

# Annual General Meeting of Shareholders 2018

## Algemene Vergadering van Aandeelhouders 2018

The Hague, 17 April 2018



**2L**  
HOME SHIPPERS

2L Home & Garden  
Article nr: 35459  
Description: M12A005

# Agenda item 1

Opening and announcements

*Opening en mededelingen*

## Agenda item 2

Discussion of the developments in the financial year 2017

*Bespreking van de ontwikkelingen in het boekjaar 2017*

# Business review

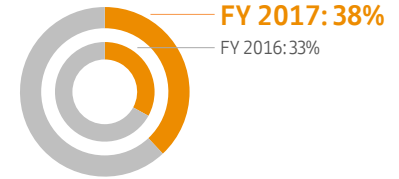
Herna Verhagen

# Strong growth in e-commerce

Business trends continue in Q4

	Revenue	Underlying cash operating income	Consolidated equity	Dividend
<b>FY 2017</b>	<b>€3,495m</b>	<b>€225m</b>	<b>€34m</b>	<b>€0.23</b> <small>proposed</small>
FY 2016	€3,413m	€245m	€(79)m	€0.12

Progress accelerating transformation



	Customer satisfaction	Employee engagement	CO <sub>2</sub> efficiency index	Quality mail delivery
<b>FY 2017</b>	<b>88%</b>	<b>66%</b>	<b>42.9</b>	<b>95.4%</b>
FY 2016	87%	67%	49.2	96.4%

# Mail in the Netherlands

Continued volume decline and impact ACM measures not compensated by cost savings

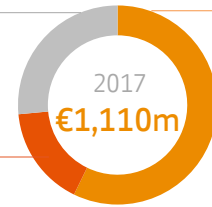
	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
<b>FY 2017</b>	<b>€1,783m</b> -5.0%	<b>€125m</b> margin 7.0%	<b>€56m</b>	<b>9.9%*</b>
FY 2016	€1,877m	€160m margin 8.5%		

## Key takeaways 2017

- Volume decline driven by loss to competition supported by regulation and substitution; continued high decline in single mail
- Larger than expected volume loss to other postal operators, supported by earlier ACM measures and SMP
- FY cost savings in low-end guided range, driven by implementation issues with sorting machine coding, related issues in sorting facilities and impact tight labour market
- Negative impact other effects, partly offset by higher sale of buildings, bilaterals and lower amortisation costs
- Mail delivery quality in 2017 at 95.4%

# Parcels

Strong performance driven by accelerating volume growth

	Revenue	Underlying cash operating income	Volume growth	Revenue mix
<b>FY 2017</b>	<b>€1,110m</b> +14.8%	<b>€120m</b> margin 10.8%	<b>20%</b>	
FY 2016	€967m	€106m margin 11.0%		

## Key takeaways 2017

- Record high peak season: 32.9m parcels delivered
- Strong volume growth driven by accelerating e-commerce translated into revenue growth, slightly negative price / mix effect
- Continuing strong volume growth Belgium (FY 2017: 36%)
- Growth in logistics and from acquisitions to extend our service proposition to (international) business clients and smaller web shops
- Increasing demand for additional services, for example same day delivery
- Strong operational result despite impact peak season costs for extra capacity to accommodate accelerating volume growth

# International

## Delay in recovery

### Revenue

FY 2017

€1,051m

+3.3%

FY 2016

€1,017m

### Underlying cash operating income

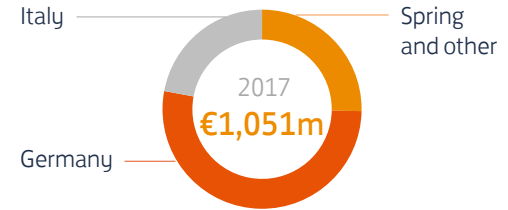
€6m

margin 0.6%

€14m

margin 1.4%

### Revenue mix



### Spring & other

- Lower revenue: growth from global e-commerce clients offset by fierce competition, compliance with stricter rules for dangerous goods and downtrading of traditional mail clients
- Steady progress of transformation towards a global e-commerce player

