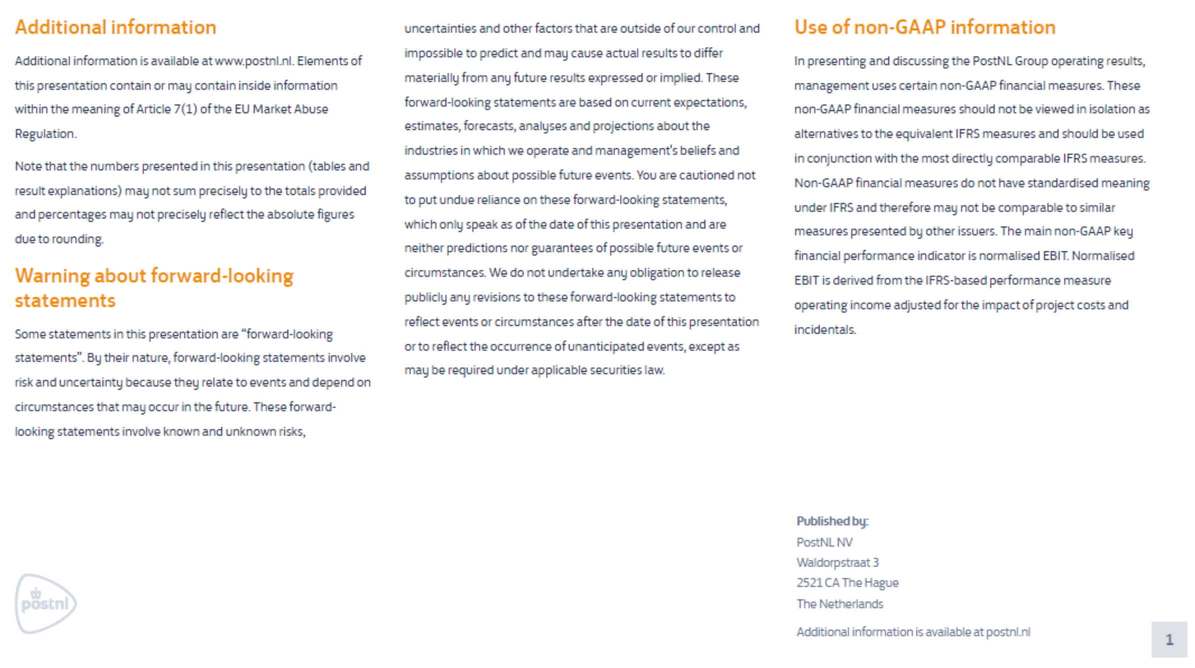

2023
Q2 2023 Results
The Hague, the Netherlands — 7 August 2023
postnl
GREEN BAG

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Good morning everyone and thank you for joining us today. We know some of you are enjoying their well-deserved holidays, so we appreciate the effort to be with us this morning.



With me here in the room Herna Verhagen, our CEO, and Pim Berendsen, our CFO. As usual, we will start with our slides which you can find on the website and on your screen if you are logged in to our webcast. As usual, the presentation will be followed by Q&A.

Herna, over to you.

Key takeaways

Satisfying second-quarter results

- Better-than-expected volume development at Parcels: volumes up 3.3%, with growth from domestic and, predominantly, international customers
- Reported volumes at Mail in the Netherlands -9.0%, mainly substitution
- Measures taken to mitigate inflation supported good operational leverage and efficiency improvements
- 10% further improvement in average carbon efficiency
- Implementation of reduction of 200-300 FTEs in overhead, mainly at Parcels, ahead of plan
  - restructuring and related costs in 2023 €10m at most (previously: ~€20m), of which €5m in Q2
  - small part of cost savings expected to be achieved as early as in 2023
- Interim dividend set at €0.06 per share

Raised outlook for FY 2023

- Normalised EBIT between €100m and €130m (previously: between €70m and €100m)
- Free cash flow unchanged at between €10m and €40m

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Herna Verhagen – CEO PostNL: Thank you, Jochem, and let's start with the key takeaways.

We had a satisfying second quarter and also second quarter results, especially because of the better-than-expected volume development at Parcels, which came in at 3.3%. That is growth in our domestic business but predominantly with our international customers. We took lots of measures to mitigate the inflation, which are supported by good operational leverage and efficiency improvements and that helped the normalised EBIT development in this quarter as well. The reported volumes within Mail in the Netherlands were minus 9%, which is mainly substitution, not very different from what it was the last quarters and also the last years. We improved our carbon efficiency, 10% if you compare to full year 2022 and we made good progress in our reduction plan of the 200 to 300 full time equivalents. Good progress means that more of the people who need to leave, found a job within PostNL elsewhere or left the organisation. And that led to the fact that we have that we need fewer restructuring costs. Previously we mentioned EUR 20 million but this year we expect it to be around EUR 10 million of which EUR 5 million is in the second quarter. A small part of the cost savings is expected to be achieved as early as in 2023.

The interim dividend is set at EUR 0.06 per share. Because of the good first quarter and the good second quarter, we also raise our outlook. For normalised EBIT it is between EUR 100 million and EUR 130 million and before it was EUR 70 million to EUR 100 million. Free cash flow remains unchanged between EUR 10 million to EUR 40 million. We are happy that we took measures at an early stage to deal with the changing macro environment. These along with the dedicated efforts of lots of our employees is reflected in this quarter's performance.

Q2 2023 performance

Normalised EBIT of €18m, better-than-expected and above Q2 2022

Key financial metrics

(in € million)	Q2 2022	Q2 2023	change	HY 2022	HY 2023	change
Revenue	746	771	3%	1,552	1,554	0%
Normalised EBIT	10	18	80%	43	25	-42%
Free cash flow	(43)	(34)		10	(65)	
Normalised comprehensive income	19	10	-46%	53	14	-74%

- Normalised EBIT includes
  - €38m organic cost increases in Q2; €92m HY (FY 2023 assumption: ~€185m)
  - €19m positive impact from pensions in Q2, visible in PostNL Other; €39m HY (FY 2023 impact: ~€75m)*

*following the switch to a defined contribution scheme

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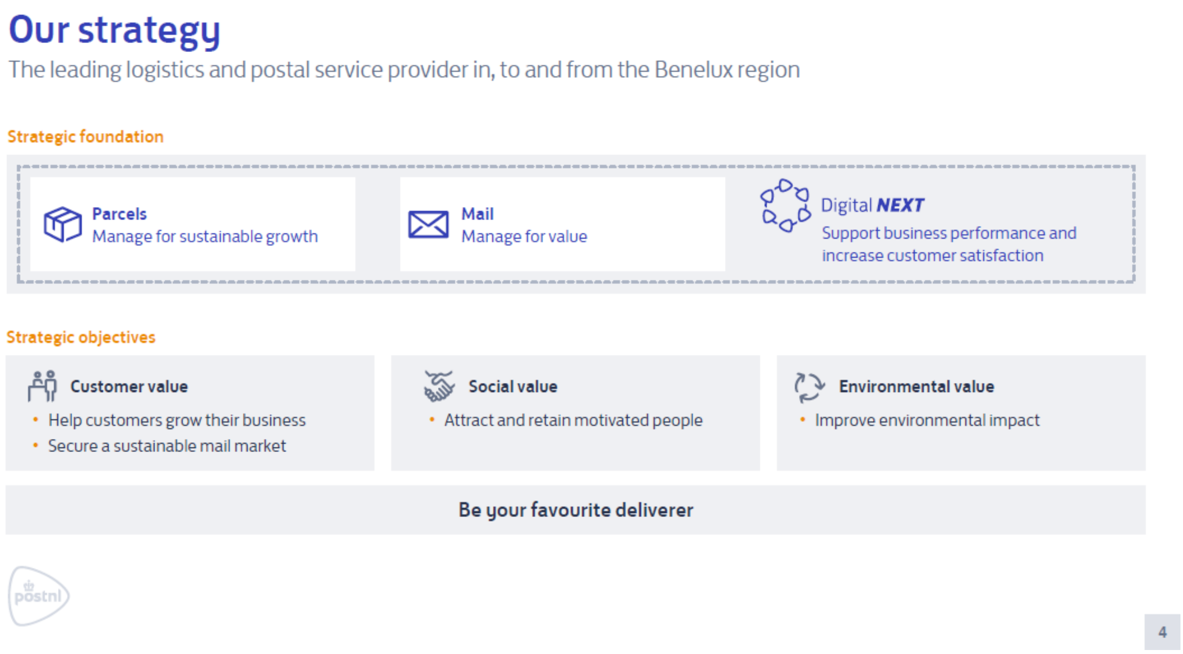
If you look into the numbers of the second quarter with a little bit more detail, you will find that our normalised EBIT came in at EUR 18 million, which is better than expected, but also above the second quarter of 2022 which was EUR 10 million. We saw revenue growth and also growth in normalised EBIT. Free cash flow was also a little bit better than in the second quarter of 2022 and the normalised comprehensive income was a little bit less than we had in the second quarter of 2022.

In my view, it is important – and Pim will come to that as well – is that the normalised EBIT includes our organic cost increases in the second quarter. So far, EUR 38 million in the second quarter but for the full half year EUR 92 million, and our full year assumption is EUR

185 million. Moreover, we had a positive impact from pensions in the second quarter, which is visible in PostNL Other.
A better-than-expected quarter above last year and of course underpinning the raise in our outlook.



