



Q2 & HY 2020 Results  
The Hague, 3 August 2020





**Published by:**

PostNL NV  
Prinses Beatrixlaan 23  
2595 AK The Hague  
The Netherlands

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

Good morning, everyone. Thank you for joining us today. With me in the room are Herna Verhagen, our CEO, and Pim Berendsen, our CFO. We will start with a presentation and after that, they will take your questions. Herna, over to you.

## Q2 & HY 2020 Results

### Key takeaways Q2 & HY 2020

Business review

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**Herna Verhagen – CEO PostNL:** Thank you, Jochem, and thank you for joining us. I would like to start with slide 4.

## Our mail and parcel deliverers provide a vital service to society



### Health and safety for our people and consumers come first

- Proud of our people who made it possible to demonstrate strength of business model under challenging circumstances
- Comprehensive set of measures taken across our business to ensure and safeguard health and safety of our people, partners and customers
  - including contact-free delivery, adjustment of processes and additional hygiene measures
- Sick leave levels among staff in Q2 decreased gradually compared to March 2020 peak, now back to pre-Covid-19 level
- Office-based people predominantly working from home; this accelerated roll-out of digital home-office tools

Comprehensive business continuity plan in place since early March

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On this slide, we make a clear point that we are proud of our people. They delivered a very exceptional performance over the last three to four months, in which we were able to do almost more than 25% more parcels. We have taken a lot of measures immediately after the first Covid-signals in The Netherlands appeared. That gave us a head start. Of course, sick leave increased, especially in the beginning and now we are back to normal levels. We think that the exceptional performance of all our people has in the end delivered exceptional results and those we will present on the next slides.

## Key takeaways Q2 & HY 2020



- Strong performance, driven by volume growth at Parcels
- FY 2020 normalised EBIT expected to be strongly above initially guided €110m - €130m, strong improvement free cash flow



- Normalised EBIT up 38% to €54m in Q2
- Free cash flow Q2 up €86m to €93m



- Scaled up capacity at Parcels within flexible infrastructure by 40% through March and April
- Investments of around €150m (2020-2022) for further expansion Parcels on track
- Realisation of anticipated benefits and synergies of combined mail network ahead of plan



- Progress towards emission-free last-mile delivery in Benelux in 2030
  - Start to replace petrol scooters with electric three-wheel scooters

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Strength of business model under challenging circumstances demonstrated



In slide 5, I take you through the key takeaways of the second quarter and the first half year. We showed a very strong performance, which is driven by the volume growth at Parcels and that delivered a normalised EBIT, which is expected to be for the full year strongly above the initially guided range of EUR 110 million – EUR 130 million. This also brings a strong improvement in free cash flow.

The normalised EBIT in the second quarter is up 38% from EUR 39 million last year Q2 to EUR 54 million this year, with a significant improvement in cash flow of EUR 86 million to a cash flow of EUR 93 million in the second quarter.



We were able to deliver these results because of the scaled-up capacity at Parcels with 40%, which we did by the end of March and April. To be sure that we will be able to also deliver the growth in Parcels we still expect going forward, we keep our investments of around EUR 150 million for the years 2020-2022 to a further expansion of Parcels and we are on track with these.

We are also proud of the realisation of the anticipated benefits and synergies of the combined mail network and we are ahead of plan.

We also showed progress towards emission-free last-mile delivery in the Benelux in 2030 and we started to replace our petrol scooters with electrical three-wheel scooters.

A very strong business model, which demonstrated under very challenging circumstances to be able to deliver the results.

## Key financials and highlights Q2 2020

PostNL reports strong performance

	Revenue	Normalised EBIT	Free cash flow	Outlook normalised EBIT FY 2020
<b>Q2 2020</b>	<b>€789m</b>	<b>€54m</b>	<b>€93m</b>	<b>strongly above</b>
Q2 2019	€681m	€39m	€7m	<b>€110m - €130m*</b>

### Highlights Q2 2020

- Strong volume growth at Parcels boosted result
  - Almost optimum utilisation of capacity
  - Positive price/mix effect
  - Significant improvements in operational efficiency
- Combined mail network ahead of plan in realisation of anticipated benefits and synergies
- Additional mail volume decline and favourable price/mix development in Mail in the Netherlands due to Covid-19
- Strong development free cash flow due to working capital management and phasing over quarters
- Normalised EBIT in Q2 2020 includes €(9) million impact, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

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





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The Q2 result, which we qualify as a strong performance, is achieved in an extraordinary quarter.

Revenue was up 16% with EUR 107 million to EUR 789 million.

The normalised EBIT increased by EUR 15 million and came in at EUR 54 million.

The underlying normalised EBIT is even significantly better and Pim will highlight that in his part of the presentation.

At the same time, we saw a strong improvement of free cash flow that came in at EUR 93 million positive.

We expect full-year normalised EBIT to be strongly above the initially guided range of EUR 110 million – EUR 130 million. Let me add to that that the uncertainties about the duration and severity of the COVID pandemic may impact our ability to achieve these results.

At Parcels since mid-March we see a strong development. Volumes are growing double digit, and this is supported by a positive price/mix effect.

I am also very pleased with the progress of the integration of Sandd, which is ahead of plan, in realising the anticipated benefits and synergies.

Looking at the composition of the mail bag on our mail deliverer since mid-March, we see much more greeting cards. That has a favourable impact on price/mix development. However, we also saw lower direct mail activity, as businesses decided to postpone their marketing efforts resulting in additional volume decline.

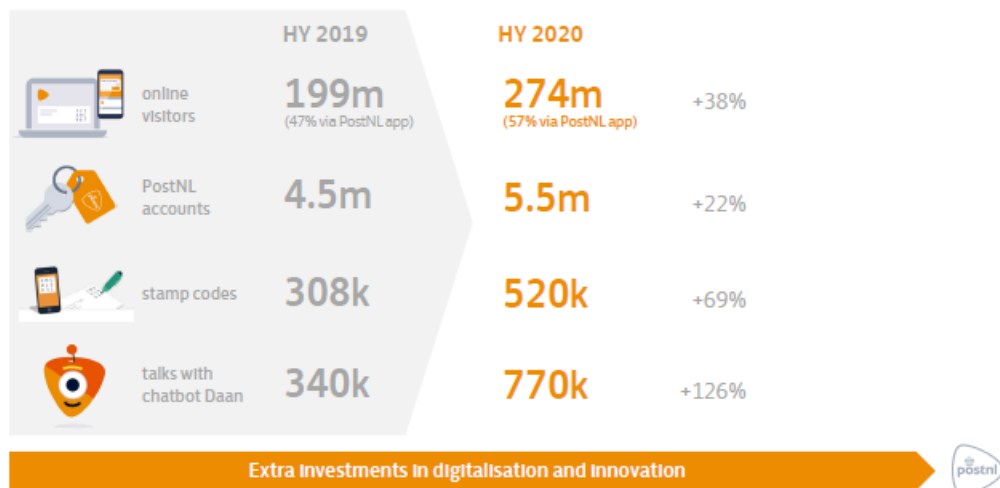
I already discussed the measures taken related to the health and safety guidelines for Covid-19. These had some impact on the cost level in the quarter.



All in all, normalised EBIT for the quarter came in at EUR 54 million. Let me emphasize that this includes higher pension expenses and the impact of new labour regulation, as indicated before.

## Growing importance of digitalisation

Acceleration of transition to online contacts due to Covid-19



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In the second quarter we also saw further growth of the digitisation. This underpins the importance we have given digitisation to our business. Digitisation is one of the pillars of our strategy and this slide shares with you some main developments in the second quarter.

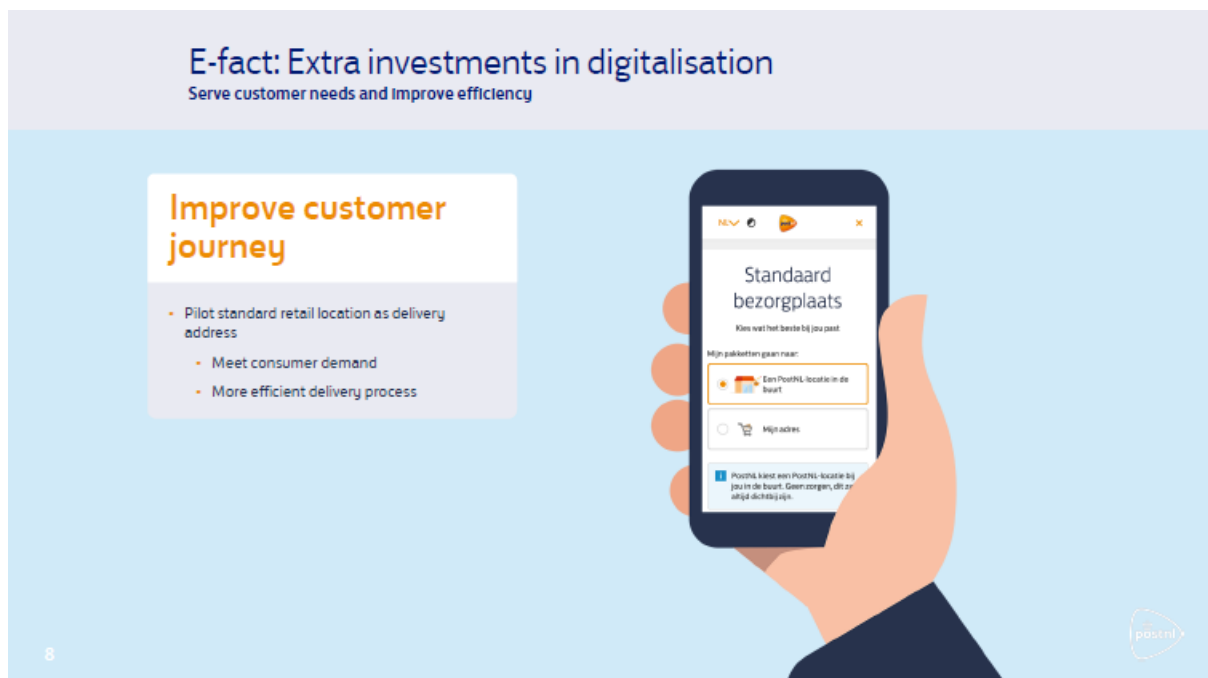
The growing importance of digitalisation helps us in serving our customers and will improve efficiency.

