, we are still in the mid-sized market if you look at the number of parcels per capita per year. So, there is still room for improvement. We can grow even further. You also see with the number of purchases that the number of people buying more than 40 parcels per year is growing with 35% compared to 2017. People who order few parcels almost declines, because they order more and more. That is not only the regular parcels market.



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And promising new markets coming online



B2B e-commerce

- B2B e-commerce market embarking on growth
- Needed B2B capabilities in place, in combination with Parcels and Logistics Solutions



Food

- Only 4% of food market is online; great potential for further growth
- Capabilities in place to capture growth using different parts of our networks



Health

- Transition in health will fuel online growth
- PostNL has developed key capabilities for health market, especially with our Logistics Solutions

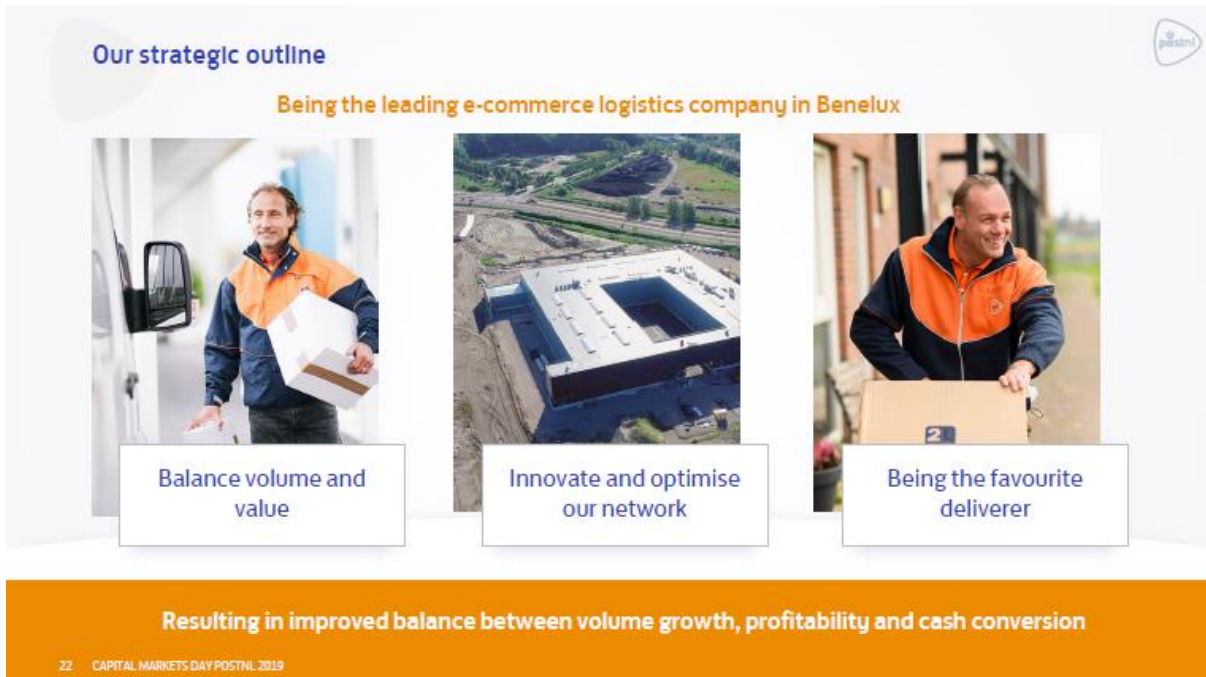
We also see markets becoming more and more online. For example, the B2B-market. For example, we have bicycle shops that need bicycles and the supplier of the bicycles is much more B2C. Instead of ordering 10 or 15 bicycles at once that are stored at the shop, the shop orders the bicycle they need because the consumer already ordered that. It makes them easy to much more drop-shipping. It looks more like B2C in which we of course have a lot of competencies.

And then food. We see ordering food online is getting more and more and we are delivering already for 50 customers food in the Netherlands and Belgium. It is food boxes but it is also groceries.

Health. As said, a big farmer and care network already in Belgium but also in the Netherlands we do a lot on farmer and care. Even in the mail company we do as well and we deliver at home for example dietary food or materials used for people who have problems walking, and so on. It makes it easy for them to stay at home. So, instead of the patient to move somewhere else to get his medicine he can stay at home and we deliver it there. So, we expect continuous growth.

Our strategic outline

Being the leading e-commerce logistics company in Benelux



- Balance volume and value
- Innovate and optimise our network
- Being the favourite deliverer

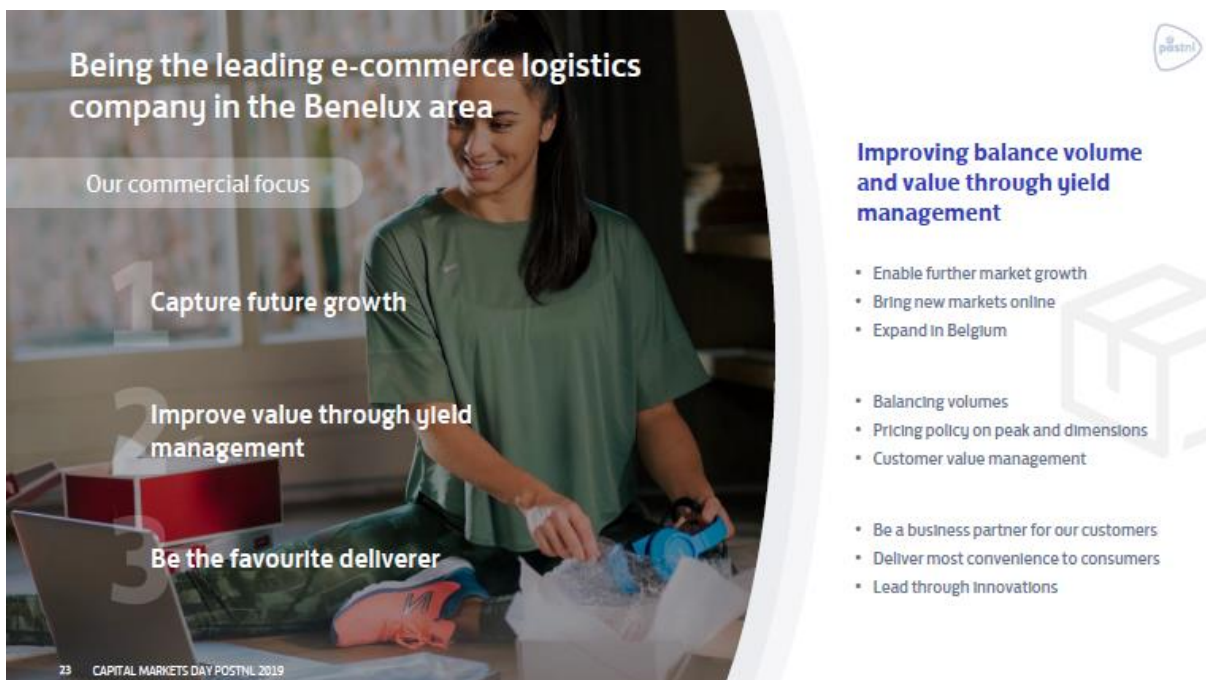
Resulting in improved balance between volume growth, profitability and cash conversion

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What does it mean for us going forward? We want to be a leading e-commerce company in the Benelux. We want to be and stay the favourite deliverer in the Benelux.

Being the leading e-commerce logistics company in the Benelux area

Our commercial focus



- Capture future growth
- Improve value through yield management
- Be the favourite deliverer

Improving balance volume and value through yield management

- Enable further market growth
- Bring new markets online
- Expand in Belgium
- Balancing volumes
- Pricing policy on peak and dimensions
- Customer value management
- Be a business partner for our customers
- Deliver most convenience to consumers
- Lead through innovations

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We are going to balance volume and volume. We will capture growth and improve value and we will do with excellent services, innovations and smart yield management. We will also innovate in our network and optimize our network, by smartly investing and continuously looking for efficiencies. All that together will create a better balance between growth, profitability and cash.

I will tell you briefly what Carlos and Iris are going to tell you in more detail. What do we see on the commercial side? First of all, we want to capture growth. We will enable the market to further growth and we will expand in Belgium but we will also improve value for yield management. That means that we will look at balancing our volumes. I said before we have three peaks during the year, during the week and during the evening. Together with customers we will try and equal the volume and therefore be able to sort and distribute more.

But we will also look at our pricing policy, on peak and on the dimensions. With dimensions I mean the volume of the parcel but also the weight of the parcel. It also helps in the social discussion on whether there is not too much air in the parcels and if they could become smaller anyway.

We want to stay the favourite deliverer. The favourite deliverer for our customer – so innovating with solutions for them but also for the consumers – because we still have to focus on the consumers and make it easy for them to order online.



Being the leading e-commerce logistics company in the Benelux area

Our operational focus

- Invest in new capacity and innovate our network
- Optimise our supply chain and reduce costs
- Be the favourite deliverer

Expanding our network through smart investments and continue to reduce costs

- Introduce small parcel sorting centre
- Improve utilisation of network
- Balance our network
- Optimise collection, transport and network control
- First-time-right
- Time spend per stop
- Being a good employer
- Consumer focussed deliverer
- Reduce our environmental footprint

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Operational focus. We will invest in new capacity but also innovate in our network. We had 251 million parcels delivered last year and we see 40% is standard small parcels, like a shoebox. Because of our size it is possible to segment and focus on sorting of the parcels in a special sorting centre, a small parcel centre. Iris will tell you more about that. And we will focus on 'first time right'.

A lot of our cost is in our time at the door. What we do in our food delivery is that we show our consumer that we are almost there. It helps to reduce the time at the stop because if people know you are coming they are almost at the door already when you arrive. That makes time for us easier.

Also, digitizing our notes. We still write notes for our customer, for instance that they were not at home when we were there and that we will be there tomorrow again. We can digitize that, so they can follow that in their smartphone and it saves time for the parcel deliverer.

Also here, we want to be your favourite deliverer, a good employer, someone whom you like to work with but also again for our consumer, the guy in the street who knows you and who delivers your parcel with a smile.

E-commerce market has grown substantially in recent years



We have enabled e-commerce to grow



Going forward, we anticipate specific trends and continued growth



We improve the balance between volume growth, profitability and cash conversion

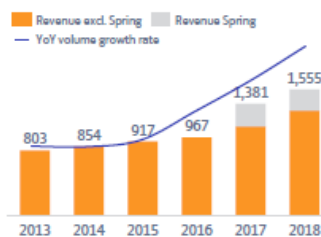


We improve the balance between volume growth, profitability and cash conversion

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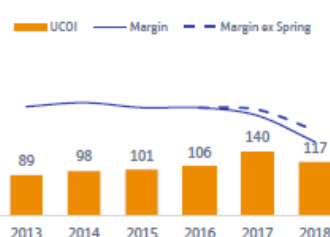
With this strategy we improve the balance between volume growth, profitability and cash conversion. How does that translate into the figures? Before I do that, let's take a step back and look what we did until now.

Accelerated growth in e-commerce drives performance and investments



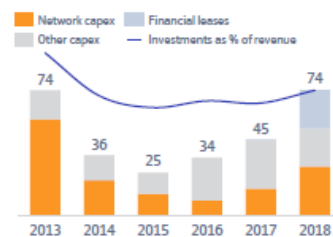
Accelerated growth in revenue

- Growth in e-commerce market main driver
- Volumes almost doubled since 2013 (94%)



Downward trend in margin development

- Negative price/mix effect due to customer mix
- Operational efficiencies offset by increased labour costs, due to sustainable delivery model, shift in labour mix and CLA increases
- Additional capacity and IT costs to accommodate accelerating volume growth
- Steep decline in UCOI contribution for Spring in 2018



Accelerating growth required investments

- New infrastructure with 18 depots designed in 2010 for a capacity of 170m parcels
- Acceleration volume growth as of 2016 required expansion of network
- Additional depots opened in 2018, bringing total to 22 (volume 2018: 251m)

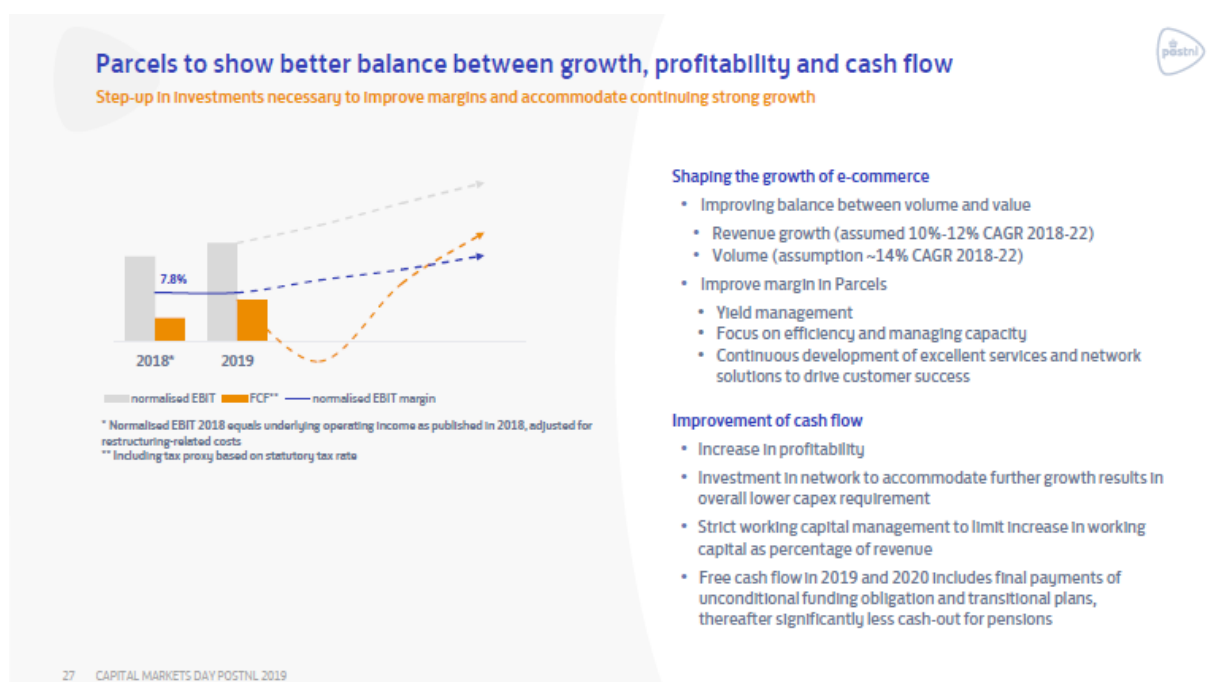
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If you look at our revenue, as said, we have EUR 1.5 billion in 2018 and this revenue growth is mainly driven by the growth in the e-commerce market. so, we almost doubled our revenue since 2013, including Spring.

If you look at our margin, you see a downward trend and we have higher efficiency but we also have invested in our labour and in our sustainable business model. So you see a downward trend in the margin, also due to the customer mix. We also made cost to build our network, so we had capacity costs and costs for IT.

In 2013 you see that our investments were quite high because we were still in the transition of our network from a hub-and-spoke network to the web-based network we have at this moment in time. Then it declined, because we have increased our efficiency, so it made us possible to do more through our depots and then the last years, with the increased volume, we had to invest again into our depots.



What do we expect going forward? We expect an improving balance between volume and value, a revenue growth of 10% - 12% on average from 2018 and 2022, with a volume growth underpinning that of 14% from 2018 to 2022. We will improve our margin through yield management, focus on efficiency and capacity and continuous development of our services



because we think that is important to also create the value for our customers and our consumers.

We also see improvement in our cash flow due to of course profitability. We also see that we need to invest in our network. We will explain that a little later if we are talking about the depots and our small parcel sorting centres. We will have a dip in 2020 because of our investment but mostly because of our transitional plans for pensions, which have to be paid in that year. But going forward, we expect to have free cash flow out of our business relating to our profitability.

Being the leading e-commerce logistics company in the Benelux area

Further balance between volume growth, profitability and cash conversion

- Balance volume and value
- Innovate and optimise our network
- Being the favourite deliverer

Our commercial focus

- Improving balance volume and value through yield management
- Capture future growth
- Improve value through yield management
- Be the favourite deliverer

Our operational focus

- Expanding our network through smart investments and continue to drive lower costs
- Invest in new capacity and innovate our network
- Optimise our supply chain and reduce costs
- Be the favourite deliverer

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As said, we want to be the favourite deliverer, being a leader e-commerce player in the Benelux and balance between volume growth, profitability and cash conversion, with the focus on yield management and improving on our capacity through smart investments.

That is our overall story line. That is what we are working on. Carlos is going to explain about our commercial focus.



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Commercial deep-dive Parcels

Capital Markets Day 2019

Carlos Mendes Aguiar
Commercial Director Parcels Benelux

Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: Thank you very much, Liesbeth.

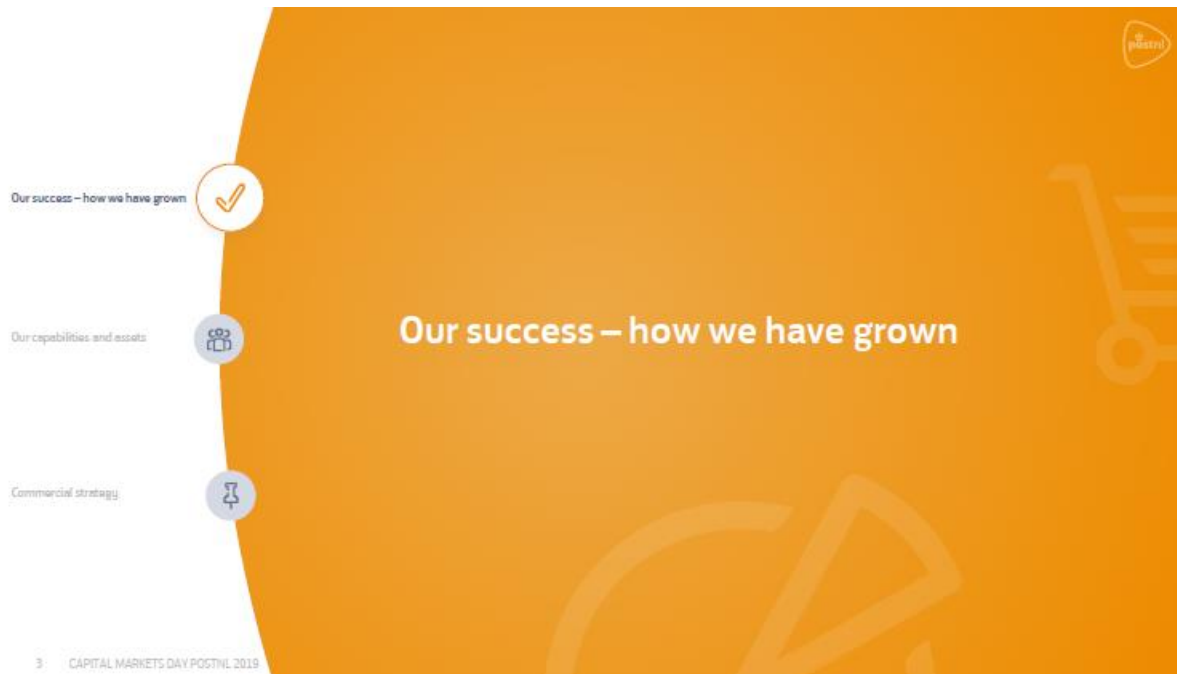


Agenda

-  Our success – how we have grown
-  Our capabilities and assets
-  Commercial strategy

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Good afternoon. I would like to inform you about three things. The first thing is how did we grow? How did we manage to get the big growth we had over the recent years? Secondly, I want to discuss a little bit about the assets and the capabilities that we have now in place in order to capture future growth. The third thing is how we are going to combine growth with value, so how we are going to bend the trend also in profitability from a commercial point of view.



First of all, let's talk a little bit about the growth that we have experienced. We say we are in the middle of what you call an industrial revolution. We call it the shopping revolution. The way people shop is changing and has changed significantly. Our addressable market – the market that we address – is not a logistical market, it is the shopping market. By defining the shopping market as the addressable market, there is still a lot of room to grow. That is what we did. So together with our customers we defined the market as everything that can be shopped.



If you define the market as ‘everything that can be shopped’ you also look at the barriers. Why are people buying offline and how we reduce the barriers to buy online? That is what we did. In Holland for instance it is possible to buy on Sundays in the big cities. That is the reason why we introduced Sunday delivery. In Holland you also have evening sales. That is why we introduced five evenings delivery in the Netherlands and we introduced two evenings in Belgium recently. If you go to a shop you see that you have instant gratification; you get something from the shelf and you take it home. We developed same-day delivery, one-hour delivery, two-hour delivery, to have the products as soon as possible at your home. Together with our customers we were able to grab this growth by introducing those services. So, we are not only looking at the logistical market but also at the shopping market.

What is important to see is that we grew our customer base with more than 200%. As Liesbeth already said, the Dutch and Belgian market are more fragmented markets. The figures you see here are the customers, the business customers that we have in our customer base, that we know, that we can push our solutions through and a lot of those customers came in with plug-and-play solutions. More than half of those customers are web-served customers. They do business completely online with us and they buy our products completely digital.



We have expanded our customer base and enabled our customers to grow



Growth of customer base



Growth driven by all customers, though large customers outperform SMEs




What you see on the right part of this slide is that all segments we are serving, so the big top-10 players but also big customers and small customers. We see around those segments that everybody is growing. We see different growth rates, so the top accounts are growing faster, but you see that everybody in our customer base, all the segments are growing. So, growth comes from all customers we have in our base. Of course, not every customer is growing but on average you can say that all customer segments are growing.



Here you see our biggest customers at this moment. We have around 34,000 customers and last year we added 15 new customers every day. So, we had more than 4,000 customers coming and every day we are adding 15 online customers, somebody who wants to sell online and registers with us.

We have introduced services to make online shopping easy



- 7d Delivery options**
 - Evening delivery until 10:00 pm, 5 days a week
 - Delivery at weekends on both Saturdays and Sundays
 - Delivery in specific time-slots with up to 1 hour accuracy
 - Return pick-up services in specific time-slots up to 1 hour accuracy
- Services**
 - Shop till 11:59 pm and receive next day
 - Same-day delivery, shop before 2:00 pm
 - Instant delivery in Amsterdam
 - Rerouting services to change delivery date and location
- Pick-up and return**
 - 95% of Dutch people live within 5 minutes travel time from a retail point
 - Scan & Go services enable retail shipping without label printing
 - 4,250 retail points in Benelux area with many open after 6:00 pm or on Sundays
 - High customer satisfaction

Quality: with over 98% of parcels delivered within 24 hours and with highly rated deliverers

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As I explained, we also introduced delivery options. Delivery options for instance are Sunday delivery, evening delivery, same-day delivery, time-slot delivery, so different kinds of delivery solutions in order to grab the market. It is important because it really helps to growth the market. I will give you an example in the next slide. We see that those services really help the market to grow. It helps consumers to shop more conveniently and it helps web shops to grow faster.

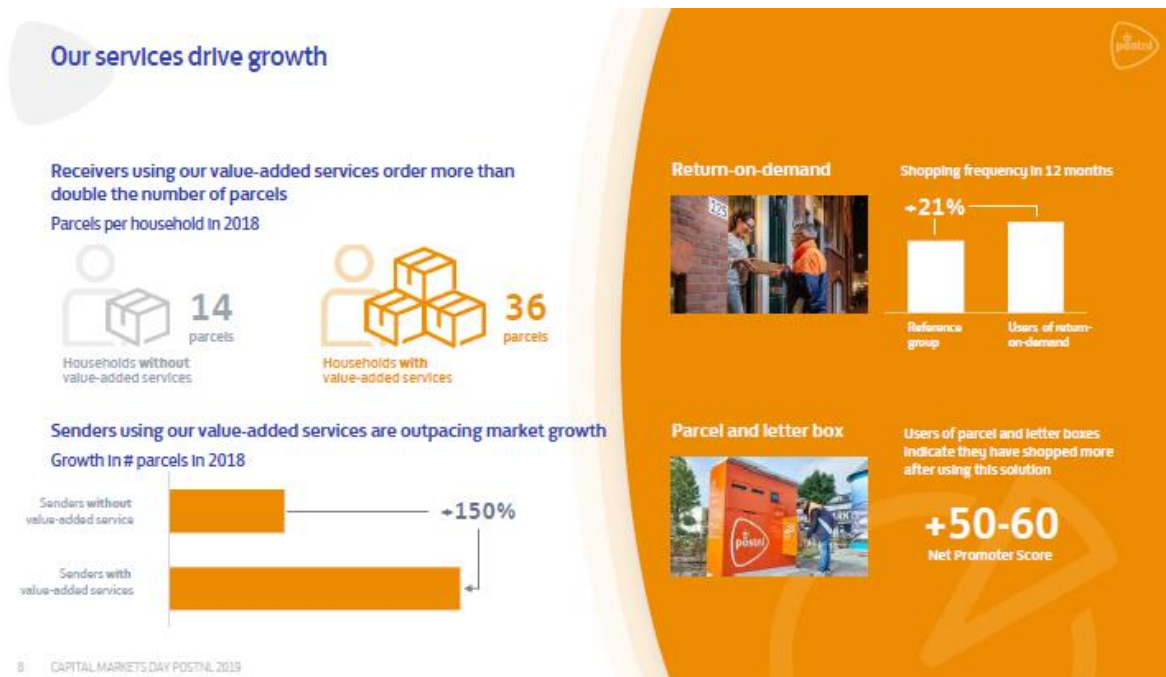
The Dutch market and the Belgian market are a little bit from other European markets. In the Dutch market we have always invested in speed, so speed of delivery is very important. If you compare the Dutch market and the Belgian market with other markets you see that the cut-off time, the time you can order on a web shop is very late. You can order until midnight and have the parcel delivered actually the same day because if you order till midnight the parcels are being packed after midnight. They come in our network and we deliver the same day. So speed and convenience have always been factors to increase market share from online to offline.