We remain focused on our strategy, which is being the leading logistics and postal service provider in, to and from the Benelux. For Parcels, it remains to be managed as our business for sustainable growth, which we do for example, with many of our efficiency programmes. For Mail, it is managed for value and I will dive into our Mail business at this moment in time. Manage for value means on the one hand cost savings and on the other hand price increases, manage the volume decline. And we keep being very supportive to our Digital Next programme in which we try to digitise our business end-to-end and that supports business performance and increases customer satisfaction.

Strategic objectives are of course helping our customers growing their business, securing a sustainable Mail market but also, for example, increasing our Net Promoter Scores to remain the best in the market.

In social value, which is an important strategic objective, we made progress when it comes to attracting employees within Parcels as parcel drivers and of course we have full attention for solving the amount of vacancies we still have within our Mail business.

Environment is already discussed. We are taking lots of initiatives to improve year over year our environmental footprint and environmental impact. And part of our initiatives is of course in electrification and using HVO, which is biodiesel for our trucks, which has a 90% less CO_2-emission.

If you talk about delivering on our strategy, you find here a few of the items I already mentioned. A few others are important to mention. If we think about Parcels, we see strong potential for e-commerce growth, which is unchanged and which is based on the fundamental growth drivers, which are of course the amount of consumers that use digital to order their things and the economic situation. The fundamental growth drivers are still in place and that is the reason why we think that Parcels will continue to grow. Fortunately, growth came in earlier than we expected.

We secure our position in a very dynamic and competitive market and that is what we do by on the one hand, making sure that we score high on our Net Promoter Scores and are by far the best in the market when it comes to NPS, and on the other hand also make sure that at the back we do have a cost efficient operation and organisation to be able to create efficiencies.

Within Mail in the Netherlands we have an unchanged drive to get our cost savings right and to fill in our moderate pricing policies. In the second quarter, we see an unfavourable shift in mix, so less 24-hour mail with a higher margin and more of 48-hour mail. We see significant cost increases which we were not able to fully absorb via cost decreases and price increases and we see that achieving our cost savings becomes more challenging, which partly has to do with the fact that we have been already shrinking our organisation for the last ten years and partly have to do with the fact that we have quite some cost saving programmes running at this moment in time, also affecting the delivery quality.

In Digital Next we keep having a good performance like for example in the amount of accounts: 8.4 million consumer accounts at this moment in time and this is constantly growing. We see it in the growth of the amount of parcel lockers, but also for example AI, which we use for recruiting our people.

On ESG, I already mentioned that we had a 10% further carbon efficiency compared to the full year of 2022 and I already mentioned that the way we do that is via electrification and also by driving our trucks on biodiesel, which is much more CO_2-efficient.

While we talk a little bit through the business of Parcels and Mail and then I will step into slide 6, Parcels.

Here we see that the return of growth came earlier than expected, together with the measures we took to mitigate inflation and they are successfully paying off in a good normalised EBIT, also better compared with the second quarter of 2022. As I already said, the biggest part of this volume is international volume and the smaller part is domestic volume. The good news in this is that also the domestic volume is growing again.

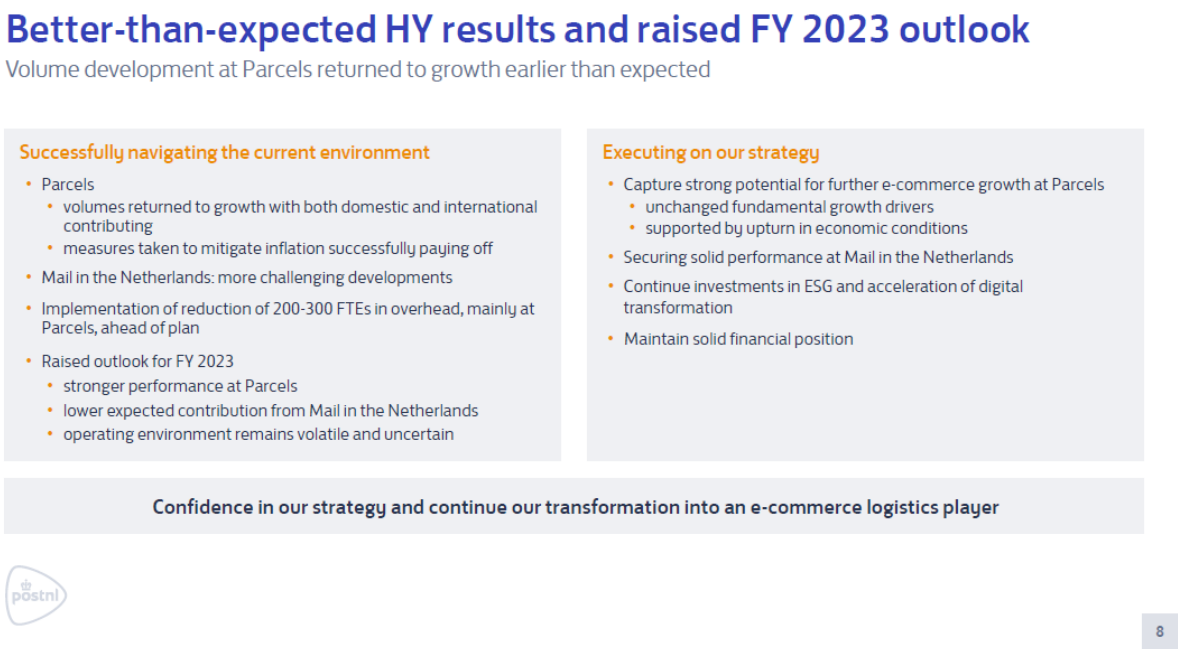
Market share is slightly down in a market which is still characterised by temporary overcapacity. The revenue reflects our volume growth and overall the price/mix effect. We see positive pricing, which we of course put in place partly because of all the inflation we saw. But we also saw a bit of room to improve our prices. Partly it is a less favorable mix which is mainly because the growth of international customers. Not only the international customers from Spring, but the whole of CBS (note: cross-border solutions) is showing good progress and shows a positive trend and that is what we have seen already from Q4 2022. Within Logistics we saw that revenue came down slightly.

Organic costs are higher than expected, which is mostly of course labour, and that is due to inflationary pressures. But we took lots of adaptive measures and you could think in that sense of optimising our routes, creating higher utilisation rate, tight control of our indirect cost, all resulting in improving our operational leverage and therefore also efficiency.

A few more words on Mail in the Netherlands. Mail in the Netherlands shows continued volume decline. We expect to end the year within the bandwidth of 8% to 10%. Volume decline in the second quarter is 9% and if you take out Covid it is 8.4%. Revenue came down because of that volume decline to EUR 323 million in the second quarter. It came from EUR 350 million and also our normalised EBIT came down from EUR 13 million in the second quarter of last year to EUR 2 million this year.

There, we see increased labour costs, which follow the CLA of PostNL but also the CLAs we have for postal deliverers and Saturday workers. We see a continued higher sick leave in this tight labour market, partly because of the fact that we have vacancies and people are asked to do more work. Also, additional cost savings are of course achieved through our programmes but also the amount of programmes together makes it sometimes more difficult to reach the level of cost savings we expect.

More challenging in the sense that we have an unfavorable mix effect, which comes from a shift to lower service proposition and less single items versus bulk mail. But also the proportion of international mail plays a role over here, together with a cost increase because of inflation and because we have a higher sick leave and thus more difficulty to get to the level of cost saving we want to get to.

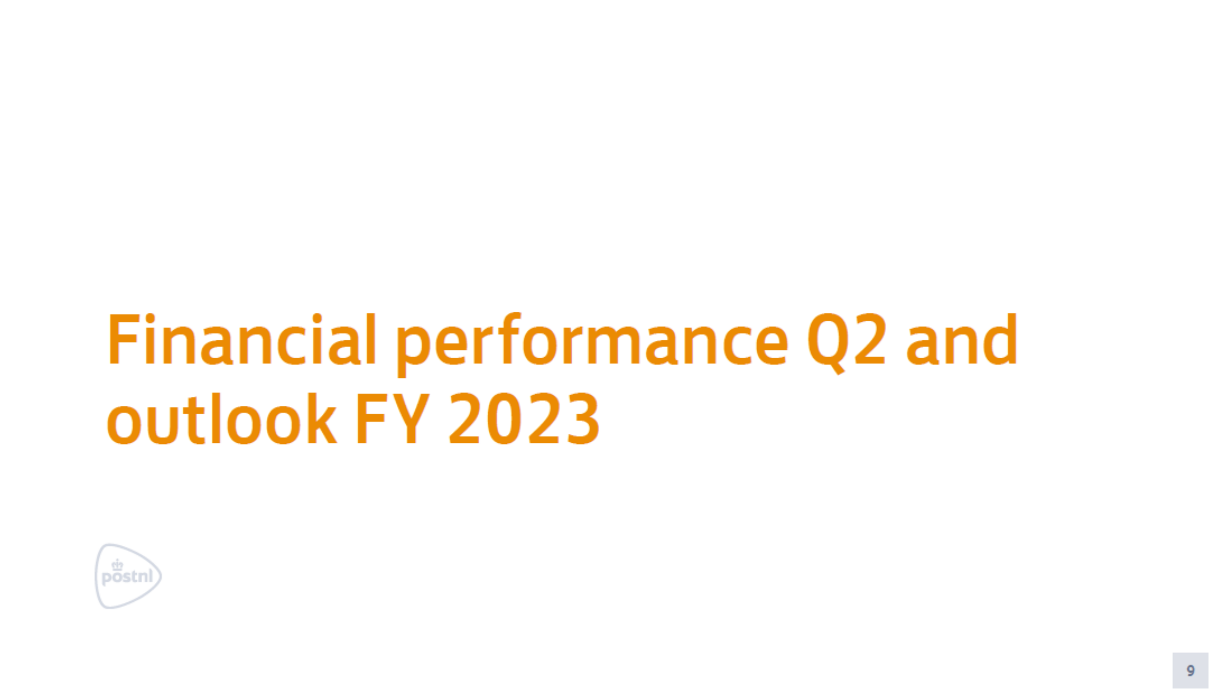


All in all, we are very pleased to announce a second consecutive quarter with results above expectations. We have implemented adaptive measures to mitigate the inflationary pressure and these are successfully paying off. Volumes at Parcels return to growth earlier than expected, which is positive, domestically as well as internationally. And at the same time, developments in Mail are becoming more challenging, which means that we have a performance below last year.