First of all, during the first half of 2020, we had EUR 274 million online visitors, a growth of 38%. Good to mention is that 57% at this moment in time of these visitors reach us via the app. That is a second, very important digital lever for PostNL, the amount of PostNL accounts in our app. It increased by 22% to 5.5 million at this moment in time and it keeps growing with 30,000 unique accounts a week.

We also see very strong growth in one of our latest innovations in mail, the stamp code. It is very often used, 70% more than in the second quarter last year, especially during the Covid-crisis.

And we of course serve lots of people very our chatbot Daan. An enormous increase has been reached in the second quarter.

These developments illustrate the efforts we make to further digitise our business. An acceleration of becoming even more digital remains one of our key priorities for 2020 and the years ahead.



**E-fact: Extra investments in digitalisation**  
Serve customer needs and improve efficiency

**Improve customer journey**

- Pilot standard retail location as delivery address
  - Meet consumer demand
  - More efficient delivery process

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On slide 8, we show you one of the examples. With the extra investments we do in digitisation, we for example offer to customers the opportunity to get their parcels standard delivered at a different location than their home address. It is one of our pilots today and we think that this will meet a new customer demand and a new consumer demand. It is only one of the examples of what we have done over the last half year to further digitise our business.





## Q2 & HY 2020 Results

Key takeaways Q2 & HY 2020

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Let's go into more details of what happened in our business segments in the first half year and especially in the second quarter.

## Parcels: Volume growth boosted normalised EBIT in extraordinary quarter

	Revenue	Normalised EBIT	Volume growth	Revenue mix
<b>Q2 2020</b>	<b>€516m</b>	<b>€60m</b>	<b>24.8%</b>	
Q2 2019	€402m	€29m		

#### Strong revenue growth

- Covid-19 crisis resulted in pick-up in e-commerce growth
  - Acceleration of transition to online
  - More first-time buyers online and share of existing medium and heavy online shoppers increased
  - Part of growth related to specific, non-recurring, consumer spending
- Visible across almost all segments and products, especially growth amongst small and mid-sized webshops
- Positive impact yield measures (including improved pricing)
- Very strong revenue growth in Spring (Asia and Europe) related to e-commerce growth

#### Almost optimum utilisation of capacity

- Scaled up capacity by 40% through March and April
- Significant improvements in operational efficiency mainly due to more equal flow across the week
- Improving business performance at both Logistics and Spring

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We see that volume growth boosted the normalised EBIT in an extraordinary quarter. We see strong revenue growth, partly because of the fact that Covid-19 resulted in extra growth in e-commerce and partly, because we see that growth is with big customers but also with small and mid-sized webshops, which has a positive impact on our yield. Next to that, we have taken lots of yield measures, as we presented last year in May 2019. We see very strong revenue growth in Spring (Asia and Europe) and we think the acceleration we see in e-commerce will be maintained until the end of the year. All in all, volume growth was 24.8% in the second quarter. There was high growth in April and May and around 18% growth in the month of June. This delivered more than a doubling of the normalised EBIT: EUR 29 million in Q2 2019 to EUR 60 million in Q2 2020.

Next to scaling up the capacity by 40%, which enabled us to deliver all those parcels, it was an enormous help that we had an almost equal flow across the week, which is different from a normal pattern. This helped us enormously in winning efficiency.

Next to that, we saw improving business performance both in Logistics and in Spring. All in all, an extraordinary quarter with very good results within Parcels.

## Parcels: Better balance between volume and capacity

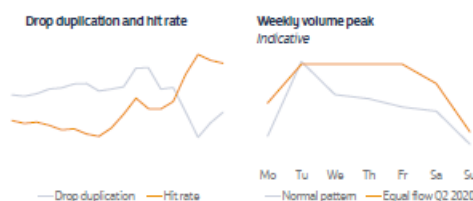
Investments in capacity around €150m 2020-2022

### Significant improvement in yield management and operational efficiency

- Yield management measures including improved pricing
- Better peak balancing of volumes; more equal flow
- Improved hit rate because people working at home more
- Lower drop duplication due to less deliveries 2B

### Further investments in infrastructure

- Scaled up capacity by 40% through March and April
- New cross-dock location in Zaltbommel
- Innovative sorting centre for small parcels on track for opening in 2021
- Opening new depots (Belgium and the Netherlands) in 2021
- Additional joint fulfilment centre with bol.com in 2021
- Further expansion of retail network and introduction self service proposition





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On slide 11, we come back to an earlier promise where we said we wanted to reach a better balance between volume and capacity. The strong volume growth drives higher efficiency and also margin growth. The significant improvement in yield management and operational efficiency was partly because of the growth in small and medium business accounts and partly because of price measures, which were already taken in 2019, but also because of equal flow and an improved hit rate. More people are working from home, which gave us the opportunity to deliver parcels at home much more frequently than we were used to.

The flexible infrastructure we have built over the last few years gave us the opportunity to scale up our capacity with 40% in almost four weeks. We added also new cross-dock locations, for example in Zaltbommel to enable us to deliver all parcels necessary.

We will continue to expand capacity also in the second half year of 2020 and we will follow up our investment programme of around EUR 150 million, which we will spend in the years 2020 – 2022 to increase our capacity also further on, for example by opening our innovative sorting center for small parcels, which is on track and will be opened in 2021. But also, two new depots, one in Belgium and one in the Netherlands. One additional joined fulfilment center together with bol, also in 2021 and a further expansion of our retail network and the introduction of self-service propositions.

Yield management together with operational measures, a flexible network and of course very flexible and dedicated people delivered a very good business performance.



## Mail in the Netherlands: Result impacted by additional volume decline related to Covid-19

	Revenue	Normalised EBIT	Net contribution of Sandd in normalised EBIT	Addressed mail volume decline
Q2 2020	€393m	€5m	€15m	16.2%*
Q2 2019	€380m	€17m		

### Covid-19 crisis resulted in additional volume decline

- Volume decline 16.2%\*, with some recovery visible in June
  - Additional substitution due to Covid-19 (around 5%): more greetings cards, but lower direct mail activity
  - Limited impact from competition
  - Impact of elections in 2019 (1.9%)

### Performance marked by additional volume decline, price increases and the combination of mail networks

- Impact annual price increases based on moderate pricing policy
- Some additional costs (high absence level and social distancing / health measures) related to Covid-19
- Realisation of anticipated benefits and synergies of combined mail network ahead of plan: €15 million in Q2
- Sale of PCS and Spotta, and discontinued distribution of unaddressed mail

\*Adjusted volume decline (two working days less): 15.0%; starting point for volume decline: 2019 pro forma volume including Sandd volumes

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The result in Mail in the Netherlands is impacted by the additional volume decline related to Covid19. Here, you see that within Mail in the Netherlands we have a revenue increase from EUR 380 million last year to EUR 393 million this year. That is the integration of Sandd, and it is also because of a positive price/mix effect and of course we also lost revenue because of the volume decline. Volume decline was 16.2%.

We did an additional substitution due to Covid of around 5% and we see impact of elections, which we had in 2019 and that we do not have at this moment in time, which is a 1.9% impact. If you deduct that, it means that volume decline is still within the bandwidth of 8%-10%, which is our normal substitution rate.

Our normalised EBIT was EUR 5 million, which is EUR 12 million lower than last year. This includes a realisation of our benefits and synergies of the combination of the mail networks, which is ahead of plan, where we realised in Q2 EUR 15 million. Over the first half year of 2020, we realised in net benefits and synergies a total amount of EUR 20 million. We have to take into account that we sold PCS and Spotta and we also discontinued the distribution of unaddressed mail. The net contribution of Sandd in normalised EBIT was EUR 15 million. It is


ahead of plan, and we will highlight a little bit of where we are in the integration on the next slide.

