
2021
Capturing growth, delivering value
Q1 2021 Results
The Hague — 10 May 2021
postnl

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Published by:
PostNL NV
Prinses Beatrixlaan 23
2595 AK The Hague
The Netherlands
Additional information is available at postnl.nl

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Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Good morning, everyone. Thank you for joining us for the first quarter results presentation. With me in the room, Herna Verhagen, our CEO, and Pim Berendsen, our CFO. Pim, over to you, please.

Pim Berendsen – CFO PostNL: Thank you, Jochem, and welcome to you all. Thank you for joining us today. The first quarter of this year has been an exceptional one for PostNL and again, we have continued the strong momentum that we have seen over the last quarters. Thanks to the hard work of our people and the resilience of our business, we have been able to deliver a record number of parcels in the quarter. Also, performance at Spring and Logistics as well as Mail in the Netherlands have been very strong. While underlying performance is strong, part of the Q1 performance was related to the lockdown that lasted longer than originally anticipated, at least by us, and some other one-off effects. I will dive into those a little bit later.

Q1 2021

Exceptional performance, partly non-recurring

Thanks to the hard work of our people and resilience of our business, we were able to continue to play a vital role in society

Results

- Lockdown lasted longer than anticipated and boosted volume growth at Parcels
- Spring and Logistics also showed strong performance
- Non-recurring mail volumes supported a strong performance at Mail in the Netherlands

Health and safety of our people, partners and customers always come first

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If we then go to slide number 3, to look at the high-level Q1 results, which we already communicated in the trading update of April 26, we see a very strong performance.

Strong earnings performance continued

FY outlook for normalised EBIT at least €250m, with free cash flow expected to be above €225m

- Strong operational performance at Parcels continued with 108m parcels delivered (+61.6%), partly non-recurring due to lockdown
- Strong result at Mail in the Netherlands mainly based on non-recurring mail items and favourable development in price/mix; underlying volume decline due to substitution continued

Key financial metrics

(in € million)	Q1 2020	Q1 2021
Revenue	701	962
Normalised EBIT	15	130
Free cash flow	5	159
Normalised comprehensive income	30	112

- 7% improvement in CO_2 efficiency of PostNL's own fleet compared with FY 2020

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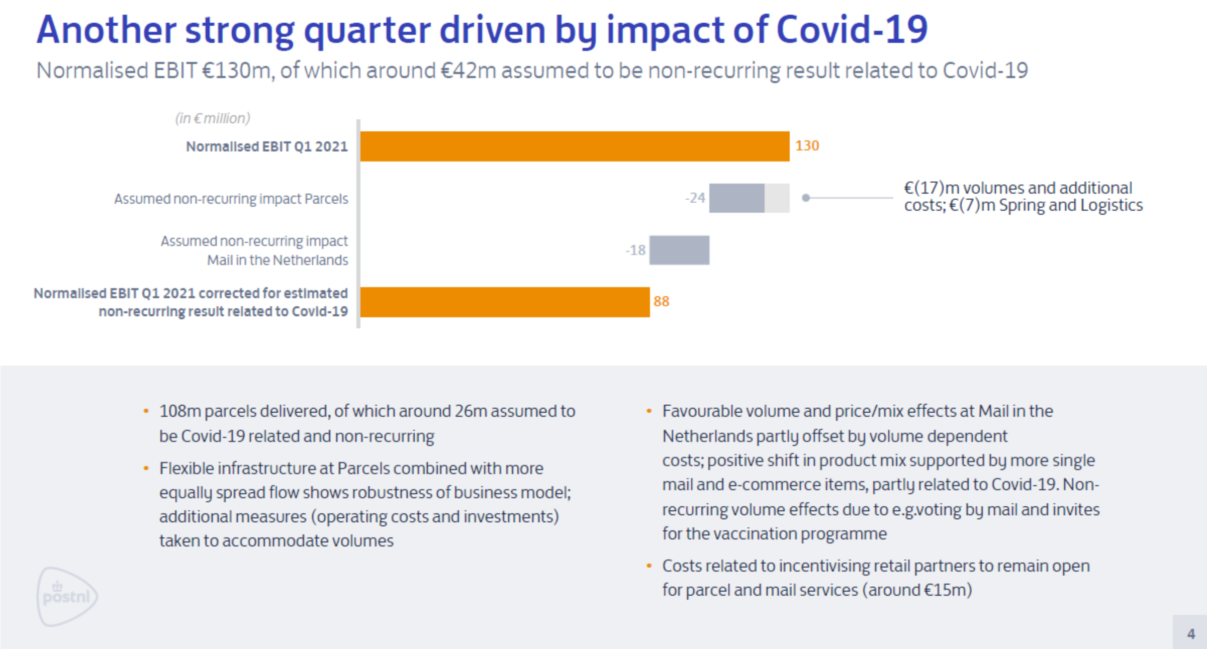
As mentioned, we delivered a record number of parcels in one quarter, with 108 million parcels delivered, which is a volume growth of nearly 62% across all segments and products. If we were to exclude the non-recurring Covid-impact out of that volume of roughly 26 million pieces, the underlying volume growth is still 23%, which around about that number is also our full year expectation of volume growth at Parcels.

Performance at Mail in the Netherlands was strong as well, mainly due to the impact of some non-recurring mailings like elections, vaccination programs and a very favourable price/mix development. The underlying volume decline due to substitution continues and was roughly 6% but is more favourable than the 8% to 10% volume decline that we indicated before.

The resulted in revenue that was up EUR 261 million to EUR 962 million for the quarter and normalised EBIT coming in at EUR 130 million, EUR 115 million more than last year.

Last, but definitely not least, we continue to work hard towards our long-term objectives of emission-free last-mile delivery in the Benelux. With greater use of renewable fuels and further electrification of our fleet, we have improved our CO_2-emission index by 7% in the quarter.

Based on this strong performance in the quarter, we raised our outlook for 2021 on April 26, with now normalised EBIT expected to be at least EUR 250 million for the year and free cash flow to come in above EUR 225 million.



On the next slide, if we look at the EUR 130 million, we are going to look closer at the non-recurring Covid-19 effects. Within the quarter, we assume around EUR 42 million of non-recurring Covid-contribution.

The non-recurring impact for Parcels is assumed to be EUR 17 million, which is on a like-for-like basis calculated as the 2020 Covid -impact, which is driven by additional volumes due to the lockdown of non-essential stores and thus take into account also the additional cost to accommodate the additional volume. The other EUR 7 million within the Parcels segment is driven by Spring and Logistics, that is also partially non-recurring related to Covid.

If we then look at the Mail in the Netherlands component of it, which is EUR 18 million, we see this as the result of non-recurring volume and positive price/mix driven by higher single items.

These results include the additional costs and investments made to accommodate the additional volumes as well as the incentive payments paid to non-essential retail stores to ensure that they were able to keep their stores open, which was EUR 15 million in the quarter, roughly split into EUR 11 million in Parcels and EUR 4 million in Mail.

Q1 2021

Business and financial performance

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Now let's look into a little bit more detail into the performance of each segment and to begin with on slide 6.

