Q1 2020 Results

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Additional information
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Mail and parcel deliverers provide a vital service to society

Comprehensive business continuity plan in place since early March

Health and safety for our people and consumers comes first

Impact Covid-19 going forward

- Measures taken across all businesses to ensure 1.5 metre distance expected to be maintained, including contact-free delivery and flow patterns, extra cleaning of facilities and distribution of disinfectant gels
- Extensive internal communications programme to promote social distancing and extra hygienic measures
- All our people with office jobs are working from home
- Sick leave levels among staff started to improve in early April
- Both challenges (incl. costs related to sick leave and extra measures, as well as overall macroeconomic impact on business environment) and opportunities (e-commerce picking up and increasing popularity of consumer mail)

Geef elkaar de ruimte

Dit is 1.5 meter

Key financials and highlights Q1 2020

Solid Q1 performance and improved free cash flow

	Revenue	Normalised EBIT	Free cash flow	Outlook normalised EBIT FY 2020
Q1 2020	**€701m**	**€15m**	**€5m**	**€110m - €130m**
Q1 2019	€684m	€30m	€(8)m	

Highlights Q1 2020

- Committed to achieve FY 2020 outlook; uncertainties regarding duration and severity of Covid-19 pandemic may impact ability to achieve this result
- Strong development at Parcels since mid-March, supported by positive price/mix effect
- Integration of Sandd ahead of plan in delivering anticipated benefits and synergies
- More greetings cards contributing to a favourable price/mix development
- Additional mail volume decline due to lower direct mail activity since mid-March
- Measures to protect our people and clients and increased staff absence due to Covid-19 pandemic impacted operating costs
- Normalised EBIT includes impact of higher pension expenses and new labour regulation (together €(8)m), as indicated before, and sale and discontinuation of non-core activities of Mail in the Netherlands
- Disciplined working capital management contributed to improved free cash flow

Growing importance of digitalisation

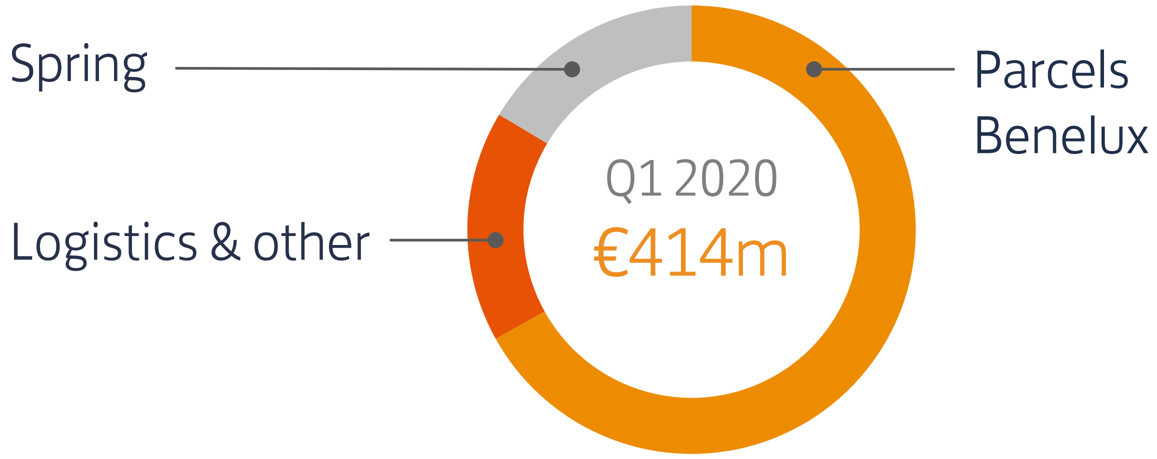
	Q1 2019	Q1 2020	
online visitors	96m (44% via PostNL app)	114m (55% via PostNL app)	+18%
PostNL accounts	4.5m	5.5m	+22%
stamp codes	308k	520k	+69%
talks with chatbot Daan	340k	770k	+126%

Q1 2020 Results

Parcels: strong volume development since mid-March, supported by positive price/mix effect

	Revenue	Normalised EBIT	Volume growth
Q1 2020	**€414m**	**€26m**	**2.8%**
Q1 2019	€398m	€23m	