## Combination of mail networks

Keeping mail delivery accessible, reliable and affordable in increasingly digitalising environment


  

Integrated networks of PostNL and Sandd



- Consolidation on 22 October 2019

Secure sustainable and more stable mail business




- Networks fully integrated as of 1 February
- Physical infrastructure of Sandd closed down:
  - vehicles sold
  - mail boxes and other branded equipment removed
  - buildings no longer in use
- Further integration costs in HY2 2020 very limited

Related attention points

- Agreement with union FNV for compensation former Sandd mail deliverers
- Dutch government and PostNL have appealed court decision that annulled earlier approval granted for consolidation

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Ahead of plan in delivering anticipated benefits and synergies – run-rate €50m - €60m as of 2022

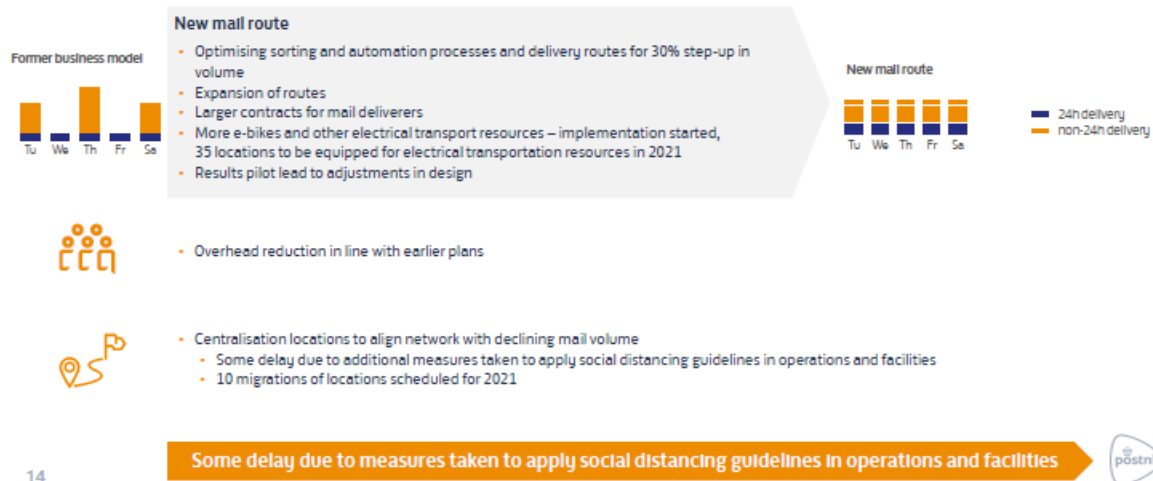


We did the acquisition of Sandd in October 2019. By that time, we already had a very detailed and well-prepared implementation and integration plan. We immediately started the integration of the two networks, which we finalised on February 1 this year. So already since February 1, we have two fully integrated networks. The integration was necessary to make sure that we could maintain quality going forward and that we could maintain a good and reachable network in the whole of the Netherlands. Next to that, we closed down the physical infrastructure of Sandd. We ended lease contracts for cars, scooters, et cetera. And that means that the full integration costs in the second half year of 2020 are very limited.

Next to the integration of the two networks, we also laid attention to certain points, which we still had to do, for example, an agreement with the union FNV for compensation of former Sandd mail deliverers. The Dutch government and PostNL have appealed against the court decision that annulled the earlier approval granted for consolidation.

I would summarise it as we are ahead of plan and delivering the anticipated benefits and synergies with a run rate of EUR 50 million to EUR 60 million as of 2022. And as said, we are ahead of plan for that.

## Further implementation cost savings projects in 2020-2021



On slide 14, we talk about cost saving projects. As we said when we did the acquisition of Sandd, we had a certain delay in cost saving projects because we had to do the integration first. That had some delay on our cost savings. That is what we see in the numbers in the first half year, but also in the numbers of the second half year.

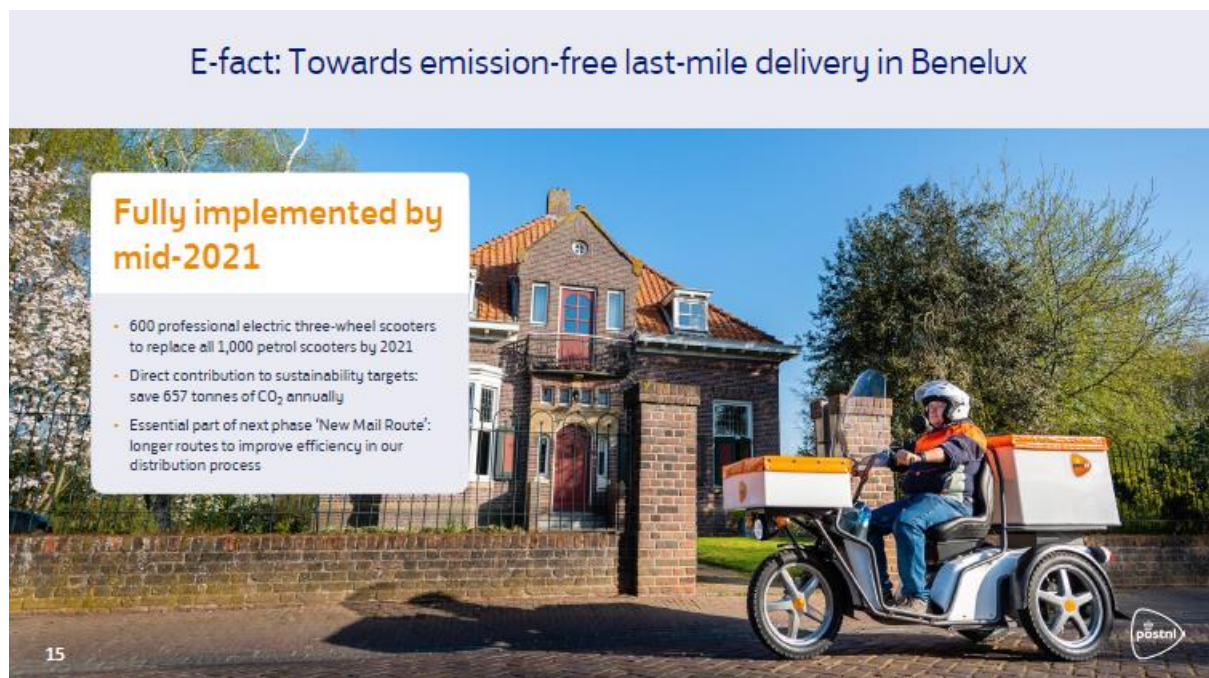
Secondly, we see that Covid has an impact on cost savings. One example, which is a little bit more difficult because of the social distancing we have to maintain, is the closing of our distribution locations and then the centralisation to our sorting locations. At this moment in time there is limited possibility. So there, we have a little delay in our cost savings.

The new mail route remains to be a very important step going forward. And there, we see an optimisation of sorting and automation processes and also with a 30% step-up in volume. We see expansion of routes, we see larger contracts for our mail deliverer, which remains to be

important also for our employees. We will use more e-bikes in here, and the results of the pilot have led to adjustments in the design. Of course, we will continue with the overhead reduction, which is still in line with the earlier plans.

There is some delay due to the measures taken to apply social distancing guidelines in operations and facilities, and that will be seen especially in the second half year of 2020.

**E-fact: Towards emission-free last-mile delivery in Benelux**








**Fully implemented by mid-2021**

- 600 professional electric three-wheel scooters to replace all 1,000 petrol scooters by 2021
- Direct contribution to sustainability targets: save 657 tonnes of CO<sub>2</sub> annually
- Essential part of next phase 'New Mail Route': longer routes to improve efficiency in our distribution process

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An example of those electrical scooters issue is what you find on slide 15. There you see the E-fact: Towards emission-free-last-mile delivery in the Benelux. It will be fully implemented by the midst of 2021. It will save tons in CO<sub>2</sub> annually, and it is also an important part of our new mail route, where our mail deliverers will have longer delivery routes. These vehicles will enable them to take all the mail which they have to deliver with them. The first vehicles are driving now in the Netherlands, and people are proud to drive an electrical scooter of PostNL.

## Outlook FY 2020

		Volume development 2020	
		HY1	HY2
	<ul style="list-style-type: none"> <li>Volume growth at Parcels expected to continue at more moderate pace than in Q2</li> <li>Our capacity will be scaled up further to accommodate higher volumes towards the second half of the year</li> </ul>	14.1%	
	<ul style="list-style-type: none"> <li>Higher pace of substitution mail volumes due to Covid-19 expected to slow down</li> <li>Successful combination of mail networks</li> <li>Some delay in cost savings initiatives</li> </ul>	-14.4%	
	<ul style="list-style-type: none"> <li>FY 2020 normalised EBIT expected to be strongly above €110m - €130m</li> <li>Strong improvement in free cash flow</li> <li>Uncertainties around the global impact of Covid-19 seem to increase</li> </ul>		

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Confidence in ability to deliver very solid FY 2020 performance



Then over to slide 16, where we give you an outlook for the full year 2020. We expect further volume growth at Parcels at a more moderate pace than in Q2. The angle or the arrow gives you an indication of what we think the second half year will look like if you compare it to the first half year. We will scale up our capacity further to accommodate the higher volumes towards the second half of the year.