We also introduced re-routing and that is very important. If you look at a web shop the best solution would be when the web shop would offer all the delivery options on itself but we see that the adoption of delivery service lags a little bit behind. So, we offered re-routing services for consumers. As soon as you order something in a web shop and you want another date, another location or maybe have the parcel delivered at night, you can change your delivery.



And it is interesting from different perspectives. It is interesting because we can deliver more convenient, but it is also very interesting from a commercial perspective. A consumer re-routing a parcel – let us say you order something on a big website, let us call it Amazon, you buy something online but you want to have it delivered in the evening and that option is not being shown in the check-out, we got the information of those consumers. With this information we can go back to the web shops and inform them about the most convenient services that their customers are requiring. So, re-routing helps us selling more and adding more value to web shops.

The third thing that is very important is our logistical structure on retail. We have a dense retail infrastructure and the retail infrastructure is a very supportive structure for parcel delivery and parcel returns. Every Dutch household – as you know the Dutch travel a lot on bicycles – can reach a retail point within five minutes. They are very quick at the retail point and they use retail points for return and pickup.



That those services really add value you can see on this slide. On the left part of the slide you see the numbers 14 and 36. Households using delivery options, such as Sunday delivery, evening delivery or same-day delivery, order more than double the number of parcels than households that are not using those services. It is actually easy to explain. Let us say you need



something on Sunday, and you do not have the time to go out. We deliver it on Sunday and then you experience more convenience. Let us say you bought something in a specific shop. Your convenience at that specific shop increased, so you start ordering more with that specific shop. So, we do not only see that the amount of parcels those households are ordering increases, we also see that the web shops are growing faster. Web shops with delivery options grow faster than web shops not using delivery options. We call it our flywheel. The flywheel means that, if the consumer orders more the web shop is selling more. Then it starts to implement new delivery options and that gives the consumer more convenience and so the wheel goes on and on.

On the right part of the slide is an example that Liesbeth informed you about. We can go a little bit more into detail. This is a fashion retailer. Although we have a good retail infrastructure this fashion retailer wanted to give more convenience to their customers. They asked us: is it possible that we develop a service that we pick up the returns at home? First we did a pilot and after a few weeks we decided to roll out the pilot country-wide. On this slide you see that consumers making use of the home pick-up are ordering 21% more than consumers not using those products. You see that convenience in the e-commerce market at the stage we are now is very useful in growing the market.





In Holland people are very entrepreneurial, so our customers asked us: can you help us grow in Belgium. That is what we did. The Belgian market is for 50% an import market, an import-driven market. On the left part of this slide you see that one third of the Belgian imports come from Holland. We are very well-positioned to enter and to get volumes in the Belgian market. That is what we did. On average we grew the business with 35% the last five years. Our brand awareness in Belgium increased a lot. In 2017 more than 80% of the Belgian people knew PostNL as an e-commerce supplier. In 2017 we were recognized as the best e-commerce supplier in Belgium. So, e-commerce in Belgium is growing and it is also growing due to Dutch web shops. We are taking a big piece of that market at this moment.

Developing promising online markets

B2B e-commerce

- PostNL can leverage e-commerce capabilities in capturing further growth
- Potential for smaller shipment sizes and more frequent orders

Food

- Developed food proposition in Benelux serving key players in food market
- Potential for further growth, only 4% of food online

Health

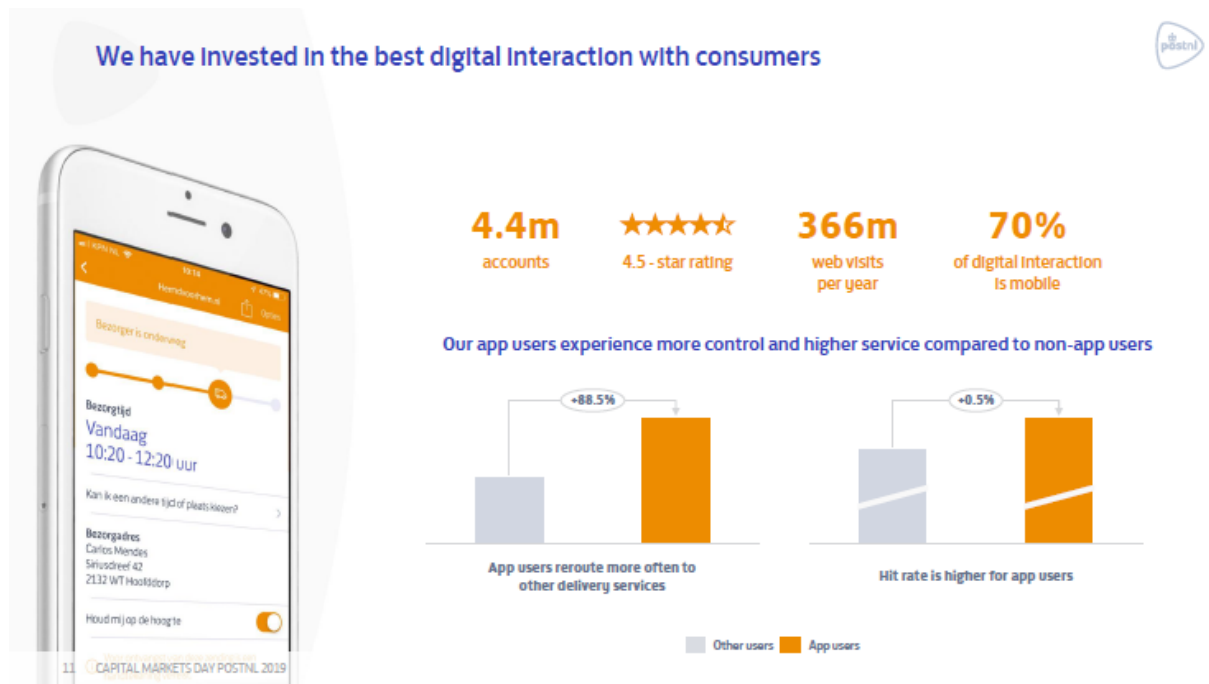
- PostNL uniquely positioned to act on transition of (online) health market
- Potential to capture further growth, only about 4%-6% of health is online

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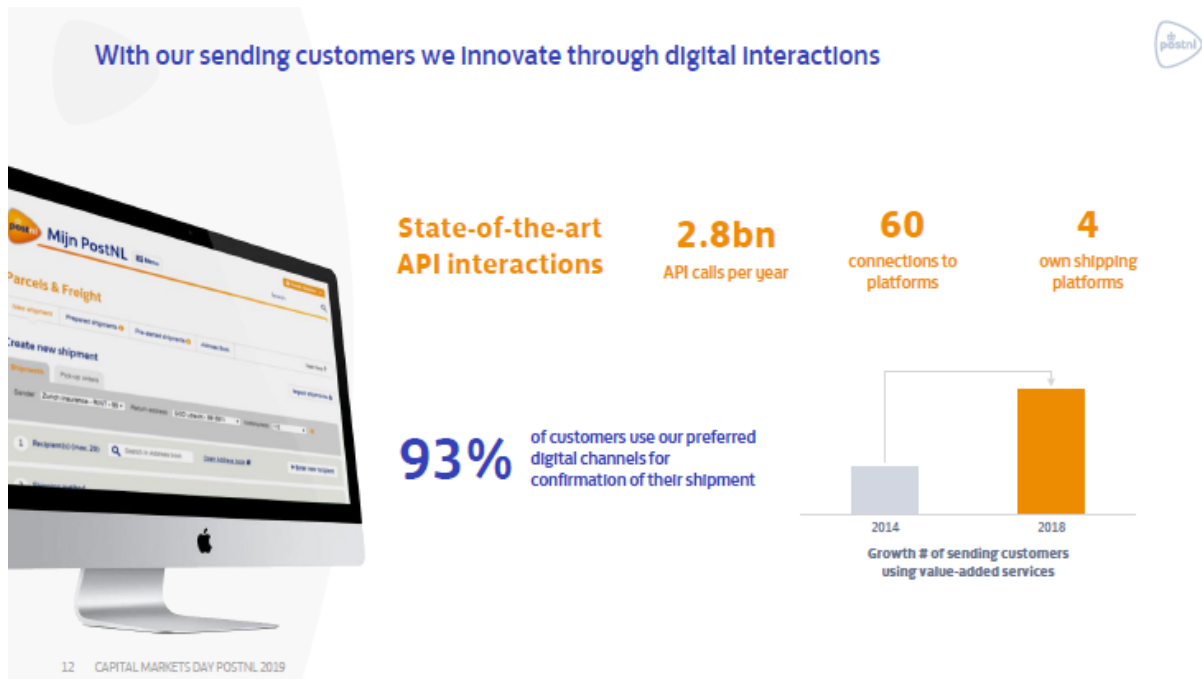
The online penetration is different per industry. In consumer electronics and fashion more and more stuff is being bought online, but you see also industries where the online adoption is not as high yet. We expect that that adoption will be high. In the B2B market we see for example that the way B2B-customers, a company delivering to another company, are ordering is changing. People are also ordering more online. The stuff they order will be smaller, so that fits well in our network, our parcel network or in other networks we have. The capabilities we have in e-commerce help us to get more out of this market. We also see that in Food. Food helped fast moving consumer goods. In those industries e-commerce adoption is still small.



We expect to grow fast. Those industries have baskets on an almost weekly basis, so that gives us a lot of potential for growth.



Not only did we invest a lot in services and industries. We also invested a lot in digital interactions. We have an app with 4.4 million accounts. The app is rated on a five-point scale with 4.5, so it is a highly appreciated app. Not only do we deliver 251 million parcels, but we also have 366 million digital interactions with consumers in Holland and Belgium. Of those interactions 70% is on mobile. Why is that important? People carry a smartphone with them every day and every minute. It gives us the possibility to interact a lot with the consumer and to offer value. In the chart at the bottom on the left side you see that consumers that have an app re-route their parcels more often. If you download the app, you use our re-routing service more often. Our re-routing service is partly for free and partly paid. If you want to have the parcel being delivered in the evening that is a paid option. The app enables us to communicate more with the consumer and to deliver more value. Last but not least it also increases first-time right deliveries.



We also invested a lot in business customers. We developed different digital channels. We call it preferred channels, channels that we would like the customer to use while interacting with us. 93% of the business customers uses a preferred digital channel, at least once. By using it once the penetration of those channels is very high and that enables us to get parcels and pre-announcements in the best possible way.

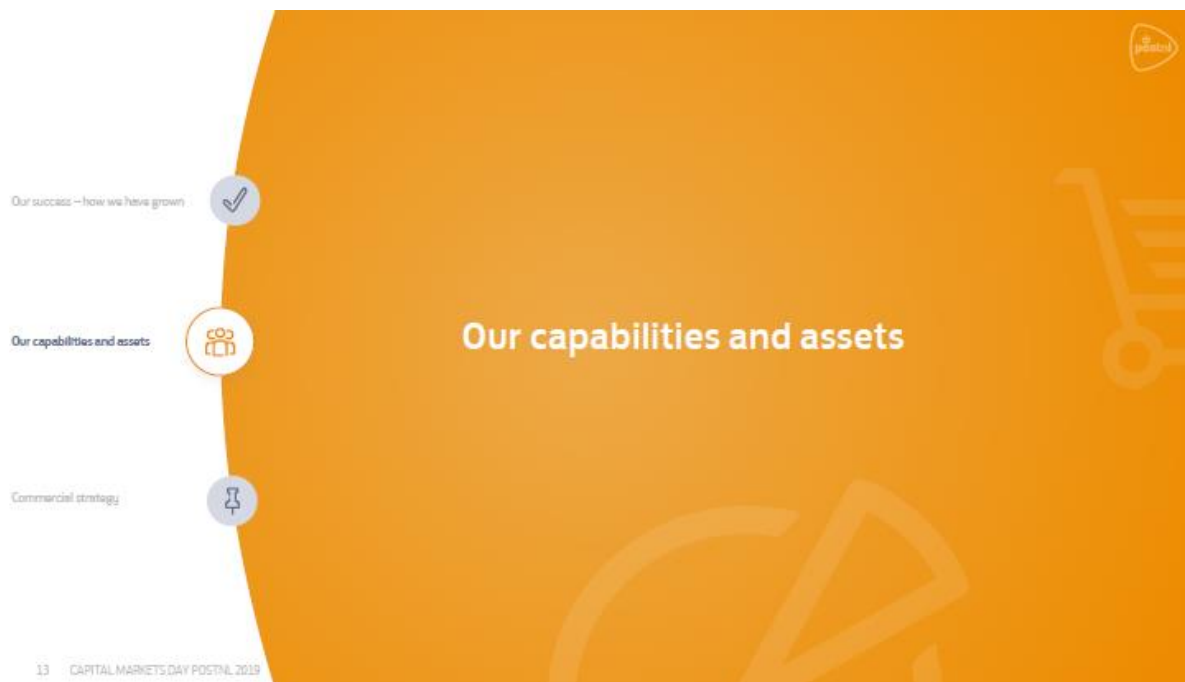
We are also connected to 60 platforms. A web shop is developed in a specific platform. You have Magento, WooCommerce et cetera. There are a lot of web shop platforms. We offer API, technical solutions to offer our services to those platforms. Every small and medium-sized company can use our services. That is what you see on this slide. In the last years we bought four own shipping platforms. We looked at shipping platforms available in the market that can help us grow. The good thing about it is that some of those platforms are what we call asset-light. We do not do the distribution all by ourselves.

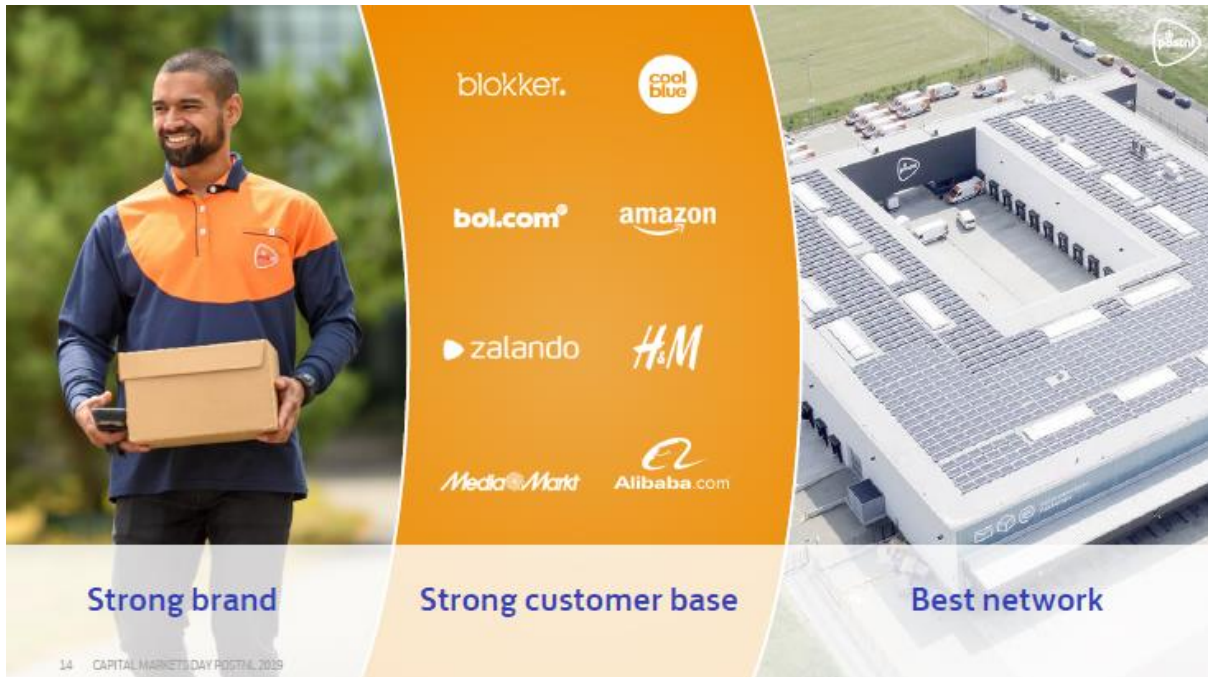
This was the first part about how we managed to grow. I would like to show you a small movie about our business customers.

VIDEO

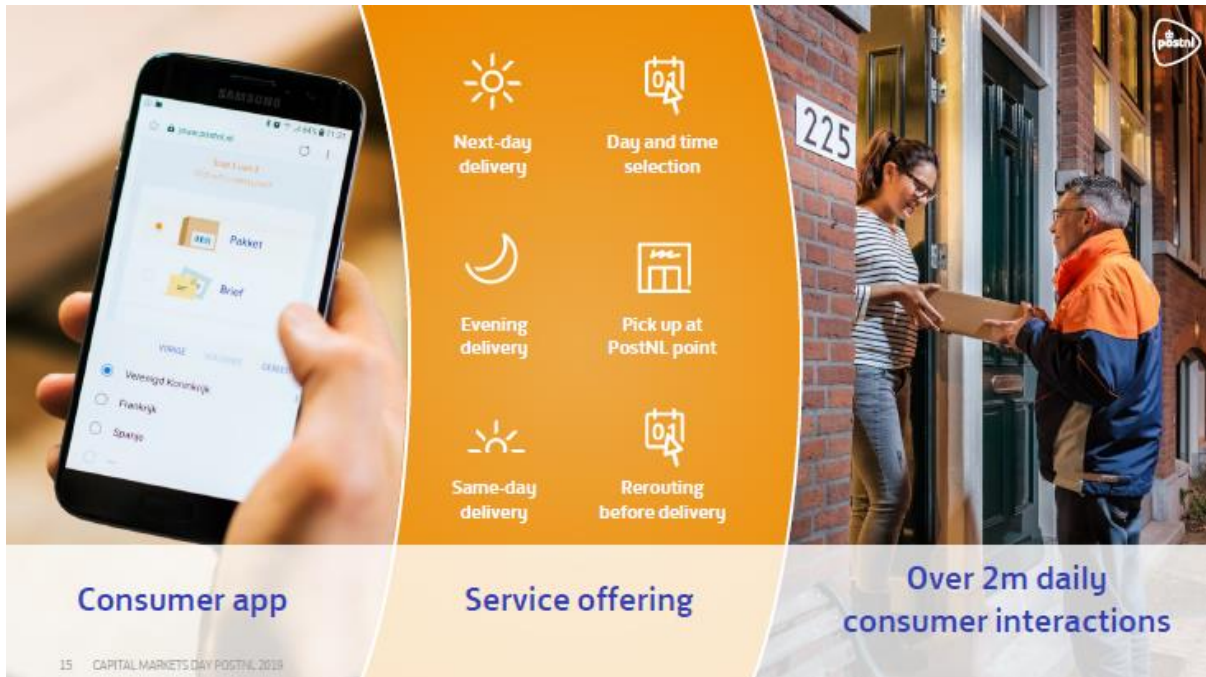


Interesting about the example of bol.com is that we integrated our logistical solution within their warehouse. Logistics is about doing the right thing for the customer, but also about having not too much waste in the supply chain. Every parcel you touch once gives additional costs. The example of bol.com shows how we manage to reduce cost in the supply chain and to get a better service for the consumer.

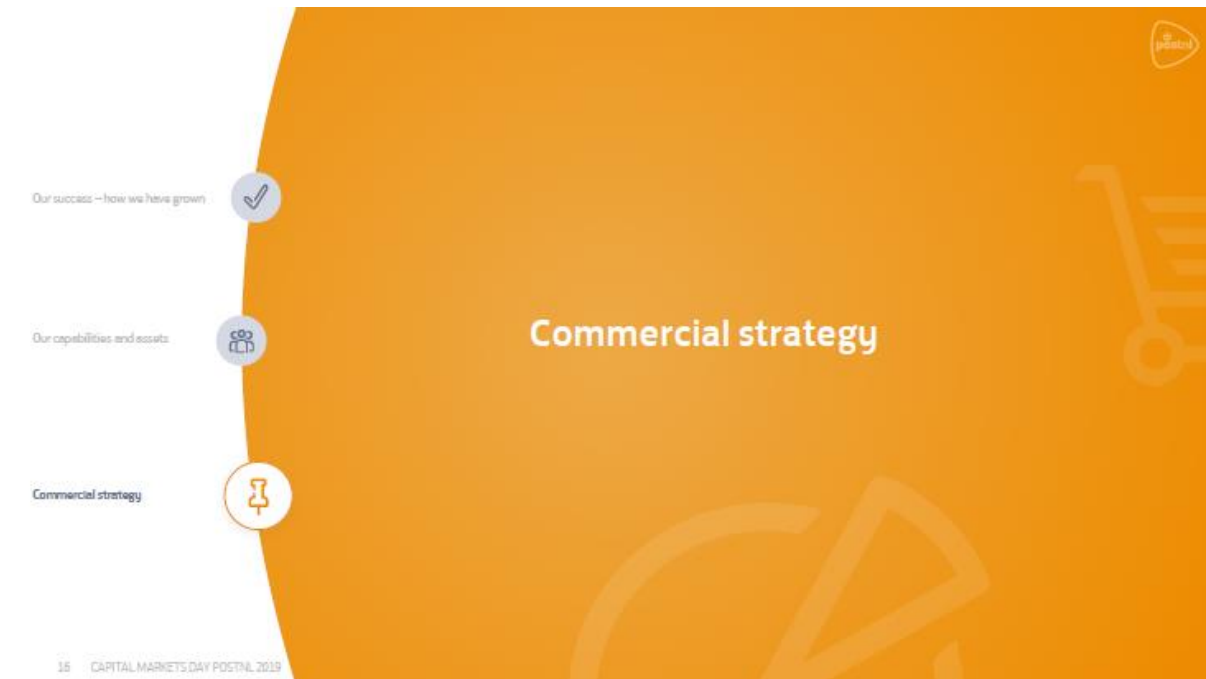




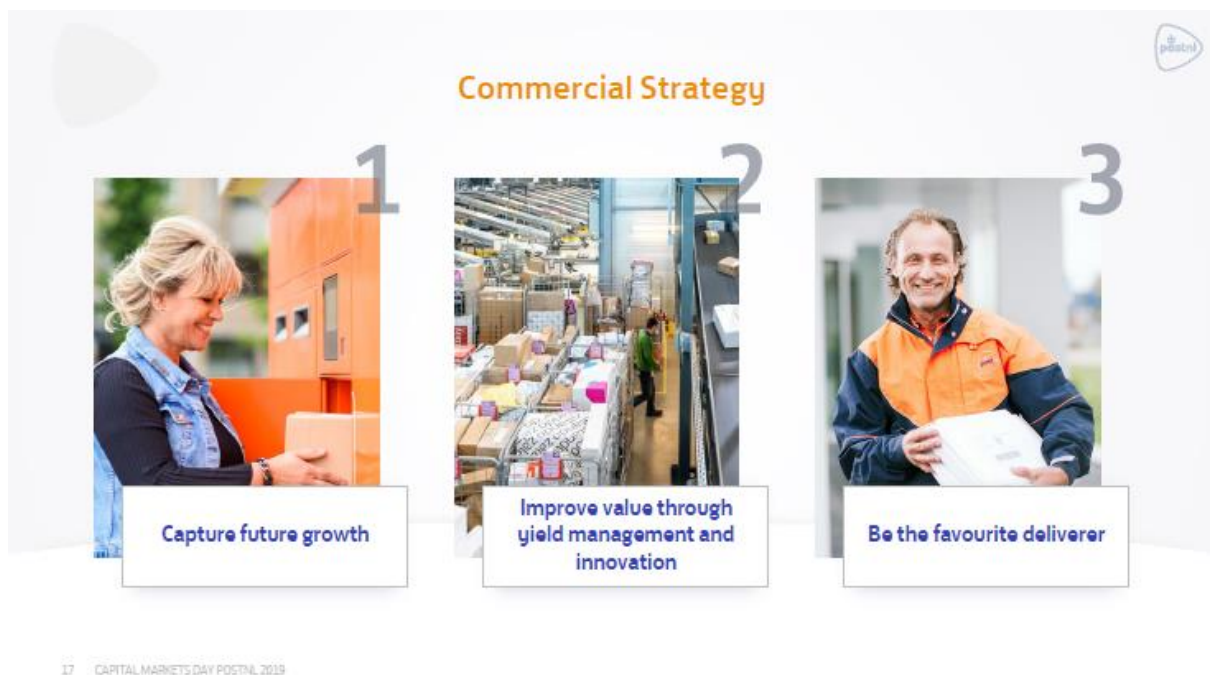
If we look at our capabilities, where are we now and what are the assets we can build upon, we have a very strong brand. I showed that we have more than 600 million consumer interactions, both physically and digitally. We are a well-recognized brand. We have a big customer base, a very strong customer base, with over 34,000 business customers registered. We have an excellent network: close to the consumer, close to the customer, high-quality every day. We call it almost a Swiss clock. So, a very good network. We even have customers that tell us: we are working in more than fifteen countries in Europa and you are delivering the best quality of all the countries we are working in.