Revenue mix



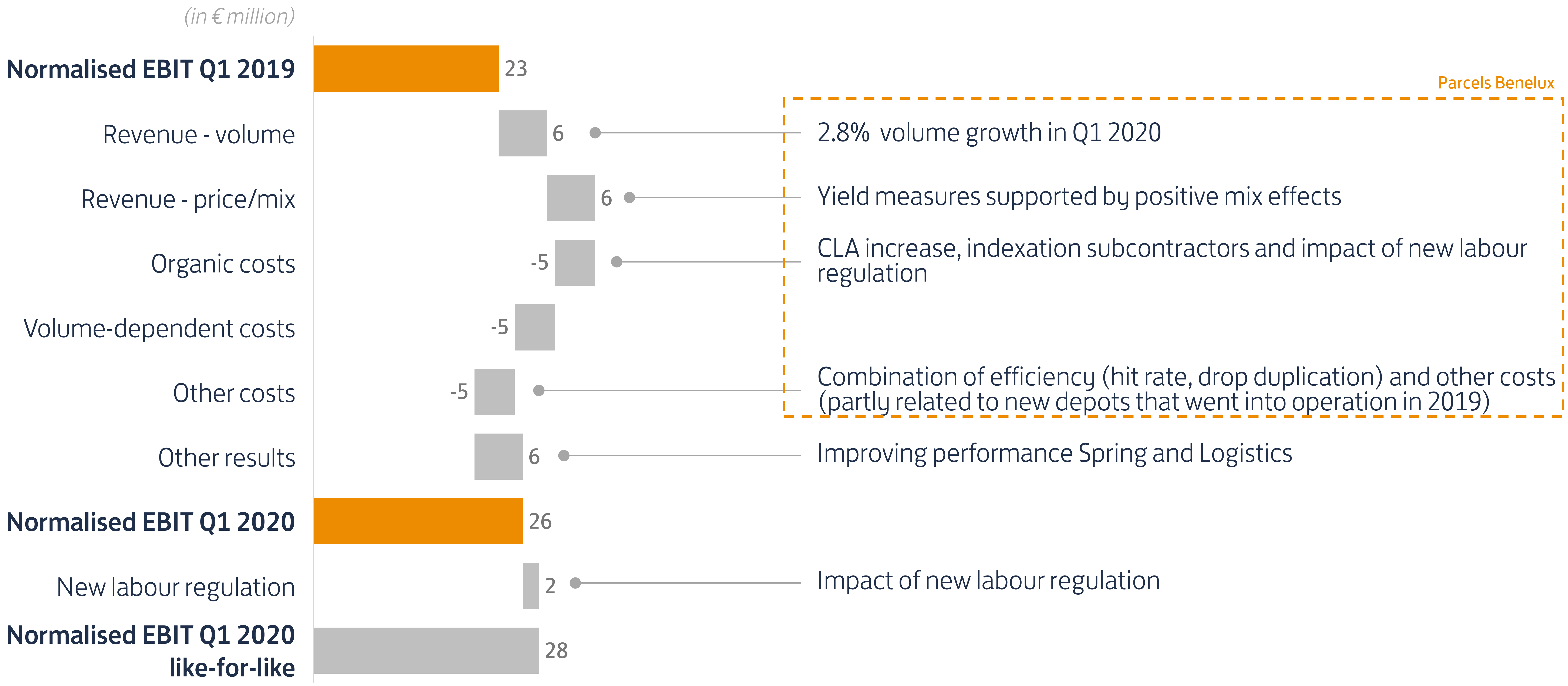
Revenue growth

- Volume growth 11.1% in March
  - Covid-19 crisis resulted in pick-up in e-commerce
  - Good growth in small and mid-sized webshops contributes to favourable development of price/mix effect
  - Run-rate growth 13.6% at end of March, with even stronger growth in April
- As expected, webshops opting for multi-vendorship impacted overall volume growth PostNL, especially in January and February
- Mixed growth pattern continued
  - Low growth rates in some, more mature, e-commerce segments, e.g. fashion
- Yield management (incl. improved pricing)

Result Parcels up €3m

- Operational efficiency improved
  - Better hit rate
  - Drop duplication slightly down
- Higher costs:
  - Adjustments in process and higher staff absence related to Covid-19
  - Increased cost level due to new depots opened in 2019
  - Impact new labour regulation
- Improved result at both Spring and Logistics

Parcels: normalised EBIT development



Mail in the Netherlands: integration Sandd ahead of plan and already accretive to normalised EBIT