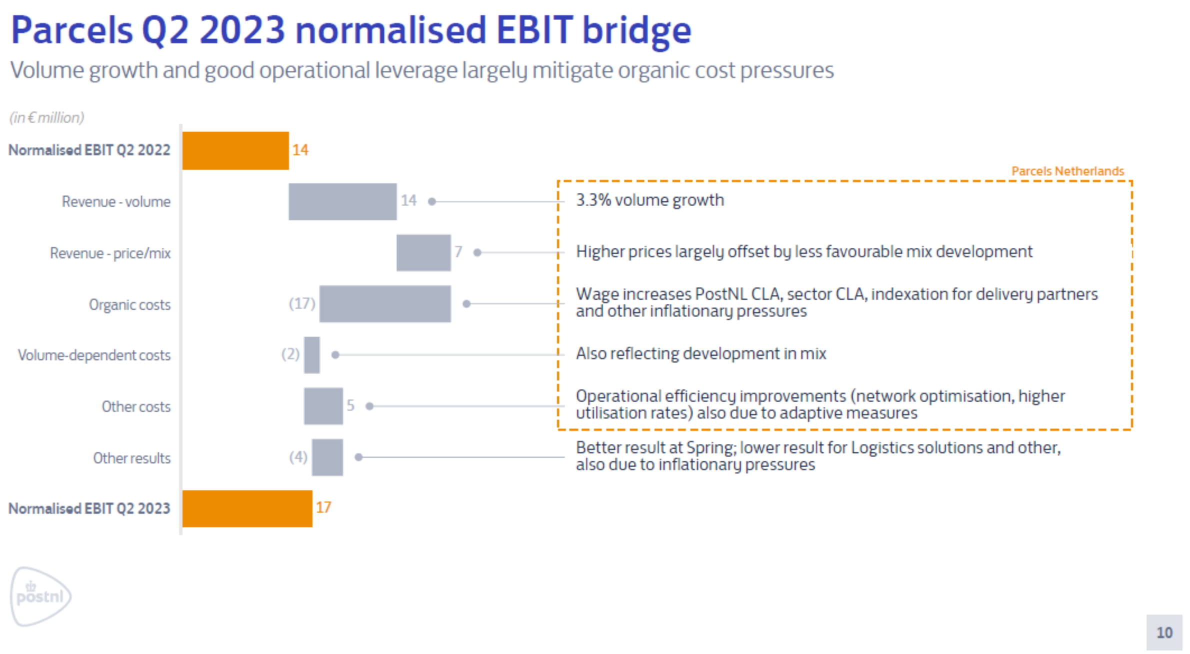
We have made steady progress in our plans to reduce 200 to 300 full time equivalents with part of the expected annual savings will be achieved in 2023. But this also leads to significantly lower restructuring and related costs because of the fact that people find internal jobs and find external jobs and therefore leave the company themselves. As a result of all these developments, taking into account the growth within Parcels, the fact they have a better normalised EBIT, the challenges we see within Mail in the Netherlands, we are positive about the normalised EBIT of PostNL and raised the outlook to EUR 100 million to EUR 130 million.

We continue to deliver on our strategy, which is crucial for us and it is probably a sentence which we have used over the last twelve quarters but we keep using it, that the environment will operate and remains to be volatile and therefore uncertain.

There is much more to tell about the development of PostNL and the financial performance, and therefore I hand over to Pim.



Pim Berendsen – CFO PostNL: Thank you very much, Herna. Let's look in a bit more detail per segment.



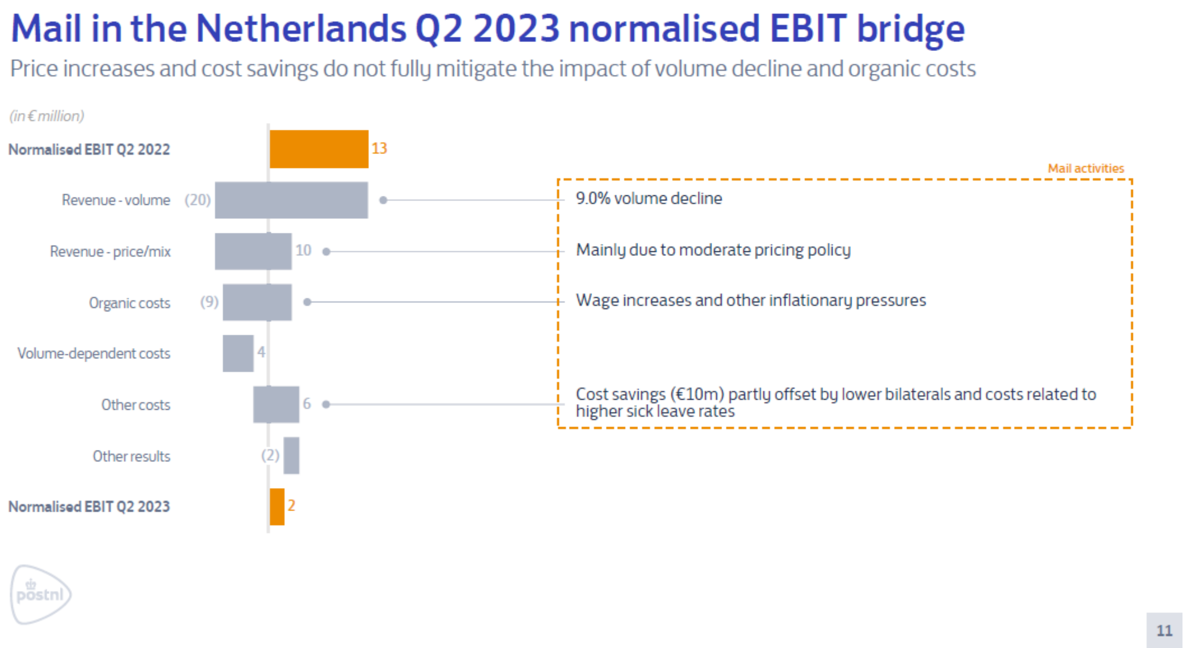
On this slide you will find the Parcels bridge. Quite clearly, you see a better result from the Parcels segment than the same quarter last year, EUR 3 million better at EUR 17 million whilst the expectation was originally that the result for the quarter would be lower than last year. All in all, a good performance within the Parcels segment, driven by volume growth that came in earlier than expected, both in domestic and international volumes with particularly strong growth in volumes from our international customers.

You can also see that back in the price/mix effect that ended up with EUR 7 million positive but that EUR 7 million is split in EUR 18 million price effects and EUR 11 million mix effect down in relation to the composition of the volume that we carry. Looking forward to Q3 and Q4, we expect roughly the same composition of the price/mix effect that you can see in the second quarter of this year.

EUR 17 million of organic cost increases. Herna already talked about EUR 92 million of organic cost increases halfway through the year. The full year expectation for the entire group is still around about EUR 180 million to EUR 185 million for 2023.

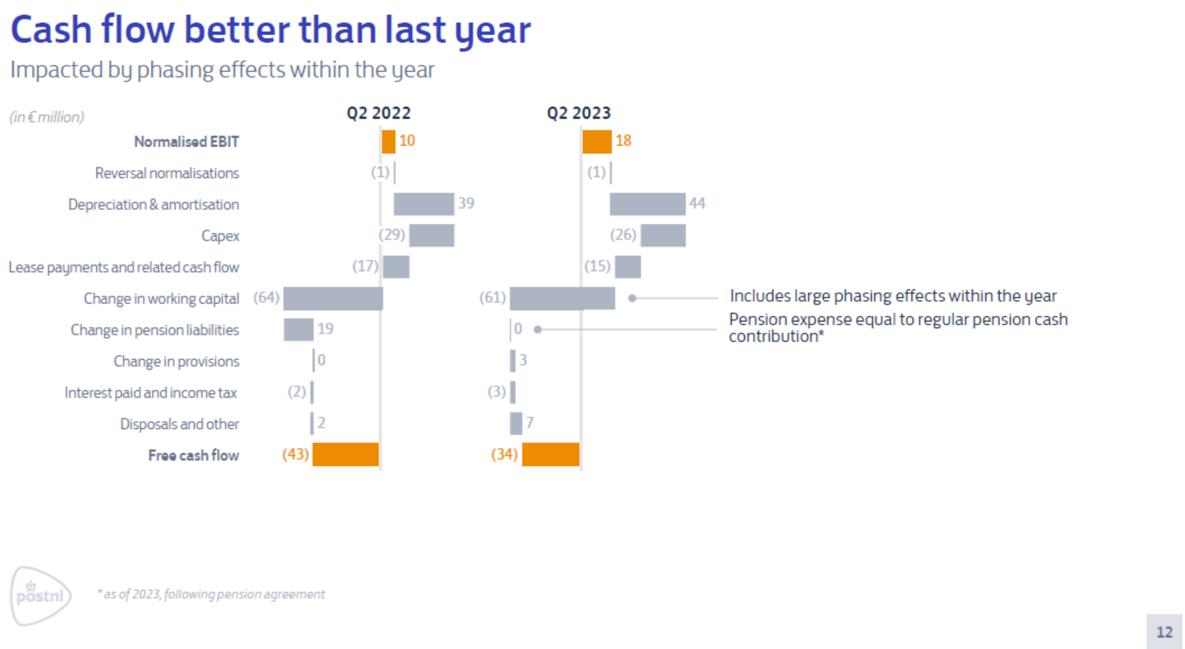
In Other costs you see EUR 5 million in the positive, which is driven by the operational efficiency improvements and measures that we have taken to adjust ourselves to lower growth than originally anticipated. Clearly, those measures together with earlier growth result in better performance in the Parcels segment than originally expected.