We have a very good consumer app. This app gives us a lot of potential to interact with the consumer, to add value and to have deliveries based upon their preferences. I think we have a broad service offering. A very big customer said: “You developed all the services that we need to grow.” So, they are all in place and we can grow very fast with those services. We have over 2 million daily interactions with consumers. We are one of the most digital and physically connected companies in the Benelux within society.

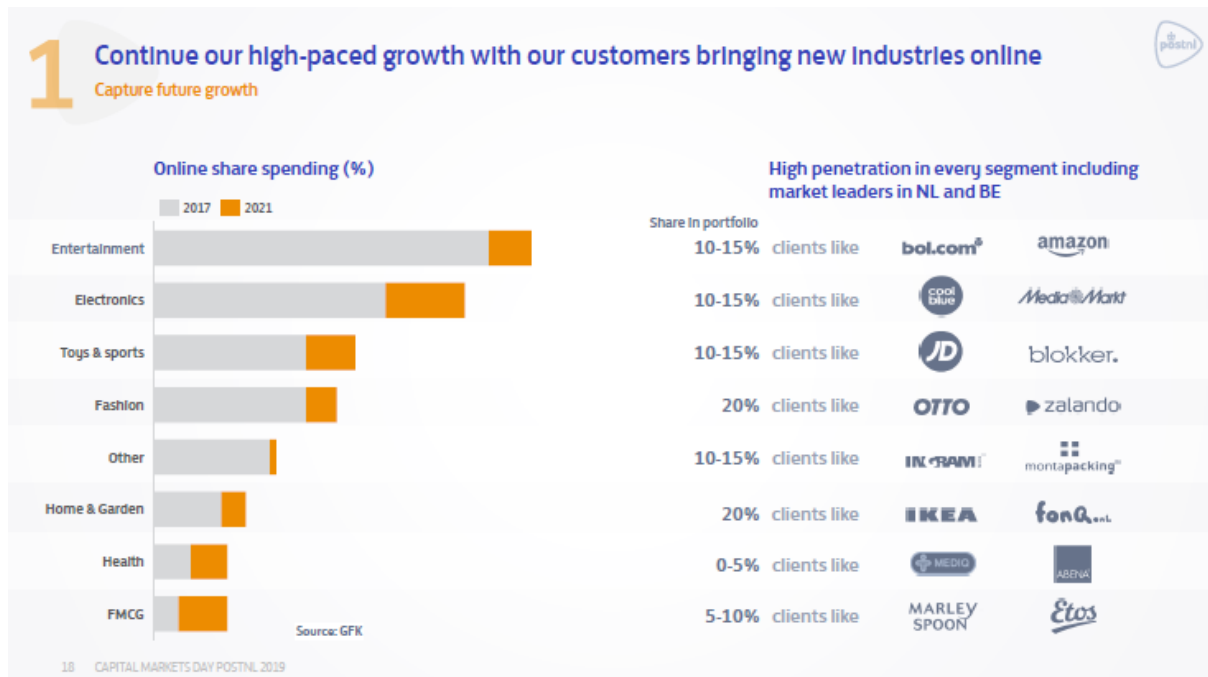


So, what can we do with this and what is our strategy going forward?





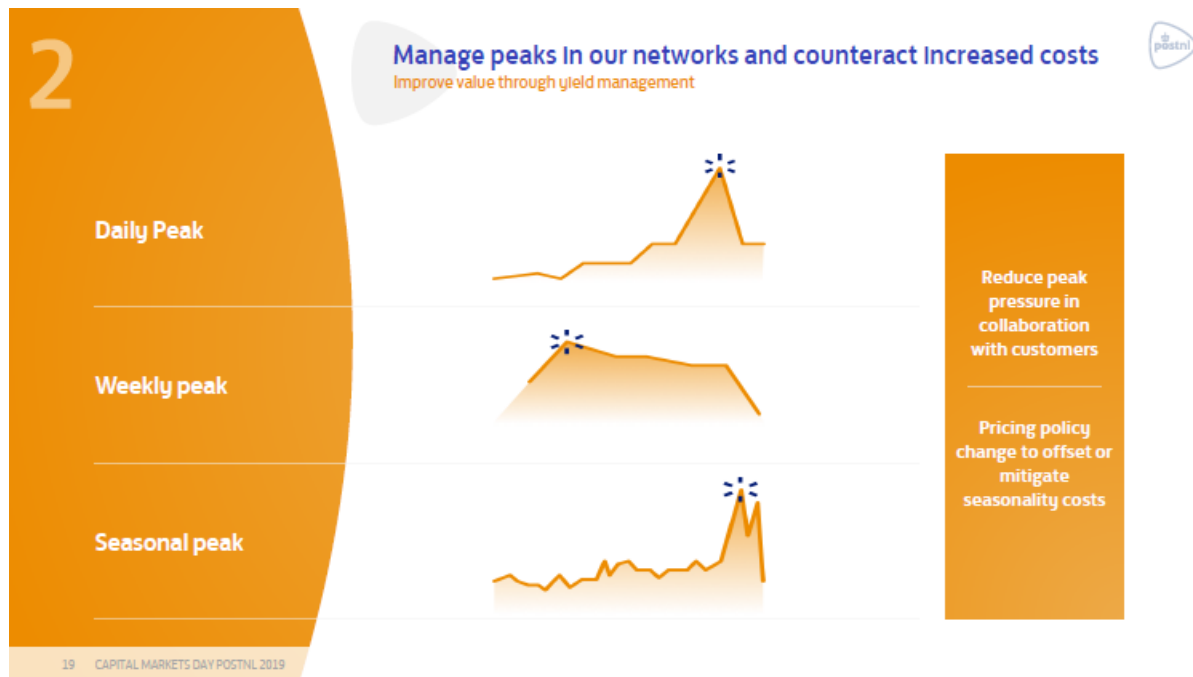
I would like to inform you about three things. One is how we can use the position we are now to capture future growth. Second is how we can improve value through yield management and innovation. Third is how we will be and stay the favourite deliverer.



As you saw before, we have a high penetration in every industry. In every industry we have a large number of customers and we also serve the industry leaders. On this slide you see that every industry is expected to grow the percentage of online sales. There are also industries that are still in the infancy of online adoption. We expect that with our capabilities, our network and our connections we are able to get that growth. Fast moving consumer goods for instance is an industry that has been sold through a lot of traditional retail. We see that those companies think about how to deliver directly to consumers. We added a few customers in an industry where the frequency of buying is very high. Cosmetics for instance is an industry that people buy a lot. That gives us a lot of potential growth, also in parcel delivery. So first of all, we have a high penetration in developing industries. We are working on the right industries that will bring us future growth, so we expect to continue our high growth in the next coming years.

How are we capture not only growth but also value? We look at three things. One is how we manage peaks in our networks. I will elaborate a little more on that. The next is about weights

and sizes and the third thing is that we developed the customer value analysis combined with the cost to serve. These are the three items we will discuss.



If you grow as fast as we did – we grew enormously the last years – a lot of stuff is coming in. Everybody is delivering the parcels. First of all, you start processing all those parcels but now we are looking more carefully not in the parcels but to the parcels. We see that we have high peaks at the end of the day, so if the cut-off times of webshops are 12 o'clock it gives a lot of pressure at the end of the day. So, we are looking together with the webshops to reduce that peak. We can do that because when a webshop is growing it has to process the parcels earlier, otherwise they cannot deliver them for instance before 1 o'clock. We are also gathering the information about the consumer; about preferred dates of delivery and we can disclose that in check-outs of webshops. So, then you have a postponed delivery but based upon the preference of a consumer.

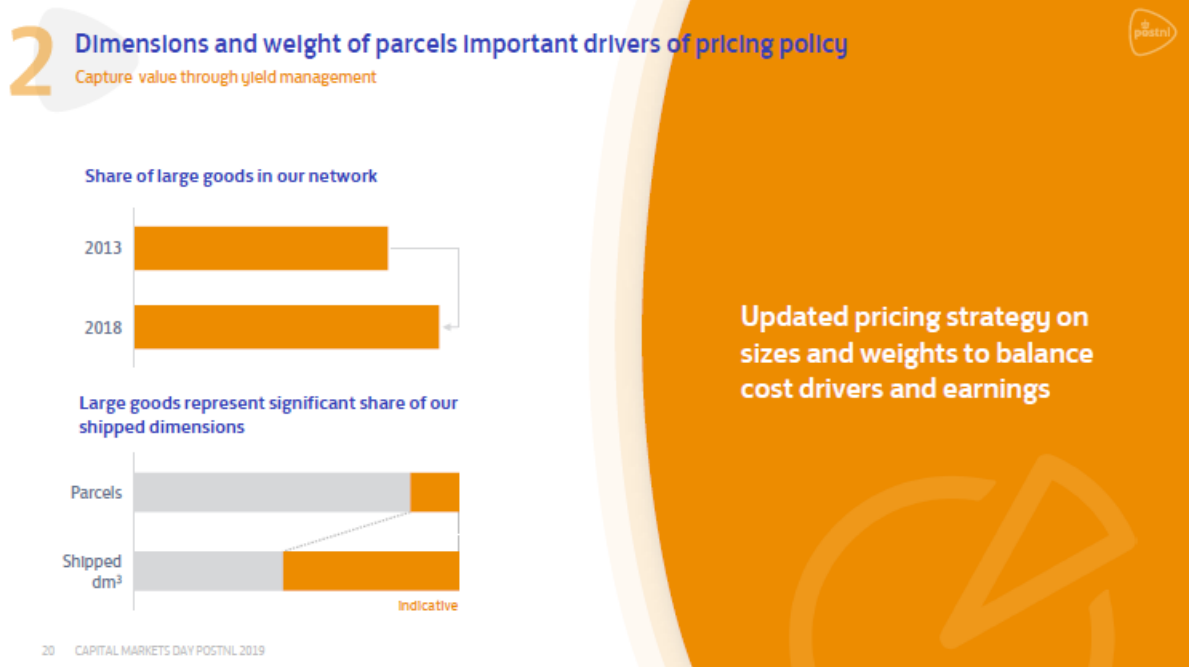
The second is the weekly peak. We already managed to move a lot of parcels from Tuesday to Monday. Tuesday is a very busy day in e-commerce because a lot of people are ordering in the weekend and not all webshops are working in the weekend to have the parcels being delivered on Monday. So, we had a lot of conversations with our customers. We managed to move more than 550,000 parcels weekly to the Monday. Those parcels were coming in on



Tuesdays so we had an enormous peak on Tuesday. But still we need to remove more parcels from Tuesday to Monday or to another day in the week. That is something that we are working together. There are some challenges. For instance, for our German customers they are not able to drive on Sundays, so we are working on different solutions. But we are reducing the peak on Tuesday, because otherwise we have to make too many investments for only the Tuesday peak and we want to spread the volumes more over the week.

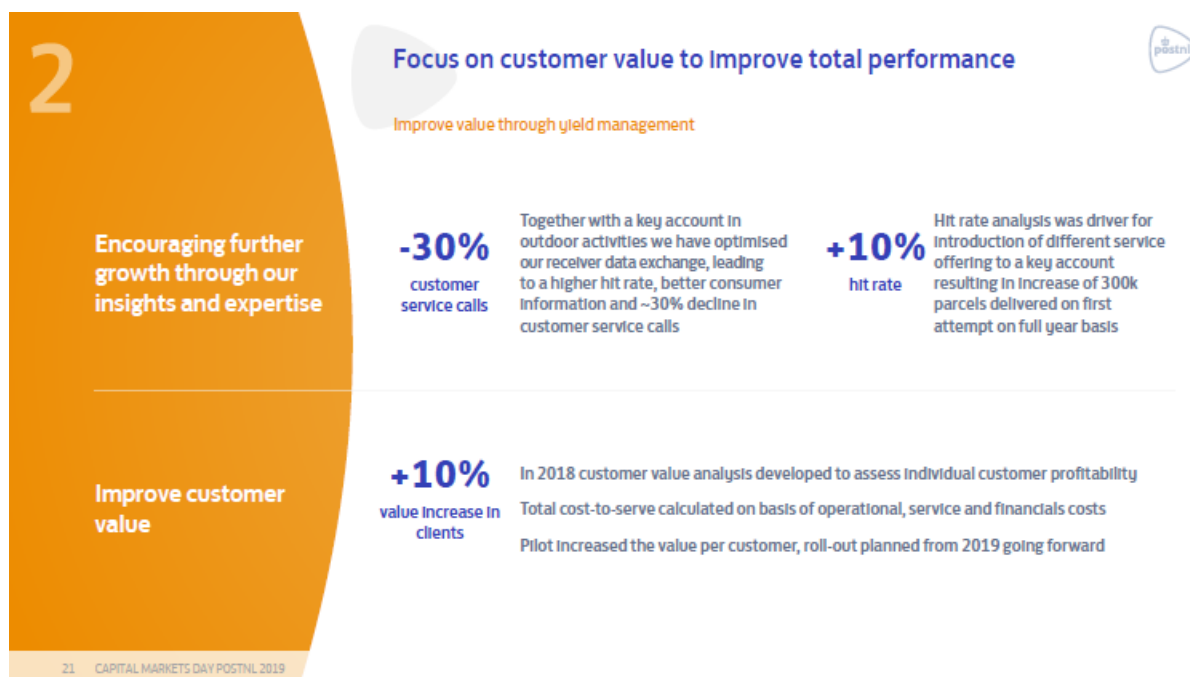
The third peak is the seasonal peak. As Liesbeth told you, we have Black Friday, Cyber Monday, Sinterklaas and Christmas, all within five weeks. It gives an enormous amount of parcels within five weeks that we have to process. We are incurring a lot of cost to process those parcels but now we are looking for other solutions to process those parcels, also together with our customers.

So, if you buy something at a sharp discount it is not always necessary to deliver it the next day. That is what we are discussing with our customers. If you get a discount of 40% when you something maybe the discount in itself is enough to have the parcel being delivered at the end of the week instead of the next day.





As I told you, we are also looking at dimensions and weight. 15% of our biggest parcels account for more than 50% of the dimensions. If you look at the network, the 15% of the biggest parcels take a lot of capacity on the sorting and the transportation side. So, we introduced pricing based on weight and we are looking for pricing on size. That is a strategy; either different kinds of parcels are coming in or we get more money for the same parcels.



I told you that we developed the 'customer value model'. If you have two customers with the same revenue but the cost to serve can differ. So, we looked at the drivers per customer and we made a calculation. You can have one customer with specific operational costs, service costs, all kinds of costs. We looked at all our customers and we did some try-out. On the left hand side you see an outdoor company and we asked the outdoor company to give us the email address. When they do the prenotification of the parcel, we ask for the email address. We inform the consumer about when the parcel is coming. We have a notification per parcel and after we had the email we are informing the consumer four times about one parcel. That gives a higher hit rate. We are delivering the parcel more at first-time ride and it lowers the customer service costs, both at the outer company itself as within our company. So you could say that the information about the parcel is as important as the parcel itself. It helps to increase



the consumer satisfaction. It decreases the cost at the webshop and it decreases the cost in our company.

We also looked at specific services. Here you see a telecom company – the +10% is a telecom company – using a specific service. We thought it was better to use a different service, so we introduced this service with the company and we were able to deliver more than 300,000 parcels at first time. Those were parcels that we intentionally did not deliver at first time and that came back to a depot. That asked for capacity in this depot and that now increased first-ride delivery lowers the cost.

We made a customer value analysis and with 100 customers we had a try-out through account management to discuss the insights we have with a specific customer. We were able to get 10% more value at a small amount of customers. So, with 100 customers we were able to get more value out of these customers by simply discussing the logistical details and the cost we were incurring, processing the parcels of the company. That makes us confident that this is a good method to discuss this with our customers in the future.

3 Continue to be a business partner for our customers and innovate services
Be the favourite deliverer

Further focus on ease of use through our digital self-service channels

Help SMEs grow with our shipping platforms

Serve our customers with critical data insights to drive their growth
e.g. rerouting gives insights in true consumer demand

Category	Value
PostNL location	High
Other day	Medium
Evening	Low

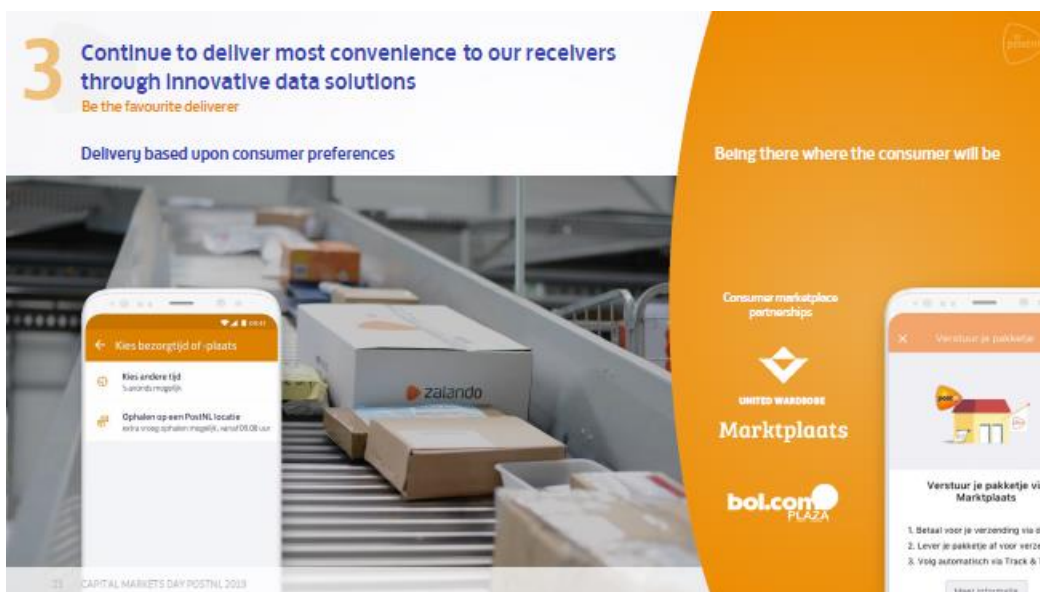
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To be the favourite deliverer we will continue to push digital channels. We will continue to push on self-service channels. We want to have all our customers using the best products and we want to use them as simple as possible. So, we make it possible to use it plug-and-play.

In the middle you see our shipping platforms. When we bought the first platform – myparcel – it was six times smaller than it is now. We were able to grow this company 600%. So it really adds value to have plug-and-play solutions for the SME market.

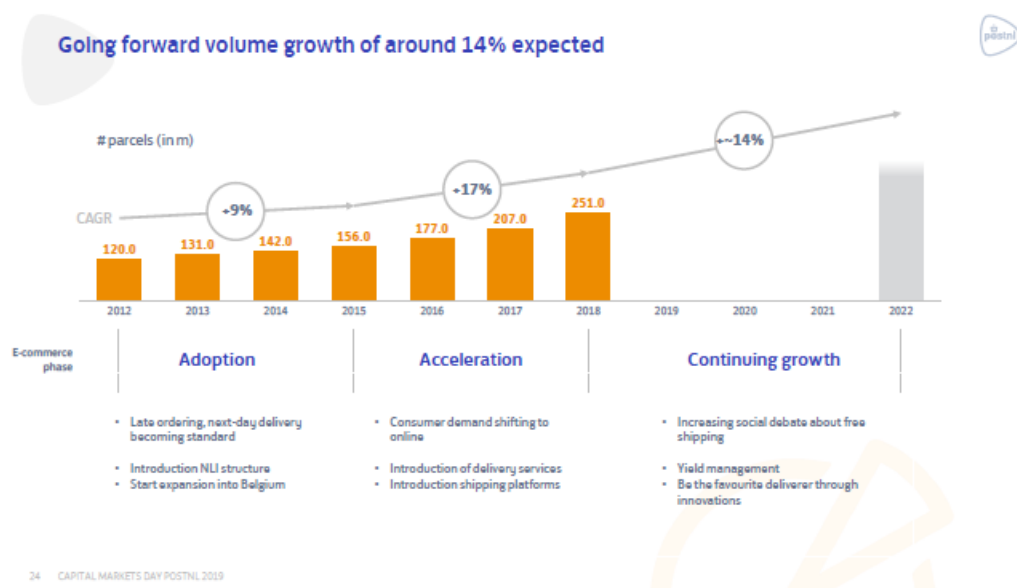
I already told you that when consumers start re-routing, for instance he bought sometimes and wants to re-route it do a different date, a different location or a different time slot, we are with this information able to inform the webshop about which solutions they should offer in their webshop. This increases their growth as well. This is very important. Consumer information, the insights we use to advise our webshop customers.



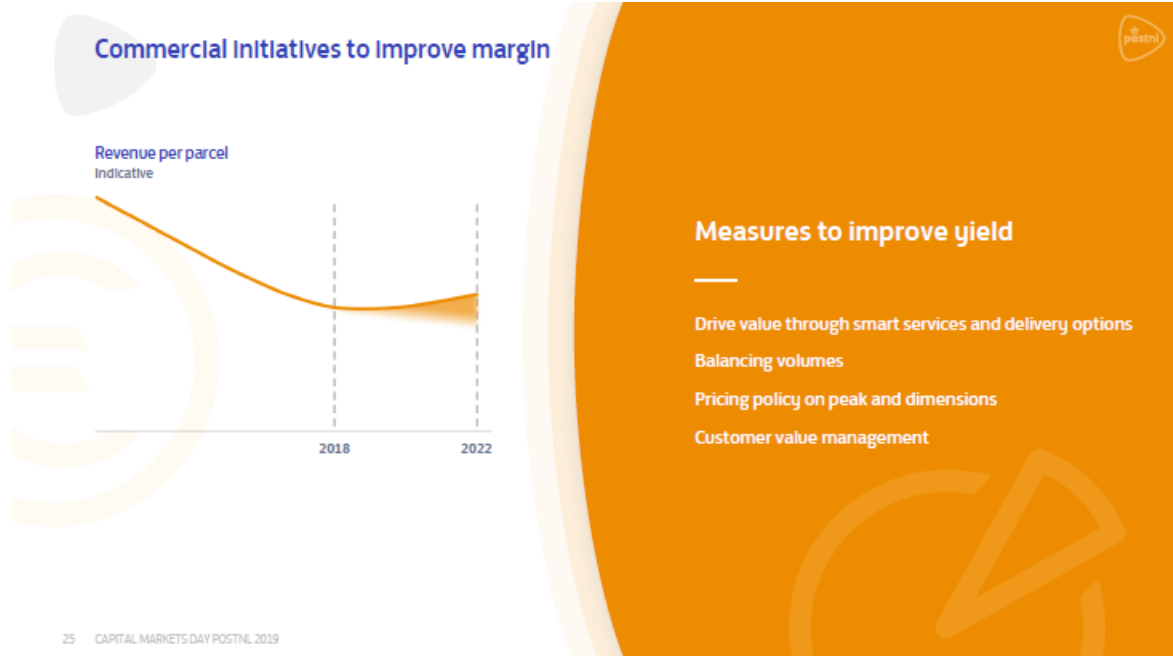
We will also push more for two things in the consumer market. One is deliveries based upon preferences. We are building a data base in which we gather the right information about the preferred the delivery option per consumer. You can have a consumer that says he wants all his parcels to be delivered on Saturday and you can have consumers that want all their parcels to be delivered immediately or in the evening. This information can be useful to help first-time right deliveries but it can also help supporting our webshop clients in offering better solutions. So we will push more in getting the information of the consumer to have better deliveries



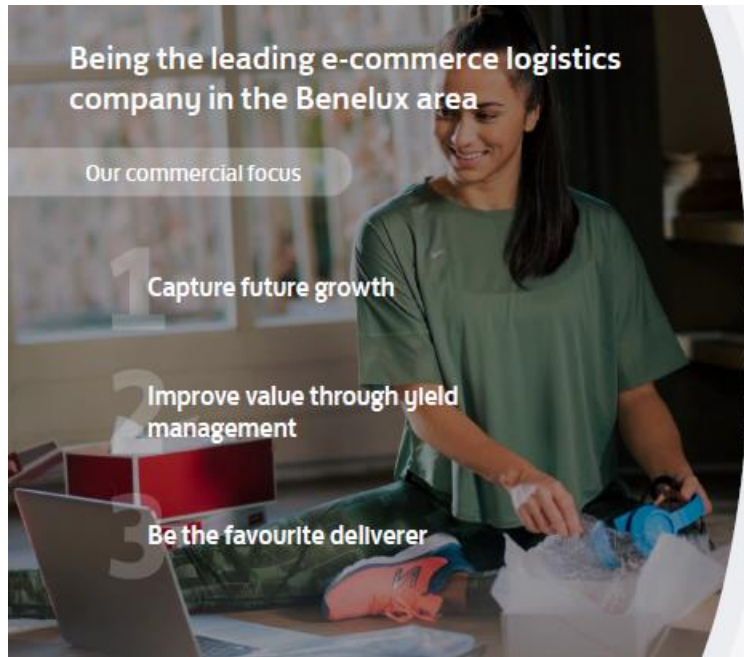
throughout the Benelux. On the right-hand side of the slide you see we made integrations – and we are willing to make more – with relevant platforms. So, if you buy or sell something at Marktplaats, our solutions are integrated. These three are the biggest in the Benelux. Our solutions are integrated, so selling and buying on those platforms and receiving your parcels has never been that easy. We will continue to push on it because it will bring a lot of convenience to the consumer.