61.6% volume growth boosted result at Parcels

Record level of parcels delivered thanks to flexible infrastructure and additional measures

	Revenue	Normalised EBIT	Volumes
Q1 2021	€662m	€92m	108m +61.6%
Q1 2020	€414m	€26m	67m

Revenue mix

(in € million)	Q1 2020	Q1 2021
Parcels Netherlands	277	444
Spring	68	145
Logistics solutions and other	81	102
Eliminations	(12)	(30)
Parcels	414	662

Strong revenue growth

- Benefiting from e-commerce growth across all segments and products
  - partly non-recurring and related to the lockdown (around 26m parcels)
  - underlying strong growth trend in e-commerce since the outbreak of Covid-19; volume growth excluding non-recurring parcels was ~ 23%
- Slightly negative price/mix effect with better pricing more than offset by mix effects in line with expectations
- Spring: strong growth in Asia and Europe (partially related to increasing internal revenue). Currently, around 70% of revenue at Spring is e-commerce related
- Revenue growth at Logistics due to healthy e-commerce growth

Normalised EBIT up €67m; around €24m of Q1 result 2021 is assumed to be non-recurring

- Good operational leverage
  - efficient capacity utilisation
  - partially offset by higher hit rate and lower drop duplication
- Ongoing good performance at both Spring and Logistics driven by revenue growth and efficiency
- Expansion of capacity is on track

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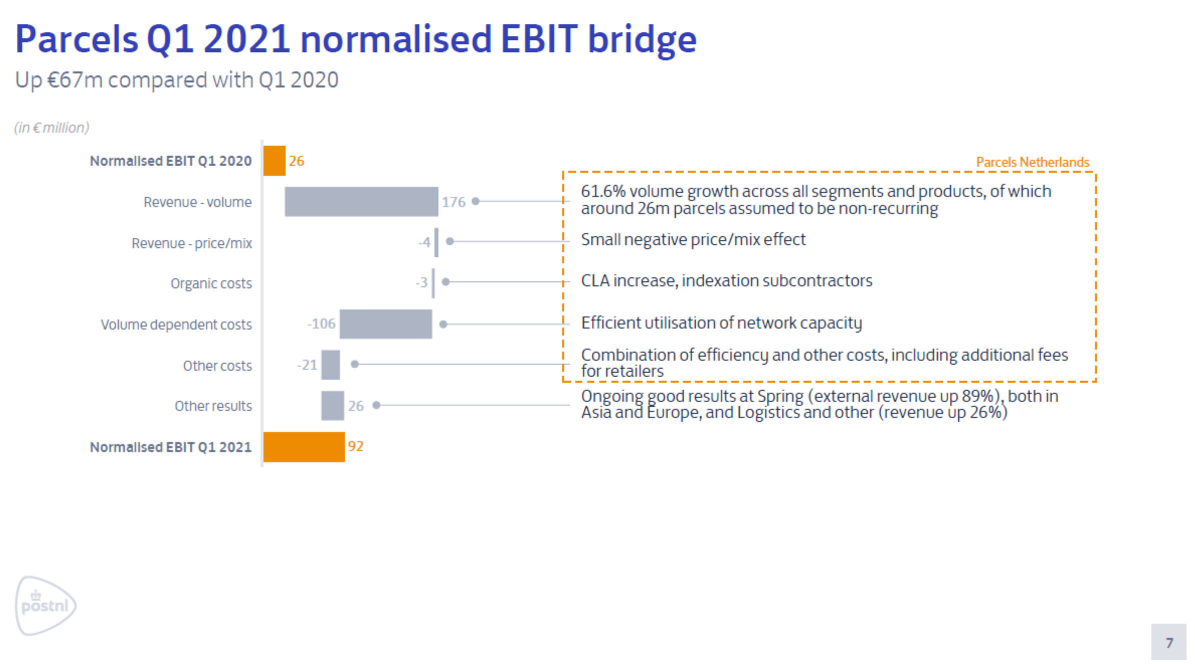
Parcels has benefited from strong e-commerce growth, growth that we believe will remain on a very high pace going forward as well. Parcels reported growth of more than 61% and as said, if you take out the EUR 26 million non-recurring Covid volume within the quarter, that is still a 23% growth rate ex non-recurring Covid.

We see a very strong performance of Spring and Logistics, also on the back of strong cross-border e-commerce growth, predominantly driven by growth on the trade lanes from Asia to the Netherlands, as well as e-commerce growth in Europe at large.

Building on our flexible infrastructure and through efficient use of capacity, this resulted in revenues of EUR 662 million, which is a EUR 248 million increase versus last year, and a normalised EBIT at EUR 92 million, which is EUR 67 million higher than last year. As you might have expected, we have seen a higher hit rate and a lower drop duplication.

When looking forward, we are on track by expanding our capacity to capture future growth as planned. We will open new sorting facilities as well as the small parcel sorting centre in the second half of the year.



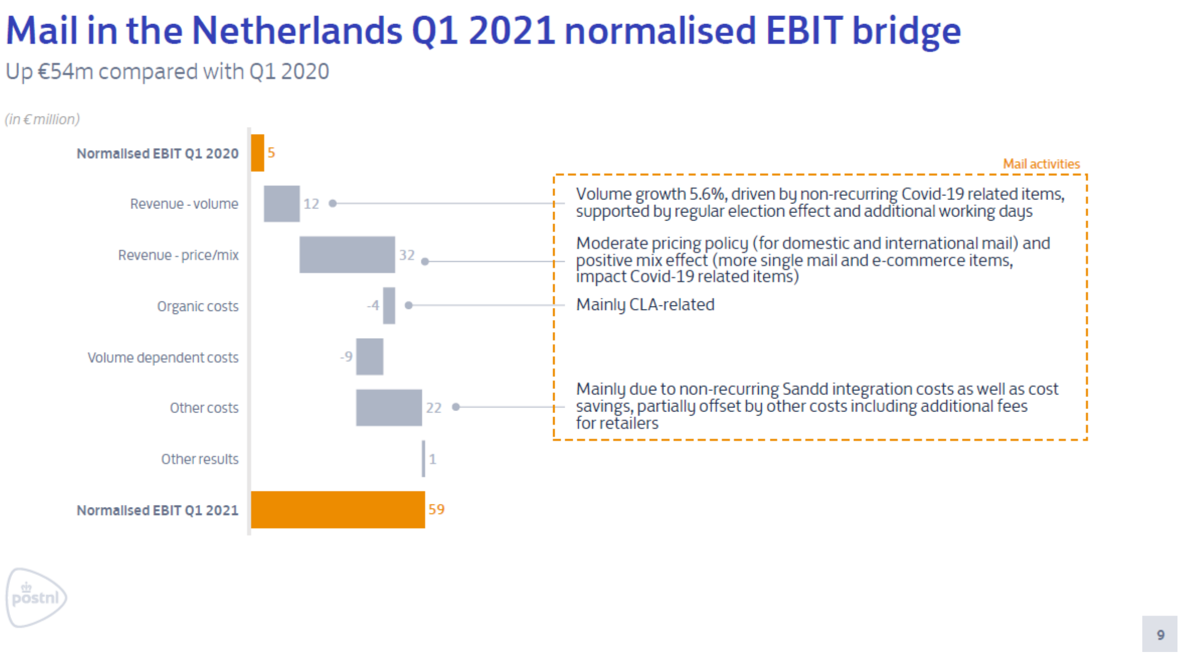
On slide 7, you will find the bridge that is by now pretty familiar, I think, for you, which shows the normalised EBIT for the first quarter at EUR 92 million, EUR 67 million more than last year. The increase is mainly driven by the volume growth that we already discussed before, then a small negative price/mix effect also in line with what we earlier indicated, regular CLA increases and volume-dependent costs that relate to the volume growth.