	Revenue	Normalised EBIT	Net contribution of Sandd in normalised EBIT	Addressed mail volume decline
Q1 2020	**€395m**	**€5m**	**€5m**	**12.8%***
Q1 2019	€392m	€16m		

Revenue development

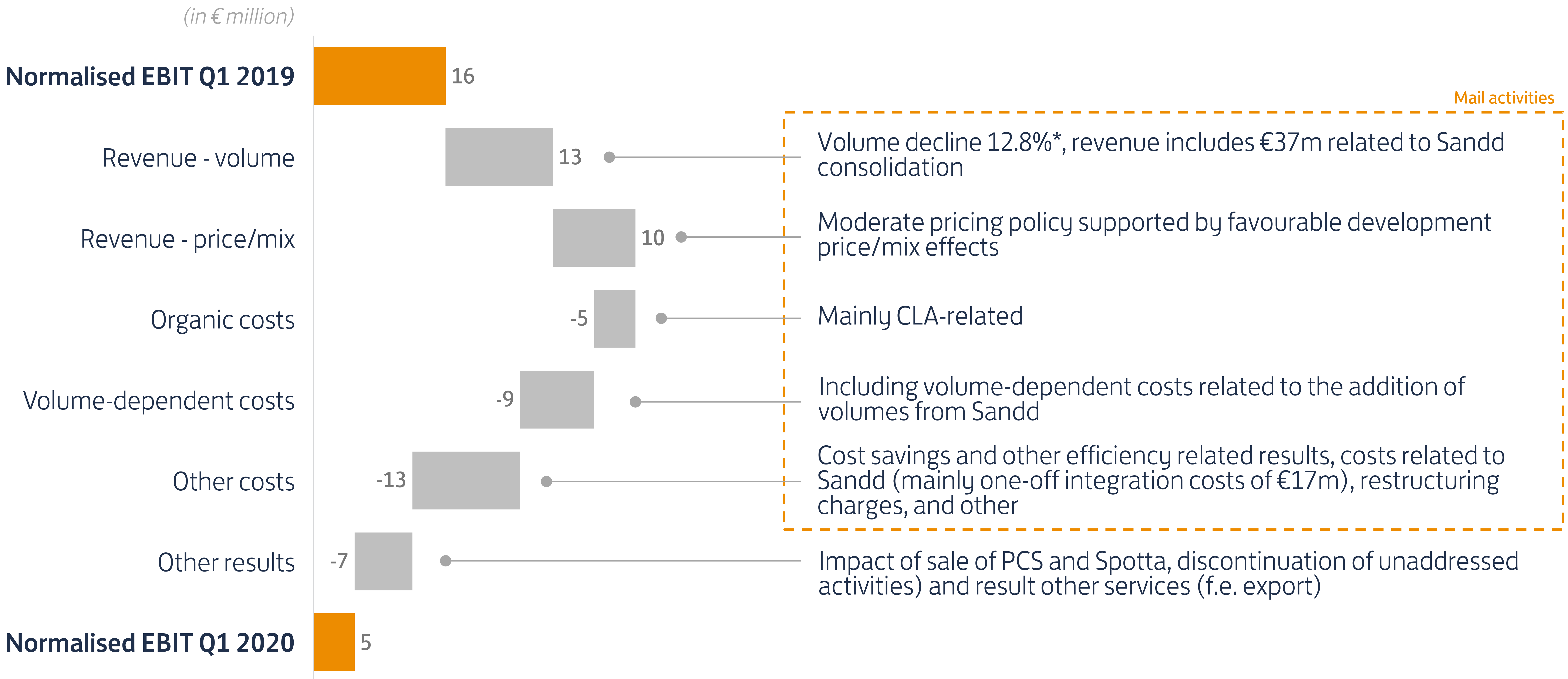
- Volume declined by 12.8%*
  - Substitution in line with expectations
  - Impact of elections in 2019 (1.8%)
  - Covid-19 crisis: more greetings cards, but lower direct mail activity; additional volume decline almost 2% (partly phasing)
- Reduced international mail activity
- Consolidation of Sandd
- Moderate price increases and favourable mix effects
- Discontinuation of non-core activities

Result

- Sandd Integration ahead of plan in delivering anticipated benefits and synergies
- Impact Covid-19
- Cost savings initiatives progressed according to plan
  - Adjusting sorting and delivery process
  - Streamlining of staff
  - Centralisation of locations

** Adjusted volume decline (one working day less): 12.3%; starting point for volume decline: 2019 pro forma volume including Sandd volumes*