If we look forward, we think we are able to get 14% growth. We told you that the growth we had in the last years was exceptionally high. We still think we can grow with the products and with the offering we do. We can also drive more value out of a parcel, so we are able to grow with smarter solutions and drive more innovation. We will continue to be the favourite deliverer; that is something we are intentionally doing and pushing hard on in the Benelux.



While we do that, we are also getting more yield. So we are improving yield through smart services and delivery options, balancing more volume. We look at the peaks and how can we balance more volumes? We will price on peaks and dimensions and we introduce customer value analysis with cost to serve. So combined with the growth you saw and a higher yield per parcel we think we are doing the right things in the company. Let's go for it.



So, I told you three things. One is how we did capture growth; one is how we are going to improve yield and the other one is how we will push to be the favourite deliverer. Iris will tell you more about how we will do that, also in operations.

Thank you very much.



Operational Deep-dive Parcels

Capital Markets Day 2019

Iris van Wees

Operations Director Parcels Benelux



Iris van Wees – Commercial Director Parcels Benelux PostNL: Thank you, Carlos. I hope you are still awake. It is warm, that is true. We just looked into the agenda and there is no break, so you have to be very alert on what is going to follow now.


Agenda

-  Our success – how we have grown
-  Our capabilities and assets
-  Operational strategy

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Within a minute, I will start a small movie and that will probably wake you up because it is a very inspiring movie.

Agenda

-  Our success – how we have grown
-  Our capabilities and assets
-  Operational strategy

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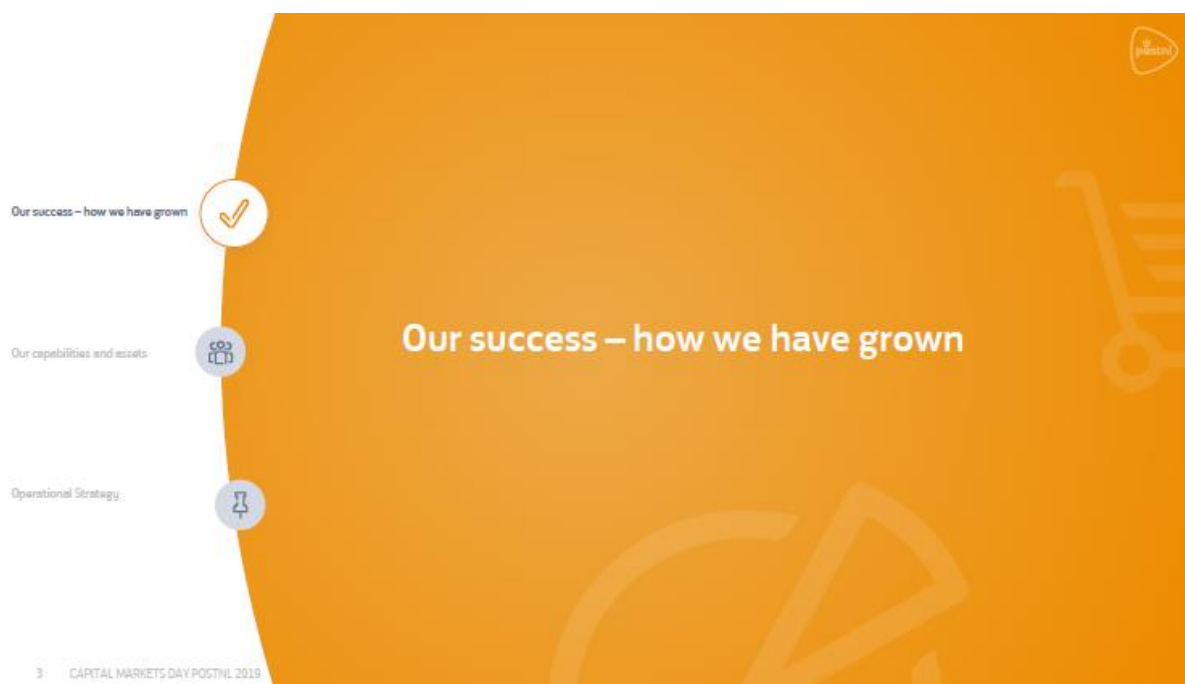
I joined the company only one month ago, as Liesbeth announced, but I am not new to the company. I have been involved in several network changes in the past and one of them is the



phase just before creating this depot network structure. So, I will tell you a little bit more about where we came from and how we developed in this network structure, this depot structure that you have seen today. Maybe half of you have already seen the operation or will maybe after seeing the operation again; it will be a little bit quiet because it is the afternoon. I will explain to you later how we will solve that capacity gap, because we will. So, I am very happy to have joined the company, although I have been following the company with quite close a look. I was quite impressed when I entered to see what they had achieved and what we had achieved in the network. So, I will show you a little bit through the movie. Carlos mentioned it a shopping revolution on the commercial side and I will call it the incredible machine.

VIDEO

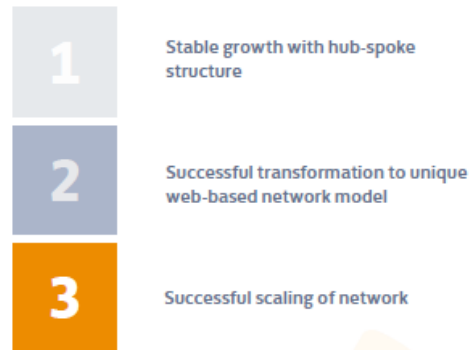
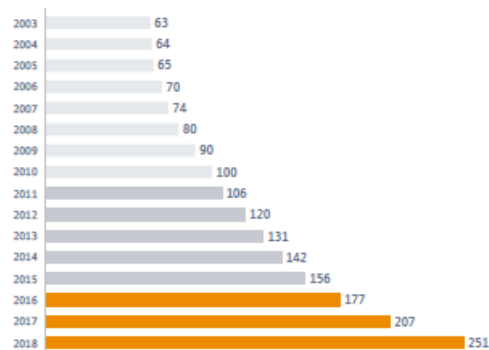
Iris van Wees – Commercial Director Parcels Benelux PostNL: Wide awake? Like Carlos did, I would like to look back a little and show how we grew the network and increased capacity in the network and improved efficiencies. Within operations we built our specific capabilities that we are very proud of, to be honest. Together we will look into the future at our operational strategy.



We have captured accelerated growth with our web-based network structure



Parcel volumes (m)




Daily delivering over 800,000 parcels to our customers in Benelux

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Let me start by looking back a little. Almost ten years ago, the concept of the web-based structure that you are in at the moment, was born. In that moment we were in a hub and spoke structure. We get often the question: why did you change from hub and spoke into web-based, what is the strength? In the next slide I will explain better what the strength is. One of the things we realized when e-commerce was going up, was that we needed a more scalable network than hub and spoke. Hub and spoke is: one, two or three big sorting centres, only for sorting, and a decentralized distribution depot structure. This is what we were in until 2010. Three sorting centres in The Netherlands, 45 distribution depots. However, when you want to scale up you need a different structure. We saw e-commerce going up, we saw the flywheel of Carlos taking off and we realized we needed a scalable network. And this is what we built.

Within budget and within planning, in four years' time we built our web-based structure. This centre was supposed to be the first one. It was the 22nd, because it was impossible to find a good location here in Amsterdam. We are very happy that we have it now. Within four years' time we set up this network model. Indeed, we never expected that it would be accelerating that much, but it did. We were able to capture the growth. In almost five years' time, from 2014 onwards, we almost doubled our volumes. I will show you later with how many depots we


achieved this. That was not twice as much as when we started. This is the transformation of our network from hub and spoke to web-based and scaling up.



We have a unique network that is highly-efficient and scalable

- 22 locations in NL^{1,2} and 6 locations in BE close to the customer enabling late cut-off times
- Efficient and ergonomic loading process by sorting directly in delivery van
- Continuous use of sorting machine – for sorting and distribution in Benelux
- Standardised lay-out and processes lead to flexibility
- Easy-to-scale by adding depots to our network

>98% next-day delivery performance



¹ related to 2018
² excluding bol.com fulfillment centre

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What is the strength of the network model? First of all, the web model. First, I have to show you the building. Some people see a sorting machine and think it is just a sorting machine, but there is a lot of intelligence in the concept. As you can see, it is a U-shape. This is where vans can go underneath. The loading docks are on the inside and the outside of the building. That means that there is a multi-use of the building both inside and outside. That is very strong. Our delivery vans dock every 45 minutes. 25 vans dock, load their vans and leave in 45 minutes and the next 25 vans can dock again. If you have seen the process this morning, you have seen the delivery men loading their vans directly from the sorter. In fact, the building was built around the sorter. We first had the sorter, we designed the sorter with the many shoots, and we built the building around it. This is why the building is probably heavier on the investment side than a normal box where you do fulfilment and you have only docks. Please appreciate the strength of this concept. It is very efficient.

We use it in the morning. Today, at the moment, the sorting machine is off. We have 200 delivery vans in Amsterdam. They are leaving in eight shifts from the depot into the city and they are now on the street to deliver the parcels. In the afternoon, for the people who are going



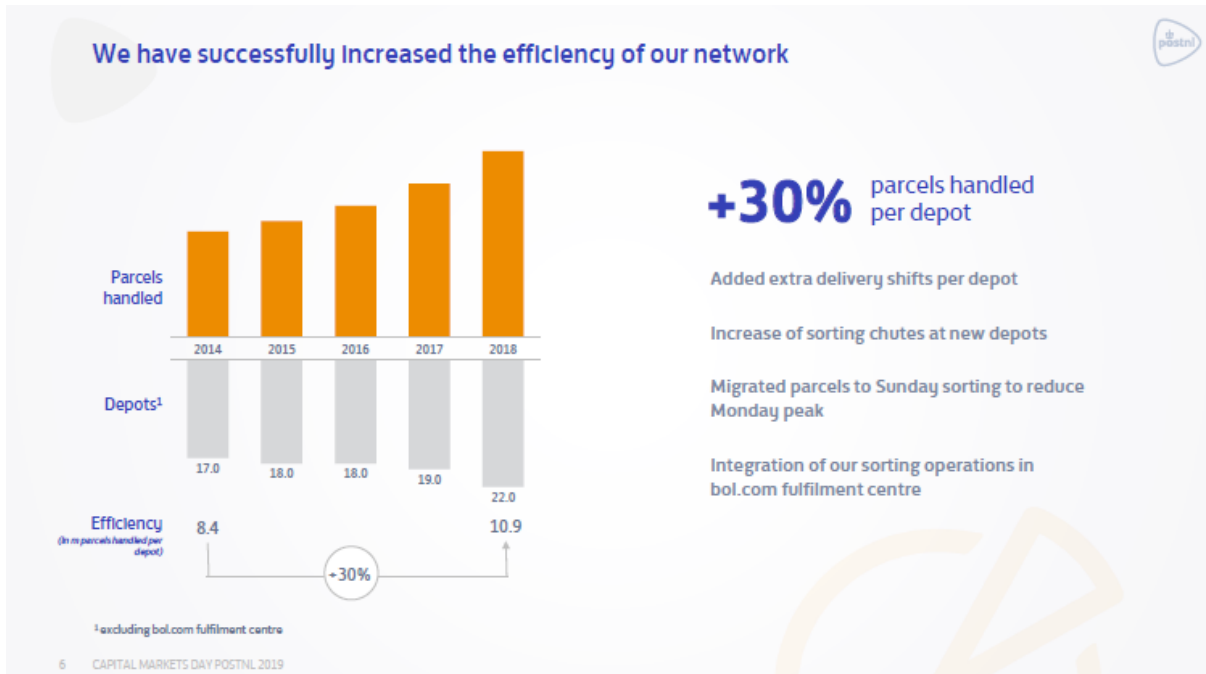
to do the tour, you will see the vans coming back in a debrief. They bring back the parcels that they did not deliver and then go home. That is the moment when the outbound sorting starts. We use the machine not only in the morning from 07.00 a.m. till 01.00 p.m., but at 5.00 p.m. we start evening distribution here. This is what you will see when you have your drinks, which you would probably like to have now, but please have some patience. We also start outbound sorting. That means that we collect from big retail networks and big customers. They feed in the parcels in the evening into our structure and outbound sorting starts.

It is a web-based model. Every depot is a copy of the other one. They are exactly the same. In the evening each of the depot makes exactly the same sorting process for the others. Here, we make a product for this depot and they make equally for each other sorting products in the evening. We call it depot-shift products. In the evening, in the night, we exchange between the web-based model from one depot to the other. The cut of time for customers to come in, you can imagine, being so decentralized, is very late. This is a challenge, because Carlos was pushing us in operations to get a later and later feed in. We actually stretched ourselves to make it happen. This is a very strong point. We follow the commercial strategy and were able to deploy all the needs that e-commerce services need.

When we have an overflow in one of the depots in the evening, our control tower is perfectly capable of redistributing volume from one to the other, because they have the same process in the evening. Every evening and every night we have the control tower, now in Hoofddorp but it will move to The Hague, that is actually monitoring and redistributing volume along the network. That gives us a lot of flexibility when volume is increased.

Scalable, absolutely. We had 17 depots at a certain moment. We saw growth going fast and realized that we needed to invest in extra depots. It is very easy: just plot an extra one in the web-based model, because it is the same. We opened Almere yesterday. I just had some contact with our regional manager and depot manager there. Within one day they have a smooth operation. Maybe not all the people are as productive as they should or could be, but the whole structure works and all the parcels will be delivered next day, 98%, also in our newly opened depot.

We have been able to upscale the network while maintaining the quality. We are quite proud of this structure.



Over time, when we designed the depot structure, we had the idea that we would build it for more or less 7.5 million parcels per depot. But already we moved, as you can see from 2011, we moved to over 8 million parcels processed per depot. We have a very innovative staff. I am very proud of them. Three of them are here in the room and many are listening. They are very innovative in thinking about solutions on how to utilize our depots better. Over time we saw not just pushing volume into the network. There is a lot of innovation and a lot of intelligence to be able to handle this number of parcels per depot. We are now actually processing within 22 depots, since yesterday 23, about 11 million parcels per depot. That is an immense increase of utilization.

We did not do that by ourselves. Operational strategy and commercial strategy go hand in hand. When we saw that on Monday we had no volume in distribution and customers asked us to open up on Sundays, there was a big opportunity to fill in the gap on Monday delivery. That is what we did, one of the big impacts of filling the capacity in the network in the empty spaces. Filling the empty spaces, that is what we do as Capacity management. We talked already about the integration with the bol.com fulfilment centre.



The machine that is running in bol.com fulfilment centre is exactly the same one as here. In the evening it makes the same product as any of our network depots make. They make their products also for all our depots for the morning for the distribution.

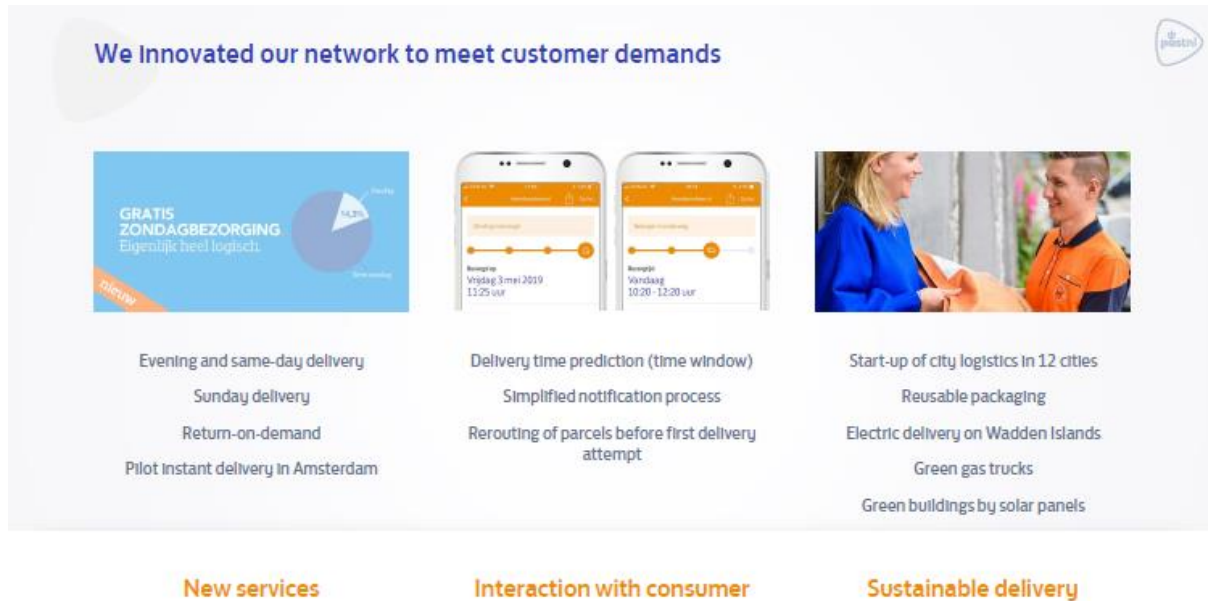
That was on capacity utilization that we have managed to do.



Carlos already explained to you the proximity of our retail network. We realize that it is a very important service, to have a high convenience on picking up your parcel or dropping off your parcel. The delivery vans that are around Amsterdam today, they will actually bring the parcel that you have ordered to be picked up at your retailer. Later tonight we will collect from that same retail network all the parcels in the same area and collect them to this sorting centre.

We migrated the concept of combined post offices; it means that you can connect mail and parcels at post offices. We added dedicated parcel points with later opening hours in order to be more convenient for the consumer. A very important part of our network.

We innovated our network to meet customer demands



New services	Interaction with consumer	Sustainable delivery
<ul style="list-style-type: none"> Evening and same-day delivery Sunday delivery Return-on-demand Pilot instant delivery in Amsterdam 	<ul style="list-style-type: none"> Delivery time prediction (time window) Simplified notification process Rerouting of parcels before first delivery attempt 	<ul style="list-style-type: none"> Start-up of city logistics in 12 cities Reusable packaging Electric delivery on Wadden Islands Green gas trucks Green buildings by solar panels

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Commercials, commercial directors, colleagues asking – not to me because it was my predecessor who built a lot of what you have seen here: let us open up Sunday delivery. Can we do it within six months? Of course, we can. Can we start evening delivery? Of course, we can. Same-day delivery? We implemented that also successfully. And return on demand. In this network concept it is very easy to click on services for customers. We are very close to the customer and we have a very intelligent flexible sorting capacity. Together with our commercial colleagues we built the services.

Delivery time prediction: if you have the app – many of you are maybe living in The Netherlands and have the PostNL app – you receive a predicted arrival time when you order a parcel. We have set a kind of default in our hand-held of our drivers. Our drivers are people of habit. They drive their routes every day more or less the same way. They know their consumers; they know which shops are closed or open. This default sequence, as we call it, we loaded into the hand-held but also online and also in the prediction to the consumer. We have made big steps in narrowing the prediction time over the last year and we are still improving it.

On sustainability we have initiated a lot of initiatives together with communities and clients, because we have a strong ambition on being sustainable as a company. We feel a strong responsibility there. I will tell you later a little bit on how we look forward.



Our people make the difference

Our deliverers are highly appreciated by our receivers

On a daily basis around 5,000 people deliver parcels in Benelux

During the night >800 truck drivers on road from and towards our depots

We are proud of our high employee engagement score

8.5 rating of our drivers in delivery satisfaction research

Delivery routes

Year	Change
2014	
2018	+49%

Employee engagement parcels (operations)

Category	Change
Industry benchmark	
PostNL Parcels	+10%

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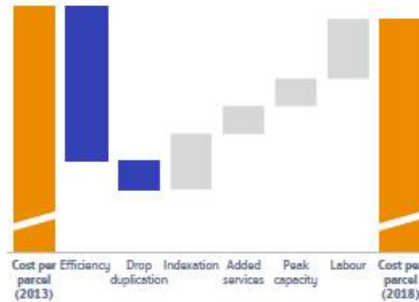
Our people make the difference. Liesbeth already said so. We have at the moment over 5,000 delivery men and women delivering parcels for us in the Benelux. Sometimes forgotten, because you do not see them during the day, are 800 truck drivers who are exchanging all the parcels in the web model. That is an impressive number. You see a lot of PostNL trucks, but if you would drive in the night you would see many more, about 600 every night, delivering parcels and own-employed personnel. We have a very high engagement score. When we ask people: do you want to leave the company, most of them would say I would not think about it, I will stay and work for you. We are proud of that.



We have created a sustainable delivery model while keeping costs in line



Operational cost development 2013-2018



Sustainable delivery model

- Reduced number of independent contractors
- Increased number of own personnel
- Implemented euro licence¹

¹ Business licence for transportation companies

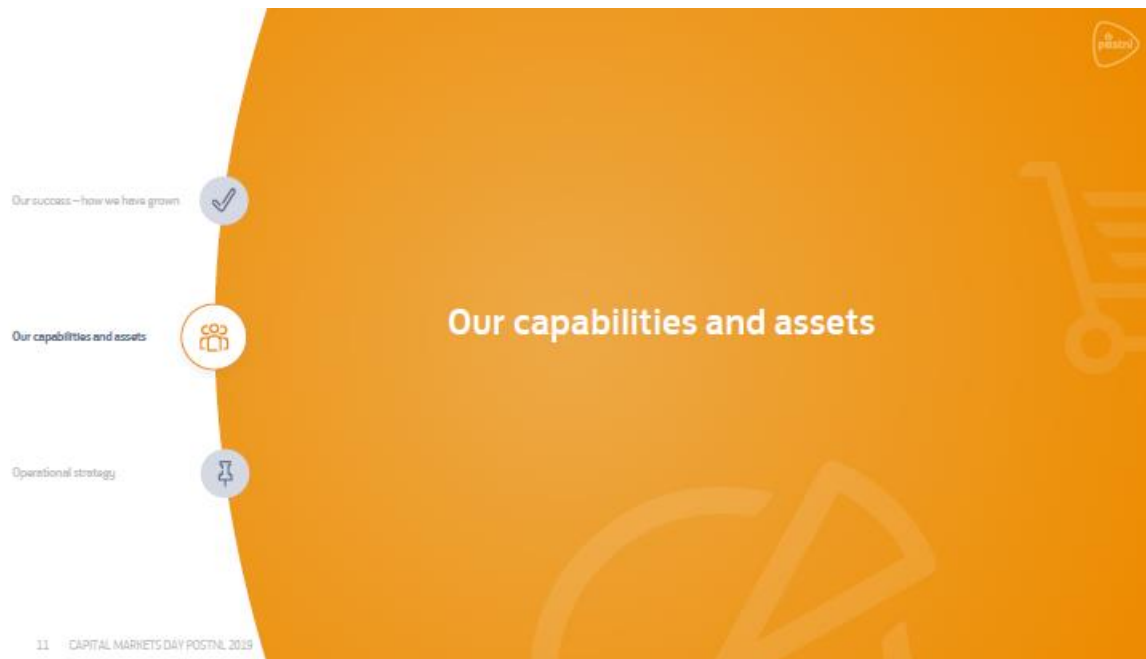
This leads of course to good service, but my responsibility is also to deliver efficiency and low cost, as low as possible. Over the years we saw that we were able to get the cost per parcel much lower when you look at the efficiency of the operation. We did have an offset, not on the time spent per parcel or the direct cost per parcel, but on indexation and also on added services. The services we added, like evening and Sunday and same-day delivery, were actually developed within the same cost per parcel.

Peak capacity: we elaborated on the fact that especially in 2018 we incurred substantial peak costs, something we of course want to get rid of. But it happened and it did offset our cost per parcel in the end. Mostly important was a transition or the build of a sustainable model that also Herna commented on. We changed from single subcontractors to more own employees. The single subcontractors either found their way within our company as employees or with our delivery partners being employed at the delivery partner. This is a transition that we have made in the last couple of years and that is now for us a basis, a very firm basis to go on because we have a very stable work force. This more or less in-the-mix effect made us stay more or less on level when it comes to the cost per parcel.

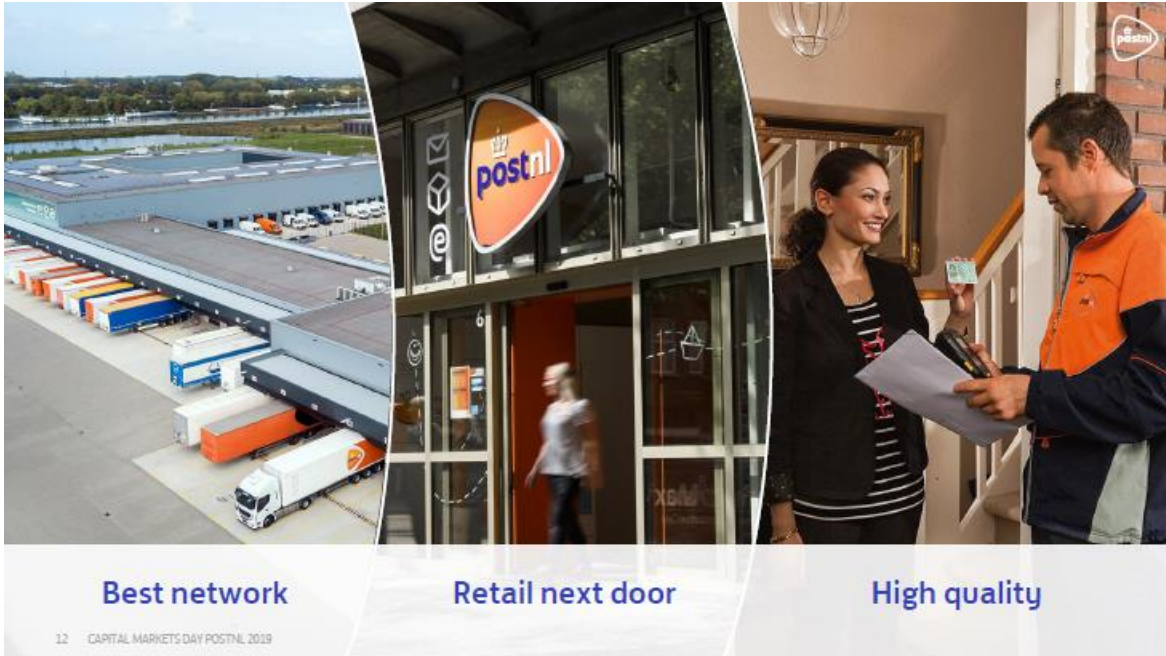
We also asked them for more compliance, on euro-license, on employability, on all kinds of things that we think are important. The next level will be sustainability. We have professional



delivery partners at the moment, in a good mix. We more or less grow to 30% own personnel whilst 70% of our deliverers are employed in our delivery partners.