The biggest component in other cost is the additional fees paid for the retailers, as said, roughly EUR 11 million for Parcels and in other results, you see the very good performance of Spring and Logistics. On that note, it is important to understand that we do not expect such a big delta in Spring and Logistics for the quarters to follow, but a very strong performance by these two group companies as well.

If we then move over to the Mail business on slide 8. Like at Parcels, performance at Mail was very strong. Overall, mail volumes were up in Q1 2021 compared to last year, which is obviously very special. The increase is supported by a couple of large non-recurring mailings, for example, voting by mail and invites for the vaccination program. We see the underlying trend in volume decline continue at a substitution rate of around 6% this quarter. We also expect, given the original indication, 8% to 10% volume decline to be better than that 8% to 10%. In other words, a slightly lower volume decline number than indicated before. Important to understand that from that 6% volume growth, 4.5% relates to non-recurring Covid- volume, 3.8% regular elections and there were three more working days in the first quarter that account for 3.4%.

Important to note, for the quarters to come is that the three additional working days will reverse themselves in the fourth quarter. There, we will have three working days less.

Also, performance was significantly impacted by a very positive price/mix effect, a favourable shift in product mix, more single items, more e-commerce items and the regular moderate price increases that were partly offset by higher volume-dependent costs. This, as well as the decline in other costs, was mainly driven by the integration of Sandd last year and achieved cost savings resulted in revenues at Mail in the Netherlands of EUR 466 million, EUR 72 million more than last year and a normalised EBIT of EUR 59 million, which is EUR 54 million higher than last year.



Now let's look at the bridge for Mail in the Netherlands, from EUR 5 million to EUR 59 million normalised EBIT in the quarter. You see the volume, in fact, being positive here this quarter, obviously impacted by non-recurring Covid-volumes, a positive price/mix effect, as said, both in terms of product mix, more single items, e-commerce items, for both domestic and international mail flows, regular CLA indexation of all independent costs in line with volume growth and in other costs there, the plus EUR 22 million, you see a benefit of roughly EUR 20 million in comparison to last year related to Sandd integration costs. So, also a very strong performance of Mail in the Netherlands this quarter.

Results PostNL Q1 2021

Result PostNL Other mainly driven by higher pension expenses

	Revenue		Normalised EBIT	
(in € million)	Q1 2020	Q1 2021	Q1 2020	Q1 2021
Parcels	414	662	26	92
Mail in the Netherlands	395	466	5	59
PostNL Other	26	48	(15)	(21)
Intercompany	(133)	(214)		
PostNL	**701**	**962**	**15**	**130**

Note: Normalised figures exclude one-offs in Q1 2021 (€(18)m) and in Q1 2020 (€17m)

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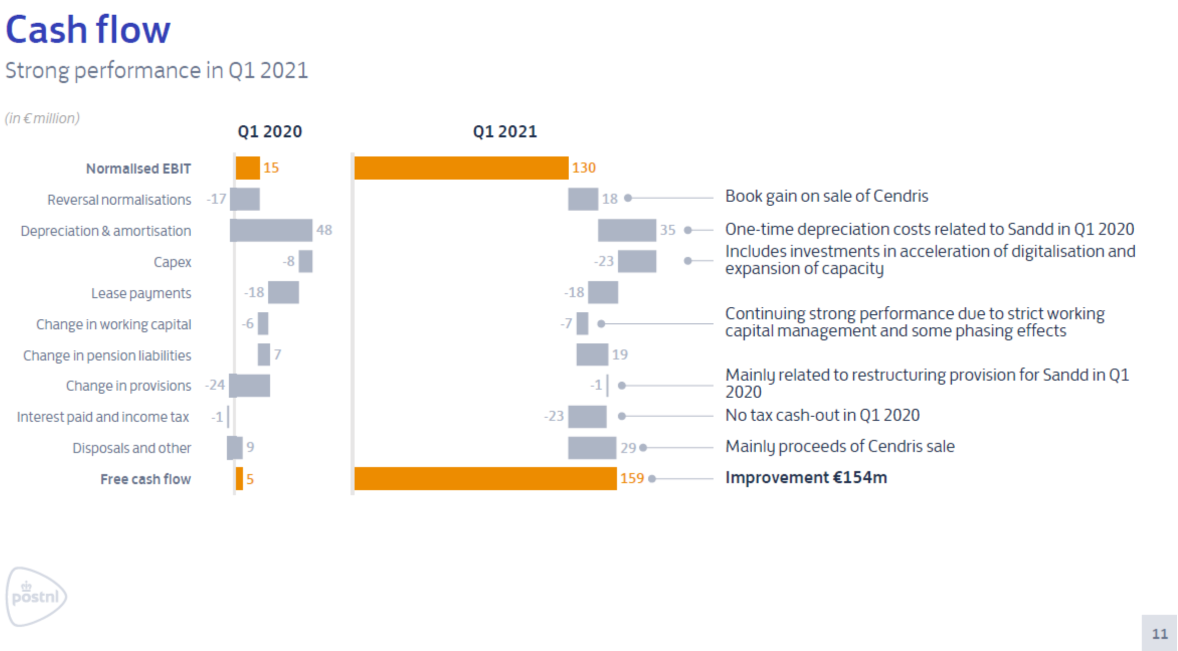
On slide 10, only briefly there, you see the overall performance, including the PostNL Other segment and basically, the point there is that in PostNL Other, the delta in comparison to last year is the delta in relation to the pension expense, which will recur in the next quarter like we reported it in this quarter.



Now having covered the normalised EBIT metric, now let's look at our second key financial metric being the cash flow. In the first quarter, we have realised a free cash flow of EUR 159 million, which is an increase compared to the first quarter of 2020 by more than EUR 154 million, which is, to a large extent, driven by higher normalised EBIT. Also, here, we see the impact of the sale of Cendris in the first quarter of this year and the book profit is here included in the normalisations and the proceeds of the sale are included in the disposals at the lower end of this bridge.

Working capital still strong in comparison to last year. We are paying taxes in the first quarter of 2021, whilst we did not do so in the first quarter of 2020. All in all, a very strong cash performance in the quarter as well.