Other results: Spring is doing well with better results than last year. Logistic solutions is doing slightly less than last year and some other internal departments suffer from higher organic cost increases, which all in all cause the minus EUR 4 million in Other results that you see here in the bottom of the graph.



In Mail you see a deterioration of the result from EUR 13 million last year towards EUR 2 million normalised EBIT in this quarter, a decrease of EUR 11 million, obviously the result of roughly 9% volume decline together with negative mix effects. Herna talked about the product mix development where we see more 48-hour mail rather than 24-hour mail. That comes back with a different contribution. That is part of what you see back here in the bridge.

Organic cost increases on the Mail side EUR 9 million and volume-dependent cost EUR 4 million and Other costs EUR 6 million, which is EUR 10 million driven by the cost saving plans that we realised, partly offset by lower bilaterals and higher costs related to the higher sick leave rates.



On slide 12 we see cash flow. Cash flow is EUR 9 million better than last year, yet still a negative EUR 34 million. Let's look at the key components of it. Obviously, to a large extent this is driven by the higher normalised EBIT. Some of the other buckets are comparable to last year, so depreciation EUR 44 million in comparison to EUR 39 million, CapEx at EUR 26 million, change in working capital minus EUR 61 million. That does include quite an amount of phasing and that is why I still expect us to end up with a release of working capital in the second part of the year, significantly improving the full year number in comparison to the EUR 3865 million halfway through the year. Full year CapEx is still somewhere between the EUR 140 million mark in comparison to the EUR 150 million that we indicated before.

Balance sheet

Solid balance sheet with positive consolidated equity; adjusted net debt at €569m

Balance sheet

(in € million)	1 July 2023		1 July 2023
Intangible fixed assets	402	*Consolidated equity*	*184*
Property, plant and equipment	475	*Non-controlling interests*	*2*
Right-of-use assets	283	Total equity	186
Other non-current assets	50	Pension liabilities	2
Other current assets	461	Long-term debt	698
Cash	459	Long-term lease liabilities	240
Assets classified as held for sale	6	Other non-current liabilities	130
		Short-term lease liabilities	75
		Other current liabilities	804
Total assets	**2,135**	**Total equity & liabilities**	**2,135**

Adjusted net debt

(in € million)	31 Dec 2022	1 July 2023
Short- and long-term debt	745	768
Long-term interest-bearing assets	(17)	(16)
Cash and cash equivalents	(556)	(459)
Net debt	**172**	**293**
Pension liabilities	18	2
Lease liabilities (on balance)	331	315
Lease liabilities (off balance)	29	41
DTA on operational lease liabilities	(83)	(82)
Adjusted net debt	**467**	**569**

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We talked about the profits and the cash flow and then it is logical to look at the balance sheet that gives the development of the adjusted net debt. Net debt increased to EUR 569 million, an increase of roughly EUR 100 million, to a large extent driven by the dividends paid in May. Clearly, we keep on managing our cash flow, balance sheet and net debt position carefully. In the beginning of the year, we were already comfortable that we were able to keep the adjusted net debt over EBITDA below 2. Clearly, with the increase in outlook, we will certainly be able to do that and I would expect us to be to end up round about 1.7 times EBITDA as net debt. Given that projection, given the current performance and in line with our dividend policy, we set the dividend at interim dividend at one third of the dividend over 2023, rounded to the whole cent to EUR 0.06 per share to be paid by the end of August.

Raised outlook for FY 2023

Stronger performance at Parcels, contribution from Mail in the Netherlands expected to be below original expectations

(in € million)	2022	2023 outlook (27 Feb 2023)	Revised outlook
Normalised EBIT	84	70 – 100	100 – 130
Normalised comprehensive income	90	40 – 70	65 – 95
Free cash flow	40	10 – 40	Unchanged

- Free cash flow will not fully reflect raised outlook for normalised EBIT
  - part of step-up is related to non-cash elements, including lower additions to restructuring provision and lower depreciation
  - positive impact of normalised EBIT potentially partly offset by tax phasing effect related to tax assets from sale of international activities
- Operating environment expected to remain volatile and uncertain in the short term

Updated assumptions FY 2023

- Parcels
  - low single-digit volume growth (previously: low single-digit decline), with both domestic and international contributing
  - less favourable mix development due to shift towards more volumes from international customers
- Mail in the Netherlands
  - unfavourable shift in mix compared with earlier assumptions
  - continued high sick leave rates in tight labour market
  - more challenging to achieve planned cost savings
- Plans to reduce 200-300 FTEs
  - restructuring and related costs at most €10m (previously €20m)
  - small part of cost savings expected to be achieved as early as in 2023
  - combined, this will lift expected margin PostNL by ~50 bps in 2023, all other things being equal

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Then let's look at the outlook for 2023. Clearly, the encouraging performance of the first half year made this outlook increased. We have raised our outlook for the normalised EBIT to EUR 100 million to EUR 130 million, quite a step up compared to our earlier outlook of EUR 70 million to EUR 100 million. This is driven by a better than expected first half of the year, with parcel volumes return to growth earlier than expected, together with good operational leverage and efficiency. However, the Mail results are doing less well and are expected to be slightly lower than originally estimated. Clearly, the measures that were taken to reduce 200 to 300 FTEs will be benefiting us into 2024, but part of the benefits were already coming in 2023, a small part that is, but we were able to do that reorganisation with significantly less restructuring cash-out out than originally anticipated. Our current estimation is that restructuring related costs will be EUR 10 million at most, whilst the initial assessment was around EUR 20 million.

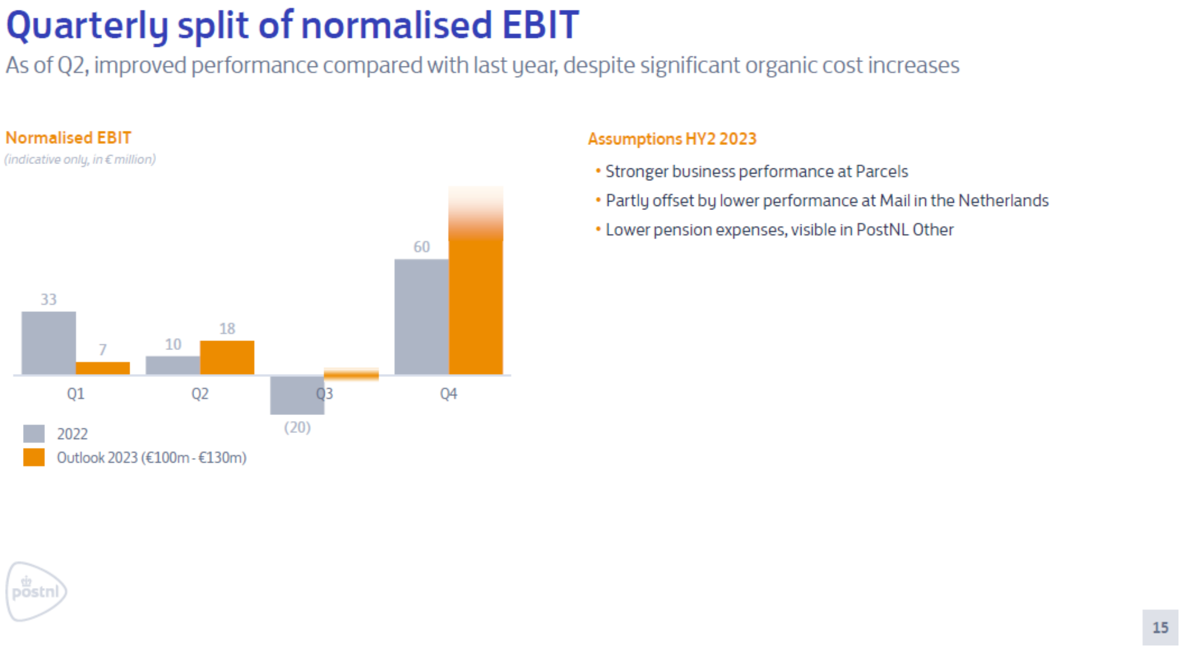
For 2023 we expect better performance at Parcels, low single-digit parcel growth rather than a small low single-digit decline that we originally anticipated. Growth that is visible in domestic and international volumes, but particularly strong with international customers, which will continue to result in a less favorable mix for Q3 and Q4, as already indicated at the Parcels segment bridge.