That is what we have been doing and still are doing. We look into the past and now we look into the future and we are in the middle of it. There is seizure between the past and the future; we are just living it.



I think we have the best network. I am very proud of the network. It is very, very intelligent and scalable and it proves it every day.

We are close to retail; our network is close to the retailers and the retailers are close to the customer.

Our quality is high; 98% overnight is, considering also the fast growth, a very impressive number, although I think we can still do better.



We are innovative. I told you we are continuously improving our processes, looking for innovations and clever solutions.

And we start to be more and more sustainable.

We have dedicated people.

Having said, how are we going to leverage on these capabilities into the future?



Our operational strategy consists of three important pillars. But before I comment on them separately, let's say that the operational and the commercial strategy really go hand in hand. You also heard Carlos talk a lot about cost; peak shaving, peak flattening and I think the strength of the operational strategy is that it really goes hand in hand with the commercial strategy. We developed two things that click into each other.



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New capacity and innovate our network. Of course, our staff, our Logistics staff – clever guys – have been looking at our network and have proposed a different, updated network strategy. I will explain later how.

We looked at our supply chain and looked for continuous improvements. We see some big improvement possibilities there. Of course, we want to be the favourite deliverer. We have to grow in our personnel and they have to keep want to work for us.



If we would grow in the classic way, seeing the growth of 14% that we were talking about, and extrapolate volumes, we would need about 12 extra depots as the one here in Amsterdam. This would be the normal way to go forward. We looked at the strength of the network and we still believe a lot in upscaling it. So, we will continue to use this structure to go forward. However, we also saw some changes in our volume scale – Liesbeth talked about smaller parcels – that give us the opportunity to make more clever solutions on the combination of sorting and distribution.

And then the utilization. We still have more opportunities to even go further than the 30% that I mentioned and even go beyond the 11 million parcels per depot. We have plans for that and we have already started them at the moment.

It is very important to balance the network through commercial measures. We know we still have a peak on Tuesday. We flattened it but we still see a lot of possibilities to spread capacity better. To give you an idea, if we cut off 2% of the Tuesday peak we can save two of these depots. This is more or less the impact it has to use capacity in a good way. You saw it when we went from 17 to 22 depots: doubling the volume and we will do it again by better utilizing our capacity in our depots. There is still a lot of space. I will explain to you how we will do this.

1 Segmentation helps to grow capacity with lower investments

Small parcel sorting centre

We plan to invest in separate sorting solution for small parcels

- Highly automated
- High capacity
- Facilitates sorting day and night

% of parcels that qualify for sorting in SPS



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Key benefits

-  Increase distribution capacity in current depots
-  Sorting capacity for small parcels at lower sorting and overhead costs
-  Realise peak absorption and enable last-mile routing options
-  Capacity equal to 4 depots leading to lower investment level

Looking at our parcel volume, you saw 800,000 per day that we process now. When I looked this morning, we are actually processing 1.2 million today. So you see we are still growing. It is a Tuesday, so it is a peak, we would like to flatten it a little bit but at this moment we are actually dispatching 1.2 million parcels a day in the Benelux. Within those 1.2 million we see more or less 40% are what we call smaller parcels. Not small small parcels that go through the letter box but like a shoe box up to 10 – 12 litres, so 30 x 40 x 10 to give you an idea. More or less 40% of volume of our parcels are within that range and we see that growing, also because e-tailers start to use smaller packaging, more clever packaging. Maybe you followed it but bol.com take out 3.5 million of their double packaging this year. We see the trend towards smaller parcels. This was for us and for our team the incentive to think about segmentation. You can sort smaller parcels in a more speedy way, maybe not having the machine faster but in a more compact sorting centre we would like to use high automation and robotization to process them. There are many more technologies now in the market to do so. So, we have developed a concept that I cannot totally disclose of course but it will facilitate highly automated partly robotized compact – high output per square meter – sorting of small parcels. We plan to open this kind of small parcel sorting centre in 2021, so it is in our investment scheme. We plan to open it somewhere in the centre of the country and it will be sorting on delivery route. It will have two sorting passes. It will sort into the delivery route.



The small parcels will be injected in the depot here as you have seen. They are not going to be processed here on the sorter but they will be fed directly at the deliverer. We hand them over just down on the shoot, hand them over the small parcels and he will just merge them in his van. So we actually create a lot of sorting capacity centrally while using – again – our depots decentrally for distribution. In this combination we avoid to invest in four classical depots. I can tell you that the investment in the small parcel sorting centre is essentially lower than investing in four classical depots. So, again we leverage on the utilization of the current structure. I can talk about this for hours but I will not.

I think this is a smart way of getting our investments lower, getting them more down while utilizing our depot structure well.

In peak times it is a centre that can run 24/7, day and night, because we do not have any distribution process we can sort 24/7. This gives us the opportunity to absorb peak times, especially like for instance in December, where our seasonal peak is really high.

1

We will continue to improve utilisation of current depots

Measures

- Achieve further sorting improvements
- Supply chain integrations

What we do

- Optimise sorting for retail and large stops
- Decentralise in-night PO-box sorting
- Video-aided sorting solutions
- Optimise network design
- Use data and algorithms to improve process efficiency
- Invest in joint fulfilment with bol.com operational by 2021-22

Anticipated Impact 2022

+15-20%
parcels handled per depot ¹

¹ excluding SPS

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Looking at our depots, apart from the small parcel sorting centre, we also saw opportunities to further utilize the current structure. I will give you some examples. If you would stay longer tonight you would see a lot of people sorting. The outbound sorting in the evening is done by the machine by also still a lot by hand. We will develop innovations to help speed up the sorting



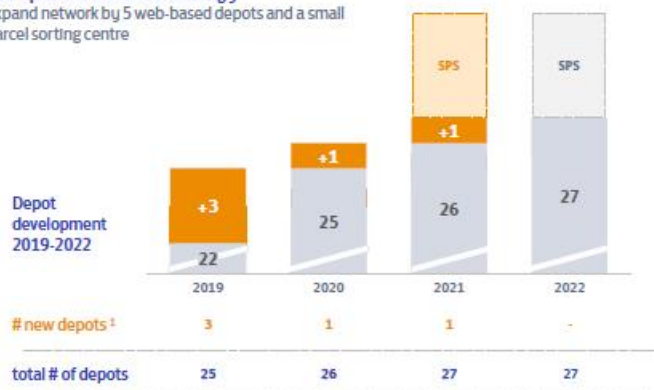
by video projection, a laser beam saying on the parcel we should sort it in as one of the innovations we are looking into at the moment. We are actually piloting in one of our depots.

We also look at in-night PO Box sorting. PO-box is a product in the Netherlands that has to be dispatched early in the morning to PO Box locations. We see quite some space in the middle of the night to be freed and used for classical outbound sorting. We have set up a whole program. I will not elaborate on it because it is too specific and too complex to explain to you. Altogether, with balancing peaks and lowering the peaks on a Tuesday and our second integration phase will bol.com – they are building a big fulfilment centre at the moment and we will create sorting capacity even there again – it will mean that our current structure will be used better, up to 15% to 20% as of today.



Future network set-up results in lower investments to accommodate growth

Our updated network strategy
Expand network by 5 web-based depots and a small parcel sorting centre




¹ excluding SPS centre and bol.com fulfilment centre

What does it mean for our infrastructure? This year, we will still build three depots. These are already planned. We opened one yesterday and the other two are to be opened in October in Tilburg and in August in Dordrecht. So, we will open another two. We plan for next year to open one extra depot and in 2021 we would like to have live our small parcel sorting centre plus one depot in the dense West of the Netherlands. We need distribution capacity in this region. We see many volumes on the sorting side come from the South and we see on the distribution side we see the demand in the West of the country, the Randstad.



In 2022, with the volume growth that we have projected – 40% -- we do not plan to invest in 2022. We will leverage on the small parcel sorting centre and the depots that we opened.



We will optimise collection, transport and network control to increase efficiency

- Optimise collection network**
 - More collection of parcels directly to depots
 - Docking facilities for smaller collection vans at all depots
 - Achieve reduction in collection costs per parcel
- Build a new cross-dock structure**
 - Adapt current cross-dock structure to capture growth
 - New structure is envisaged to go live in 2020-21
- Improve network control**
 - Enhanced track-and-trace throughout supply chain
 - Extend dynamic network routing

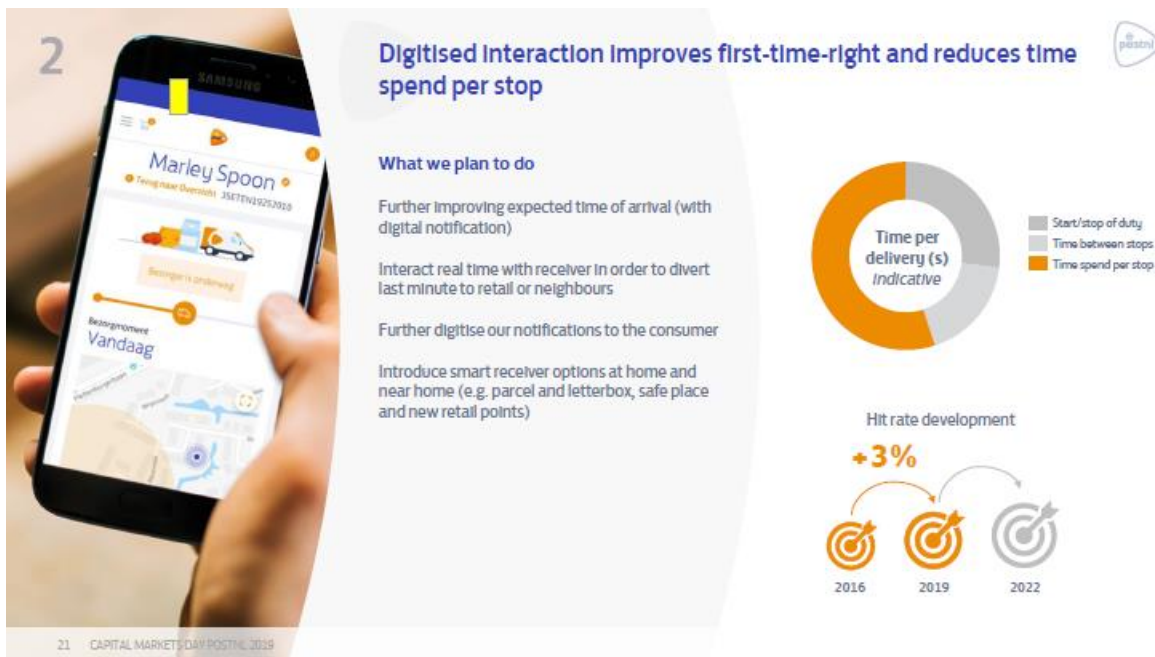
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Looking at the supply chain, we still see opportunities to reduce collection cost. Imagine that we have big clients and get their parcels directly into the depots but we have 20% to 25% of all our volume to be sorted in a capillary collection network, sometimes combined with Mail and sometimes not. But it is quite capillary and we are trying to capture those volumes more directly to our depots. So, they sometimes go around through the mail network. We will re-route them because we get bigger and bigger as a parcel company and inject them directly into our depot structure. We need to adopt docking facilities, so we invest in docking facilities for smaller vans in our depots.

As it comes to cross-dock structure, that is the process that we have in the middle of the night, our trucks exchanging parcels through the Netherlands and Belgium. We have to adapt the cross-dock structure. Can you imagine 800 trucks growing to 1,000 trucks and they have to exchange and we cross dock. So we are designing a new cross-dock structure that we have to invest in in 2020 and 2021. So, this is also in our investment scheme.

And we will improve network control. We are far from the Internet of Things but our dream is to capture every single parcel from the moment that you would bring it to the retail point or

when it is shipped by the e-tailer until it is delivered. We will invest in IT to capture every single parcel in the network and enhance our track-and-trace.



An important area of interest is the last mile. We did not talk about the last mile yet. Carlos talked about it a lot and about handing over the parcel in one time right to the customer.

In this pie chart you see the time spent per stop being the time spent at the door. That has now become more than 50%. Why is that? We are close to Amsterdam, so delivery to and from the depot is not the longest time anymore. The time between the stops has been reduced. At almost every sixth household we would have a stop. So there is almost no driving time between the stops anymore. Most of the vans are going 300 square metres delivering their parcels, so the time we spend outside is at the door of the consumer.

You can imagine with all the measures that Carlos mentioned that we see a very big potential to reduce that time at the door to have first-time right delivery.

I will not disclose what the percentage of hit-rate means when it comes to costs. I would maybe even challenge you to make an estimate. That would be an interesting one to do. We can avoid a substantial amount of cost per percentage of hit-rate. It says 3% and you may think: what is 3%? 3% is a lot. We are aiming at 100% successful attempts. This is what we are going for.

We do that together with our commercial strategy and because we communicate a lot with the consumers through the app and because of the predicted arrival time we can make big steps the coming years in our digital interaction with the consumer. Also, retailers are believing more and more in this, because it is convenient for the receiver.



We grow our business being the favourite deliverer

We will further develop our workforce

- We will grow our own personnel
- Our delivery partners will continue to grow with us

We continue to work on engagement and sustainable employability

- Further improve engagement by dialogue with our own personnel and delivery partners
- Continuously looking for possibilities to improve working conditions

Consumer focussed deliverer

- Further roll-out of our training and communication programmes
- Improve performance, based on consumer and customer feedback

I told you our balanced delivery model will be own personnel and delivery partners. Our delivery partners want to stay with us. They grow with us. They see the growth. We asked them much more on compliance and we thought: maybe many will leave us when we ask them more difficult questions to comply, but they do not. They actually stay and transfer into the compliance that we ask them. So, we are very proud on that.

Engagement and sustainable employability. We get heavy parcels. Because e-commerce is getting so easy to order online, you will also order heavy items on line. We want to price it or make it more handleable for our deliverers. It is something we have to consider in our business. Very heavy parcels are not fitting into our network.

Last but not least: consumer-focused deliverer. We are a lot in the media, not always in a good story. However, it is a lot of perception, because our appreciation rate for deliveries is actually

quite high. We think we can still improve, so we put a program in place on consumer-focused deliverers, training them, giving them feedback on what consumers think about them.



We will further reduce our environmental footprint



Our focus

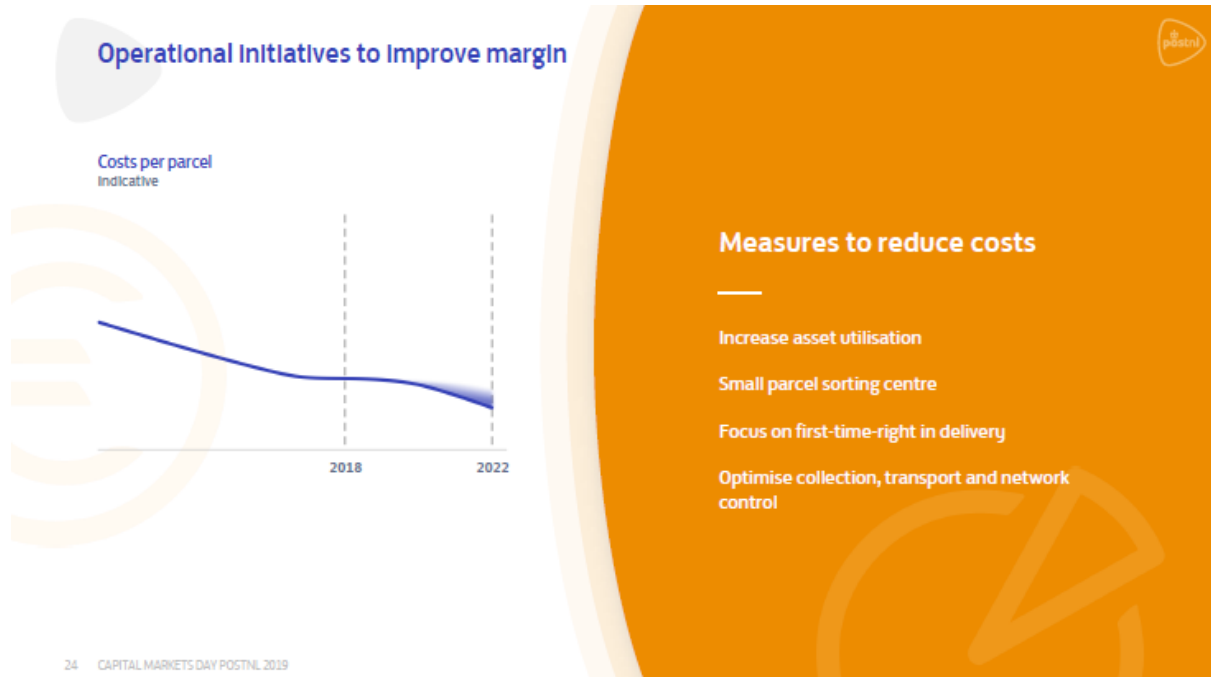
2025 Work towards emission free delivery in 25 cities in 2025

2030 Emission-free last-mile delivery by 2030

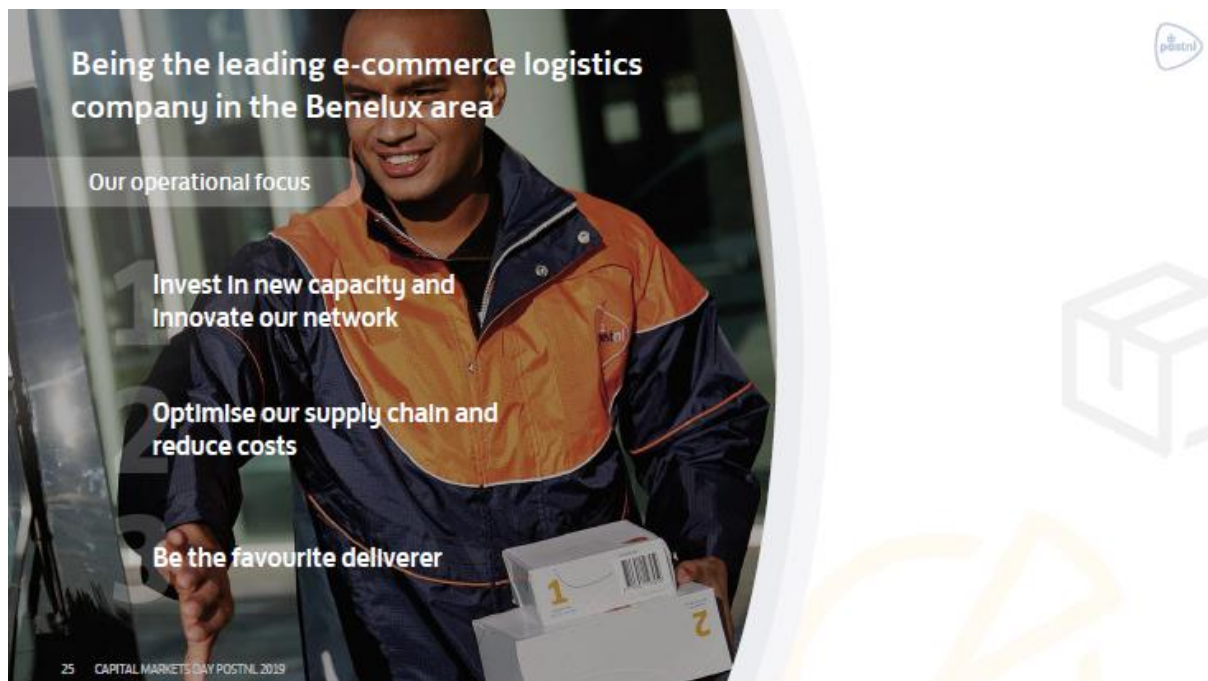
What will we do

- Further roll-out of city logistics programme and e-bike delivery
 - Further develop city specific sustainable propositions (e.g. consolidation centre)
 - Intensify close cooperation with key stakeholders (e.g. smart city network, city councils)
-
- Continue roll-out of solar panels at all our new depots
 - Move towards a complete sustainable fleet (including fleet of our delivery partners)
 - Continue development of sustainable packaging (minimise 'air' in parcels and in supply chain)
 - Further develop propositions with customers and partners for green alternatives

Then a big task be emission-free in the last-mile in 2030. The last-mile means today 5,000 vans in the last-mile. In 2030 it will be even more. We need to transform our fleet and not only our own fleet but also the ones of our delivery partners. We need to develop different solutions within the city centre when it comes to city logistics. We are having a program running on that at the moment. This is one of the big challenges for the next years, to electrify the fleet, or at least emission-free or on bio-gas. An ambition, but we are in the middle of making it true.



Altogether, I hope I gave you some insight on where possibilities on lower costs are. We think we can still reduce costs by utilisation of the networks, clever sorting solutions, hit-rate in the last-mile improvement, first-time right delivery and optimise the chain. This will be the contribution from Operations towards the profitability promise that we are communicating to you, to the market, to ourselves and to our customers.



We will do that of course being your favourite deliverer. Thank you.

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

Thank you, Iris. We would like to be your favourite deliverer; you may have found out. We also like to be your favourite host, so let us take a ten-minute break. There is water on that side of the room and cookie jars. The restrooms are over there. If you can be back in ten minutes, that would be great.

[break]

Strategic summary & financial outlook

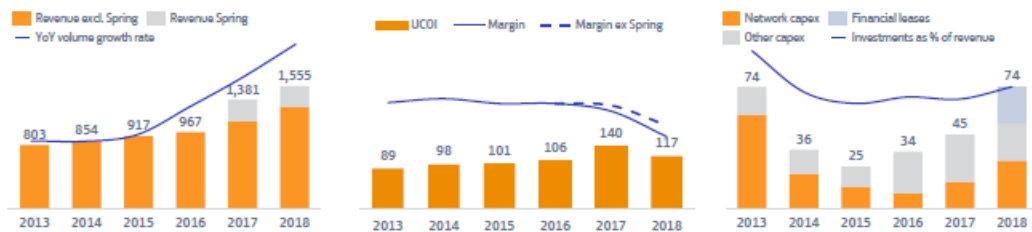
Capital Markets Day 2019

Liesbeth Kaashoek
Director Parcels & Logistics Solutions



Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: We moved a little bit around. That is good. I see some jackets coming off. Please do not bother, even if you did not iron your clothes. I do not care, just take off your jacket because it is hot.

Accelerated growth in e-commerce drives performance and investments



Accelerated growth in revenue

- Growth in e-commerce market main driver
- Volumes almost doubled since 2013 (+94%)

Downward trend in margin development

- Negative price/mix effect due to customer mix
- Operational efficiencies offset by increased labour costs, due to sustainable delivery model, shift in labour mix and CLA increases
- Additional capacity and IT costs to accommodate accelerating volume growth
- Steep decline in UCOI contribution from Spring in 2018

Accelerating growth required investments

- New infrastructure with 18 depots designed in 2010 for a capacity of 170m parcels
- Acceleration volume growth as of 2016 required expansion of network
- Additional depots opened in 2018, bringing total to 22 (volume 2018: 251m)

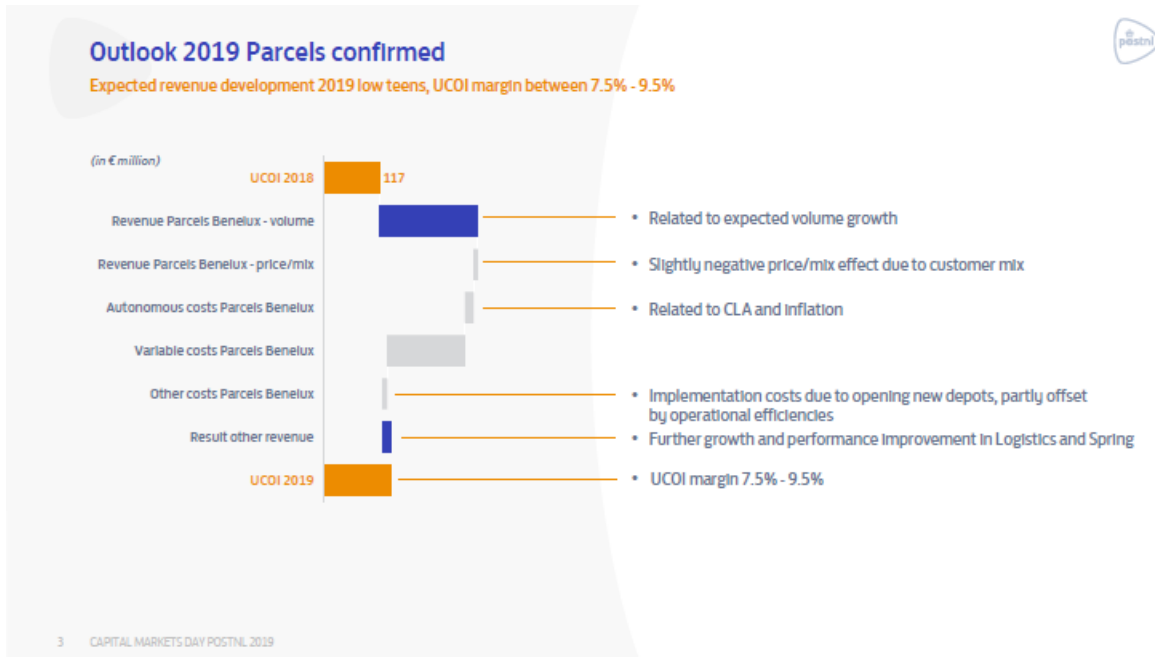
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First, just a short summary of what we have discussed today. Let me start off with the figures. Looking back again, revenue did grow together with the volume growth in e-commerce. We almost doubled our revenue since 2013, including Spring.