Strong financial position

Adjusted net debt at €224m

(in € million)	3 April 2021		3 April 2021
Intangible fixed assets	342	*Consolidated equity*	*369*
Property, plant and equipment	370	*Non-controlling interests*	*2*
Right-of-use assets	237	Total equity	372
Other non-current assets	44	Pension liabilities	86
Other current assets	508	Long-term debt	696
Cash	843	Long-term lease liabilities	224
Assets classified as held for sale	12	Other non-current liabilities	60
		Short-term lease liabilities	61
		Other current liabilities	856
Total assets	**2,355**	**Total equity & liabilities**	**2,355**

- Adjusted net debt is €224m: 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 2021: €149m (Q1 2020: €10m)
- Total normalised comprehensive income Q1 2021: €112m (Q1 2020: €30m)

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Obviously, that then helps our balance sheet, which is on slide 12, and we are looking at a very strong financial position. Adjusted net debt currently is at EUR 224 million. Equity increased to EUR 369 million, obviously reflected by a net profit of EUR 136 million and a EUR 14 million positive impact from pensions net of cash.

Total comprehensive income amounted to EUR 149 million. Normalised comprehensive income amounted to EUR 112 million. The delta between those are the normalisations to EBIT related to the sale of Cendris as well as profits from discontinued on the back of the sale of Nexive towards Poste Italiane. That leads to an adjusted net debt position of EUR 224 million compared to EUR 407 million at the end of 2020.

Q1 2021

Digital Next

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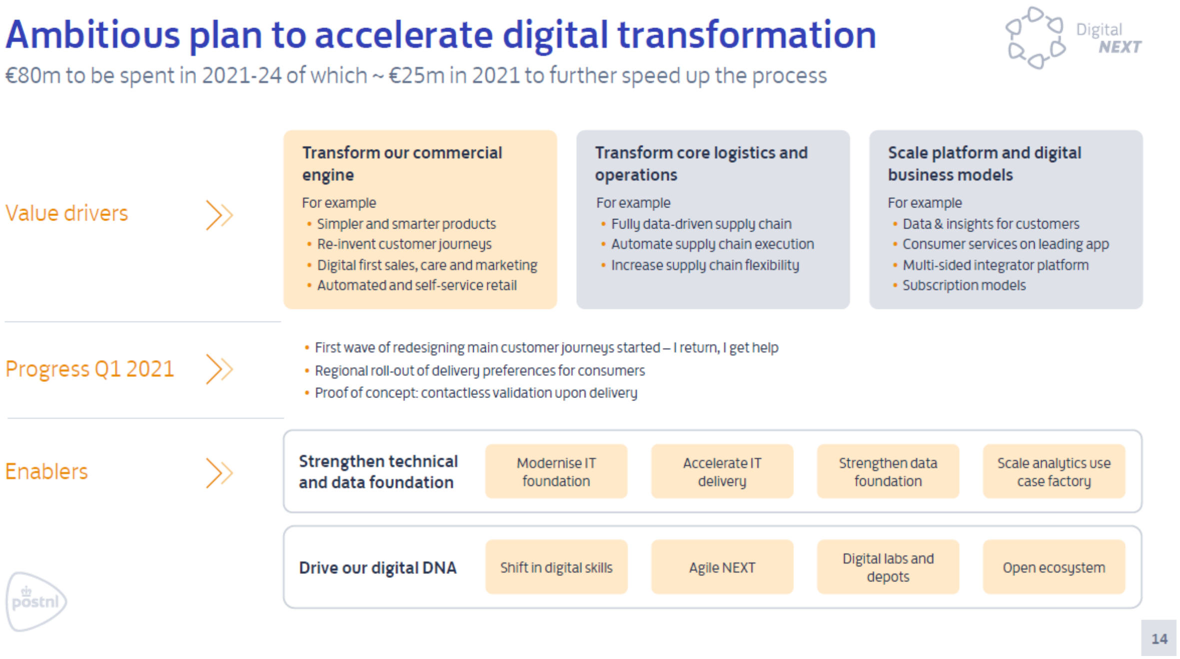
That brings us to Digital Next. Digitalisation is one of our key strategic pillars, and we have announced that we will further accelerate digitalisation over the next two to three years, where we aim to strengthen our competitive position, contribute to our customer satisfaction, reduce our cost base and attract new customers.



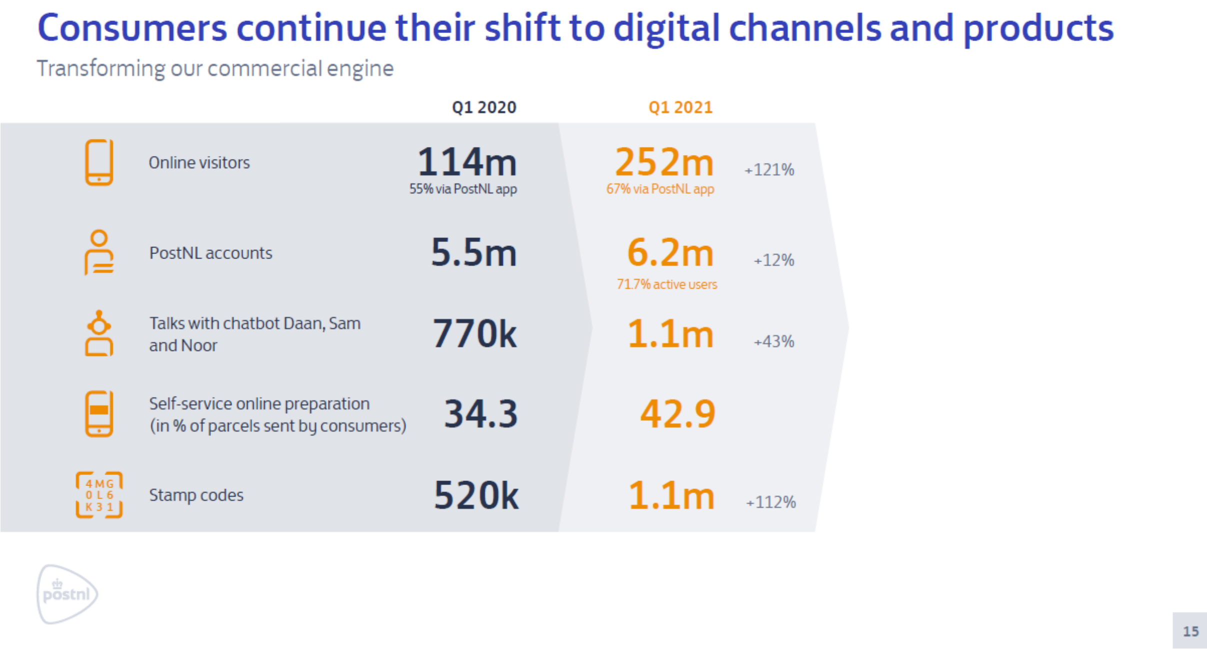
On slide 14 you see the key components, the key value drivers and enablers of the digitalisation program, which we expect to spend EUR 80 million on in the years 2021 towards 2024, with obviously the first part being in 2021, which we have accelerated a little bit towards EUR 25 million of spend in 2021.

If you look at the key components of Digital, it is about transforming our commercial engine, transforming our core logistical and operational processes and scaling our digital platform. What we have to report on progress is that, since the launch, which was March 1, we have started up new journey teams and particularly, we are starting the redesign of our main customer journeys, I return and I get help, which are crucial e-commerce-related journeys.

Furthermore, we have rolled out delivery preferences for consumers in specific regions, a feature based on our app that is widely used among the consumers. By filling the specific preferences for delivery, we expect to further improve customer satisfaction, while at the same time, it will also help creating a more efficient delivery process.