Though not so clearly visible yet in the first half of the year, we do expect a more challenging second half of the year for Mail, with results coming in below earlier assumptions. That is on the back of volume decline in the range of 8% to 10% but with a less favourable product mix than previously assumed, which puts pressure on the margin. Next to that, we will see continued high sickness rates a still very tight labour market. We keep on focusing on realising the benefits from a cost savings plan, but the cost saving plans at Mail, achieving those in the second half of the year is becoming more challenging.

As said, the implementation of the plans to reduce 200 – 300 FTEs are doing better than originally planned, leading to lower restructuring costs and already savings are visible in 2023.

That clearly justifies the step-up in our outlook of normalised EBIT to EUR 100 million to EUR 130 million. Normalised comprehensive income will follow the step of the normalised EBIT and we have changed the outlook there from EUR 40 million to EUR 70 million to EUR 65 million to EUR 95 million. The free cash flow outlook is unchanged on the EUR 10 million to EUR 40 million that was originally there. The reason is that part of the step-up in normalised EBIT is related to non-cash elements, including the lower additions to the restructuring provision. And there is a potential, partly offset by tax phasing effects on the tax paid line in relation to tax assets from the sale of the international activities.

Overall encouraging performance, we are cautiously optimistic, but still in an operating environment that remains volatile and uncertain in the short term.



On slide 15, you see the quarterly split of normalised EBIT. It is a slide that we basically repeat every quarter. You clearly see that in the fourth quarter of this year there will be a big contribution to the normalised EBIT but at the same time – which is also very important – Q3 and Q4 will show results that are better than last year.

Better-than-expected HY results and raised FY 2023 outlook

Volume development at Parcels returned to growth earlier than expected

Key messages

- Parcels
  - volumes returned to growth with both domestic and international contributing
  - measures taken to mitigate inflation successfully paying off
- Mail in the Netherlands: more challenging developments
- Implementation of reduction of 200-300 FTEs in overhead, mainly at Parcels, ahead of plan
- Interim dividend set at €0.06 per share
- Raised outlook for FY 2023
  - stronger performance at Parcels
  - lower expected contribution from Mail in the Netherlands
  - operating environment remains volatile and uncertain

Confident in our strategy and continue our transformation into an e-commerce logistics player

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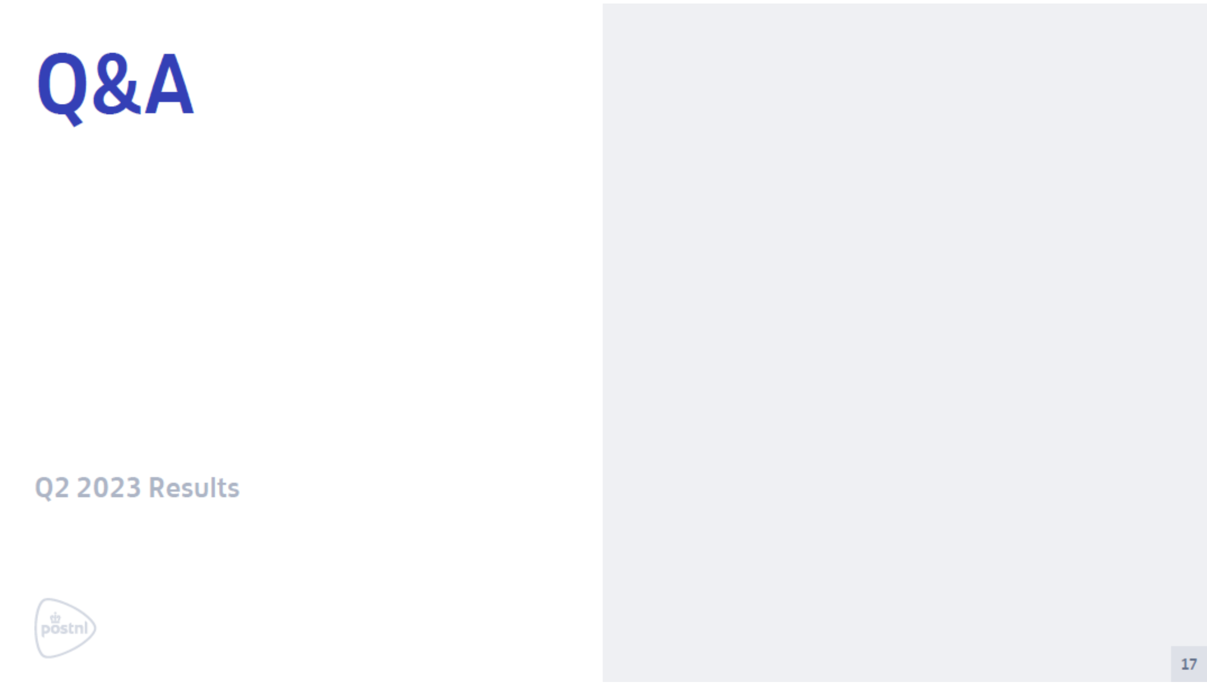
Then on slide 16 the summary. Better than expected, above last year. Clearly, the things that are in our control, we manage well. All the measures that we have taken both in the operational efficiency side as well as in the restructuring side are paying off. And that leads to better-than-expected results and clearly that caused us to increase the outlook. Within Mail, we see more challenging developments and a result that came in below last year, which was expected. But we expect at the end of the year to turn Mail into a lower return than originally planned. That will be made up as such by better performance from Parcels. That causes the increase in the outlook from EUR 100 million to EUR 130 million. As said today, we will and have announced the interim dividend at EUR 0.06 per share.

Encouraging results for the first half year, still some challenging circumstances and therefore our optimism remains cautious at this stage.

Thank you very much. Jochem, I will hand it back to you.

Jochem van de Laarschot – Director Communications & Investor Relations PostNL: Thank you, Pim. Operator, can you open the floor for Q&A please?



- **Paul Kirjanovs – Bank of America**

Hi, good morning. Two questions from our side please. On Parcels, could you talk about volume trends through the quarter and what the exit rates were? Also related, can you talk about your expectations for parcel volumes in the third quarter?

And then the second question is on Mail the Netherlands. You highlight that delivery quality is below required levels and has full management attention. Could you give a bit more colour around that statement and what kind of actions can be expected relating to that? Thank you.

Pim Berendsen – CFO PostNL: Let me take the first question, on the volume trends. Within the quarter, I would say similar developments for the months in the quarter slightly up, more in May, also driven by the pay-out of holiday allowances in the Netherlands. But all in all, all months showed good performance. The expectation for the second part of the year is a continuation of the growth. An indicator that I can share is that on absolute terms we would expect the same volume in the third quarter as in the second quarter of this year, whilst Q3 numbers in 2022 were down in comparison to Q2, so that should lead to an even higher growth rate to be reported in the third quarter of this year. And obviously also we anticipate higher growth in the fourth quarter of the year. So that is also why we have changed the indication of growth for the full year from a minus low single-digit to a low single-digit growth number.

Herna Verhagen – CEO PostNL: And on Mail in the Netherlands: full attention, what does that mean? It means that we have dedicated teams working on filling the vacancies because that is the main reason behind the quality we currently have. And then you could think of, for example, offering employees of PostNL as of day one an untemporary labour contract, so that they are working for us on fixed terms. Secondly, we offer people bonuses when they start working with PostNL. We offer our employee bonuses when they bring in new mail deliverers. We are starting up new pools in which we can find people to work for us, like for example people are retired and still very healthy but also migrants that came into the Netherlands or housewives in certain areas in the Netherlands. So, there is lots of dedicated attention to it. Still, 1,000 vacancies with our mail deliverers. That is much less than last year, but nevertheless still 1,000 to go. In the current very scarce and therefore also a small labour market, we have in the Netherlands, it is difficult to fill all those vacancies. So, it is not an overnight solution we can offer at this moment in time.

Paul Kirjanovs – Bank of America: Understood. Thank you.

- **Marco Limite – Barclays Capital**

Hi, good morning, thanks for taking my question. My first question is on the parcel volume growth expectation for the second half. I appreciate the explanation you just gave, but if I have done the math right, the new guidance for the full year implies 7% to 8% volume growth. Could you clarify a little bit more what your assumptions are behind this growth, other than comps being a bit easier.

My second question is on the elections in the Netherlands. I am just wondering if you have an estimate of what would be the tailwind to profitability from elections and if elections are included in your guidance?

My third question, if I may, is about pricing for 2024 in Mail. In 2022 you were not able to increase prices and in 2023 it was just a mid single-digit price increase below inflation. What could be the expectations for 2024? Thank you.

Pim Berendsen – CFO PostNL: Another question on the growth assumptions. Clearly, if we go back to the drivers that define the volume growth in our e-commerce part of the business, it is GDP growth, online penetration and market share. In market share, we do not see a deviation from expectation, so it is the combination of GDP growth and online penetration that brings us back in growth territory earlier than expected. And from that growth perspective we see a bit more coming from international clients than from domestic clients, whilst domestic clients also contribute to the growth. So you see slightly more positive client expectations, still with a level of uncertainty that causes the bandwidth of growth expectations to be pretty broad. We need to make sure that we are flexible enough to adjust along the way within that bandwidth.

Your calculation is roughly right. For the second part of the year, we would assume roundabout a 7% growth. For the third quarter, as I said, roughly the same volume in Q3 as in Q2, that's 86 million that Herna explained, whilst Q3 2022 was 3 million less than Q2 in 2022. So, that already indicates an increase of the growth from 3% to around 7%. And that is also what we expect to continue with.