### Germany

- Last year's acquisitions of Pin Mail Berlin and Mail Alliance accounted for €90m of revenue and contributed to UCOI
- Revenue in final mile activities improved, but was more than offset by results from consolidation activities

### Italy

- Expected recovery becomes more tangible step-by-step
- Strong growth in parcels, both from uptrading of existing customers and from new contract wins
- Revenue growth supported by expanding client portfolio in mail where price pressure is fierce

\* Corrected for an adjustment in presentation of intercompany charges and FX, revenue increased by 6% in FY 2017



# Financial review

Jan Bos

# Financial highlights FY 2017

Underlying cash operating income in line with expectation

<i>(in € millions)</i>	FY 2016	FY 2017
<b>Reported revenue</b>	<b>3,413</b>	<b>3,495</b>
Reported operating income	291	253
Restructuring related charges	28	26
Project costs and other	5	3
Underlying operating income	324	282
<b>Underlying cash operating income</b>	<b>245</b>	<b>225</b>
Net cash (used in)/from operating and investing activities	653	(22)
<b><i>Normalised net cash, excluding sale of stake in TNT Express</i></b>	<b>10</b>	<b>(22)</b>

# Statement of income

Lower financial expense contributed to improvement normalised profit for the full year

<i>(in € millions)</i>	FY 2016	FY 2017
Revenue	3,413	3,495
<b>Operating income</b>	<b>291</b>	<b>253</b>
Net financial expenses*	45	(42)
Results from investments in associates and joint ventures	(1)	(10)
Income taxes	(55)	(53)
<b>Profit for the period</b>	<b>280</b>	<b>148</b>
<b><i>Normalised profit for the period*</i></b>	<b>135</b>	<b>148</b>
<i>(excluding sale of stake in TNT Express)</i>		

# Net cash from operating and investing activities

## Impact working capital

<i>(in € millions)</i>	FY 2016	FY 2017
<b>Cash generated from operations</b>	<b>282</b>	<b>194</b>
Interest paid	(92)	(39)
Income taxes received / (paid)	(80)	(56)
<b>Net cash (used in)/from operating activities</b>	<b>110</b>	<b>99</b>
Interest / dividends received / acquisitions / other	611	(41)
Capex	(95)	(112)
Proceeds from sale of assets	27	32
<b>Net cash (used in)/from operating and investing activities</b>	<b>653</b>	<b>(22)</b>
<b><i>Normalised net cash, excluding sale of stake in TNT Express</i></b>	<b>10</b>	<b>(22)</b>
Base capex		82
		2.3% of revenue
Cost savings initiatives		14
New sorting and delivery centres		16
<b>Total capex</b>		<b>112</b>

# Consolidated statement of financial position

Recovery to positive consolidated equity achieved

<i>(in € millions)</i>	31 Dec 2017		31 Dec 2017
Intangible fixed assets	257	Consolidated equity	34
Property, plant and equipment	510	Non-controlling interests	3
Financial fixed assets	50	Total equity	37
Other current assets	608	Pension liabilities	359
Cash	645	Long-term debt	400
Assets classified as held for sale	10	Other non-current liabilities	68
		Short-term debt	225
		Other current liabilities	991
<b>Total assets</b>	<b>2,080</b>	<b>Total equity &amp; liabilities</b>	<b>2,080</b>

- Net cash position of €27m
- Corporate equity of €2,730m (€6.02 per share), of which €362m distributable
- Issued new Eurobond (€400m) in November 2017, maturity 2024, at a coupon of 1.0%

# Progress accelerating transformation strategy & Outlook

Herna Verhagen

# Confidence in accelerating transformation strategy

Solidify our position as leading e-commerce logistics company in the Benelux

one



## Unlock value through accelerating transformation > > >



### Mail

in the Netherlands

Connect senders and receivers through our people and innovative postal networks

Deliver sustainable cash flow



### Parcels

Be the logistic solutions provider that makes our customers' lives easier

Create further profitable growth



### International

Capture opportunities from accelerating global e-commerce

Enhance cash profitability

We aim to be the Postal & Logistic solutions provider in chosen markets

Capturing e-commerce growth



# Remove barriers to make customer interaction easier

## Extension of networks and services



### Extra sorting and delivery capacity

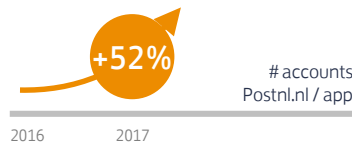
- New sorting centre in bol.com facilities
- Autostore Houten
- New sorting centre Nieuwegein