We intend to organise a deep-dive session on transforming our commercial engine in June and invitations for that deep-dive session will follow in the next few days after today.

As a last example of the many things that we are doing, we are currently piloting contactless validation upon delivery. The purpose is to identify the receiver of a parcel by contactless, connecting his or her mobile phone with the device of the deliverer. This way we can, for example, do necessary age checks automatically. These are just a few examples, and the first elements we started off since March 1.



On slide 15, you see some other indicators of the speeding up of our digital transformation. We have a few interesting figures. The number of online visitors has significantly increased in comparison to last year to 252 million.

The number of PostNL account that are being used has increased by 12%. We currently have 6.2 million accounts. Talks with chatbot Daan further increased and also, our stamp codes keep on growing.

So, good progress is being made and we are looking forward to further accelerate this Digital Next program.

Q1 2021

2021 outlook and guidance

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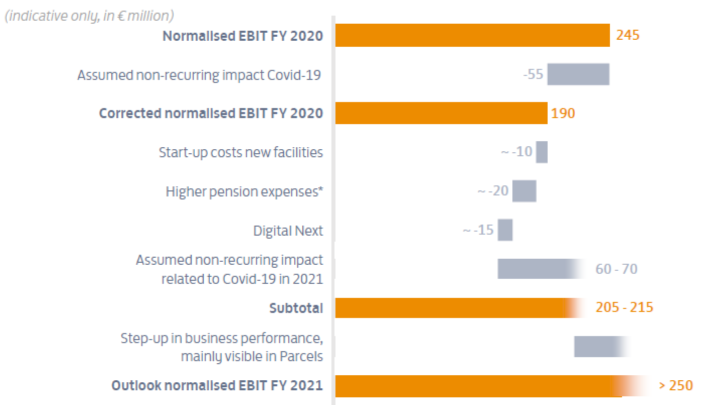
Now let’s look at our 2021 outlook and guidance section of the presentation. It is important to look at slide 17 by spending a fair amount of time explaining how we look at the performance.

Outlook for normalised EBIT FY 2021 revised to > €250m

Significant improvement in business performance expected, mainly visible in Parcels



Assumptions for 2021

- Overperformance in Q1 is mainly explained by:
  - better result thanks to lockdown that lasted longer than expected
  - better performance at Spring and Logistics
  - some incidentals in the quarter
- Structural performance improvement, mainly visible in Parcels
- Exact consequences of changes in lockdown remain uncertain
- Speed up costs for Digital Next
- Other assumptions unchanged

*Non-cash; higher service costs due to lower discount rate, balanced by higher actuarial gains within other comprehensive income

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For now, we expect the full year 2021 normalised EBIT to amount to at least EUR 250 million, based on the strong performance of the first quarter and further improvement of the business performance that we have seen.

Let me start at the top. The normalised EBIT full year 2020 was EUR 245 million, of which EUR 55 million was non-recurring Covid-19 impact. That led to a base of EUR 190 million at the start of the year.

There are three components that we have shared with you before and that are important to note. We are opening up new facilities and roughly EUR 10 million of additional cost is expected for that, there are EUR 20 million higher pension expenses in comparison to last year and we have introduced Digital Next, which will also have negative cost consequences of around EUR 15 million within 2020. Then you can add roughly EUR 60 million – to EUR 70 million of non-recurring Covid-19 impact in 2021. Currently, as per Q1, we are at EUR 42 million. We expect that to grow to EUR 60 million – EUR 70 million and that additional component will materialise in the second quarter of 2021. That leads to a subtotal of EUR 205 million – EUR 215 million and given the fact that we have set the full year outlook at least EUR 250 million, the difference between those is at least the step-up in business performance that we expect, which will be mainly visible in Parcels.

2021 outlook and other main financial indicators

(in €million)

	2020	2020 corrected for assumed non-recurring impact Covid-19	2021 outlook	2021 outlook (revised)	remarks
Outlook					
Normalised EBIT	**245**	190	205-225	**> 250**	including ~(30) to (35) for digital NEXT and increase in non-cash pension expenses
Free cash flow*	**186**		200-230	**> 225**	including ~(20) to (25) for digital NEXT
Other main financial indicators			**2021 indicative**		
Capex	(78)		(140) - (160)		
Changes in pension liabilities**	(166)		~ 55		Δ pension expense and pension cash contribution
Normalised comprehensive income	197		~ 200	> 225	developing in line with normalised EBIT

** Cash flow before dividend, acquisitions, redemption bonds/other financing activities, after payment of leases;*
*** Including payment for settlement of transitional plans of €200m in 2020 and €16m in 2021*

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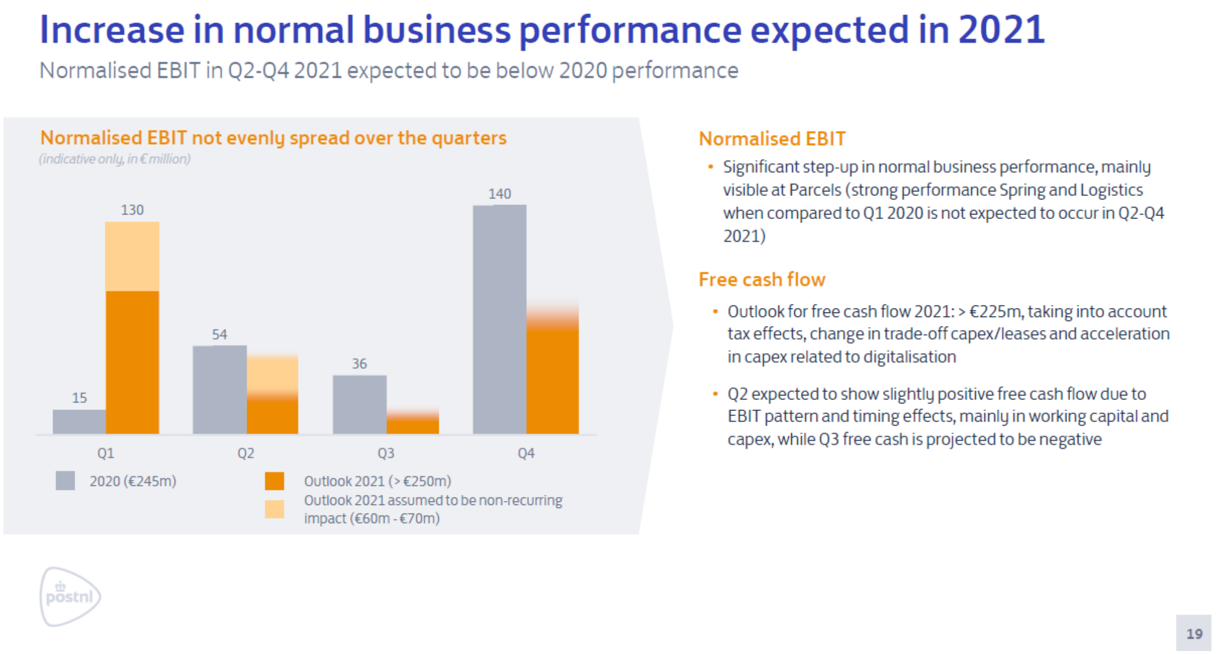
On slide 18, you see the outlook. Normalised EBIT is at least EUR 250 million, including EUR 30 million – EUR 35 million for the Digital Next and the increase in non-cash pension expense. We expect free cash flow to be at least EUR 225 million, including EUR 20 million – EUR 25 million for Digital Next.