Herna Verhagen – CEO PostNL: We took the elections into account when we came up with the outlook. Elections are planned for November 22. It is important to take to keep in mind as well that for us this is already peak season, which means that we have to organise the people around it to get all the work done and that comes with some extra cost.

When it comes to the pricing of Mail in the Netherlands for 2024, without of course giving lots of guidance on what we will do because that is a process we will run in the third quarter and we have to get approval from the regulator in the Netherlands before we can publish it. You do know there is regulation in place, which limits us to a certain extent in what we can do when it comes to increases in Mail. And what we have to balance always is of course the increase we take into account and the level of substitution that is connected to it, because increasing more than we normally do does mean that you create some extra substitution. And we also try to find the careful balance between the two. That is what we will do in the quarter ahead of us, which will go then to our regulator – ACM – for approval and then we will publish it by the end of this year.

Marco Limite – Barclays Capital: Thank you.

- **Mark Zwartsenburg – ING**

Thank you for taking my questions and good morning, everybody. Two questions from my side. First of all, on the Mail NL business. You mentioned some delivery quality issues due to vacancies and the scarcity of labour. I think we already discussed this a little bit, but would this still lead to potentially a fine from the ACM? Is that still possible?

My other question is also on Mail. The Mail volume decline is a bit higher and also the mix is putting pressure on margins as well as the cost and maybe costs from sickness, but does this also mean that you will take more cost cutting measures to offset the margin pressure from these elements, because you are running a bit behind already on the cost savings. Should we expect additional measures in the Mail division? Thank you.

Herna Verhagen – CEO PostNL: When it comes to the fine, this is of course possible because the postal law says that we need to get to 95% of delivery quality. The normal process is that at a certain point in time, we send in our quality figures and we send in the reasons why we think we should be excused or why the quality number should be mitigated because certain things happened, like for example, scarcity in the labour market, which is not specific to PostNL and/or special weather conditions. That is discussed and finally ACM will come to their view on the quality of delivery in a certain year. That is the process we are in. The simple answer to your question is yes, that could lead to a fine but know that we have arguments in place why it is what it is. But we are not yet at a phase that there is a final verdict or a final outcome of the ACM process or procedure.

Then Mail in the Netherlands and extra cost cutting measures. Of course, we have planned for around EUR 40 million of cost cuttings in this year, so 2023. To come to the EUR 40 million of cost savings – we will not fully get that by the end of the year – is that we have started quite some saving programmes. The combination of all those saving programmes sometimes leads in certain areas of the Netherlands that were not able to do the full cost saving as expected. So adding more at this moment in time, in our view, will not help to get to the right levels, so that unfortunately cannot be the answer at this moment in time. And that is of course what we are working on, but that is not the answer at this moment in time.

Mark Zwartsenburg – ING: Maybe as a follow up on those EUR 40 million. Can you share with us what the target is, what is achievable? Is it EUR 30 million and will then be the remainder that is still out there be for next year?

Herna Verhagen – CEO PostNL: That is a valid question, a question to be expected but we did not give guidance on what we then expect to do for this year, except for the fact that we expect a little bit less cost savings than we originally planned.

Pim Berendsen – CFO PostNL: And a EUR 10 million haircut from EUR 40 million is more than a little bit. We are not thinking that number of the EUR 40 million. Halfway through the year we have realised roughly EUR 20 million of cost savings and the second part will be more difficult but only a couple of million deviation is what we expect and not the level of EUR 10 million that you just talked about.

Mark Zwartsenburg – ING: If I understand correctly it is also quite difficult to do more, even maybe next year because of the restraints you have already with the sickness in the scarce labour market, I can imagine.

Herna Verhagen – CEO PostNL: We are specifically talking about 2023 and specifically in this year we had quite a big amount of programmes we had to start to do the cost savings for this year, which partly also have their work-through effect to next year. So it is too early to give a view on next year and of course, like every year, we are working hard at this moment in time to get our programmes ready for the year 2024.

Pim Berendsen – CFO PostNL: If I may add, from 2022 to 2023 you actually see a step-up in cost savings. The delta in expectations is not driven by worse cost saving contribution than last year but is driven by obviously the fact that organic cost increases are significantly higher and price increases are not contributing to half of the volume decline. Now price increases offset the organic costs and only that. So, that is obviously the reason why there is a step-down in results from Mail in comparison to 2022 whilst there is a step-up in cost savings from 2022 to 2023.

Mark Zwartsenburg – ING: I thought last year it was EUR 47 million.

Herna Verhagen – CEO PostNL: No, it was around EUR 20 million.

Mark Zwartsenburg – ING: Clear! Thank you for answering my questions and congrats on the strong quarter!

Herna Verhagen – CEO PostNL: Thank you.

- **Nikolas Mauder – Kepler Cheuvreux**

Hi, good morning. I would like to come back to two of the guidance bridges, first the divisional one, which was not repeated in today's material. Compared to the original version that we saw with Q4 results, you indicated negative impacts in both Parcels and Mail. Is it safe to assume with the EUR 20 million underlying uplifts excluding the revision of the provision there, that Parcels is now up year on year and even contribution, whereas Mail has seen more down?

Secondly, I would like to get back to the quarterly EBIT bridge for the full year guidance. The indication of EBIT in the third quarter, even if it is only an indication, has not materially changed despite the raised outlook. Why is that the case?

And then finally housekeeping? Can you indicate the distribution of the provisions you have booked in the second quarter? Where were they booked and where will the remaining EUR 5 million be booked? Thank you.

Pim Berendsen – CFO PostNL: Thank you, Nicholas. The guiding principles. Yes, if you go back in time and look at the outlook that we presented in the beginning of the year, you saw a business step-down in Parcels, an even bigger-step down in Mail, a EUR 20 million assumed restructuring cash out and then offset by EUR 75 million of benefits from the pension deal that was reached. If we were to make the bridge again, the performance of Parcels would from a negative turn into a positive, which is also in our perspective very positive news. So, we will not see a deterioration of profit coming from Parcels but an increase in profit in comparison to last year. At the same time, the negative in Mail will become slightly more negative. And the combination will obviously turn into the step-up of the profits that we talked about and that we indicated in the improved outlook. The other element of 'around EUR 20 million' will be at most EUR 10 million and those elements together are giving you the new segment bridge.

So if we talk about the quarterly development, in the second quarter, the EUR 5 million restructuring cash out was accounted for, partially within the parcel segment and partially in

PostNL Other for the restructuring component that does relate to the head office staff of the various programmes that we are doing well. For the second part of the year, the remainder of max EUR 5 million: timing is a bit depending on when final agreements are reached with the works councils but I would say that the vast majority will probably be in Q3 with a little bit in Q4 as well. I do not have a specific split right now.

Nikolas Mauder – Kepler Cheuvreux: Thank you. And then just finally, why the indication for the third quarter EBIT did not change despite the raised outlook?

Pim Berendsen – CFO PostNL: A big part of the change was also related to the first half of the year and given the size of the third quarter where we are – the summer season and July and August will be slow months anyway – it will not be that material within the quarter. The big step-up as a consequence of what is still to come will come in September, moving towards October, November and December. So, the majority then clearly will be in the fourth quarter.

Nikolas Mauder – Kepler Cheuvreux: Okay. Many thanks!

- **Henk Slotboom – The Idea!**

Good morning. Thanks for taking my questions. I have two. One is related to the mix of Parcels. I am a bit puzzled. When I look at the presentation of the first quarter, I see that Spring is growing by 10.5%, domestic parcels are decreasing by 1.7% and it results in a positive price/mix effect. In the third quarter I see a delta in Spring, which is in absolute terms EUR 28 million, I see a delta in domestic parcels which is EUR 21 million, and I see all of a sudden a negative mix effect. Could you explain why that is? What are the main drivers behind that? Is it new business at lower margins? How should I see it?

The second question is on the development at Parcels and especially on the labor front. On the one hand, I see that in Parcels the labour costs are roughly the same as in the first quarter, whereas the first quarter contained this one-off payment of 1.5%. Is it purely because of the holiday allowance or so that the second quarter is roughly on par with the first quarter. I see also that the number of FTEs has risen quite significantly by roughly 450. Why is it that you do not have the recruitment problem in Parcels, whereas it is difficult to find mailmen?

Pim Berendsen – CFO PostNL: Thank you, Henk. You were very quick in throwing different types of numbers in the first question. We need to deviate or split Spring's performance and cross-border volume that hits the e-commerce network. Those are not one and the same. Spring makes money at very many different trade lanes and only some of them get volume in the Netherlands. So if we talk about volume development in the segment Parcels, we talk about the combination of domestic volume, being Dutch web shops that sell to Dutch customers and hit the domestic parcels network. The combination of those two has led to the 3% growth in the second quarter, whilst the combination of those two in the first quarter led to a 6.5% decline. So within the quarter, we see a very big contribution to the growth of international clients and at the same time, we also see domestic clients growing again. The composition of the cross-border volume is quite different from the composition of domestic volume. It is smaller packets, smaller DM3 so less-sized products and as a consequence the average price per item is lower than the average price on domestic clients. That leads to the negative price/mix effect that offsets the positive price effect of EUR 18 million in this quarter. That is the way you should look at it.

Henk Slotboom – The Idea!: OK, well, that's at least clear. Thank you.