Within Mail, we expect substitution because of Covid-19 to slow down. We expect also to be successful in the combination of the mail networks and realise, as said, our benefits and synergies, and we see some delay in cost-saving initiatives because of the Sandd integration and a delay because of COVID-19.

The sum of all these together will deliver a normalised EBIT for the full-year 2020 that is expected to be strongly above the EUR 110 million to EUR 130 million, which translates also in a strong improvement in cash flow. Again, we have to say is that the uncertainties around the global impact of Covid-19 seem to increase and also create some uncertainty. All in all, we are confident in our ability to deliver a very solid full-year 2020 performance.





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And for the financial overview for the second quarter and half year 2020, I will hand over to Pim.

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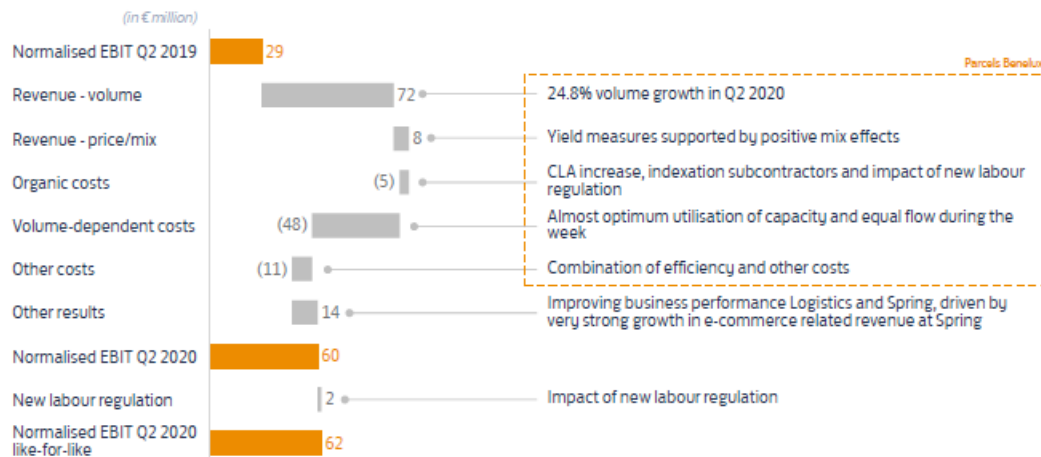
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**Pim Berendsen – CFO PostNL:** Thank you, Herna. Now let's look at some of the financial details in, indeed, what has been an extraordinary quarter for PostNL on very many accounts.



## Parcels: Normalised EBIT up €31m



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If you look at slide 18, we will see the reconciliation of Parcels' results, actually nearly doubling the results in the quarter from EUR 29 million normalised EBIT last year to EUR 60 million normalised EBIT in this year. And if you adjust for the new labour regulation, EUR 2 million, like-for-like, it is actually EUR 62 million for the quarter. To a large extent that is driven by the increase in revenue because of the 24.8% volume growth but next to that the yield measures and the mix effects in customer base have supported the overall revenue and profit development.

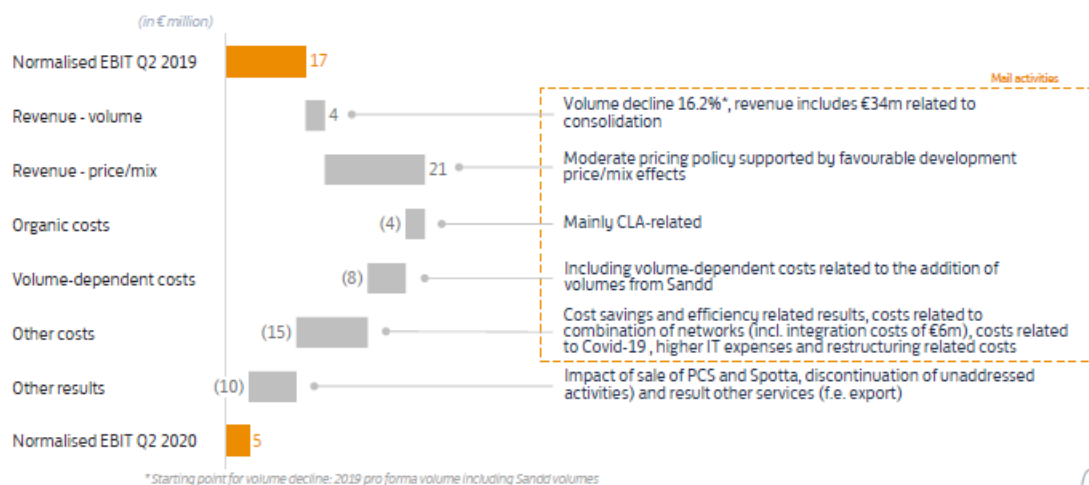
Organic costs are as expected, and volume dependent cost are a function, together with the other cost of the efficiency levels Herna talked about and include some efficiency improvements as well as additional IT and retail costs to accommodate the higher volume growth. They also include a slightly lower performance of International because of lower import streams also due to Covid-19.

'Other result' is EUR 14 million up. This is, to a large extent, driven by a higher and better performance of both Spring and our Logistic solutions parts and it includes a EUR 4 million impairment of the fair value adjustment of the intangibles of PS Nachtdistributie, which is one



of the parts of our Logistics business. All in all, a very good performance of Parcels in this quarter.

### Mail in the Netherlands: Normalised EBIT development impacted by Covid-19



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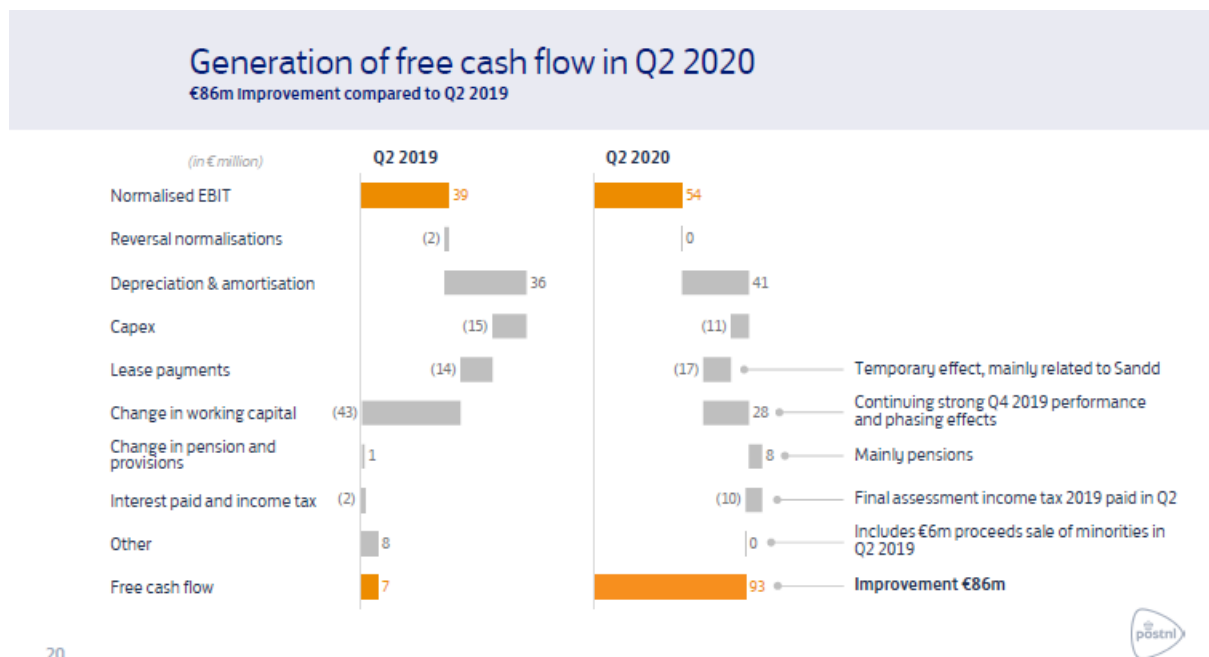
If we then dive into the normalised EBIT development of Mail in the Netherlands on slide 19. Normalised EBIT came down from EUR 17 million to EUR 5 million in the quarter. As Herna already said, this includes EUR 15 million of synergies as a consequence of the integration of the networks of Sandd. This development is heavily influenced by the additional consolidation revenues, being EUR 34 million in the quarter, but obviously also by the 16.2% volume decline, of which roughly 3% relates to elections and working day effects, 5% roughly relates to the Covid-19 acceleration of volume decline, which we have seen in the direct marketing arena, where bigger retailers have postponed their campaigns.

If we look at the June developments, we already see an improvement on this level, particularly direct mail volume declining significantly less than the 16% for the full quarter. Of course, we have seen, particularly in March and predominantly in April, a higher level of single items, which in volume developments do not contribute that much, but obviously support the very positive price/mix development of EUR 21 million that you see on this slide.



Organic cost, volume dependent cost, nothing special. If you look at 'Other costs', that is a function of the additional integration cost of Sandd. So, if the net contribution is EUR 15 million, the gross contribution of synergies is EUR 21 million because it includes EUR 6 million of integration costs as well as higher IT expenses and restructuring related costs.