The step-up in EBIT is not directly followed by an equal step-up in free cash flow. We are accelerating a little bit of the digitalisation Capex. Further, we may make a few trade-offs between Capex and leases, resulting in a slightly higher Capex for 2021 as well as slightly higher tax effects on the back of higher profits.

On Capex, the original indication was EUR 140 million – EUR 160 million and it is fair to assume that we will end up at the high end of this range. I think also very important to note is that the normalised comprehensive income that we guided before at around EUR 200 million will be at least EUR 225 million. As you know, the normalised comprehensive income is the basis for our dividend policy, which means that 70% – 90% of that normalised comprehensive income will be the basis for our dividends. So, a step-up of normalised comprehensive income is a positive sign on the expected dividend proceeds over the book year 2021.



On slide 19, you will find the phasing over the next quarters and as said, we expect a step-up in normal business performance for 2021, mainly visible in Parcels.

If you look at the quarters, Q2 will be more or less comparable to last year as a part of the additional Covid-19 effect, from EUR 42 million towards EUR 60 million to EUR 70 million will materialise itself in Q2. For Q3 and Q4, we expect a lower profit than last year. Obviously, the fourth quarter in 2020 was the biggest quarter where we had the biggest component of non-recurring Covid-effect in 2020 and, as I said before, we will have three working days less in the fourth quarter of 2021 in comparison to 2020.

If we look at cash flow, Q2 is expected to show slightly positive free cash flow while Q3 is expected to be negative. This has to do with the phasing of the EBIT pattern, but also the step-up in Capex-spend in the second part of the year in comparison to the first part of the year.

That brings me to the end of the presentation on slide 20, maybe with a few concluding remarks before we open up for Q&A. We truly believe that we are very well positioned for future growth and aim to deliver an attractive return to our shareholders. This we do by balancing the volume and value strategy at Parcels while expanding our capacity to capture further e-commerce growth through the delivery and capturing of full synergies of the consolidation with Sandd and intensifying our cost-saving projects. Next to that, the acceleration of our digital transformation will help us grow our business as well. In the first quarter, we have delivered exceptional performance that was partly non-recurring, but also underlying very strong.

Based on this strong quarterly result and the expected improvement in business performance, we now expect fully normalised EBIT to be at least EUR 250 million and free cash flow to come in above EUR 225 million.

Going forward, visibility remains limited. The exact consequences of the changes in the lockdown now that the non-essential stores have reopened is still difficult to predict.

On that note, thank you so far. Jochem, back to you so that we can open up for Q&A.

Q&A

Q1 2021 Results

→ Deep-dive into the acceleration of our digital transformation on 7 June 2021

→ You will be invited!

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* **David Kerstens – Jefferies**

Good morning, everybody. Three questions, please. First, on Mail and the volume trends. What is driving the 6% underlying substitution in Mail? Is that partly because there are still more greeting cards or is that seen as a Covid-effect? And do you now see that you have seen probably the worst in terms of e-substitution in the Netherlands? Then on Parcels. I heard you say that you are expecting 23% volume growth for the full year, in line with the first quarter. I assume that is on an underlying basis. Is that a step-up in your guidance? I think, previously, you were guiding for 10% - 12% from a reported basis. I do not think that gives me exactly the same number, probably about 2% or 3% higher than what you were saying before.

Then the second question is on your EBIT guidance of at least EUR 250 million. That implies around EUR 120 million for the remainder of the year. If you then add back the extra cost that you highlighted for Pensions, Digital Next start- up costs for new facilities, you will get to at least EUR 160 million. That compares to around EUR 230 million in the prior year, down about 30% year-over-year. That seems quite cautious in comparison to what some of your peers have said last week. Can you comment on what the reason is for that? Is it because you are much more exposed to Parcels and benefited much stronger in 2020 that you expect a much larger step-down for the remainder of the year?

Finally, looking at 2022. I appreciate the new starting point is EUR 185 million. Should we then add around EUR 40 million for normal business performance as you anticipate for 2021 and then additional Digital Next investments, maybe offset by lower pension expense on the back of a higher discount rate? Can you give an indication of what that impact would be based on today's discount rates, please?

Herna Verhagen – CEO PostNL: Let me take question one, the question around the underlying substitution within Mail. I think the underlying substitution is driven by the normal substitution we see every year. The reason why it is positive is slightly because of single mail items as cards – but that is very little – mainly in the first quarter, because of the special mailings we did for vaccinations, but for example, also the fact that elderly people, the 70-plus people in the Netherlands could vote by mail. For the year 2021, we expect that volume decline will be a little bit better than the bandwidth of 8% -- 10%. If you think about 2022, it is not what we expect going forward. So, we do not see a breaking point or a point in the substitution level we see going forward. But for the year 2021, it is slightly more positive. Is the 23% volume growth of Parcels slightly higher than the reported basis? The answer is yes.

Pim Berendsen – CFO PostNL: Maybe on that last point, I did not say 23% for the full year, but around that number, so 20% to 23% roughly. That is the indication I have given there.

David Kerstens – Jefferies: And that is on a normalised basis, excluding the one-off parcels in 2020?

Pim Berendsen – CFO PostNL: Yes.

Your third question to the at least EUR 250 million. There are a few components. If you look at the first quarter it is important to note that the other results – the delta in Spring and Logistics – will not materialise in the next quarters in the same way we saw in the first quarter. In the second part of the year 2021, you see a step-up in the cost base because of the new facilities opening up, the Digital Next acceleration and also, let's not forget that Q4 2020 had roughly EUR 40 million out of the EUR 50 million of non-recurring Covid-effect. As you know, we do not expect non-recurring Covid-effects beyond Q2 of 2021 in our assumptions, leading up to the at least EUR 250 million for 2021.

You were very quick in your fourth point, David. So, I am trying to…

David Kerstens – Jefferies: Yes, that was about the outlook of 2022.

Pim Berendsen – CFO PostNL: Yes, the midpoint between EUR 60 million and EUR 70 million of the at least EUR 250 million, that is the starting point of how you will go into 2020. Is that your question?

David Kerstens – Jefferies: Yes, So, EUR 185 million as starting point, and then you add the normal business performance, which you are saying is at least EUR 40 million this year. So, if you assume similar type of growth in 2022, you get to EUR 225 million.

Pim Berendsen – CFO PostNL: Then you have the pension effect. At the moment we have not calculated it. We always define the non-cash pension expenses at the end of the year. Discount rates have increased and indexation also. So roughly, you would say that if there is a development, it would be a little bit of a positive development on the pension expense side, but we have not calculated it. Of course, bear in mind that we have indicated before a step-up in Digital Next cost also from 2021 towards 2022 that you need to take into account as well.

David Kerstens – Jefferies: That makes sense. Thank you very much.