Herna Verhagen – CEO PostNL: When it comes to the labour numbers, you see it correctly that we hired more people at Parcels. That means that we have more people employed with PostNL than we had in the second quarter last year. The programme that we started in the summer of last year that we want to hire more people on our own payroll, is running successfully. That means that indeed we are able to get them on our payroll. That also explains a little bit of the cost we saw in Q1 and the cost we saw in Q2. Why do we have difficulties in finding enough Mail deliverers and do not have the same difficulty at Parcels? There are two answers to that. The first one is also within Mail. Last year we had around 2,000 vacancies and this year we have around 1,000 vacancies. So also there we see that we are able to find lots of people and to keep them, but we are still not at a level yet which is in our view a normal level within the workforce of Mail in the Netherlands. That takes time. It is a scarce labour market. We are fishing in the same labour market as many others, so it will take time.

When it comes to Parcels, for many it is an attractive proposition. It is a fulltime job. It is driving in a van; it is a very independent job. So, most hours of the day you are on your own and you can decide, of course to certain limits, how you do your work. It is a job in which you have a lot of contact with people, what many of our people like. In that sense it is an attractive job to have. We are able to recruit lots of people and it is important to make sure that the people we recruit have a careful training, understand what the job is truly like and that enables us to maintain them and keep them in the job. So it is a little bit the difference between the two jobs that makes the difference why on the one hand in Parcels we have no vacancies or are able to easily fill the vacancies and that in Mail in the Netherlands we still have vacancies but take into account as well the improvement we made compared to last year.

Henk Slotboom – The Idea!: OK, very clear. Thank you very much.

- **Frank Claassen – Degroof Petercam**

Good morning! I have a question on your outlook, your guidance. You more or less raised the range of your guidance by EUR 30 million. How much of this EUR 30 million has been roughly been achieved in the first half and how much do you still think you need to achieve of this step-up in the second half? Could you give a rough indication?

Secondly, you started the year with a guidance for margins for 2024 with 200 basis points at least improvement. Of course, some of this margin improvement is coming earlier than expected, so how should we read that guide for 2024?

Pim Berendsen – CFO PostNL: Thank you for your questions. Regarding your first question, EUR 10 million of the EUR 30 million obviously because of lower restructuring cash out, given the phasing on that element. We obviously have seen half year results that are better, so a big part of the step up is already accounted for in the first half of the year with part of the step-up to come predominantly in the parcel segment, whilst that will be offset by lower performance in Mail. That is what I can give you. So, Parcels will continue to improve, also in the second part of the year. Mail will go back a bit. That will contribute to the step-up of the outlook in the second part of the year and a big part of it is already in half year realisation there.

On the basis points step-up there are a few components. So the 200 basis points for PostNL at large, I think the lower restructuring cash out and the slight contribution to the cost savings that we realised earlier partially in 2023, all other things being equal already shift 50 basis points towards 2023. Next to that, we see better operational performance in Parcels and growth earlier. So, half of that step-up will roughly be realised already in 2023 and then another step to come from 2023 to 2024.

Frank Claassen – Degroof Petercam: Okay, that is helpful. Thank you very much.

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

Thank you, operator and thank you all for your participation today in this call. As usual, you can find Q2 materials on our website and if you have any remaining questions, please contact the IR team at PostNL. Thanks very much and goodbye!

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End of call

Appendix

Q2 2023 Results

- Results per segment
- Revenue mix Parcels
- Full reconciliation income statement and EBITDA per segment
- Free cash flow
- Result development (bridge) per segment
- Adjusted net debt
- Profit and normalised comprehensive income
- Assumed non-recurring impact related to Covid-19 in 2022

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Results per segment Q2 2023 and HY 2023

(in € million)	Revenue		Normalised EBIT		Margin	
	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023
Parcels	519	556	14	17	2.8%	3.1%
Mail in the Netherlands	350	323	13	2	3.6%	0.7%
PostNL Other	54	59	(17)	(2)		
Intercompany	(177)	(168)				
PostNL	**746**	**771**	**10**	**18**	**1.3%**	**2.3%**
	HY 2022	HY 2023	HY 2022	HY 2023	HY 2022	HY 2023
Parcels	1,073	1,118	33	22	3.1%	2.0%
Mail in the Netherlands	737	673	49	10	6.6%	1.5%
PostNL Other	109	119	(39)	(7)		
Intercompany	(367)	(355)				
PostNL	**1,552**	**1,554**	**43**	**25**	**2.8%**	**1.6%**

Revenue mix Parcels

As of 2023

(in € million)	Q1 2022	Q1 2023	Q2 2022	Q2 2023	Q3 2022	Q4 2022	FY 2022
Parcels Netherlands	361	355	345	366	332	392	**1,431**
Spring	105	116	91	119	95	113	**404**
Logistics solutions and other	77	72	74	72	68	77	**297**
Other / intercompany	11	19	9	(0)	11	4	**34**
Parcels	**554**	**561**	**519**	**556**	**506**	**587**	**2,165**

2022

(in € million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels Netherlands	361	345	332	392	**1,431**
Spring	105	91	95	113	**404**
Logistics solutions and other	105	98	93	101	**396**
Eliminations	(17)	(15)	(14)	(19)	**(65)**
Parcels	**554**	**519**	**506**	**587**	**2,165**

Presentation revenue split Parcels slightly adjusted

- Part of 2022 'Logistics solutions and other' now transferred to the line 'Other / intercompany' to better fit business activities

Full reconciliation of income statement and EBITDA Q2 2023

Income statement (in € million)	PostNL Q2 2022	PostNL Q2 2023	Parcels Q2 2022	Parcels Q2 2023	Mail in NL Q2 2022	Mail in NL Q2 2023	PostNL Other Q2 2022	PostNL Other Q2 2023	Eliminations Q2 2022	Eliminations Q2 2023
Total operating revenue	746	771	519	556	350	323	54	59	(177)	(168)
Other income	1	0	0	0	1	0	-	-		-
Cost of materials	(20)	(20)	(15)	(14)	(3)	(3)	(2)	(3)		-
Work contracted out and other external expenses	(370)	(383)	(348)	(360)	(164)	(161)	(35)	(31)	177	168
Salaries and social security contributions	(237)	(255)	(89)	(107)	(124)	(117)	(25)	(31)		-
Pension contributions & related costs	(44)	(23)	(8)	(8)	(12)	(10)	(23)	(4)		-
Depreciation, amortisation and impairments	(39)	(44)	(19)	(21)	(7)	(6)	(13)	(17)		-
Other operating expenses	(29)	(28)	(25)	(29)	(29)	(24)	26	25		-
Total operating expenses	*(738)*	*(754)*	*(504)*	*(539)*	*(339)*	*(321)*	*(72)*	*(61)*	*177*	*168*
Operating income / EBIT	**9**	**17**	**14**	**17**	**13**	**2**	**(18)**	**(2)**	**-**	**-**

EBITDA	PostNL Q2 2022	PostNL Q2 2023	Parcels Q2 2022	Parcels Q2 2023	Mail in NL Q2 2022	Mail in NL Q2 2023	PostNL Other Q2 2022	PostNL Other Q2 2023
Operating Income / EBIT	9	17	14	17	13	2	(18)	(2)
Depreciation, amortisation and impairments	39	44	19	21	7	6	13	17
Reported EBITDA	**48**	**61**	**33**	**38**	**20**	**8**	**(5)**	**15**
Non-cash pension expense	19	0	0	0	-	-	19	(0)
EBITDA excluding non-cash pension expense	**67**	**61**	**33**	**38**	**20**	**8**	**14**	**15**
IFRS16 impact (depreciation RoU assets)	(16)	(18)	(11)	(12)	(3)	(3)	(3)	(3)
EBITDA excluding non-cash pensions and IFRS16	**51**	**43**	**23**	**26**	**17**	**6**	**12**	**12**

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Full reconciliation of income statement and EBITDA HY 2023

Income statement (in € million)	PostNL HY 2022	PostNL HY 2023	Parcels HY 2022	Parcels HY 2023	Mail in NL HY 2022	Mail in NL HY 2023	PostNL Other HY 2022	PostNL Other HY 2023	Eliminations HY 2022	Eliminations HY 2023
Total operating revenue	1,552	1,554	1,073	1,118	737	673	109	119	(367)	(355)
Other income	6	0	0	0	6	0	-	-		-
Cost of materials	(41)	(45)	(31)	(32)	(6)	(6)	(4)	(7)		-
Work contracted out and other external expenses	(773)	(778)	(725)	(737)	(343)	(334)	(73)	(62)	367	355
Salaries and social security contributions	(482)	(518)	(179)	(213)	(251)	(243)	(52)	(63)		-
Pension contributions & related costs	(86)	(46)	(16)	(17)	(23)	(20)	(47)	(9)		-
Depreciation, amortisation and impairments	(78)	(85)	(38)	(40)	(14)	(12)	(26)	(32)		-
Other operating expenses	(59)	(58)	(51)	(56)	(57)	(48)	50	46		-
Total operating expenses	*(1,519)*	*(1,530)*	*(1,040)*	*(1,096)*	*(695)*	*(663)*	*(152)*	*(126)*	*367*	*355*
Operating income / EBIT	**38**	**24**	**33**	**22**	**49**	**10**	**(43)**	**(7)**	**-**	**-**