But we saw a downward trend in our margin development. As Iris explained to you, we improved inefficiency, we have dropped duplication but we also have extra cost because we invested in our labour. We have invested in our sustainable delivery model, which gives us a good basis.

We also see increasing volume on the revenue side but also a mix effect. We have invested extra cost to get capacity and investing in IT to further digitalize.

Capex again was more in the beginning because we changed from our hub and spoke network to our web structure but we improved a lot on efficiency – 30% -- and that helped us not to invest in the years in between. But the last years with the volume growing again, we needed to invest in our depots again. Last year we did three and we opened one in 2019.



As we discussed as well in our Q1 figures, we confirm our outlook in 2019. We expect an UCOI margin of between 7.5% and 9.5% and we expect a revenue growth in the low teens. So we see growth. Of course we have cost related to the growth. We see some effects on the products and the customer mix and of course we see extra cost on CLA and implementation cost on the depots.



Being the leading e-commerce logistics company in the Benelux area

Further balance between volume growth, profitability and cash conversion

—

- Balance volume and value
- Innovate and optimise our network
- Being the favourite deliverer

Our commercial focus
Improving balance volume and value through yield management

- Capture future growth
- Improve value through yield management
- Be the favourite deliverer

Our operational focus
Expanding our network through smart investments and continue to drive lower costs

- Invest in new capacity and innovate our network
- Optimise our supply chain and reduce costs
- Be the favourite deliverer

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Then we explained our updated strategy. Going forward, we want to be the leading e-commerce player in the Benelux. We want to be and stay the favourite deliverer in the Benelux where we further balance between volume growth, profitability and cash conversion. We do that by volume and values and, as Carlos explained, by balancing the volume through the week but also working on value through yield management. And we innovate and optimize our cost. Last but not least, the favourite deliverer, because that is key: to be and stay the favourite deliverer to keep our position in the market.

So volume will increase, expected on average 14%. We base that on the conversations we have with our customers, we base that on our market research and our consumer behaviour we see. We made the assumption of 14%. That will translate into a revenue growth of 10% to 12%, where revenue and volume will be more aligned in the coming years.

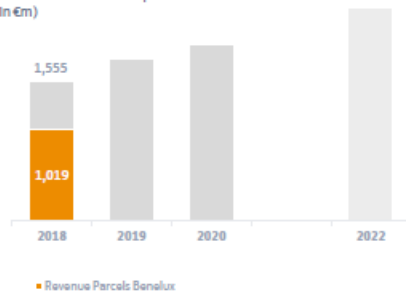
Revenue Increase driven by volume growth, Innovations and yield management

Revenue and volume growth Parcels Benelux more aligned than in past



Parcels

Assumed revenue development 2018-22
(In €m)



Revenue growth

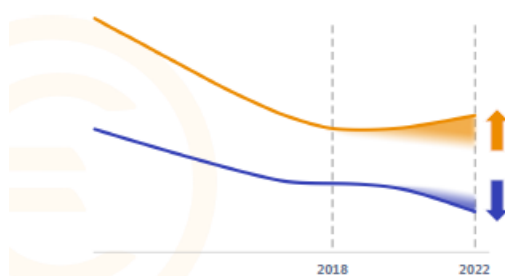
- Revenue and volume development more aligned
- Assumed revenue growth of 10%-12% (CAGR 2018-22)
- Volume growth (assumption ~14% CAGR 2018-22)
- Capture value through yield management
- Further growth in network services and innovative solutions
- Spring helps Parcels grow with International solutions

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Carlos and Iris both explained – now you see it in one slide – improvement through the commercial measures and the improvement in cost with the measures in the operations.

Commercial and operational Initiatives to Improve margin

Revenue and costs per parcel
Indicative



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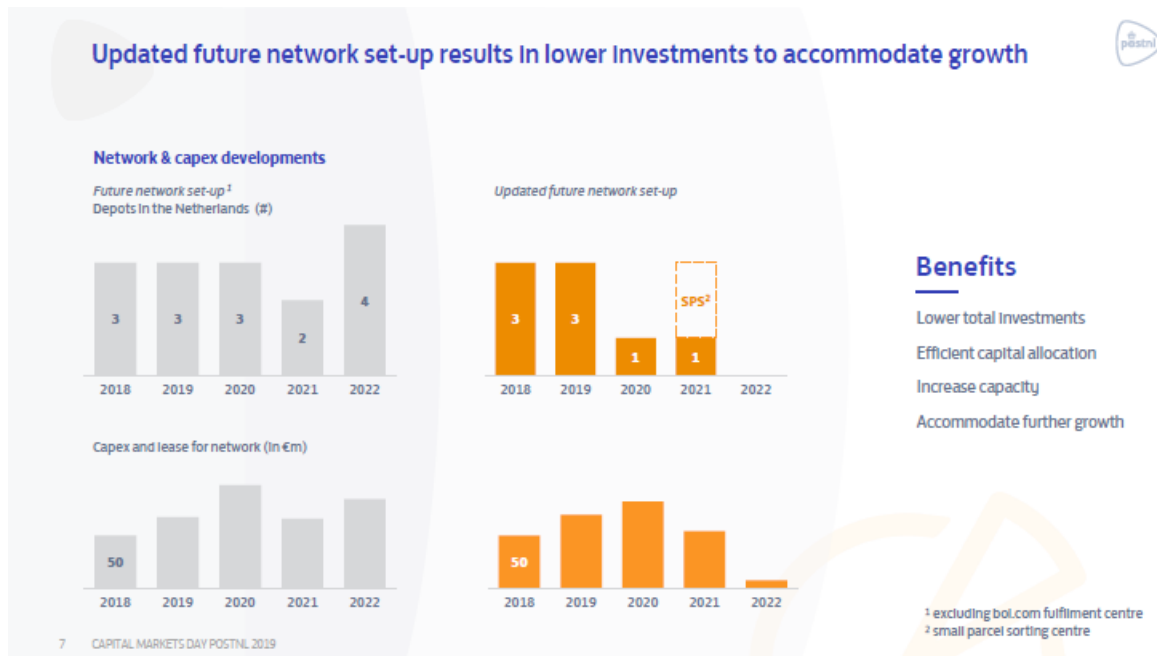
Initiatives to improve yield

- Drive value through smart services and delivery options
- Balancing volumes
- Pricing policy on peak and dimensions
- Customer value management

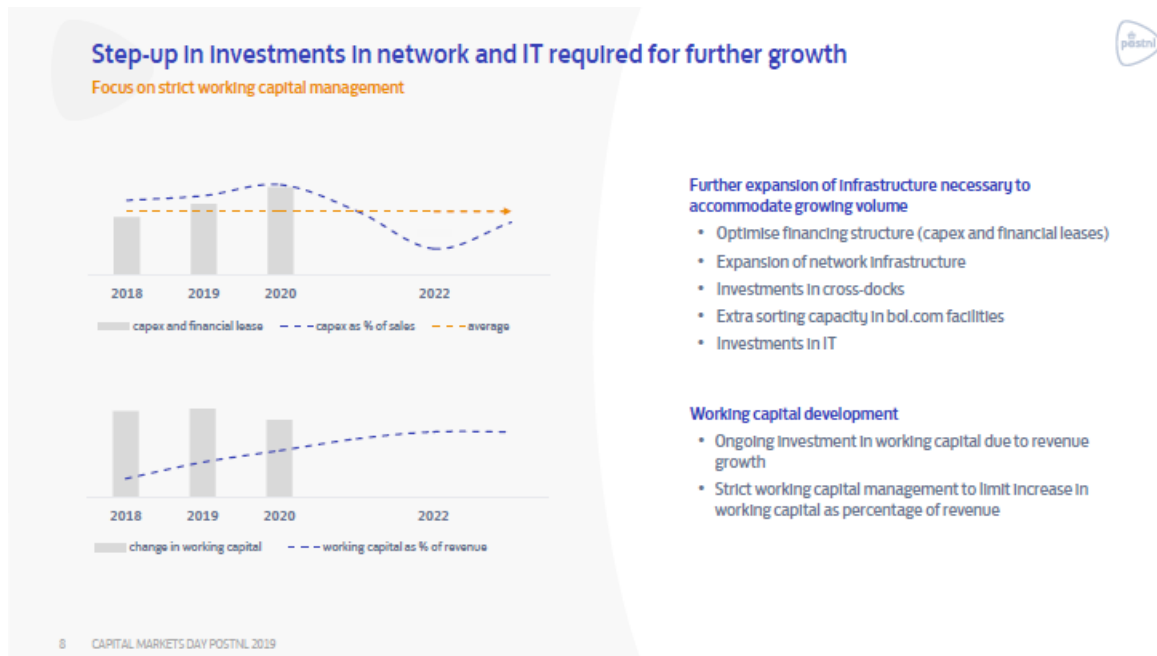
Initiatives to reduce costs

- Increase asset utilisation
- Small parcel sorting centre
- Focus on first-time-right in delivery
- Optimise collection, transport and network control

Again, yield management important and efficiency going forward and utilization of our capacity.



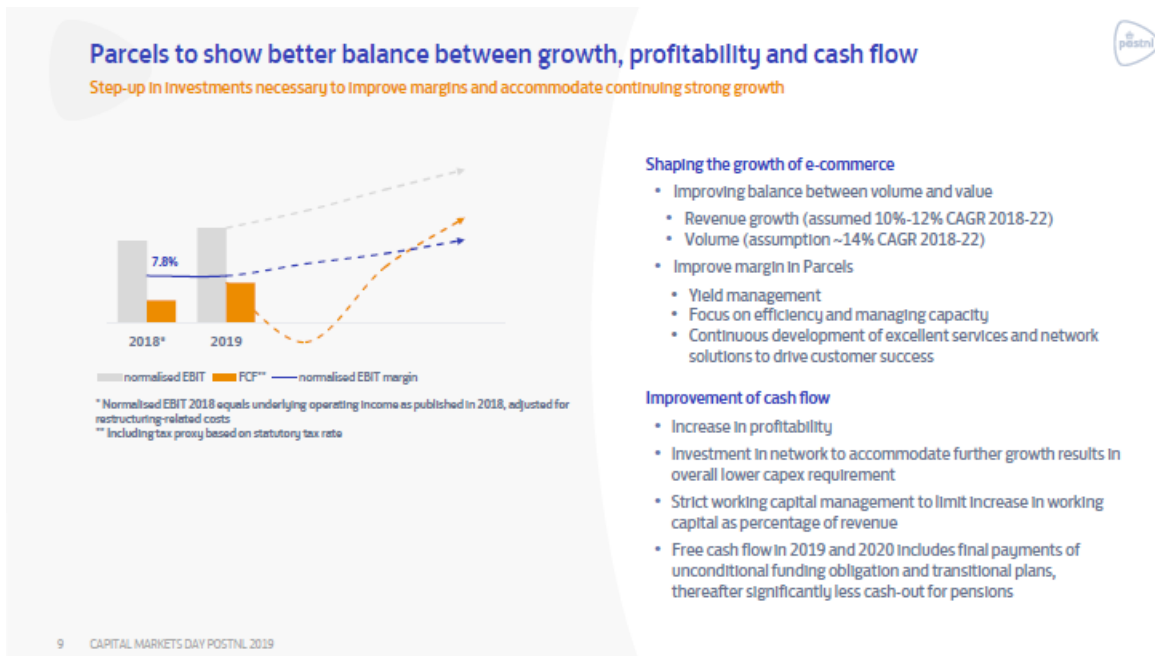
Iris explained to you as well that if we do what we do today we would build on average almost three depots the coming years. But we looked into that and decided it is better to segment our volume and to create a small parcel sorting centre. That is why we can do with lower investments in total but we have to invest in 2021 to get the small parcel sorting centre, which has a capacity of almost four depots. You also see that in our investments over the years. In 2020 we will have an investment in our sorting centre.



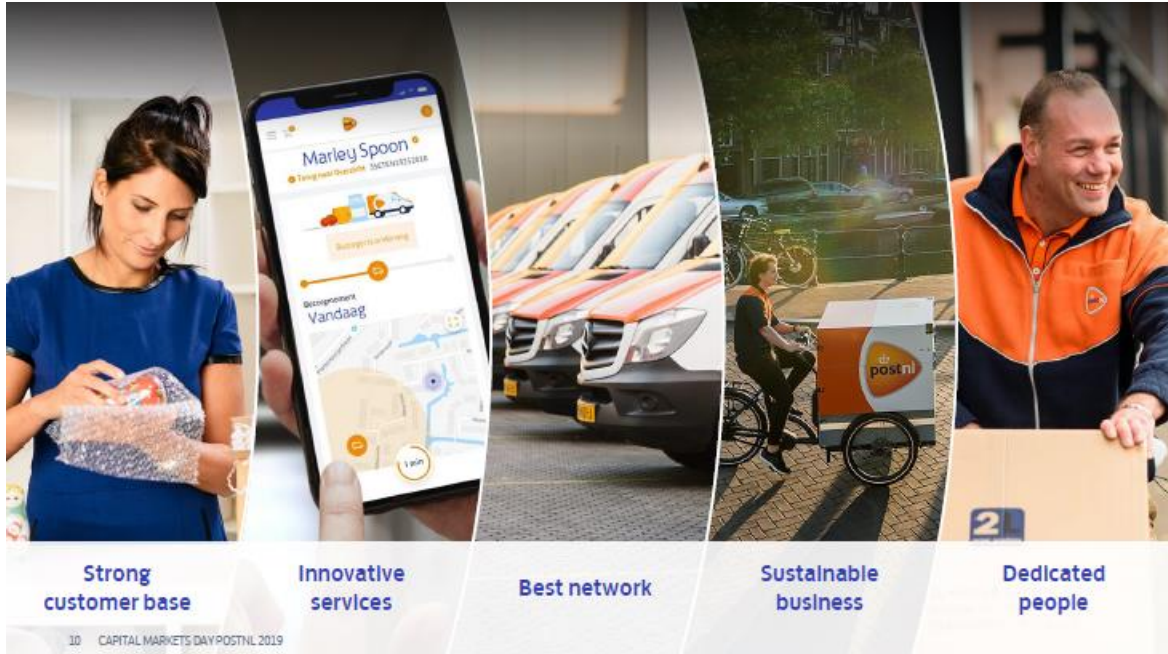
We also see a step-up in investments in the network and IT and that requires IT investments as well but also in the network. Some of the things Iris explains also need capex. So we need extra cross-docks and a different cross-dock structure and also to be able to collect efficiency. We need some docks extra on our depots to do that.

Here you see an impression on our capex as percentage of sales, so in 2020 will be higher on investments and then it will slow down because when we have the small parcels sorting centre we do not have to invest that much. After 2020 we will probably go to a normal level again but then with a much better profitability.

Our working capital will increase because we will increase in revenue and of course a changing customer mix but we will have tight working capital. It is also part of our commercial measures to look at the payment terms we have with our customers but also the payment terms with our suppliers. So, with a tight plan on working capital we expect to have less increase.



This is then the final financial slide where all is added up together. You see our EBIT will improve, as will our margin. We expect the cash flow in 2020 to be lower, mostly because of our transitional pension payments but also of the capex from our small parcel sorting centre. So we have to go through this coming year but then we expect that margin will improve and we will find a better balance between volume and we will create cash flow with our company.



We believe we can do that because we can build up on five drivers. As said in the beginning, we have a strong customer base. We have innovative service which keep the consumer in our control as well. We have the best network; we have a sustainable business and will improve further on that. Last but not least, we have dedicated people to achieve our plans in our strategy.

We are convinced we can do that. Thank you.



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Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Lierbeth, Iris and Carlos, will you join me? Let's see whether there are any questions for the team from Parcels.

- **Mark McVicar – Barclays**

I have two questions. First, you talked a lot about getting close to the consumer. If you look at your volume, on what proportion of that volume does the consumer decide who is going to deliver the parcel to his house or apartment and what proportion is decided on by the e-tailer essentially, which is a different commercial relationship for you?

My second question is not totally related but sort of. Can you talk a little bit about where you are with bundling? If I am a consumer and I buy seven items of five different websites and they all have different distribution partners, how able are you to bundle those deliveries together and bring them to me in one go, given that you might not be the preferred partner of all of the things that I buy? I do not know the Dutch market well but can I have a personal account with you and can I drive e-tail product through you to my house?

Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: If I understand it correctly the first question was about getting closer to the consumer and who is going to decide who is doing the delivery?

Mark McVicar – Barclays: [No microphone]

Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: We see that consumers have a preference for PostNL to deliver parcels specifically in the Benelux-area if it is related to e-commerce. If you ask a consumer who is his preferred deliverer, they say PostNL is his preferred deliverer. We see that the webshop decides at this moment but you see that the influence of the consumer is growing. We expect we will do the deliveries in the best possible way for the consumer. It will also drive the preferences of the web shops that at this moment are already also with PostNL. If you look at the deliveries we do, we do a lot of e-commerce deliveries but we see that the decision is being made by the webshop now but the influence of the consumer is becoming bigger and bigger.



Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: We had a customer who left us but came back because of our service level. Consumers complaining with them that they were not satisfied with their new deliverer.

Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: We informed you that we want to gather the information about the consumer and the preferred deliveries. Most of the webshops are now using delivery so they have next-day delivery. That is almost a default. More and more webshops are also using postponed delivery or right-time delivery. If that will be more adopted then we expect we can bundle more deliveries and we get the synergies out of the deliveries. That is the reason why we want to have the preferences of the consumers in order to drive those developments.

- **Frank Claassen – Degroof Petercam**

I have a question on market share. The top-3 players have 27% market share of all parcels in the Netherlands, as you disclosed. What do you think is a trend? Will it go up like in neighbouring countries and how will that impact your business?

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: The Dutch market has been a fragmented market already for a long time, because it has developed early on. So, there are a lot of players in the market selling their purchasers. We see large customers growing faster than smaller customers but for a long time already we have had quite a fragmented market. But things can change over time and that is also why it is important for us to be and stay the favourite deliverer and good in contact with our consumer.

- **David Kerstens – Jefferies**

I have two questions, please. First of all, can you please comment on how important cross border is in the Netherlands? You mentioned it was 50% for Belgium but you took a market share of about one third of that cross-border volume. How important is that for the Netherlands. You suspect it substantially lower but do you expect it to increase now for example now that



you have Amazon Germany translated into the Netherlands and do you see a lot of flow coming from that or is bol.com that strong that they can compete with that?

My second question is on the network. How much of the network is now shared with your mail business? Most of your European peers have a combined network but is it fair to assume that you are completely separate now or is there still some element of overlap between the networks?

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: If you look at the cross-border it is also that Spring is adding to it. It helps the customers to grow outside the Netherlands and it also helps us to inflow in our country. For example, if you look at Amazon and some German customers, they send their goods directly into our market. So, it is collected directly into our market. What we expect, if customers like Amazon or Alibaba come in, is that it is still important to be the favourite deliverer, so that we can offer all our services to all customers, if they are outside or inside The Netherlands. We can offer the services and help them to grow in the Benelux.

David Kerstens – Jefferies: What is the share of cross-border?

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: I do not know it by heart. I can come back to that later.

Then you asked about the network and what we share with Mail in The Netherlands. At Parcels we already decided ten years or longer ago to have a separate network for the parcels, especially separate in the distribution and the sorting. I think that really helped to develop all the questions asked in the market for propositions we need to make for our consumers and our customers. But we do share the retail network, so we collect together. And we do share our large transport truck network. Our focus for the proposition and services is really separate, but where we can we do share what is good to share.

- **Mark Zwartsenburg – ING**

Coming back to the graph on the expansion of the depots, how much capacity or overcapacity do you currently have to facilitate the coming volume growth and how much capacity are you



adding with the roll-out plan you currently have foreseen till 2022, also taking into account that you expect to improve your efficiency, to handle more with the same? How much is the current capacity versus how much volumes you can handle with the current network and how much will the new depots add in terms of capacity in the current network? Also, taking into account on an annual basis, how much does the efficiency gains add to that? Because you can handle more with the same, as you explicitly explained to us.

Iris van Wees – Commercial Director Parcels Benelux PostNL: Exactly. If you look at the growth rate that we are actually building our plans upon, it is the 14% average annual growth of volume. Take that as a perspective, because this is our reference point. We must be able to capture that growth. This is the setup. We will do so by adding the small parcels sorting centre. One in 2021 and another one in 2022. Apart from 2019 that is two extra. Including the measures to capture that growth. If you take 14% average on four or five years, we would add 50% to the volumes and we need to capture that growth.

Mark Zwartsenburg – ING: And you are probably putting down even more to go with the peaks.

Iris van Wees – Commercial Director Parcels Benelux PostNL: Yes, exactly.

Mark Zwartsenburg – ING: How big is that small parcels centre? That seems way bigger than the others.

Iris van Wees – Commercial Director Parcels Benelux PostNL: Yes, I can imagine your question. The small parcels centre still has the capability to upscale. We set it up at a certain level, but it has the capacity to grow.

Mark Zwartsenburg – ING: How much capacity does it add?

Iris van Wees – Commercial Director Parcels Benelux PostNL: I would prefer not to comment on that at the moment.

Mark Zwartsenburg – ING: Then on the working capital. I understand that more working capital is digested because of the growth, but also as a percentage of revenues it is still increasing. You refer to a customer mix, but in the end I would also want to see a bit of more return from those customers. They are growing and there is already a price mix effect. If also



DSO's go up, in the end there is also a pricing component you push to a higher price. Or are they only pushing you to higher DSO's, higher prices and in the end the return on that customer is not so great? Can you elaborate why the graph is really going up as a percentage of revenues of working capital?

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: Yes, we see our working capital grow with our revenue. We have to take a step back again and look at what we said about our strategy. We will grow profitably. With the measures taken on the commercial side and the operational side we will increase our profitability going forward. With the tight schedule on working capital we make sure that it does not grow that fast, as slow as possible. It is also part of the discussions with our customers about the DSO.

Mark Zwartsenburg – ING: Coming back then to the margin. You have a line in there, which gives a bit of a guidance of what the EBIT margin will do on Parcels, but there is no specific guidance like it will be in an 8% to 10% range. Is there a more specific indication you can give. We have a top line guidance in volumes and revenues, on volumes in the EBIT margin. There is a line in there. I can take a ruler and see what it is, but is there a figure? We used to have a 9% to 11% margin guidance. Is that also the framework in which we will be in four years' time? Can you give a bit more feeling on that?

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: We well explained our revenue in growing by 10% to 12%. Our volume will grow at 14% on average in the coming years. Indeed, we showed a trend on our profitability on the slides.

Mark Zwartsenburg – ING: Then a last question, on the cash flow. You mentioned a transformation on pensions. How much is the impact for Parcels? On a Group level we now roughly what it is, but can you give that split? It is always a bit difficult to read on a Parcels basis what the impact is.

Pim Berendsen – CFO PostNL: (partly without microphone) Roughly EUR 80 million of the overall pension cash-out relates to the Parcels division. If you would disregard that, you get a similar cash flow pattern from 2019 towards 2020, subsequently increasing well above the 50% of EBIT as a consequence of the measures, improving profitability through the yield management and operational elements.



Mark Zwartsenburg – ING: Is the EUR 80 million of the total or specifically in 2020?

Pim Berendsen – CFO PostNL: That is the 2020 component of the overall settlement of the transitional pension plans. If you would add that back, you get a more or less comparable cash flow in relation to 2019, business-wise.

- **Matija Gergolet – Goldman Sachs**

I have two questions. Firstly, you mentioned that in recent years you invested a lot in labour costs, basically improving working conditions. What gives you confidence that there are no further investments needed that could negatively affect your margins? You think that now another situation is significantly better than four or five years ago? The labour market is still tight.

Iris van Wees – Commercial Director Parcels Benelux PostNL: If you look at our labour market, we really changed in the last years. Herna explained already about the strike we had. Afterwards, we really changed. The self-employed parcel deliverers could choose to work with us or with all of our distribution partners. And we developed in distribution partners. We grew our own personnel as well as our distribution partners and more than 70% of them is employed as well. We think we have a stable work force now and we can build on that going forward.

Matija Gergolet – Goldman Sachs: Okay. Secondly, on your guidance on the revenues versus volumes. There is still a 3 percentage points negative price mix. If I look at the revenue per parcel there is a much wider range, taking the ruler out. It suggests that it could be positive or slightly negative. Your guidance is still a negative price mix. And following up on that, you mentioned you are not talking about peak pricing and price increases. What has been the response of your customers in the last few months as you started addressing these issues?

Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: You say we see volume development and revenue development and there is still a gap between those two.

Matija Gergolet – Goldman Sachs: If I look at the chart it shows that the revenue per parcel is going up in the coming years, but your guidance is 14% volume growth and 10% to 12% revenue growth, basically minus 3% from price mix. Is that fair?



Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: We still see that specific customers are growing faster than others. We addressed how we can increase the price per parcel. That is something we talk to customers about at this moment. We did also in the last contracts. We expect that the measures we are taking will help us improve the margin. Because some customers still grow faster than others, there will still be some price mix effects.

Matija Gergolet – Goldman Sachs: So, this is before the mix effect basically?

Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: Yes. You had another question?

Matija Gergolet – Goldman Sachs: How are customers taking the price increases? What is the response?

Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: No customer likes to have a price increase, but you have to explain what is happening in e-commerce, what is going on and what costs we are incurring. We explained a lot to specific customers. I showed in one of the slides that we did a pilot with 100 customers and we were able to improve value at this specific group. If you really explain it well, they understand it. Everybody understands that processing a heavy or a big parcel is very different from processing a small parcel. We put a lot of effort in explaining that. We explain the cost that we are having in our network to process specific parcels.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Let us not forget that we have our CFO on stage in a moment. Your financial questions will be answered in a moment for sure.

- **Henk Slotboom – the IDEA!**

Since I do not want to discriminate any of you, I have a question for each of you. Liesbeth, something I missed in this presentation was competition. Obviously, in the 2C market DHL is your biggest competitor. We are seeing DHL outsourcing the last-mile all over Europe. They have done it in Belgium, they have done it quite recently in Austria, they have done it in the Balkan and in Ireland. Is there any chance they could do it in The Netherlands as well? For



you it would have a major advantage as well, because DHL does the last-mile for Bpost in Holland as well.

For Carlos, a question that was burning on my mind this morning already. What is in your definition a small client, a medium-sized client and a large client if I think about volumes per annum?

I am still puzzled about the capacity. We have seen quite different slides in the past. I explained that to you during the break. You have added three sorting centres, three NLI's in the peak season last year. That adds about 30 million in terms of capacity, assuming that you do 10 million to 11 million items per sorting factory per annum. You are adding three this year plus the spill-over of the effect we had last year, plus the one next year and the SPS in 2021. I am still puzzled how the capacity of the SPS drains away capacity from the other sorting centres. Are you not risking, apart from all the other things you have to think of, some degree of under-utilization of your other sorting centres, moreover because you already indicated you could boost the efficiency of the sorting centre anyhow by shaving off the peaks?

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: Just to rephrase your question: you think maybe DHL should outsource their distribution to us.

Henk Slotboom – the IDEA! I am asking what you are doing to convince them to outsource it to you.

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: Okay. I would say that we do the same as I do to you here today. I think we are the favourite deliverer in The Netherlands. We will stay that, and we do that with our network, with our people, with our consumers. Working on that is still important. Nevertheless, I do not know if the competition law would allow DHL to outsource their distribution to us.

Henk Slotboom – the IDEA! They allowed it in Austria, which basically represents nearly 100% market share.

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: Yes, if they want to talk about it, that is okay.



Carlos Mendes Aguiar – Commercial Director parcels Benelux PostNL: Your question was: what is a small, medium and large customer. We love every customer. I cannot say anything else, being commercially responsible for the company. We love a small customer, even a consumer just buying one parcel stamp and deliver it till the biggest customer. We have all the channels in place to serve every customer appropriately. To inform you a little bit about business customers, we segment on channels. So, key account management is up from 100,00 – 200,000 parcels and a regional account manager is more or less about 10,000 – 15,000 parcels. But we make sure that we serve every customer, small, big, medium, odd sizes, in an appropriate way.

Iris van Wees – Commercial Director Parcels Benelux PostNL: I should answer the third question. Maybe it is a little bit confusing that we mentioned the 40% as a kind of volume to go into the small parcel sorting centre. This is not the case. It is the potential volume that we could process in the small parcel sorting centre but we will not be processing the 40%. We will take another percentage out and we have a growing model. It will of course be filled and not be under capacitated in the beginning but it has the potential to grow. So, do not take the 40% into your equation because then you go wrong. I agree.

Henk Slotboom – the IDEA!: How long will it take to phase in, roughly?

Iris van Wees – Commercial Director Parcels Benelux PostNL: We plan to open the small parcel sorting centre in 2021 and have it operational in 2021. From then onwards we will decide the pace and the speed.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: We have time for one or two more questions.

- **Mark McVicar – Barclays**

I have two further questions, one kind of operational. Because you do not have a central hub what happens to the inbound volume? It is coming in to Schiphol Airport, does it still go through one of the local hubs and then out or does it go out in a different fashion? A normal hub and a spoke, the hub is near the airport and everything comes through.



Iris van Wees – Commercial Director Parcels Benelux PostNL: We have an international hub in The Hague with volume coming in. Then for customers that are more at a trucking distance they come directly to our network. We do have an inbound sorting centre in Leidschendam for inbound volume.

Mark McVicar – Barclays: You talk quite a lot about a lot of growth in increasingly small parcel sizes. At some point in the future do you think there will be a large enough quantity of the very small end of parcels, that you can go back to having them delivered with the letters. Or does that feel like an impossibility?

Iris van Wees – Commercial Director Parcels Benelux PostNL: To this extent, no. We still talk about real parcels, not letterbox size but we see a development, for instance taking the air out of the packages and avoid double packaging. I think that is a very important development, also from a sustainability point of view. We see on the inbound streams that they are smaller and that is logic; they come from Asia and of course they will never do double packaging in Asia, in order to avoid transport cost. This is a trend that we will see in the future but it will take some time, I think.

Mark McVicar – Barclays: But do you think that delivery will remain separate for the foreseeable future?

Liesbeth Kaashoek – Director Parcels & Logistics Solutions PostNL: It is also a different proposition. We have our letterboxes and that is really where the parcels go through. So, there will always be demand for more track and trace or extra service in the evening, that kind of stuff. We do not have that in our letterbox network. We also do not see in the near future that it is efficient to combine distribution of the both. But in the end, if it will fit we can do that and probably we will start in rural areas. That would be the first area where it would be interesting.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Okay, Parcels team, thank you very much for taking the questions.

Pim, over to you!



Financial Framework & Outlook

Capital Markets Day 2019

Pim Berendsen
CFO



Pim Berendsen – CFO PostNL: Thank you, Jochem. Let's go to the last part.

Your favourite deliverer

Balanced growth, resulting in improving profitability and cash conversion, is basis for value creation



Multiple levers to shape the growth of e-commerce

- Excellent services and smart yield management
- Focusing on efficiency and managing capacity
- Investments to accommodate growth



Secure a sustainable mail business

- Consolidation of networks is necessary
- Ongoing focus on realisation of cost savings to offset structural volume decline



Balanced stakeholder approach

- Taking care of the needs of society, our people and our environment contributes to value creation

2 CAPITAL MARKETS DAY POSTNL 2019

Manage our performance to improve longer term financial perspective

Growing profitability

Sustainable cash flow conversion after 2020

Maintain strong financial position with clear priorities for capital allocation



We have talked about being the favourite deliverer and about our ambition to stay in that crucial market position. There are a few key elements on this slide that have been addressed, so I will not spend too much time on them.

We believe that we actually shape the development of the e-commerce market and by creating more balance in how we grow and how our yield improvement measures will drive margin and improve profitability in conjunction with the operational measures that Iris talked about, will lead to a balanced growth with more profit and a better cash flow conversion.

At the same time, in the different parts of the business we want to secure a sustainable mail business. As you know, we truly believe that the real solution for that is to try and consolidate that mail market by integrating the Sandd network with ours. We do that in a balanced approach where we want to service all stakeholders around our company in a sustainable way.

If you talk about performance and performance management, we want to grow profitability. Certainly, we expect cash flow to improve significantly after 2020 as a percentage of EBIT going forward and we want to maintain a very strong and solid balance sheet that allows us to manage this company for proper capital allocation going forward.

Manage our financial performance
Reporting, managing and guiding on new metrics profitability and cash flow

Profitability – Introduction of normalised EBIT

- good reflection of business performance
- closer to income statement
- Improves comparative analyses with peers
- first reported results based on new metric over 2020, with comparative numbers for 2019
- 2019 will be the last year that we report on UCOI

Cash flow – Introduction of free cash flow

- free cash flow is cash available for dividend, acquisitions and repayment of debt
- take into account lease payments
- solid and sustainable development free cash flow is basis for dividend

Focus and accountability business performance

- Customer satisfaction
- Employee engagement
- Profitability
- Cash flow

3 CAPITAL MARKETS DAY POSTNL 2019

Then briefly on our decision to change the financial metrics.



Today, we have introduced our intent to go to a more mainstream profit metric, being operating income or EBIT and then the normalized EBIT version, as we said answering one of Mark's questions earlier on, normalizations are the same positions as there are currently in between operating income and underlying operating income, of course with the exception that the 'C' in UCOI – the cash component – is replaced by the accounting cost element of it. So, we get to a profit level that is really the profit that is comparable to other peers and other companies that just allow operating income and EBIT to be their profit metric.

If we would only leave it at that, then you could lose sight of where the cash flow is coming because there is that element, too. We introduced a free cash flow metric that basically indicates the cash flow created with the business. That is only required for dividend payments, repayment of debt and potential acquisitions. Everything else relating to working capital levels, capex, IFRS16 adjustments on leases are already taken out of that equation. The combination of that mainstream profit measure together with our insights about DNA levels will give you a better feeling about EBIT, EBITDA, cash and cash conversion going forward.

EBIT significantly closer to UCOI than in the past

Normalised EBIT as new key metric for profitability

Definition normalised EBIT

- Earnings before Interest and taxes (equal to operating income)
- 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 expect for restructuring-related costs

Definition UCOI (underlying cash operating income)

- UCOI includes cash contributions for pension plans and cash outflow from provisions (mainly restructuring cash out) Instead of related expenses

Historical development UCOI and (reported) EBIT

Year	UCOI	EBIT
2013	Low	High
2014	Medium-Low	Medium-High
2015	Medium	Medium
2016	Medium-Low	Medium
2017	Medium	Medium
2018	High	High

Rationale and consequences

- UCOI good proxy for business performance in past when difference between expenses and costs for pensions and provisions was significant
- good time to switch as difference is expected to remain small
- pension expense and cash more in line, limited risk for further top-up payments
- relation restructuring provision and related cash-outs more stable
- 2019 transition year, outlook based on UCOI maintained
- outlook 2020 based on normalised EBIT (comparative numbers for 2019)

4 CAPITAL MARKETS DAY POSTNL 2019

Next to these two, we have financially-driven performance metrics. I want to make clear that if we talk about performance management internally, we always talk about four dimensions: customer satisfaction, employee engagement, profitability, and cash flow. Those four will

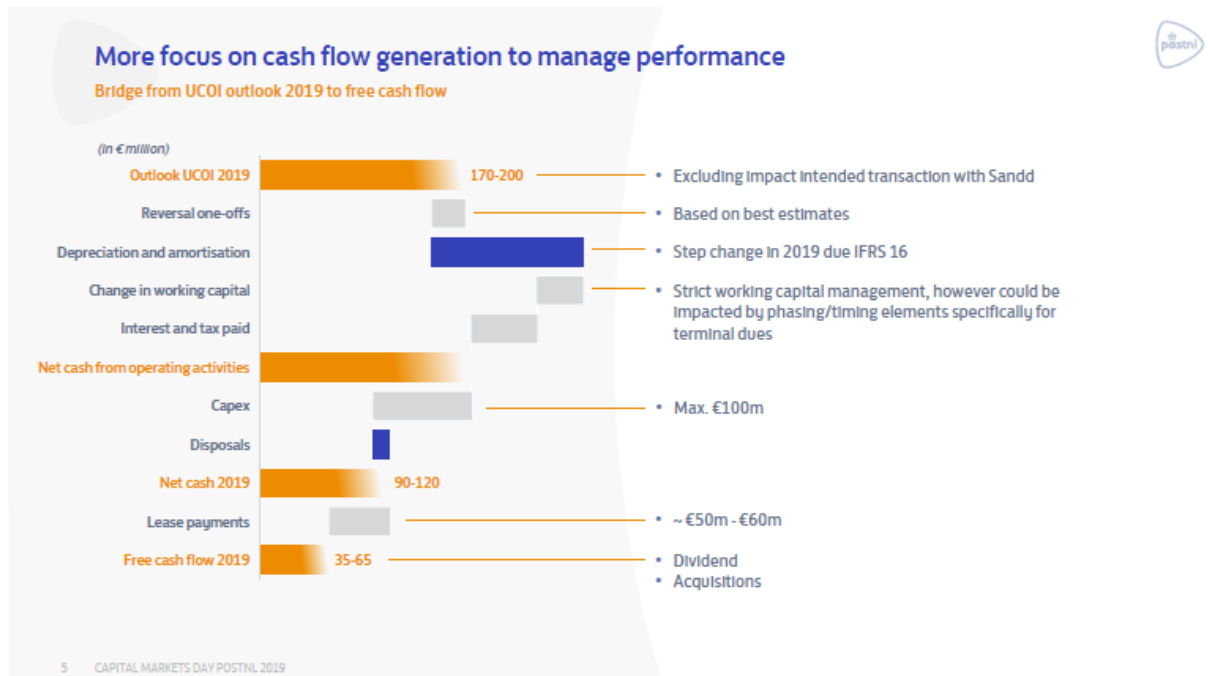


determine the way we talk about our performance and that is also how we have aligned our short-term incentive and long-term incentive schemes towards these four key metrics.

Why this change? In the past there was a significant deviation between EBIT and UCOI on two elements. One is that there used to be big reorganizations announced, getting a big provision on the balance sheet and the cash going out more phased and later in time. The way we restructure our mail businesses are much more short-cycled, so there is less deviation between the moment you take a provision and when the cash goes out.

Another element was the big deviation between the pension expense in accordance with IFRS pension accounting and the actual cash-out on pensions. Given the changes in the set-up of the pension arrangements we have organized over the years with the pension fund, also pension expense, pension cash-out is much closer together. That is why we felt that it is a good time to go back to much more mainstream profit and cash flow metrics and we do not necessarily need to use our own defined profit measure anymore.

We introduce them now. We maintain the guidance for 2019 on UCOI because we need to take the time in 2019 to subsequently change and adopt the relevant metrics internally, for instance for profit but also for the way our dividend policy looks. We will do that going forward. So, as of 2020 we will use these metrics as today you will get them both. After 2020 we will just continue with those. Each and every quarter we will ensure that you can follow the difference between normalized EBIT and the UCOI metric.



Then the second metric on the cash flow and to make it clear how we get to that free cash flow number. Of course, given our dividend profile as we talked about before, we need to improve the cash conversion of our business. That goes through different measure. This is a reconciliation of UCOI to free cash. There you see the EUR 170 million to EUR 200 million UCOI outlook of the year. There are one-offs related to the projects we talked about and that absorb cash, although you make them underlying from a profit perspective. That is why it is important to look at cash. They are cash-outs.

You see a step change as a consequence of IFRS16 changes, where opex is reduced and depreciation is added. That flows differently through the different cash flow lines. So it adds here. Then a change in working capital, which goes down and which is a sense an investment in working capital. As a consequence of Mail in the Netherlands having a negative working capital, and mail is going down, which is an investment in working capital. Parcels are growing and growing means working capital requirements as well, but gradually improving on the working capital performance as the dotted line on the slide of Liesbeth. But we see investments in working capital and when I talked about the Q4 performance on working capital, I pointed out that the phasing of working capital is significantly influenced by our terminal-dues positions



that sometimes need to be settled with our colleague postal operators. They can impact phasing and timing of your overall level of working capital investments.

If you would stop at the net cash from operating activities you would lose sight of your required investments to facilitate that growth, so either your capex as well as your lease (payments) needs to come off. That is what you see happening there. Through capex disposals – only small. The EUR 90 million -EUR 120 million you will recognize because it was also on 25th February announcement and the lease payments come out at approximately 50 million to 60 million and that is then the free cash flow for 2019, based on the new metric that we will guide you on going forward. That is left then for dividends, acquisitions and debt repayment, not necessarily for 2019 but in after years it is required.

Outlook 2019 confirmed

Translation UCOI to normalised EBIT (margin) for comparative reasons based on unchanged business drivers

	revenue		UCOI	UCOI margin	compares to normalised EBIT (margin)
(In € million)	2018	2019	2018	2019	2019
Parcels	1,555	+ low teens	117	7.5%-9.5%	7.5%-9.5%
Mail in the Netherlands	1,678	- mid single digit	93	3%-5%	3%-5%
PostNL Other / eliminations	(461)		(22)		▲ ~(-15)
Total	2,772	+ low single digit	188	170-200	155-185

• Difference between UCOI and normalised EBIT visible in PostNL Other mainly due to pensions

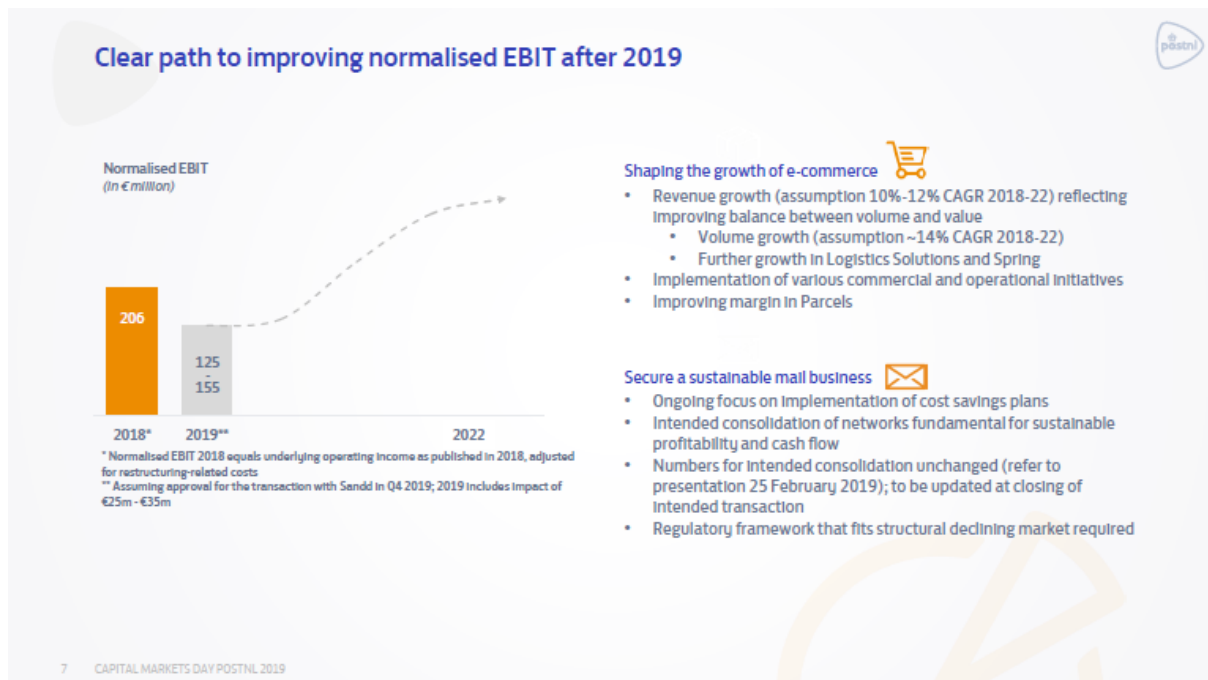
Assuming approval for the transaction with Sendd in Q4 2019, the result in 2019 is expected to be impacted by €25m -€35m

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Today, we confirm the 2019 outlook as being EUR 170 million – EUR 200 million. If you then would translate that UCOI towards a normalized EBIT you end up at EUR 155 million – EUR 185 million. We have addressed that point as well. There, you basically see that margin on UCOI versus normalized EBIT between the segments is relatively comparable: 7.5% – 9.5% remained 7.5% – 9.5%, but the deviation is the PostNL other, predominantly because of the differences in cash out and expenses on restructuring and pensions, which we account for –



at least the differences – at PostNL Other. That brings the underlying and the normalized EBIT in comparison to the UCOI to EUR 155 million – EUR 185 million.

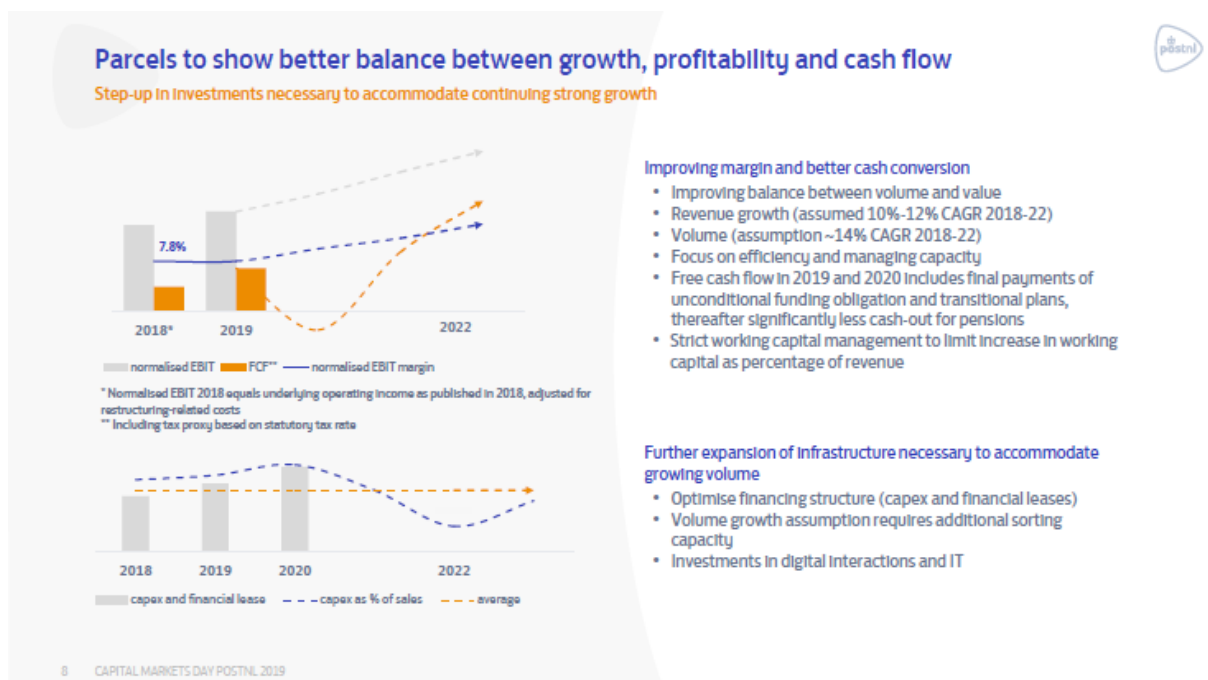


How will this evolve after 2019? To begin with, this is saying EUR 125 million – EUR 155 million. That is because we assumed here, as we talked about on the 25th of February, that in Q4 2019 we can consolidate Sandd. As a consequence, as you have seen, to start the implementation of transferring those volumes from network one to network two will initially take costs and gradually run-rate synergies will come in. So, the initial consequence in 2019, knowing that it is only a last quarter, will be negative if and when we have assumed that in Q4 that consolidation can take place. Then, gradually we see the normalized EBIT increase again because of the revenue increases we talked about, which are much closer to volume. One of the components here is that that volume growth relates to Parcels volume-related business, whereas the revenue growth also includes logistics and Spring. Of course, together with the commercial and operational initiatives that will lead to an improvement of the margin of the Parcels segment.

On the mail side we continue to focus on those cost savings plans and we have assumed the financial elements of the consolidation case to remain the same. We will update that as soon as we know when completion takes place. Then we will also mention what that will mean for



the 2020 number to follow. The reason why profit will go down or not go up from 2019 tot 2020 is basically because of the fact that run-rate synergies as a consequence of the consolidation will come in, will hit profitable or contributing UCOI EBIT-numbers in the first year after implementation, but at the same time the current mail business continues to deteriorate. So, volume decline, cost savings, autonomous cost increases, all in all without the consolidation will lead to a step down of profits from mail. Then you add the run-rate consequences within the first year and the positive UCOI contribution in the year, but still the balance of those two is a slight deterioration of the profit in the mail division in the first year. On top of that you then add the growth in profit from Parcels and then you get this dotted line. So, the assumptions on the business case of Sandd remain the same. UCOI accretive, EBIT accretive in the first year, realizing a full run-rate synergy potential within three years, but also taking implementation costs and delay of cost saving plans in the first one to one and a half year. That drives this EBIT profile.