- **Mark Zwartsenburg – ING**

Good morning. My first question is around Spring. I saw on the bridge – Spring and Logistic, so to speak, everything outside parcels – there was EUR 26 million uplift versus last year. Can you give us an indication of what the EBIT was in Q1 last year? Assuming it is a little bit positive, if I then look at the drop-through from revenues to your EBIT, it seems that the drop-through is not different from what we have seen in Q4 2020, although in 2020 we had far more irregular increase in volumes with the peak holiday season in there. So, I assume that there would be far more extra costs, tamping power put in Q4, than the more gradual volume spread through the quarter in Q1. So, is there anything in terms of extra cost in Q1 already from Digital Next or another explanation why the drop-through is not higher? Following up on that, the EUR 17 million indicated as the one-off effect from Covid in Q1 in Parcels, is it then indeed the proxy that each month there is around at EUR 5 million – EUR 6 million additional EBIT in Parcels? Is this then also the number we should use for Q2 for the month of April?

And then on Mail. Could you give us a bit more feel for vaccination letter impact you expect for Q2 in terms of volumes? We already discussed the Mail guidance, slightly better than the minus 8% to 10%. What kind of assumption of the vaccination letter impact is in that number?

And then lastly, the volumes for Parcels in April on a working-day basis, can you give us a bit more colour there? In Q4 and also at the start of this year, we were probably running at 1.5 million a day; is that still the same sort of number for April during the Covid-lockdown?

Pim Berendsen – CFO PostNL: Thank you, Mark. I am trying to follow the speed at which you fired off your questions.

Mark Zwartsenburg – ING: I am happy to repeat them!

Pim Berendsen – CFO PostNL: I know. The first question was on Spring and Logistics. Spring and Logistics of course have different volume patterns than our domestic networks per se. So, not all Spring volumes hit our domestic networks because they are cross-border mail but also in between European countries and from Asia to other destinations than the Netherlands. So, there is not that much of a fundamental difference in valuation and volume development between those two. If you look at the actual contribution in the quarter, we have seen from Spring also driven by Covid, additional volume on several trade lanes on particularly big foreign e-commerce web shops like, for instance, AliExpress and Joom and what have you. We have looked at it from a domestic point of view and they seem partially to be nonrecurring.

The profit of the first quarter of that together was EUR 5 million – EUR 7 million plus or something like that.

Then on your second question.

Mark Zwartsenburg – ING: Sorry to interrupt, Pim. EUR 5 million – 7 million was last year? Is that what you are saying?

Pim Berendsen – CFO PostNL: Yes.

Herna Verhagen – CEO PostNL: Yes, Q1 2020.

Mark Zwartsenburg – ING: Clear.

Pim Berendsen – CFO PostNL: Then the EUR 17 million in Parcels. That is the impact not within the Parcels segment but what we would now call our domestic parcel business. That EUR 17 million is of course influenced by the EUR 11 million additional compensation to non-essential retail stores and also some additional costs to cater for the additional volume. That is the way to look at it. So, from EUR 17 million, you need to add back the compensation to non-essential stores and then divide it by 3 if you want to end up with a proxy of what roughly an additional month of Covid contributes.

Herna Verhagen – CEO PostNL: And then take into account as well that the opening of stores changed a little bit over the month in the first quarter. Your question was also about the drop-through of revenue to EBIT that is not equal. One of the reasons is the retail cost that we had in Q1 to a bigger extent than in Q4.

Mark Zwartsenburg – ING: Thank you.

Pim Berendsen – CFO PostNL: Your questions 3 and 4 are related to the vaccination impact, both in terms of Q2 as well as on the full year guidance on volume decline. From the EUR 42 million to EUR 60 million to EUR 70 million non-recurring Covid effect, the delta from EUR 42 million to EUR 60 million to EUR 70 million, is expected to materialise in Q2. Part of that relates to the vaccination programs where we expect around 8 million of pieces to be distributed for this purpose in the second quarter. That is also together with roughly 1.5 million, which is already in the first quarter the amount of volume we now currently expect for the total vaccination program into our full year expectation. We do not expect additional vaccination mail in Q3 and Q4.

Herna Verhagen – CEO PostNL: Hopefully not! For many reasons!

Mark Zwartsenburg – ING: Indeed! Thank you very much.

Pim Berendsen – CFO PostNL: You also asked for the run rate of April for Parcels. That is not materially different from the run rate in Q1. We yet have to see the impact from the opening up of the stores again. As we discussed before, we did not see a material impact of click-and-collect on the volume developments, but it is still too early days to say anything about the volume development since the stores have opened up. Also, it is May holiday season and there are some bank holidays in it as well. So, we have to wait and see a bit throughout the second quarter what the implications of opening up the stores will be for our growth rates. So, the run rate not materially different than in the first quarter.

Mark Zwartsenburg – ING: That is all. Thank you very much.

- **Lotte Timmermans – ABN AMRO-ODDO**

Two questions from me. First, on the non-recurring items in Parcels. Could you help me understand how you identify them as non-recurring? I think we discussed a couple of quarters ago about the computer, mouses, and other working-from-home equipment. How do you in fact identify them now? Because that seems somewhat more difficult currently.

My second question is on your balance sheet. In my view, it is very healthy. I know you do not publish it on a quarterly basis, but could you say something about the leverage ratio? Additionally, on this question as well, the maximum leverage ratio is 2, but what would you see as a healthy leverage ratio to identify additional excess cash?

Herna Verhagen – CEO PostNL: On your first one and the non-recurring parcel items. We had a full lockdown in the first quarter of this year and that means that lots of the volume for which you normally go to a store you were not able to buy in a store and you had to order online. So, it is relatively easy to define what non-recurring is and what not and that has to do with the fact that you exactly do know which shops are closed. That is how we identified it. When it comes to mail items, it is, of course, closely related to Covid when it comes to vaccination mailings and also when it comes to the voting material for the elderly people in the Netherlands.

Lotte Timmermans – ABN AMRO-ODDO: Can I ask a follow-up on that one? So basically, if the stores close, so say, H&M is closed, then all the parcels are viewed as non-recurring?

Pim Berendsen – CFO PostNL: No, no. What we have done last time around is that you take the normal growth rate of the market. There are different lenses but let's look at the overall growth rate in the market. Another lens is the client's expectations. Then you see a step-up in these growth rates at lockdown. Let's assume for arguments' sake it is 10% growth. You see a step up from 10% to 12% on the back of a lockdown. What we then say is that the 10%-12% is non-recurring.

Lotte Timmermans – ABN AMRO-ODDO: That is clear. But this could then also be a shift towards e-commerce in total as well, so structural?

Pim Berendsen – CFO PostNL: To simplify it again, let's say 8% - 10% growth because of the fact that online has gained market share from offline. That is a structural component and then from 10% to 12% because of lockdown is what we call non-recurring Covid in this example.

Lotte Timmermans – ABN AMRO-ODDO: That is clear.