Mail in the Netherlands: normalised EBIT development



** Starting point for volume decline: 2019 pro forma volume including Sandd volumes*

Q1 2020 Results

Generation of free cash flow in Q1 2020

€13m improvement compared to Q1 2019

(in € million)	Q1 2019	Q1 2020	Comment
Normalised EBIT	30	15	
Reversal normalisations	-8	-17	
Depreciation & amortisation	35	48	Increase mainly related to Sandd
Capex	-10	-8	
Lease payments	-13	-18	Temporary effect, mainly related to Sandd
Change in working capital	0	-6	Continuing the strong Q4 2019 performance and some phasing effects
Change in pensions and provisions	-1	-17	Mainly restructuring cash-out (Sandd)
Interest paid and income tax	-45	-1	No tax payments in Q1 2020
Other	4	9	Includes €7m proceeds sale of non-core activities
Free cash flow	-8	5	**Improvement €13m**

Pension developments

Coverage ratio (12-month average) pension fund at 108.3% as at 31 March 2020

(in € million)	2019	YE 2020	Q1 2020
Provision for pension liabilities	283		259
Pension expense (P&L)	119	~145	36
Regular pension cash contribution	111	~120	29

- Provision for pension liabilities down mainly due to increase in interest rates during Q1 2020
- Pension expense up ~€25m in 2020 as indicated before, visible in normalised EBIT (€(6)m in Q1 2020)
- Impact on equity mitigated by positive effect in OCI (€23m in Q1 2020, of which €14m phasing)
- Expected impact on cash contributions is limited
- Actual coverage ratio 98.9%; taking into account resilience of pension fund, no top-up payment obligation is expected

Positive outcome discussion pension fund

- Expected cash-out for final payment transitional plans: ~€300m, to be paid by the end of 2020
- Agreement-in-principle:
  - Final payment transitional plans capped at €290m
  - Substantial part of the payment will be deferred and paid in 5 instalments in period 2021-2025
  - Regular contributions related to transitional plans expected to be €5m less
  - Entitlements of employees will not be affected

Agreement-in-principle with pension fund results in lower cash-out for transitional plans

Consolidated statement of financial position

Adjusted net debt position end of Q1 2020: €699m

(in € million)	28 Mar 2020		28 Mar 2020
Intangible fixed assets	359	*Consolidated equity*	*(10)*
Property, plant and equipment	402	*Non-controlling interests*	*3*
Right-of-use assets	239	Total equity	(7)
Other non-current assets	88	Pension liabilities	259
Other current assets	434	Long-term debt	695
Cash	485	Long-term lease liabilities	191
Assets classified as held for sale	68	Other non-current liabilities	31
		Short-term lease liabilities	59
		Other current liabilities	762
		Liabilities related to assets classified as held for sale	85
Total assets	**2,076**	**Total equity & liabilities**	**2,076**

- Adjusted net debt is €699m; gross debt (Eurobonds, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position
- Total comprehensive income Q1 2020: €10m (Q1 2019: €(1)m)

Committed to achieve outlook for 2020

Uncertainties regarding duration and severity of Covid-19 pandemic may impact ability to achieve this result

(in € million)

Normalised EBIT	2019	2020 like-for-like		2020 indication
Parcels	120	125 – 145	new labour regulation ~(10)	115 – 135
Mail in the Netherlands	52	50 – 70		50 – 70
PostNL Other	(37)	~(40)	pension expense ~(25), no impact pension cash-out	~(65)
PostNL	**135**	145 – 165	impact new labour regulation and pensions ~(35)	**110 – 130**
Free cash flow*				
PostNL	**107**	(15) – 15	final payment transitional plans around (300)**, to be paid in 2020	**(315) – (285)****