EBITDA	PostNL HY 2022	PostNL HY 2023	Parcels HY 2022	Parcels HY 2023	Mail in NL HY 2022	Mail in NL HY 2023	PostNL Other HY 2022	PostNL Other HY 2023
Operating Income / EBIT	38	24	33	22	49	10	(43)	(7)
Depreciation, amortisation and impairments	78	85	38	40	14	12	26	32
Reported EBITDA	**117**	**109**	**71**	**62**	**63**	**22**	**(17)**	**25**
Non-cash pension expense	39	0	0	0	-	-	39	(0)
EBITDA excluding non-cash pension expense	**156**	**109**	**71**	**62**	**63**	**22**	**22**	**25**
IFRS16 impact (depreciation RoU assets)	(32)	(35)	(21)	(23)	(6)	(6)	(5)	(6)
EBITDA excluding non-cash pensions and IFRS16	**124**	**74**	**50**	**39**	**57**	**17**	**17**	**19**

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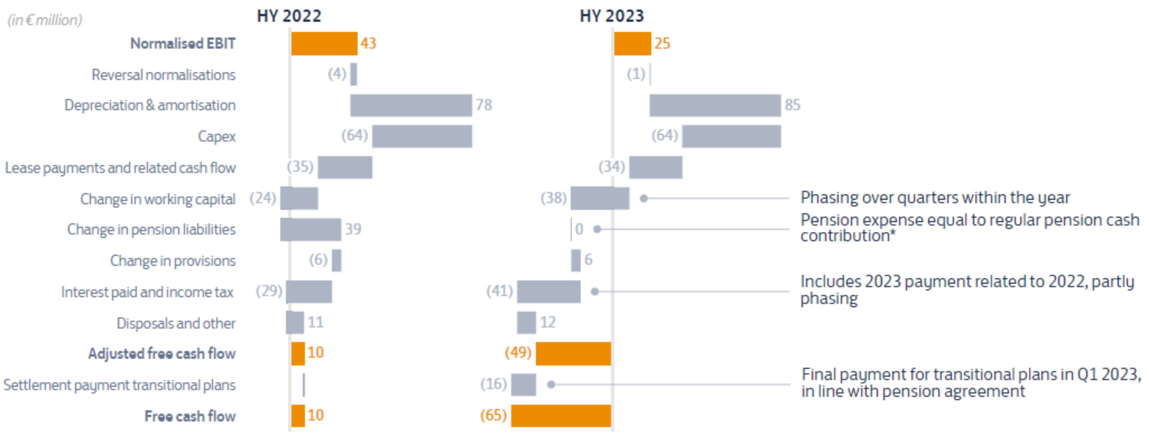
Free cash flow per segment Q2 2023

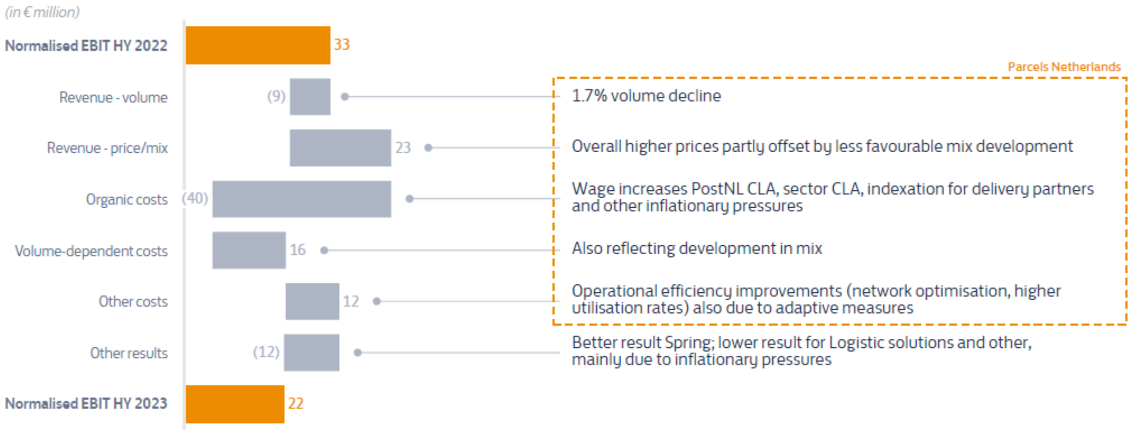
(in € million)	PostNL		Parcels		Mail in NL		PostNL Other & Eliminations	
	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023
EBITDA	48	61	33	38	20	8	(5)	15
Change in pensions	19	0	-	0	-	-	19	(0)
Change in provisions	0	3	0	3	0	(2)	(0)	1
Change in working capital	(64)	(61)	(35)	(40)	(26)	(11)	(2)	(11)
Capex	(29)	(26)	(4)	(6)	(4)	(3)	(21)	(17)
Disposals	(0)	0	(0)	0	-	(0)	(0)	0
Interest paid	(4)	(3)	(1)	(2)	(1)	(1)	(2)	(1)
Income tax paid	2	0	(4)	(4)	(3)	(1)	8	5
Lease payments and related cash flow	(17)	(15)	(10)	(8)	(4)	(5)	(3)	(3)
Other	2	7	0	(1)	0	0	2	8
Adjusted free cash flow	**(43)**	**(34)**	**(20)**	**(19)**	**(19)**	**(13)**	**(3)**	**(2)**
Soft pension settlement	-	-	-	-	-	-	-	-
Free cash flow	**(43)**	**(34)**	**(20)**	**(19)**	**(19)**	**(13)**	**(3)**	**(2)**
Free cash flow yield	-3%	-4%						

Cash flow HY



*as of 2023, following pension agreement

Parcels HY 2023 normalised EBIT bridge



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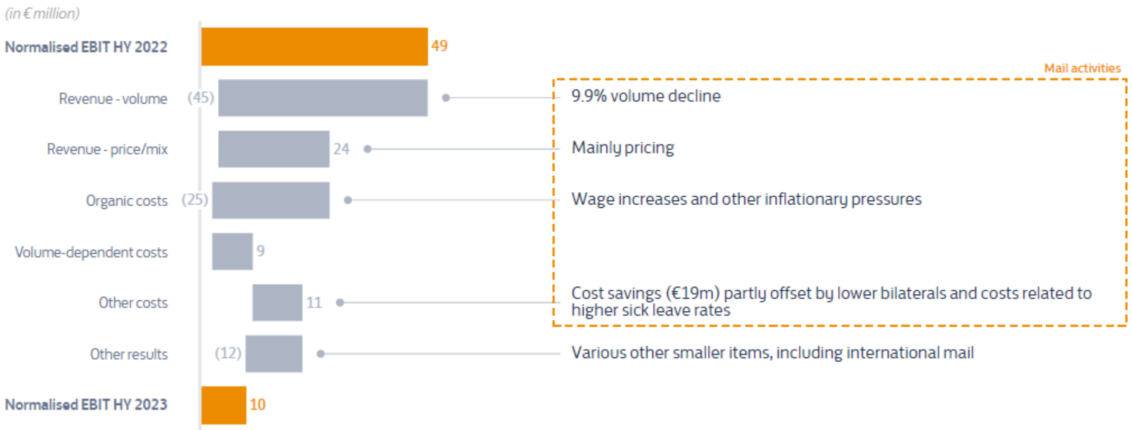
Mail in the Netherlands HY 2023 normalised EBIT bridge



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Adjusted net debt

(in € million)	31 Dec 2022	1 July 2023
Short- and long-term debt	745	768
Long-term interest-bearing assets	(17)	(16)
Cash and cash equivalents	(556)	(459)
Net debt	**172**	**293**
Pension liabilities	18	2
Lease liabilities (on balance)	331	315
Lease liabilities (off balance)	29	41
Deferred tax assets on operational lease liabilities	(83)	(82)
Adjusted net debt	**467**	**569**

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Profit and normalised comprehensive income* PostNL

(around, in € million)	Q1 2022	Q1 2023	Q2 2022	Q2 2023	HY 2022	HY 2023
Operating income / EBIT	**30**	**7**	**9**	**17**	**38**	**24**
Net financial expenses	(6)	(1)	(5)	(2)	(11)	(3)
Results from investments in JVs/associates	0	(0)	(0)	(0)	0	(0)
Income taxes	(7)	(2)	(2)	(3)	(9)	(6)
Profit/(loss) from discontinued operations	(0)	1	(13)	(1)	(13)	(0)
Profit	**16**	**4**	**(11)**	**11**	**5**	**15**
Other comprehensive income (mainly related to pensions)	15	(0)	16	(2)	31	(2)
Total comprehensive income	**32**	**4**	**5**	**9**	**36**	**13**
Normalisation on EBIT, net of tax	2	0	1	0	3	0
Exclude result from discontinued operations	0	(1)	13	1	13	0
Normalised comprehensive income	**34**	**4**	**19**	**10**	**53**	**14**

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

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Assumed non-recurring impact related to Covid-19 in 2022

Volumes

(around, in million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels	2	-	-	-	2
Mail in the Netherlands	15	3	7	6	30

Revenue

(around, in € million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels	2	-	-	-	2
Mail in the Netherlands	9	1	2	1	13
Eliminations	0	0	-	-	-
PostNL	**10**	**1**	**2**	**2**	**14**

Normalised EBIT

(around, in € million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Parcels	(2)	-	-	-	(2)
Parcels Netherlands	*(2)*	-	-	-	*(2)*
Spring and Logistics	-	-	-	-	-
Mail in the Netherlands	3	(0)	1	1	5
PostNL	**1**	**(0)**	**1**	**1**	**2**

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