Pim Berendsen – CFO PostNL: Then on your second question, the balance sheet. I must admit that I have not calculated the leverage ratio. I would have then looked at the LTM numbers, but certainly below 1. What does a healthy ratio look like? Well, as you know, not exceeding 2. I do not want to be too close to 2 but I would say somewhere between 1.5 and 2 is what I would say healthy. If you remember the capital allocation slide that we discussed on March 1, we will go through the motions by identifying investment opportunities that can further strengthen our competitive position. There will be a little bit of working capital investment required, given the fact that Parcels grows. We will explore bolt-on acquisitions if and when they truly contribute to the value story of PostNL and then over time, we will assess if and to what extent we believe will have excess cash. At that moment in time, we will determine what to do with it. So, it's a bit too early for that if you were to ask me.

Lotte Timmermans – ABN AMRO-ODDO: Thanks. Clear!

- **Ivar Billfalk-Kelly – UBS**

First of all, I will link to Lotte's question in a way. Are you intending to pay interim dividend this year and, if so, what would the timing of that be?

Secondly, you mentioned that your mail and retail benefited from e-commerce as well. Does that take into account the 108 million parcels that you disclosed for the Parcels division? Or does that actually allow for incremental parcels over and above that?

Lastly, I appreciate this is probably very early and far too early for you to comment, but I will try anyway. If you were in a position where you had your Digital Next program fully up and running, what sort of incremental EBIT would you have expected to have seen?

Pim Berendsen – CFO PostNL: Interim dividend: yes, part of our dividend policy is interim dividend and that is one third of the dividend of the previous book year. That is always done in August and we will not deviate from that policy.

Herna Verhagen – CEO PostNL: On the second question, the e-commerce elements within Mail are not part of the 108 million parcels and should also not be added on to that because it is a totally different product. It is a product that fits through the letter box. It does not have track and trace, so you cannot compare the two. But smaller shops also use this possibility to have thicker envelopes, which fit through the letter box without track and trace. But do not add them to the 108 million because it is truly a different product.

Pim Berendsen – CFO PostNL: Your third question was on how big we expect the incremental contribution of Digital Next to be. If you look at the guidance we have given on this point, on March 1, we basically said, over time, we expect to add EUR 80 million – EUR 100 million of profit (note: by 2024) 50-50 split between business performance predominantly from Parcels compensating for the additional pension expenses. The other half is going to be a step-up in profit driven by our Digital Next program.

- **Henk Slotboom – The Idea!**

Good morning. I have a fairly simple question. Lots has been said about mail underlying volumes already. You mentioned the e-commerce-part of it. Has there already been an improvement in direct mail? In the second quarter of last year, you got absolutely hammered because of the standstill in direct mail.

Herna Verhagen – CEO PostNL: You see a slight improvement, Henk, and we did a few big mailings in the first quarter but we have not yet fully recovered. But fortunately, you do see a recovery.

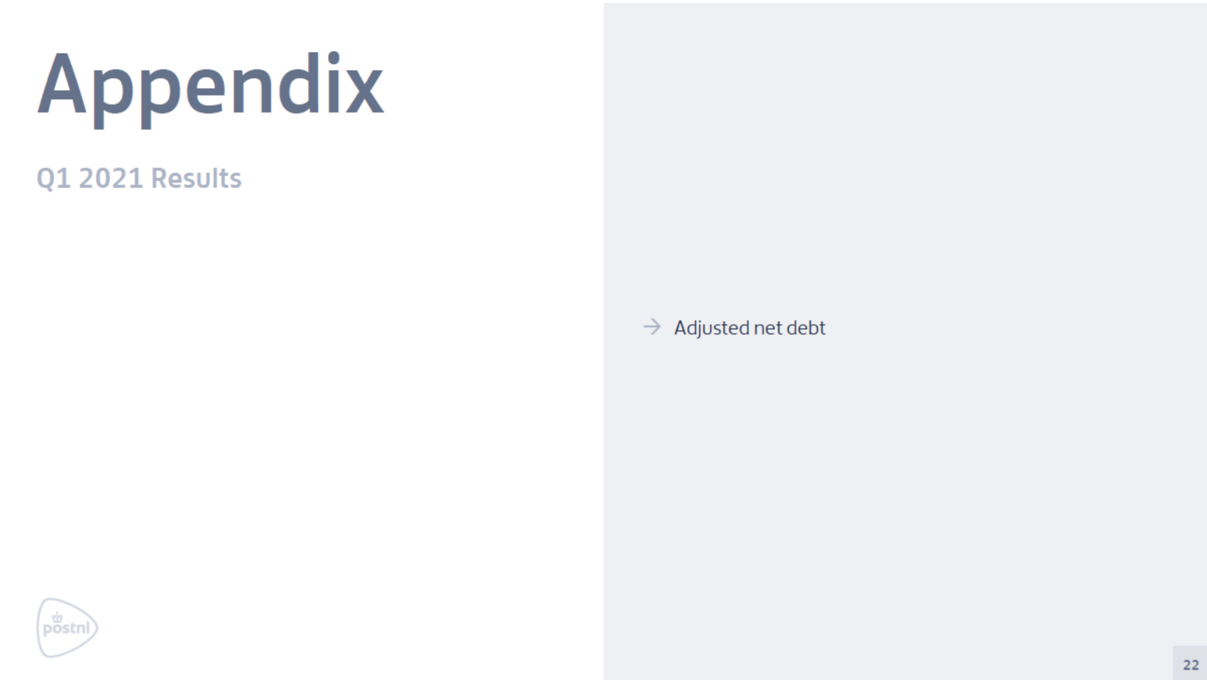
Henk Slotboom – The Idea!: Perhaps a follow-up to that one. If I look at the quantities you are referring to in terms of the vaccination mail – estimated 8 million, you said – and now that the stores have reopened again, normally speaking it should lead to higher direct mail volumes as well. Is it strange to expect another increase in volumes again on a reported basis in the current quarter?

Herna Verhagen – CEO PostNL: If you have looked at the presentation Pim gave, you have to take into account that the positives in the first quarter were also caused by three extra working days, which was more than 3% of volume, with of course the normal election mail – stempassen – which was also almost 3.8%. There were more positive elements in the first quarter, which helped us to positive development growth. We do not expect elections in the second quarter again, we do not have extra working days in the second quarter again. We also do not have the voting mail for the elderly. So, you will have some positives around vaccination, but absolutely not to the extent we have seen them in the first quarter, Henk.

Henk Slotboom – The Idea!: That is a very clear answer. Thank you very much.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: As there are no further questions, I would like to thank you very much for joining us. As Pim already said a moment ago, on June 7, we will organise a deep-dive webcast to look further into the acceleration of our Digital Next program. You can expect our Chief Digital Officer, Bart Delmulle, to go into further details as to what we presented on March 1, and we will also talk about a number of business examples to explain how we plan to accelerate digitalisation. We hope you can all join. Invitations will come your way shortly.

Again, thank you very much, and you know where to find us in case you have further questions. Thanks very much. See you next time.



Adjusted net debt

(in € million)	31 Dec 2020	3 April 2021
Short- and long-term debt	708	714
Long-term interest-bearing assets	(27)	(16)
Cash and cash equivalents	(651)	(843)
Net debt	**31**	**(144)**
Pension liabilities	86	86
Lease liabilities (on balance)	294	285
Lease liabilities (off balance)	66	65
Deferred tax assets on pension and operational lease liabilities	(70)	(68)
Adjusted net debt	**407**	**224**

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