Outlook for 2020

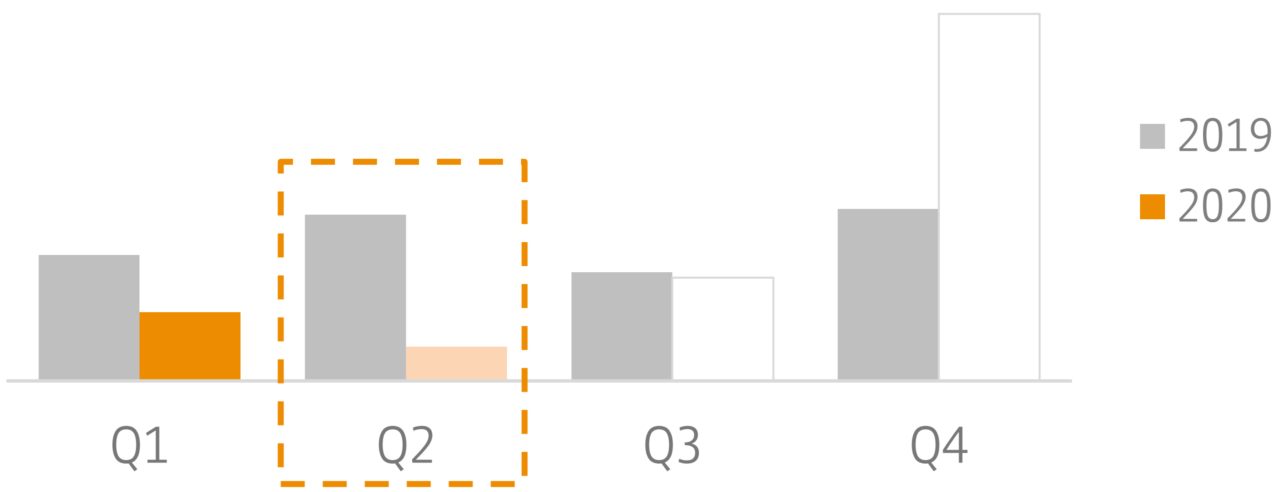
** Cash flow before dividend, acquisitions, redemption bonds/other financing activities; after payment of leases*
*** Agreement-in-principle with pension fund: maximum final payment of €290m; substantial part of the final payment will be deferred and paid in 5 instalments in 2021-2025*

Attention points for Q2 2020

Normalised EBIT FY 2020 to be largely achieved in the second half of year

% of normalised EBIT not evenly spread over the quarters

indicative only



(in € million)	2019	Q2 2019	2020 outlook
Normalised EBIT	**135**	39	**110 – 130**
Free cash flow*	**107**	7	**(315) – (285)**

- Lower (normalised) EBIT
- Phasing working capital and other cash flow drivers
- Gradual increase in capex/lease payments

Covid-19 impact

- Strong volume decline bulk mail
- Additional volume growth Parcels
- Better price/mix
- Additional costs due to measures (partly structural) and staff absence
- International mail, parcels, Spring: structural lower volumes anticipated

Other elements in Q2 2020

- Higher pension expense ~(6)m
- New labour regulation ~(2)m
- Small positive contribution from Sandd integration
- Continued mail volume decline and in delay cost savings
- Discontinuation of non-core activities compared with Q2 2019

Additional

- Negative contribution of Sandd in Q4 2019 (restructuring related charges and other business effects)
- Too early to be very specific about exact phasing Q3 and Q4

Key takeaways Q1 2020

- Fully operational and able to continue primary business activities
- Health and safety for our people, partners, clients and consumers comes first
- Comprehensive business continuity plan in place since early March

- Integration of Sandd ahead of plan in delivering the anticipated benefits and synergies, already accretive this quarter
- Start new depot in Belgium
- Strong liquidity position with €485m in cash at end of Q1

- Going forward, we see both challenges and opportunities, as e-commerce has picked up, resulting in strong volume growth in Parcels since mid-March, and consumer mail is becoming more popular
- Building on solid Q1 performance, we continue to be committed to achieve our FY 2020 outlook
- Uncertainties regarding duration and severity of Covid-19 pandemic may impact ability to achieving this result

Solid Q1 performance and improved free cash flow

Key takeaways

Business review

Financial review & Outlook

Q&A

Q1 2020 Results

Appendix

- Results by segment Q1 2020
- Breakdown pension cash contribution and expenses

Results by segment Q1 2020

(in € million)	Revenue		Normalised EBIT	
	Q1 2019	Q1 2020	Q1 2019	Q1 2020
Parcels	398	414	23	26
Mail in the Netherlands	392	395	16	5
PostNL Other	21	26	(9)	(15)
Intercompany	(127)	(133)		
PostNL	**684**	**701**	**30**	**15**

Breakdown pension cash contribution and expenses

(in € million)	Q1 2019		Q1 2020	
	Expenses	**Cash**	**Expenses**	**Cash**
Business segments	24	26	24	29
IFRS difference	6		12	
PostNL	**30**	**26**	**36**	**29**
Interest	1		0	
Total	**31**		**36**	