It is also very important to understand in comparison to last year is that we have a spin-off PCS, Spotta and discontinued our unaddressed activities. Slightly more than half of the other result development of this EUR 10 million relates to PCS, Spotta and unaddressed. The other half relates to other parts of the segment Mail in the Netherlands, amongst others are direct marketing, so online marketing activities as well as our international business that have declined in comparison to last year.



Then we move to the second key metric, the free cash flow development in this quarter. There, we see a very strong improvement in comparison to last year. We have ended the quarter on a EUR 93 million cash flow generation, which is EUR 86 million more than the same quarter last year. There are a few important elements that I would like to address.



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If you look at the level of capex in this quarter, and actually, if you look at the level of capex in the first half of the year, you see it is low, but also as we expected. So, for the remainder of the year, we expect a step-up in capex levels close to the lower end of the bandwidth that we have guided for EUR 100 million and EUR 120 million for the full year. That step-up in capex relates to a large extent to the increase in capacity in Parcels, preparing for 2021, being the small parcel sorting center, Belgium, cross-docks as well as investments to accommodate the new mail route. So, in comparison to the first half, we will see a big step-up in capex in the second half of the year towards the lower end of the bandwidth of EUR 100 million to EUR 120 million.

If you look at the change in working capital in this quarter, you actually see a release and not an investment in working capital. If you look at that difference between the quarters, you see that half of the difference, so roughly the EUR 35 million, is phasing towards the second part of the year. And again, if we look back at what we have guided for in the beginning of the year, we expect also an improvement in comparison to the roughly EUR 65 million to EUR 75 million investment in working capital that we guided in the beginning of the year, much more closer to how we have ended the year on 2019.

So, we are very happy with the performance of free cash flow, albeit that this quarter is a bit influenced by phasing effects predominantly in working capital. Capex will increase in the second part of the year.

## Pension developments

Coverage ratio (12-month average) pension fund at 105.7% as at 30 June 2020

(in € million)	2019	YE 2020	HY 2020
Provision for pension liabilities	283		278
Pension expense (P&L)	119	~145	73
Regular pension cash contribution	111	~115	53

*Based on final agreement with pension fund*

- Final payment transitional plans capped at €290m (was: €300m)
- Around €85m of this 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

- Pension expense up ~€25m in 2020 as indicated before, visible in normalised EBIT (€(7)m in Q2 2020)
- Impact on equity mitigated by effect in OCI (€(3)m in Q2 2020, mainly phasing)
- Expected impact on cash contributions is limited
- Actual coverage ratio June 2020 is 102.5%; taking into account resilience of pension fund, no top-up payment obligation is expected

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



Now, let's go to pensions. The coverage ratio of the 12-month average of the pension fund was at 105.7% at the end of June. The actual coverage ratio is at 102.5%, which still is above the threshold of the recovery level at 104%. Below the 104%, the resilience of the fund itself will come into play. As such, we do not expect any top-up payments in 2020.

On the right-hand side of the slide, you see reflected the pension agreement that we already shared with you and the market before. So, roughly EUR 100 million lower cash out on pensions, EUR 15 million being the improvement, both in terms of lower transitional pension payments as well as EUR 5 million lower regular contributions. EUR 85 million will be postponed to the later years in five equal instalments. As I said, this is an improvement of partially leverage because it helps us for EUR 15 million in the net debt calculation but from a liquidity point of view, it helps us significantly more than that. And of course, the entitlements of the employees themselves have not been affected.



## Consolidated statement of financial position

Adjusted net debt position end of Q2 2020: €614m

<i>(in € million)</i>	27 Jun 2020		27 Jun 2020
Intangible fixed assets	353	Consolidated equity	28
Property, plant and equipment	398	Non-controlling interests	2
Right-of-use assets	239	Total equity	31
Other non-current assets	99	Pension liabilities	278
Other current assets	444	Long-term debt	695
Cash	573	Long-term lease liabilities	189
Assets classified as held for sale	70	Other non-current liabilities	28
		Short-term lease liabilities	59
		Other current liabilities	813
		Liabilities related to assets classified as held for sale	82
<b>Total assets</b>	<b>2,176</b>	<b>Total equity &amp; liabilities</b>	<b>2,176</b>

- Adjusted net debt is €614m; 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 Q2 2020: €37m (Q2 2019: €(5)m)

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It is important to look at the balance sheet and a couple of points on slide 22. First and foremost, the adjusted net debt by the end of June is EUR 614 million and that came down from EUR 699 million by the end of the first quarter. So, EUR 85 million improvement on the adjusted net debt. If you then take account of the comments, I just made on the free cash flow, the expectation should be that the adjusted net debt will increase towards the end of the year. Now obviously, an increase of EBIT but, as said, an acceleration of the capex spend in the second half of the year and ultimately, a release of working capital in the first half year will change to an investment in working capital for the full year.

Another component to note is that the total comprehensive income for the quarter ended at EUR 37 million. Of course, the comprehensive income is the relevant profit metric for our dividend policy. It is also good to note that the total equity on this balance sheet has turned positive to EUR 31 million from minus EUR 7 million by the end of the first quarter.



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If we then look at the outlook or, more specifically, the attention points for the development of normalised EBIT for the second half of the year, the graph on the right-hand side on slide 24 gives you a relative division of the contribution of the quarters towards the normalised EBIT.



## Attention points development normalised EBIT for HY2 2020

### Covid-19 impact

- Volume growth Parcels to continue at more moderate pace than in Q2; more fluctuation in flow during week
- Higher pace of substitution mail volumes due to Covid-19 expected to slow down in HY2
- Better price/mix expected, but effect in HY2 not as visible as in HY1
- Limited additional costs due to measures and staff absence
- Some delay in cost savings initiatives
- Lower result anticipated international mail

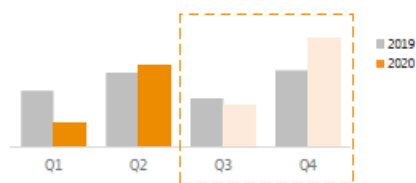
### Other elements in HY2 2020

- Higher pension expense ~€(6)m per quarter in PostNL Other
- New labour regulation ~€(2)m per quarter mainly in Parcels
- Positive contribution from combination of networks and continued substitution in mail; delay in cost savings due to integrated networks
- Discontinuation of non-core activities compared with HY2 2019

### Additional remarks

- Negative contribution of consolidation of Sandd in Q4 2019 (restructuring-related charges and other business effects)

% of normalised EBIT not evenly spread over the quarters  
indicative only



Uncertainties regarding duration and severity of Covid-19 pandemic may impact results



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And there you will see that Q3 will deliver a result which is somewhere below Q2 and higher than Q1. Q4 obviously contributes the most to the normalised EBIT. As we said before, the second half of the year contributes more than half of the results.

It is also important to understand that in Q4 last year, a negative contribution of the consolidation was reported and, as a consequence, you should expect an improvement of the normalised EBIT in Q4 in comparison to last year.

What we have assumed for the volume growth of Parcels is what Herna already talked about. We expect Parcels to continue to grow and to continue to grow at a higher pace than what we see at the half year but slightly lower than the pace that we have seen in Q2. We expect that the additional substitution effect on direct mail as a consequence of Covid-19 will improve. The first sign, the first tell tales were visible in June. We already see some of the bigger direct marketing campaigns coming back, but it is still early days though we expect an improvement of the substitution rate in the second half of the year.



A better price/mix still to be expected, but not as pronounced as we have seen in the first part of the year, predominantly because of the step-up in single items that is returned back to normal on the Mail in the Netherlands side of the business.

Of course, as we have guided for in the beginning of the year, also in the next quarters, you should expect higher pension expenses and higher costs because of the new labour regulation, of roughly EUR 8 million a quarter. And as said, we will continue to deliver upon the synergy ambitions of the integration of the networks but because of Covid-19, we expect a delay in the realisation of some of the cost-saving initiatives at the Mail in the Netherlands side. Yes.

And, if you talk about free cash flow – we talked about that already quite extensively – a step-up in capex and another development of working capital, turning it into an investment rather than a release of working capital.

## Outlook for 2020

Visibility for second half of the year remains limited

(in € million)	Initial outlook FY 2020 (24 Feb 2020)	Outlook FY 2020 agreement transitional plans (2 June 2020)	Outlook FY 2020 trading update (17 June 2020)	Outlook FY 2020 (3 August 2020)
Normalised EBIT	110 – 130	110 – 130	strongly above 110 – 130	<b>strongly above 110 – 130</b>
Free cash flow *	(315) – (285)	(215) – (185)	better than (215) – (185)	<b>strong improvement compared to (215) – (185)</b>

\* Cash flow before dividend, acquisitions, redemption of bonds/other financing activities; after payment of leases

- FY 2020 normalised EBIT to come in strongly above initial guided range of between €110m and €130m
- Free cash flow for FY 2020 is expected to show strong improvement
  - Around €100m related to final agreement on determination and conditions final payment transitional plans
  - Further upside is anticipated as improvement in normalised EBIT above initially guided range will convert into cash
  - Working capital investments should be lower than anticipated due to strict working capital management, more than offsetting effect from higher revenue; strong performance in HY 2020 includes phasing effects

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Confidence in ability to deliver very solid FY performance



If we then go to the outlook for 2020. Visibility for the second half of the year remains limited. If we look around, each and every day we see new developments around Covid-19.