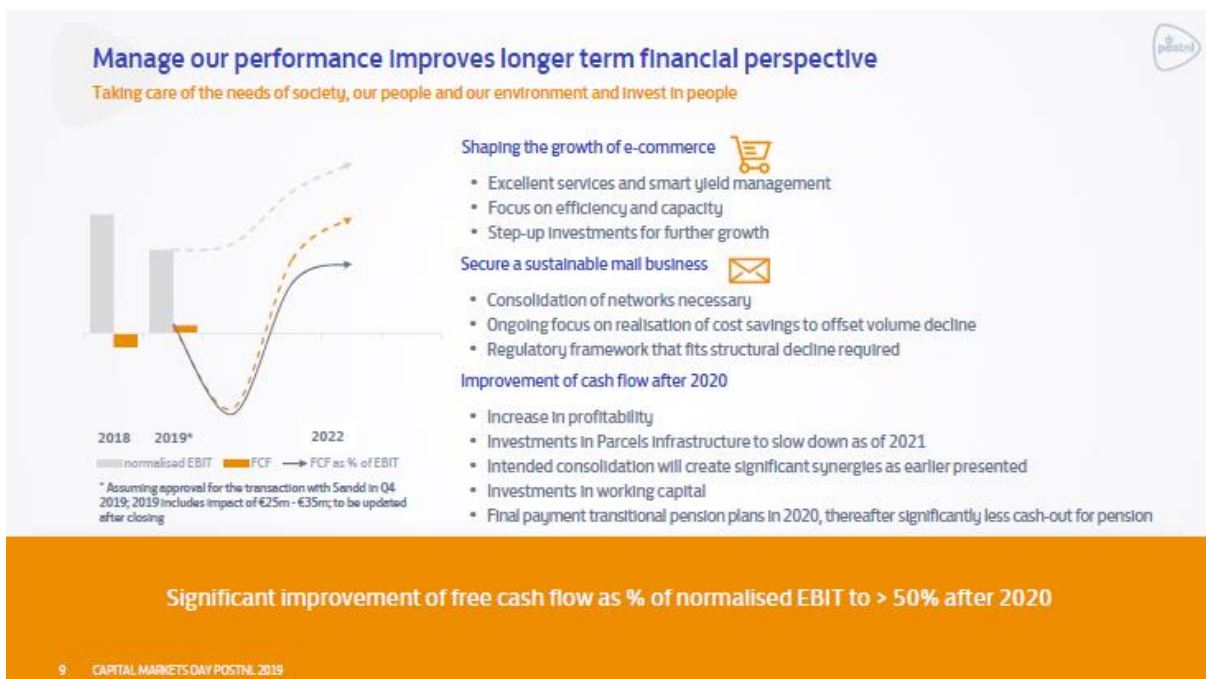


Then more specifically to Parcels. Liesbeth briefly talked about it. You see the normalized EBIT growing, you see margin growing on the back of those initiatives quite quickly. Free cash flow, if you disregard the pension cash-out at the end of 2020, will be comparable to 2019 numbers. That is basically the balance of an increase in investments and an increase of cash coming



from your increased profits. That will lead subsequently after 2019 and 2020 to a significant increase in cash flow creation going forward, while exceeding 50% of normalized EBIT as your free cash flow conversion over the years 2021, 2022 and beyond.

We have talked about the investment levels. On the right hand, left for you, you see the increase of investment levels compared to average in 2019 and 2020. That leads to an improvement of an increase of capex as a percentage of sales. Then after we have managed to open and utilize the small parcels sorting centre we do not need the numbers of depots to be added. That will gradually make the capex levels come down. Of course, in conjunction with the increase of the profits and the pension cash already going out earlier days will improve and accelerate that free cash flow conversion in the years after 2020.



That brings us to the overall Group perspective. The previous slide talked about Parcels. We certainly want to manage our performance and truly want to look at the longer-term financial perspective. There, the growth in Parcels and the volume growth, revenue growth, margin improvement and cash conversion increases will be beneficial to the Group. On top of that creating a consolidated network and run-rate savings that we can get from those scale effects will lead to an improvement in profit and free cash flow, but here you see the big delta from 2019 cash flow to 2020 cash flow. That comprises not only the pension cash-out, but also the



investment in the acquisition of Sandd. So, the enterprise value as well as the consequences of postponement of cost saving initiatives and implementation costs. The trajectory of how the savings will be coming in. The scale effects will become the same. As said, run-rate will be maximized three years down the road from consolidation. That is based on the assumption that we can do this at the end of Q4 2019. That should lead to the cash flow percentage of normalized EBIT to exceed 50% after 2020.

Clear financial strategy and solid balance sheet

Priorities for capital allocation to secure balanced growth, profitability and cash flow



Financial framework

- Steering for solid balance sheet with positive consolidated equity
- Aiming at a leverage ratio (adjusted net debt*/EBITDA) not > 2.0x
- Strict cash flow management

Priorities for capital allocation

- Investments to accommodate further growth in Parcels
- Dividend policy unchanged
- Invest in growth: close to core, adjacent and transformational
- Intention to compensate for dilution of EPS in later years

Impact intended consolidation and development free cash flow

- Acquisition to be funded through cash on hand and new debt
- Intended consolidation and investments in Parcels expected to result in adjusted leverage > 2.0x
- Temporarily delay in dividend payments

* Adjusted net debt includes: gross debt (Eurobond, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance and off-balance sheet commitments, adjusted for tax impact) and cash position

Solid balance sheet per 30 March 2019

Main figures (in € million)

Consolidated equity	46
Long term debt	398
Pension liabilities	309
Lease liabilities (on-balance sheet)	149
Cash position	253

- Adjusted net debt position is €621m

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Priorities for capital allocations we have seen already. We want to ensure that we fund and invest to facilitate the growth of Parcels. We remain steering for a solid balance sheet with a leverage ratio that remains unchanged. The dividend policy remains unchanged. The focus on cash and strict cash management is something we are improving. That means that, if you are talking about capital allocation, first and foremost Parcels, dividend policy remain unchanged. Investing in growth close to the core if we think that adds value to our company and with the intention to, in later years, after we have seen that step-up in free cash flow creation, explore ways to avoid a dilution of earnings per share in those later years.

If you talk about the consolidation and the investment levels of Parcels, we need to attract some new debt to be able to fund the acquisition of Sandd as well as the parcel investments together. That intended consolidation and investment levels with this profile will temporarily



lead to an exceeding of the 2.0 leverage ratio. At least that is what we expect today, based on the business case of Sandd. That would then subsequently temporarily delay our dividend payments.

Your favourite deliverer
Balanced growth, resulting in improving profitability and cash conversion, is basis for value creation

- Multiple levers to shape the growth of e-commerce**
- Secure a sustainable mail business**
- Balanced stakeholder approach**

Manage our performance to improve longer term financial perspective

- Growing profitability
- Sustainable cash flow conversion after 2020
- Maintain strong financial position with clear priorities for capital allocation

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So, to summarize. I think that crucially on the mail side is that we try to create a much more stable mail business that is much more predictable from a financial point of view, that also creates a more predictable cash flow pattern, that requires approval from ACM or the State Secretary of Economic Affairs to actually do that consolidation. Next to that you have heard today a lot about our adjusted strategy on Parcels, seeking a better balance to volume growth, revenue growth, improvement in profitability, through commercial and operational initiatives with a much more effective investment profile in the expansion in our volume. That should and will lead to a much better cash flow pattern going forward. I will do this with a balance stakeholder approach. We want to truly be the favourite deliverer for our customers, our staff as well as for our shareholders. That is how we want to continue. That is my last slide. Let us now open up for some more questions.



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Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Yes, please. Questions for Herna and Pim.

- **Marc Zwartsenburg – ING**

Can you first of all explain how you see that there is now a EUR 15 million gap between the cash EBIT guidance for this year and the underlying or normalized EBIT, a difference of EUR 15 million. For next year, you are saying for 2020 that number will be slightly better, the normalized EBIT, but it will be not that much better because of mail still being in decline. Will that gap between the cash EBIT and the normalized, that EUR 15 million, be positive or negative? How will that evolve for next year? Also, linked to that, currently there is still a EUR 25 million to EUR 35 million negative in there from Sandd, because you take the provision of Sandd et cetera and you do not have any revenues and synergies. But for next year that might well be neutral or minus or plus, whatever it is. That should already lead to a sort of a delta in 2020 in a positive way as well. Can you give me a bit more feel for the 2020 normalized EBIT?



Pim Berendsen – CFO: A bit more feel, let me try. I go back to the last point. What we have included in this 2019 number is EUR 25 million to EUR 35 million expected normalized EBIT consequences for the fourth quarter, if we can consolidate the market. That is not only in accruals or provisions. That is actually cost also leading to cash-outs. So, there is not so much difference between the UCOI or EBIT component on that particular part. On the 25th of February we saw that, within the first year, you will get to UCOI and also EBIT accretive contribution of that acquisition. But at the same time, we still see mail volumes decline, autonomous cost increases in our Mail in the Netherlands business as well, not completely offset by cost savings. So, the combination of those two elements, the additions of EBIT coming from the acquisition as well as the organic developments of Mail, lead to a slight deterioration of the normalized EBIT coming from the Mail division. Including Sandd for the first year after the consolidation takes place.

Mark Zwartsenburg – ING: Then you are basically saying that the underlying Mail in the Netherlands business is EUR 25 million or EUR 35 million worse...

Pim Berendsen – CFO PostNL: No, that is not what I am saying. I am talking about 2020. In the first year after consolidation, the consolidation in itself will be UCOI accretive.

Mark Zwartsenburg – ING: And it is EUR 25 million to EUR 35 million negative in 2019.

Pim Berendsen – CFO PostNL: Yes, which subsequently with 2019 and it all depends on the phasing at the end of the year. Then you end up with the reduction of the profitability of the mail business as a consequence of the elements we just talked about.

I cannot give you much more guidance for 2020 about the difference or if the EUR 15 million will stay the same or if it will switch to a positive element. The overall EBIT-line is what we can share right now with this explanation.

Marc Zwartsenburg – ING: Okay. Then maybe on the cash flow. If you look at 2020 and let us say the underlying EBIT is what it is. If you have that graph from UCOI all the way to cash flow for 2019, the EUR 35 million to EUR 50 million or EUR 60 million free cash flow in the end, that picture would probably look more negative for 2020 because of the capex peak that is in there.



Pim Berendsen – CFO PostNL: As well as the pension cash-out, as well as the enterprise value, the implementation costs and the phasing of the cost savings.

Marc Zwartsenburg – ING: If then, by the end of that year, your leverage ratio is back to a level below two times, is the dividend then progressive as from 2018, which means that you have to leverage up to pay that dividend?

Pim Berendsen – CFO PostNL: That depends. I cannot really give you a straight answer to that. It is clear that the dividend policy remains unchanged, so as long as we are not exceeding the two, we will just pay out 75% of our underlying net income. The consequences of that dip in 2020, taking into account pensions, consolidation, investment level in Parcels, will probably temporarily bring us above and beyond the 2.0. At that moment in time we will not pay out dividends. We reinstate dividends as soon as we get back to the 2.0 and then the dividend policy says 75% of then probably net profit, to be amended given the change to the EBIT levels, and then we will restart dividends again with the ambition to make them progressive as cash flow from the business increases as well.

Herna Verhagen – CEO PostNL: The forecast we have made is of course 12 to 24 months before we expect it to be below the 2.0 again. That is what we said last February and that is still what we think. That gives you a little bit of a direction of how we think the business case will develop, depending of course on final closing.

Marc Zwartsenburg – ING: Thank you very much.

- **Andre Mulder – Kepler Cheuvreux**

On the dividends. If you are saying that the rise in net debt / EBITDA is just temporary and that it could be 12 months ...

Herna Verhagen – CEO PostNL: 12 to 24!

Andre Mulder – Kepler Cheuvreux: Okay, 12 to 24 months, but it could also be 12 months. I did not hear you talking about 36 months. So, let's keep that range. For your yield stock keeping the dividend is of course very important. Have you given this the thought to maintain the



dividend because of the temporary movement in net debt to EBITDA? Why skip the dividend if it is only temporary?

Pim Berendsen – CFO PostNL: We have set a dividend policy which we believe fits the profile of our business. That dividend policy has been shared with the market, with shareholders and other stakeholders, too. We think it is fundamental to maintain properly financed with the capital allocation priorities as said. So, we said we will not change the dividend policy. We think that is in the best interest of the company and its stakeholders. Then indeed, if we temporarily exceed that 2.0 it will lead to not paying out dividends. So, the answer is that we stick to the dividend policy that we have committed to towards the market.

Andre Mulder – Kepler Cheuvreux: My second question is on disposals. I saw a small column on disposals. That is not Germany and Italy, I believe?

Pim Berendsen – CFO PostNL: No, these are really small disposal proceeds from real estate or divestitures of smaller businesses, so not related to those.

Andre Mulder – Kepler Cheuvreux: Any news on Germany and Italy? There was only a statement on what the results were but do you repeat that there will be a deal before summer?

Herna Verhagen – CEO PostNL: That is what we did during the Q1 results this morning. We said there will be a deal.

Pim Berendsen – CFO PostNL: A committed transaction before the end of Q2.

Herna Verhagen – CEO PostNL: Yes.

- **Question**

Pim, on one of your last slides you say that it is the intention to compensate for the dilution of EPS in later years. I can take medication when I have a cold but I could also try to avoid running a cold. If you are so keen on avoiding the dilution, does that mean that assuming that you will pay an interim dividend this year it will be full cash as well?

Pim Berendsen – CFO PostNL: No, because we said that the dividend policy remains unchanged, what it says in later years. What we believe is that if we see that free cash flow



moving up and exceeding the 50% mark, surely leverage ratios will come down relatively quickly and steeply. We believe that is the moment in time to revisit that dividend policy and see if there are ways to avoid the dilutionary element on EPS. So not for 2019 nor for 2020 but beyond that.

Question: But just to make it clear, you are undoing the dilution that will take place in those years?

Pim Berendsen – CFO PostNL: No, not necessarily but also going forward from those years onwards, as soon as the leverage ratio is going down steeply. In the meantime we will just stick to the dividend policy of a scrip dividend and cash dividend for the shareholders to choose.

Herna Verhagen – CEO PostNL: But is your question if we will undo the past or undo as of the moment we change the dividend policy?

Question: The latter.

Herna Verhagen – CEO PostNL: We will undo as of the moment we change the dividend policy.

David Kerstens: Maybe looking back a year ago, compared to your previous guidance for 2020 in a range from EUR 230 million to EUR 300 million for UCOI, if you are now at EUR 185 million for 2019 and EBIT is becoming more in line with UCOI, where would you expect to come out for 2020? What has changed in the business that you are now more cautious than one year ago? That UCOI guidance range was excluding Sandd, if I am not mistaken.

Herna Verhagen – CEO PostNL: I think one year ago we left the guidance because of Mail in the Netherlands and all the developments in the mail market. That is almost a year ago and that is the moment we left the guidance for 2020. That is the main reason that already by then we saw that volume developments were still steep. We saw lots of actions from ACM around Significant Market Power and there is many discussions in Parliament on consolidation or no consolidation and we saw developments on the Postal Act. That was the moment we said we would leave the guidance on Mail in the Netherlands in 2020. That is all what happened over the last year. You saw lots of developments on those files and that is what we expect, hopefully to finalize by the end of 2019 when it comes to consolidation.



- **Question**

I have a question on working capital once again. You have a negative mix effect from Mail in the Netherlands versus Parcels and also a negative mix effect in Parcels itself. What kind of negative cash outflows per year are you expecting in the coming years?

Pim Berendsen – CFO PostNL: We do not give explicit guidance on those numbers. Other than that you will see an investment in the working capital of Parcels and also an increase in the percentage of working capital requirements of the Parcels division. That was on the slide and that takes an investment of working capital. Likewise on Mail. We see, given the change in volume, the mix effect volume decline and some phasing of big bilaterals, an investment in working capital, too. The combination of those two elements in 2019 you could have seen in the 2019 bridge from UCOI to free cash flow. But more specific on how much per segment is not what we will inform you about today.

Question: And then on Spring; how strategically important is it for PostNL to keep that business? It was over a high single digit decline in Q1, I think. The dangerous goods reason has annualised; Ali Baba is on the platform, so still highly declining, break-even. At which stage would you consider a sale or is it so important that it is generating profits on other activities?

Herna Verhagen – CEO PostNL: In our view, as we said before, Spring has a strategic value. Why is that? Spring is a volatile business, which means it is consolidation business. There are better years and worse years. That is what the volatility of Spring has been over the years. We had an enormous pick-up in volume from Asia to the Netherlands, which brought also the underlying cash operating income of Spring and therefore also revenue – or the other way around – up to good numbers in 2017. 2018 showed a steep decline. We expect an improvement in underlying cash operating income in 2019 and that Spring will be positive. It is important because Spring delivers volume to the networks we have in the Benelux. They do not only do cross-border in the sense from China to Spain or from China to Italy; they also do lots of volume from China to the Netherlands and Belgium. There, they fill the networks here in the Benelux. That in our view is the strategic importance of Spring. Please keep in mind that Spring is a very asset-low business. We only have a few people here and there around the



world and that is what Spring is. So, if you ask us whether we were satisfied with the results of 2018, the answer is no, we were not. But we see the plans that they have in place and we see first improvements. So, with the knowledge of the volatility of the past with the strategic relevance it has, it is important to give them the opportunity to improve in 2019.

Question: And then my last question. I do not know if I missed something but you have not committed to 2022 targets in terms of EBIT or some other margin. Why have you shied away from this?

Herna Verhagen – CEO PostNL: The main reason is, as Pim said, that we will come up with a finalized outlook on 2020 when we have clarity around consolidation. Yes or no to consolidation will make a world of difference on 2020. That is the main reason.

Question: So another Capital Markets Day in one year time?

Herna Verhagen – CEO PostNL: Hopefully much earlier because we think there is a need for speed, which is a car term. Nevertheless, there is need for speed when it comes to consolidation.

Question: Thank you.

Pim Berendsen – CFO PostNL: We certainly tried to give you a lot of indications on those different drivers as to how we predict them to develop, so at least to give you the ingredients to see how we think that improvement will follow through over the years.

- **Matija Gergolet – Goldman Sachs**

Just to come back on the EBIT versus UCOI. What would be your definition to say something that is exceptional? Is that going to be a strict definition, like M&A-related expenses or other things like some companies do or otherwise, what kind of yearly amount should we assume that would be non-recurrent?

Pim Berendsen – CFO PostNL: Let's say that the definition of UCOI from operating to underlying cash operating income, the reasons to adjust are the same from EBIT to normalized EBIT. Then you really talk about significant, bigger than EUR 2 million effects that are one off,



not business-related, either positive or negative will take out of the EBIT to get to normalized EBIT. For instance, you have seen in the bridge from operating income to underlying operating income project costs related to Significant Market Power, related to the preparation of the acquisition of Sandd as well as liquidation cost of a part of business. Those elements are adjustments that we currently make from an operating income to underlying cash operating income and those are going to be comparable from EBIT to normalized EBIT.

Matija Gergolet – Goldman Sachs: Secondly, you say that on the new depots that you are building in Parcels, are these all funded by PostNL or will they be leased by third parties?

Pim Berendsen – CFO PostNL: We make a composition of real capex and lease commitments. The difference of the small parcels sorting centre in comparison to this depot is that it does not require the U-shape that Iris tried to explain, whereas we normally tend to own the properties of these types of depots we will probably take a long rent or lease obligation for the box. Subsequently, we will invest in the sorters that will be in that box to sort and that allows you also to scale up the number of sorters that you can put into that depot as a function of how your volume growth will be predicted to go.

- **Andre Mulder – Kepler Cheuvreux**

On the mail side, irrespective of the finalization of the deal with Sandd, what do you see happening currently in the domestic volume decline? Is it going lower, is it going higher? The numbers seem to be a bit more positive. In the past you talked about a 7% to 9% decline. Are we heading for that range?

Herna Verhagen – CEO PostNL: The volume decline we expect for 2019 is 8% to 10%. We came in at 9.8%, if you correct for working days 9.1%. So, you could say in the midst of the bandwidth. It is more or less in line with the expectation we have. Is it a real slowdown if you compare it to last year? Maybe a little bit, but still not a real slowdown. More than 9% of volume decline is still quite steep. What we do see in the volume decline is that it is mainly substitution, also there no change. It is mainly substitution. A part of that is competition and that means that postal operators in The Netherlands still deliver a bigger percentage of their mail themselves and do not deliver it via PostNL. We also had volume decline in the higher margin segment,



which are the single-mail items. That impacted the margin of Mail in the Netherlands over the first quarter.

Andre Mulder – Kepler Cheuvreux: This whole session was mostly on Parcels Netherlands. What do you aim to do in Belgium?

Herna Verhagen – CEO PostNL: What Carlos said about Belgium, is that we are aiming to grow further in Belgium as well. Growth over the first quarter for our network in Belgium was 30%. For Belgium we are a number two player and we want to be a big number two player in Belgium. That is the position we have and would like to maintain, together with the fact that the innovations we do in The Netherlands are also the innovations we do in Belgium, so that also in Belgium we want to be the favourite deliverer. The brand name of PostNL is well-known in Belgium. Our brand awareness is very high over there and we are also winning prizes in the e-commerce world as the best deliverer in Belgium. That supports in our view what we are doing over there, and it supports also the grow we expect going forward.

When we talk about volume growth, we do include volumes in Belgium. You find the total number. If we talk about a volume growth of on average 14% over the next coming years, it includes Belgium.

- **Johan van der Veen – ABNAMRO**

I have a question regarding the Parcels capex. In the presentation there is a slide that the capex will fall after 2020 as a percentage of sales. Given the fact that sales will increase – because at the end of the day that is what you are saying here – is it not a little bit strange that the capex will rise again as a percentage of sales after 2022? I can imagine the fact that you need to update but given the fact that sales would be on much higher levels, I would argue that capex could be a little bit less in percentage of sales.

Pim Berendsen – CFO PostNL: It is a combination of not only investments in networks but also investments in IT and other materials. It is the combination of capex and leases that follow the dotted line, the blue line on your graph. You see the step-up. The columns are the absolute amounts. You see the growth in 2019 and 2020 and then gradually coming down. As of 2022,



beyond that you see that, if that growth continues, it will probably require further investments in the infrastructure, either by adding sorting belts to the small parcel centres or adding depots like this again. It is the combination of that capex level and the lease cash-out. That was on the same slide. You see an increase in cash-out for parcel investments in 2019 and 2020 in absolute terms and then going down, also in absolute terms.

- **Marc Zwartsenburg – ING**

A quick question about interim dividend this year. What if the ACM turns around and says: well, this is fantastic deal, this merger with Sandd, and approves it before summer? Will the interim dividend be safe? If it is postponed, is it then safe as well?

Pim Berendsen – CFO PostNL: At the moment when we define our interim dividend, we then will look at the leverage ratio at that moment in time. If transaction has completed and as a consequence we have paid out EUR 130 million and as a consequence leverage would exceed 2, we will not pay out interim dividend. If that does not materialize and the leverage ratio is below 2.0, we will pay out interim dividend in 2019, in accordance with dividend policy.

- **Question**

As a follow up on the working capital evolution. I saw a little comment on one of the slides. You were saying that it could be impacted by phasing from the bilaterals. Given that it would not impact the 2019 figures, does that mean that we should expect it in 2020? Just in general, these bilaterals seem to be a recurrent element, because you have also had them in 2018, I believe. What should we take into account going forward on the bilateral side, given that you sort of have an export business on that?

Pim Berendsen – CFO PostNL: The remark was made on the 2019 sheet. That assumes a resolve of the working capital position based on what we now see as the position towards incumbency. As I explained in Q4, sometimes when final volume is settled, it leads to an obligation to pay. So, the driver of whether or not you need to pay the outstanding amounts to a foreign postal operator is driven by when you finally agree a final position on the volumes



that were exchanged. That is not necessarily something that we can influence only by ourselves, that is part of the bilateral negotiation. So, there is always a bit of uncertainty as to when you reach that settlement and when the payable position will lead to a cash-out. As I said before, that is not on average the same number, because there are significant differences in settlements with big operators, like Deutsche Post, in comparison to bpost or Italian Post. That is why the phasing takes place. What I can say to you, is that also international volume is declining. That means that over time the payable balance will be reduced. We expect in the next two to three years to get to a much more stable level of payables as a consequence of those bilateral terminal due positions. That has been included in the overall free cash flow graph that we have shared with you on these slides.

Question: Thank you. I am just curious. On the M&A side you obviously had your fair share in the mail market, but I was wondering if there is still scope for M&A in the parcels side in terms of e-commerce, logistics and that kind of things.

Herna Verhagen – CEO PostNL: What we did say was small bolt-on acquisitions. That is exactly what it is. It is small and it needs to be adjacent to what we do and no more than that.

No more questions? Then I will close the day. First of all, thank you for having the guts to be here for almost seven hours for most of you. Today we gave you an update on the strategy of PostNL, specifically on the strategy of Parcels. If you look into PostNL, we want to be your favourite deliverer in the Benelux. That is what we are and that is what we want to be in the future as well. Therefore, we need to be innovative, we need to make sure that what we do we do in an excellent way. Within Parcels it also means yield management and handling our parcels in a more efficient way. For Mail in the Netherlands it means securing our mail business, preferably by consolidation. That is the aim we have for the next coming years. That aim in the end will bring us a more balanced growth, delivering an improved profitability and cash flow generation. The direction of that is shown by the team of Liesbeth and of course also in all the numbers of Pim.

That improved balance between volume profitability and cash flow generation helps to create value, value for our stakeholders, but also especially for shareholders. Thank you very much.



There is a tour for the ones who did not see the operation yet. As of 5.00 p.m. the machines will start again. When you walk to the floor now it is a little bit quiet, but as of 5.00 p.m. they will start running again. For the ones who did the tour, there is a drink at the same place where we had the lunch. It is a non-alcoholic drink, so let me warn you up-front. We are at a working place so we cannot drink over here, but nevertheless it can be lots of fun. Thanks again and see you in a minute, either on the tour or at the drinks.