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We are very confident that we will be able to deliver a normalised EBIT strongly above EUR 110 million to EUR 130 million. That strong improvement of EBIT follows through towards the free cash flow in comparison to the EUR 215 million to minus EUR 185 million that we have guided for before.

We are confident of the ability to deliver a very strong performance, albeit that remains a lack of visibility and uncertainty around the implications of Covid-19 for the remainder of the year.

On free cash flow, around EUR 100 million are related to the final agreement on transitional pensions. And as said, only EUR 15 million of that EUR 100 million affect net debt positively. A further upside is anticipated as a consequence of the improved normalised EBIT above the initially guided range that will convert into cash. Working capital investments should be lower than anticipated and guided before by the end of Q4 due to strict working capital management, and also good working capital management offsets the higher revenue developments, predominantly in Parcels as well.

So, a very strong performance in the first half year on very many accounts, both in terms of cash flow, on normalised EBIT, and on comprehensive income. Next to that, we are very happy that we have managed to conclude the agreement with the pension fund and that we have managed to complete the transaction on Nexive. We are confident to be able to deliver strongly above the EUR 110 million to EUR 130 million for the year.

That concludes my part of the presentation. So Jochem, I think we can now open up for Q&A.



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- **Frank Claassen – Degroof Petercam**

Good morning. I have a question on your indicative guidance for Q3 to be below last year. At the same time, you still see very strong growth in Parcels or expect some growth in Parcels. Could you please again talk us through what are the main deltas? Why do you expect Q3 to go down versus last year? That would be helpful.

And then secondly, I noticed that the Nexive deal closed just after balance sheet, 1st July. So, what impact do you expect this transaction will have on net debt? Is it positive or negative?

**Pim Berendsen – CFO PostNL:** To start with the latter, the completion of the transaction of Nexive has been accounted for in these results. As you have seen, there is a fair value adjustment, compensated by the operational losses of Nexive and the combination of those at EUR 3 million to the results. And those positions are reflected both in terms of our P&L and our balance sheet.

**Frank Claassen – Degroof Petercam:** That is clear.

**Pim Berendsen – CFO PostNL:** So that is clear. The fair value adjustment is a function of the way we have constructed the transaction. It has been an asset deal with a slightly more favourable outcome than we originally assumed. If you talk about the split in the outlook, Q3 2019 compared to 2020 is very close to one another, so it is split up percentage-wise. In absolute terms it is almost equal, not to say equal, and of course, we expect an improvement of the 2020 results in comparison to last year. That explains it. Q3 is always a bit slower from a mail perspective, particularly the summer part but in absolute terms, the quarter will be comparable to the quarter last year.

**Frank Claassen – Degroof Petercam:** Do you expect your Parcels to be better and Mail in the Netherlands to be lower? Is that the line of thinking? And what about the pension cost? Can you remind us of that?



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**Pim Berendsen – CFO PostNL:** Pension costs do not change that much over the quarters. In the appendix, you will see how the pension expense and pension cash out developed. The split between the segments for the quarter was not given but obviously, the volume decline of mail will continue and will have its consequences on the development of Mail in the Netherlands.

**Herna Verhagen – CEO PostNL:** On the slide on the outlook we showed you the direction we expect when it comes to volume. And when we talk about Parcels volume, we expect it to be slightly higher than the average of 14.1% of the first half year. Within Mail, we expect volume decline to be a little bit less, and that is because we expect an improvement in direct mail campaigns. But It is not an overnight improvement, and that is what you see in the arrow as well on the full year slide.

**Pim Berendsen – CFO PostNL:** Yes. Maybe back to your pension question: if you look at slide 33, you see the split for the quarter between the pension expense and the pension cash out, which EUR 37 million expense and EUR 24 million cash. That split is roughly a split that is stable over the quarter. So, you expect the same delta in the third quarter.

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

- **David Kerstens – Jefferies**

Good morning Herna, good morning Pim. First, on your mail volume decline. From what I understand from your presentation, it seems it is limited to direct mail only. I think some of your peers have also published already substantial pressure on transactional mail. What do you think explains the difference? Why do you not see that impact in the Netherlands with a lot of people working from home, as you say, driving an acceleration in e-commerce and parcel volume growth? Why do you not see a similar impact on the mail side, but then offsetting that strong parcel volume growth?



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My second question is on the parcel volume growth. You said that June was a bit slower, down to 18%. Do you already have any visibility on the number for July, as I understood from some other postal operators that there might be some delayed effect on the parcel volume after retail reopens? And related to this, in the first quarter, you highlighted that you saw some customers diversifying their supplier base. Is that an effect that still continued during the pandemic or is that currently on hold?

**Herna Verhagen – CEO PostNL:** To your first question I do not know for sure but what could be a difference why in other countries you see much more decline in transactions is that we are much further ahead in the curve of substitution, also when it comes to transaction mail. We are our fifth year of decline of 8% to 10% and many of the countries around us are only starting to have substitution rates, which are 6%, 7% or 8%. That could be an explanation. In our situation, it is mainly Direct Mail, what we see declining due to Covid.

**David Kerstens – Jefferies:** Yes. That makes sense.

**Herna Verhagen – CEO PostNL:** Your second question was on Parcels. Also, in the press release we said that the growth we expect in the second half of 2020 is much more in line with the 18%. So, what we saw in June was much more than what we saw in April and May. Of course, there is the summer season also within Parcels although not that strong as within Mail. This is more or less our expectation for the second half of 2020.

In the first quarter, we talked about customers diversifying but the pandemic showed us there was an enormous volume in the market. We expanded our capacity enormously to do as much delivery as we could in that period of time and still as we can. We said in the first quarter that customers diversified and that is still what we expect it to be.

**David Kerstens – Jefferies:** That is clear. Thank you very much, Herna.



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- **Mark Zwartsenburg – ING**

Good morning Herna, Good morning Pim. My first question is on the free cash flow for the full year. We have a phasing bit of working capital in the second half of EUR 35 million that you mentioned and then you have the capex of – if you go to the lower end of the bandwidth – of around EUR 80 million, if I am correct. But based on your new guidance where would your free cash flow for the full year roughly be? And what kind of range should we think about your free cash flow for the full year? That is my first question.

**Pim Berendsen – CFO PostNL:** You take a different approach, after first and then you think about the full year but that is fine. There are a few components. What I said is that if you turn back the time and look at how we indicatively, at the beginning of the year, explained the free cash flow development in comparison to last year, at that moment in time, we said we would expect a capex of EUR 100 million to EUR 120 million. What I am saying right now is that we will be the lower part of that bandwidth. You make it EUR 80 million, I would say It is closer to the EUR 100 million than to the EUR 80 million.

**Mark Zwartsenburg – ING:** I was referring to the second half.

**Pim Berendsen – CFO PostNL:** Well, then you're right. The change in working capital in the bridge of the cash flow of the quarter, half of that is phasing. So, EUR 35 million, which makes it a working capital of slightly below 0. We expect a further working capital investment from the second half of the year towards the full year, getting close to a full year number that is comparable to the change in working capital that we have seen in 2019. I you take these two components and then also look at the guidance that we give, I am basically saying you should expect a strong improvement on free cash flow compared to the minus EUR 185 million to minus EUR 215 million. That is the guidance. Obviously, we strongly relate to the 20% to 30% improvement in the famous or infamous scale of Mock.





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**Mark Zwartsenburg – ING:** That means that your net debt will be below or well below EUR 700 million at year-end?

**Pim Berendsen – CFO PostNL:** Below or well below, I do not know how you get there. It will certainly increase from the EUR 614 million that we report today.

**Mark Zwartsenburg – ING:** Okay. Then maybe a bit on the phasing of the cost savings you already said about this year, we are a bit behind. How should we think about the phasing of cost savings after 2020, give and take that things move back to normal?

**Herna Verhagen – CEO PostNL:** I think the phasing related to the integration of Sandd did not change.

**Pim Berendsen – CFO PostNL:** No.

**Herna Verhagen – CEO PostNL:** That is still the same. Therefore, it is still according to the tables we showed you around the acquisition of Sandd last year October and also last year February. When it comes to the delay, we see because of Covid, it is partly in the centralisation of our distribution locations and partly in part of the new mail route. We expect to see some of that phasing or delay in the second half year of 2020, maybe a little bit of that in 2021. But in the end, it will be picked up afterwards.

**Pim Berendsen – CFO PostNL:** Just to avoid that we are making this financially too big: the delay that we are talking about in the second part of this year might impact the results a couple of million, but not very much more than that.

**Mark Zwartsenburg – ING:** And then, on the court case of Sandd. You are appealing and the government is appealing. Is there anything you can add in terms of time scales and from what you hear from the government, the position of the minister and the secretary of state; anything you can add which is new and which could give a bit more comfort on that court case?



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**Herna Verhagen – CEO PostNL:** To be honest, nothing to be added what is new. I assume you have read the letter by the state secretary to parliament in June, in which she is referring to her appeal and her possibly taking a new decision. That is the process we are in. We do not know yet how exactly the time frame will be, and we do not know yet at what moment in time we have to bring our ideas around our appeal to court. So, we do not know. That is the honest answer at this moment in time.

- **Henk Slotboom – The Idea!**

I have four questions, if I may. Let's kick off with where Marc ended about the appeal case. I was in the understanding that you were not a party in the first case, after all. So why this involvement right now?

**Herna Verhagen – CEO PostNL:** We were a party in the first case.

**Henk Slotboom – The Idea!:** Okay. Well, that is new for me, in any case. Secondly, you showed some pictures of electrical scooters and those kinds of things, and we have seen experiments in Nijmegen with electrical bikes that obviously are a lot bigger because they can contain up to two containers. Is this the first step towards a further integration of mail and parcel delivery?

**Herna Verhagen – CEO PostNL:** No, I think we discussed the integration of Mail and Parcel delivery earlier and what we said is still valid. In the long run, you will of course see some integration between parcel and mail delivery. First of all, in the outbound areas, but in our view that is really long-term. We are testing in Nijmegen, and we want to make our delivery routes much longer than they are today, especially in the areas where we have less density. And secondly, our mail deliverers have small letter parcels with them, which they have to deliver as well. So, long term, the answer to your question is yes, but it is real long term and first in the non-dense areas in the Netherlands. For the short term, we are much more preparing for our



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new mail route and lengthening the routes, enabling our mail deliverers to do those longer routes with new vehicles, which are also electrical or CO<sub>2</sub>-neutral.

**Henk Slotboom – The Idea!:** Okay. Then an easy one on Parcels in Belgium. Could you indicate how much you grew there in the second quarter in terms of volume?

**Herna Verhagen – CEO PostNL:** Significantly more than we did in the Netherlands.

**Henk Slotboom – The Idea!:** Okay. And then a more longer-term question. You referred to a EUR 150 million investment program, capex program for Parcels for the extension of your capacity there. One of your peers Wouter van Benten recently announced a EUR 125 million step-up in capex. If I translate that correctly, that will add sorting capacity of 50 million parcels a year. You are adding capacity, DPD is adding a new sorting center in Amsterdam. Is this a pig cycle impact or is the market really growing fast enough to accommodate all this additional capacity?

**Herna Verhagen – CEO PostNL:** For me, it is the easiest to answer that question based on our own prognosis of our own volume. We think we need the capacity going forward to indeed fill in the amount of volume we expect from our customers. With the increase in growth you saw during Corona and the fact that we expect that increased growth will continue also in the second half of 2020 we still think that these investments are necessary to further expand our capacity.

**Henk Slotboom – The Idea!:** But you are not afraid that with the size of the sorting capacity DHL is erecting here in the Netherlands it will end up in a battle for larger accounts?

**Herna Verhagen – CEO PostNL:** In the end, I think, larger accounts are choosing for PostNL for many reasons. One of that is quality, one of that is the state of digitisation, the fact that we have 5.5 million consumers in our app, et cetera. So, there are many reasons for customers to choose for PostNL. That is also based upon all those discussions we have with customers; we also made our volume prognosis over the next coming years.



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**Henk Slotboom – The Idea!:** Thank you.

- **Lotte Timmermans – ABN AMRO**

One question on dividend payments, with adjusted net debt and earnings significantly improving and although you just said that adjusted net debt will increase towards the end of the year due to working capital and capex, has your view on the timing of dividend payments changed?

**Pim Berendsen – CFO PostNL:** Well, as we said, when we have announced the transaction of Sandd that we would expect 12 to 24 months to be able to get back to a quality of the balance sheet or leverage ratio that would accommodate dividend payments again. Certainly, this performance brings us much closer to the 12 than the 24. And with each euro the cash flow improves, net debt improves as well. But as you indeed noted, we expect net debt in the second part of the year to increase because of the step-up in investments in capex as well as working capital investments. So, we are getting closer. Whatever we are trying to do is to try to get us back to the state that we have a leverage ratio of below 2 because we truly would like to be able to resume dividend payments as soon as the quality of the balance sheet allows us to do that.

**Lotte Timmermans – ABN AMRO:** And then one question on Parcels. With people returning to work in the Netherlands, what would you expect in efficiency terms? Do you expect the flow to be roughly what it used to be or similar as it was right now?

**Herna Verhagen – CEO PostNL:** I think similar to what we saw in June, which is slightly different from what we saw in April and May. That means that when people are more and more at work, we see a little bit of a drop in the hit rate, that is one. Secondly, with the enormous amount of volume we saw in April and May, we had an equal flow over the days of the week.



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That is what will move back more to normal than what it was in April and May. But still high volume so, still a little bit of all you will have also in the second half of the year.

**Lotte Timmermans – ABN AMRO:** Thanks.

- **Andre Mulder – Kepler**

Two questions on guidance. First one on the synergies. You said you made EUR 20 million of net synergies ahead of expectations. Could you tell us what your expectations were? And it is also ahead of the run rate of EUR 50 million to EUR 60 million. Any idea of updating that?

I have the same questions on the guidance for EBIT and working capital. What kept you from not giving a new range there? It now refers to the scale of Mock. Many old people know what scale of Mock is, but especially foreigners do not, so what is keeping you from not giving a new range there? This last question goes for both for EBIT and growing capital.

The last question is on depreciation and amortization. What amount would you expect for the full year?

**Pim Berendsen – CFO PostNL:** All right. Please remind me, Andre, if I have missed one. The first question was on the synergies. I think you said EUR 20 million, but we think that EUR 15 million net synergies contributed to the quarter and EUR 6 million one-off costs related to that. So that is a run rate of EUR 21 million in the quarter. If you look at the half year, then you can add EUR 5 million to the EUR 15 million as the net contribution. So halfway through the year, the net contribution is EUR 20 million. We expect to outperform that; again, as we said, the original range was EUR 50 million to EUR 60 million. At this moment in time, we refrain from giving more guidance than that, and we actually look to deliver the results. Then it will be clearer and clearer over time.



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If we talk about the guidance or what kept us from giving another type of guidance, in our view, we gave a guidance by saying that 20% to 30% improvement on the back of the old range actually gives you a range. If I look at the consensus that you as analysts together have made I think we have been very clear in that because where you are with your full-year guidance is what otherwise would have been a range in numbers. So, in our view, there is no misunderstanding about what our guidance is. And as such, no reason to change the way we give that guidance. And that is both in terms of EBIT and in cash flow.

The depreciation and amortisation are a similar comparable towards the number that we have given in the beginning of the year, which was EUR 170 million for depreciation and amortisation together. It might be slightly below that, but comparable, I would say. No big deviation.

**Andre Mulder – Kepler:** Okay. My last question on the distribution of the volume decline in Mail in the Netherlands. You have given it for Parcels around 28% for April, May, 18% for June. How was that in July? Can you add some numbers there?

**Herna Verhagen – CEO PostNL:** We did not add the numbers, so we will not give clear guidance on that. We saw an improvement in June, so a lesser volume decline in April and May. With the arrow on the slide we gave a clear direction in where we think volume decline will move to.

**Andre Mulder – Kepler:** Thank you.

- **Wijnand Heineken – Independent Minds Limited**

I have a question still about Parcels, the sections Logistics and Spring did pretty well during the quarter as well. Could you give a bit more about the latest trends there as far as the sales trend is concerned and what your expectations are going forward?



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**Herna Verhagen – CEO PostNL:** Yes. I think within Logistics, we have B2B business and B2C business. In B2B business, we saw – as most of the companies in B2B -- a decline in business, but there was a big improvement in everything which is 2C. You should think about, for example, Extra@Home, which delivers our heavy material, but also cargo. In Spring, we saw an uplift in e-commerce, especially coming from Asia and the other countries in Europe. We expect trends to continue in the second half year and hopefully, when there will be no second lockdown because of Corona, also a first improvement again in B2B delivery.

**Wijnand Heineken – Independent Minds Limited:** And that improvement for the second half, is that both for the top line as for the results?

**Herna Verhagen – CEO PostNL:** I think in line with what we did see in the second quarter.

**Pim Berendsen – CFO PostNL:** Just to add, bear in mind that in that number includes the fair value adjustment of PS Nachtdistributie of EUR 4 million.

- **Marc Zwartsenburg – ING**

A couple of questions for me left. Maybe first on the synergies and the run rate of Sandd. As you explained it, it is a gross number of EUR 21 million and the one-off in there of EUR 6 million. But there were also some restructuring charges and IT-related costs in there. Does that not mean that those are not one-off and that we should not work with a run rate of EUR 21 million or is the run rate even slightly higher because that only adjusts for the one-off cost? Sorry for the question on the synergies but I just want to get this clear.

**Pim Berendsen – CFO PostNL:** the one-offs are one-off, so those are EUR 6 million. So that is EUR 6 million and that remains to be EUR 6 million. So as a consequence, the run rate is the EUR 21 million we talked about. But if you take the additional volume of Sandd, you will not only add some volume-dependent cost only but also some additional volume-independent cost. The way we presented the business case over the last quarters consistently is the run



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rate synergies minus the integration costs actually required to integrate the networks and to build down the existing former Sandd network.

**Marc Zwartsenburg – ING:** That is the EUR 6 million?

**Pim Berendsen – CFO PostNL:** That is the EUR 6 million, yes. And that was, for instance, EUR 17 million in the first quarter. So, for the first half year, it is EUR 17 million plus EUR 6 million, EUR 23 million of one-off costs.

**Mark Zwartsenburg – ING:** Can you perhaps also give a bit of a guidance for the capex for 2021 because you have a few DCs coming up, the small parcel sorting center and the fulfilment center.

**Pim Berendsen – CFO PostNL:** For Parcels or for the group? Just to be clear for what type of answer.

**Mark Zwartsenburg – ING:** Let's do it for the group, so it is clearer then.

**Pim Berendsen – CFO PostNL:** For the group, there is no change in comparison to what we have said before, so slightly higher in 2021 than in 2020 and then going back down again in 2022, very close to the 2020 number. So, 2020, roughly around EUR 100 million, a step-up in 2021 and then going back close to EUR 100 million again. This is the group. Also, if you look at the division of the EUR 150 million, half of that is related to 2021 and the other half is equally split roughly between 2020 and 2022.

**Marc Zwartsenburg – ING:** And then a final one on for deferred tax assets. I might have to look into the appendices, but maybe you can help me a bit. Your deferred tax assets are also to you net debt, so for your leverage calculation. Can you share with me what the number is currently for the deferred tax assets after the Nexive divestment?

**Pim Berendsen – CFO PostNL:** I do not know that by heart, Marc. I need to ...





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**Mark Zwartsenburg – ING:** Also come to the net debt.

**Pim Berendsen – CFO PostNL:** I would expect the DTA to be part of the balance sheet, but I do not know by heart what the number is.

**Herna Verhagen – CEO PostNL:** We will come back to you with the right answer.

**Mark Zwartsenburg – ING:** Yes, I will take it offline. Thank you very much.

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

As there are no more questions, thank you very much, and thank you all for asking your questions. If you still have any leftover questions, you know where to reach us. Thanks very much again and have a good day. Bye bye.

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End of call

## Q2 & HY 2020 Results

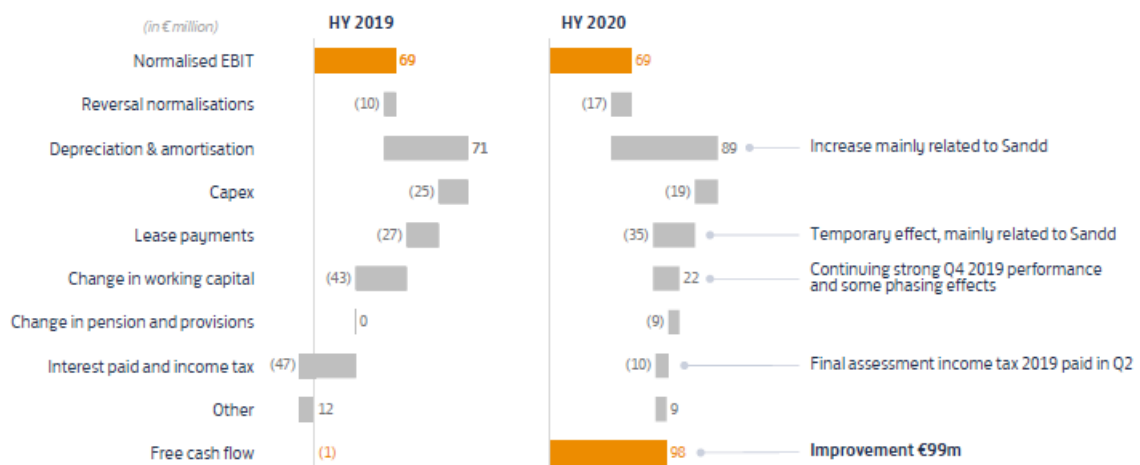
### Appendix

- Generation free cash flow HY 2020
- Results by segment Q2 2020
- Results by segment YTD 2020
- Breakdown pension cash contribution and expenses
- Adjusted net debt

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## Generation of free cash flow in HY 2020



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## Results by segment Q2 2020

(in € million)

	Revenue		Normalised EBIT	
	Q2 2019	Q2 2020	Q2 2019	Q2 2020
Parcels	402	516	29	60
Mail in the Netherlands	380	393	17	5
PostNL Other	19	26	(7)	(11)
Intercompany	(120)	(146)		
<b>PostNL</b>	<b>681</b>	<b>789</b>	<b>39</b>	<b>54</b>

Normalised EBIT in Q2 2020 includes €(9) million impact, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

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## Results by segment YTD 2020

(in € million)

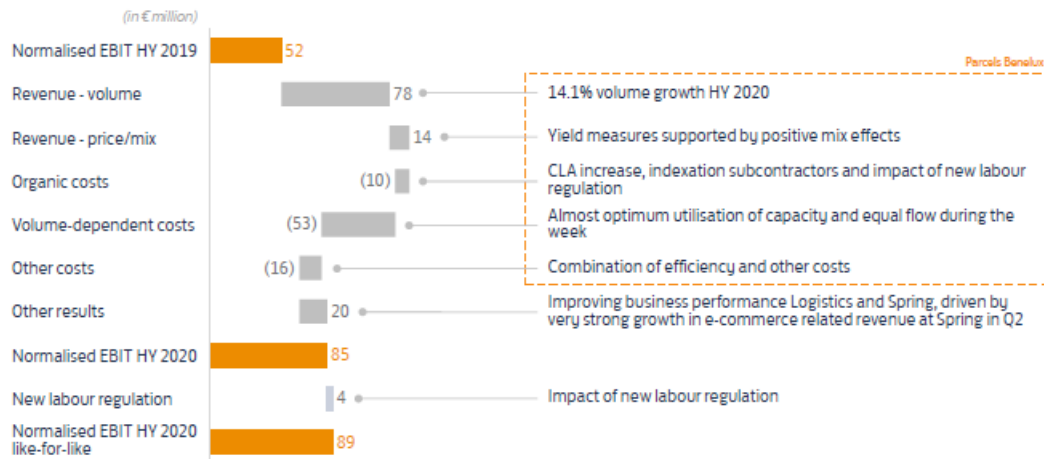
	Revenue		Normalised EBIT	
	HY 2019	HY 2020	HY 2019	HY 2020
Parcels	800	930	52	85
Mail in the Netherlands	772	788	33	9
PostNL Other	40	51	(16)	(26)
Intercompany	(247)	(279)		
<b>PostNL</b>	<b>1,365</b>	<b>1,490</b>	<b>69</b>	<b>69</b>

Normalised EBIT in HY 2020 includes €(17) million impact, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

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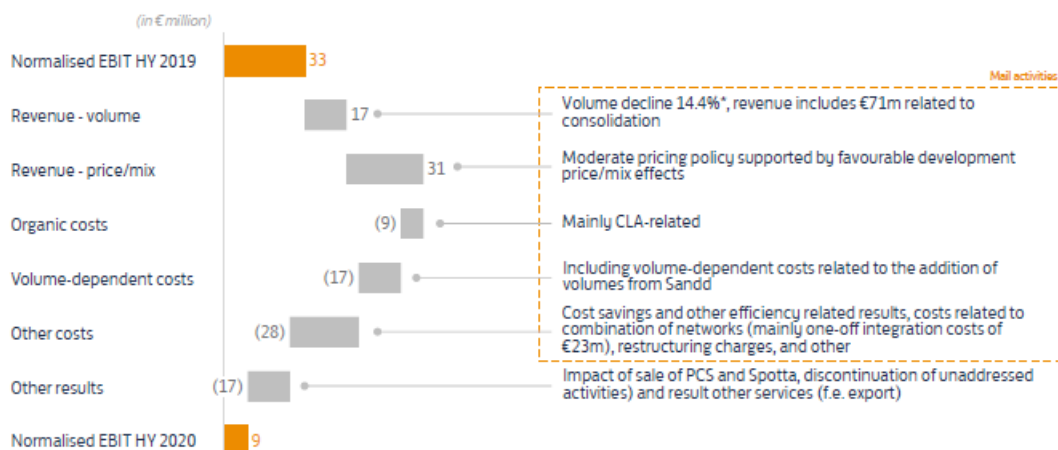
## Parcels: normalised EBIT up €33 million



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## Mail in the Netherlands: normalised EBIT development impacted by Covid-19



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

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## Breakdown pension cash contribution and expenses

(in € million)

	Q2 2019		Q2 2020	
	Expenses	Cash	Expenses	Cash
Business segments	25	27	25	24
IFRS difference	5		12	
PostNL	30	27	37	24
Interest	2		0	
<b>Total</b>	<b>32</b>		<b>38</b>	

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## Adjusted net debt

(in € million)

	31 Dec 2019	27 Jun 2020
Short- and long-term debt	696	695
Long-term interest-bearing assets	(6)	(6)
Cash and cash equivalents	(480)	(573)
<b>Net debt</b>	<b>210</b>	<b>116</b>
Pension liabilities	283	278
Lease liabilities (on balance)	264	249
Lease liabilities (off balance)	51	45
Deferred tax assets on pension and operational lease liabilities	(72)	(73)
<b>Adjusted net debt</b>	<b>736</b>	<b>614</b>

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