### New networks - acquisitions

- Night distribution
- Furniture delivery & assembly

### Online consumer interaction



### Extension service propositions

- Strong growth in same-day and Sunday delivery
- Options to change delivery time and location
- Start food delivery network in Belgium and further roll-out food in the Netherlands
- Introduction evening delivery in Belgium
- Return solutions to stimulate e-commerce growth



### Volume growth Parcels FY 2017





# Changed assumptions in important drivers



	Revenue	Underlying cash operating income	Towards e-commerce logistics player
<b>Outlook 2018</b>	+ mid single digit	€160m - €200m	<p>FY 2016: 33%</p> <p>FY 2017: 38%</p> <p>2020: &gt; 50%</p>
<b>Ambition 2020</b>	+ mid single digit	€230m - €300m	



## Mail

in the Netherlands

- Adjusted impact regulation
- Stronger volume decline
- Short term mismatch cost savings and impact volume decline



## International

- Improving cash profitability, but impact delay in recovery in 2017



## Parcels

- Accelerated volume growth
- Investments to accommodate growth

# Adjusted impact regulation

## Intervention required to safeguard sustainable postal market



### Regulatory developments are increasingly impacting Mail in the Netherlands

- Postal operators won more volume than anticipated:
  - most volume delivered via own networks, resulting in higher volume decline PostNL
  - remaining volume delivered via network PostNL against lower prices, resulting in pressure on average price
- Impact remains subject to final implementation SMP decision

### Impact changing Dutch postal market on PostNL

- Dutch postal market has changed fundamentally: volumes almost halved since 2005 and decline will continue
- Volumes and profitability Mail in the Netherlands deteriorated significantly
- Combined with increasing impact ACM measures this endangers quality of postal delivery, and reliability and accessibility of postal network

### Postal dialogue started

- Develop shared view on future of Dutch postal market, including evaluation USO

Based on experience first months of implementation SMP decision, expected financial impact increased to €50m - €70m on annualised basis, with effect fully visible in FY 2020

Consolidation of networks is inevitable to safeguard reliability and accessibility of postal service and preserve decent labour conditions in shrinking market

# Cost savings target increased to €500m

Short term mismatch with impact volume decline



## Volume decline stronger than expected

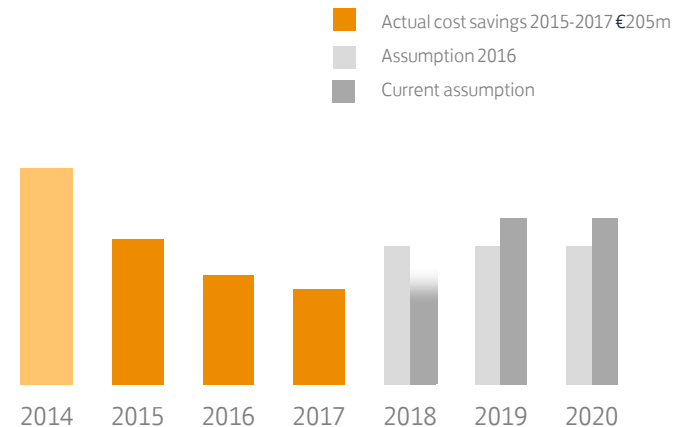
- Substitution remains main explanation volume decline
- Increased pressure from postal operators supported by regulation results in more volume loss to competition
- Expected decline addressed mail volume PostNL between 10% and 12% in 2018

## Pricing

- Bulk mail:
  - pricing in general well above inflation
  - 24 hr segment based on tariff regulation SMP
- Single mail:
  - pricing within tariff headroom Postal Regulation, price increase 6.4% per 1 January 2018
- Shift in product mix

## Cost savings more back-end loaded

(in € millions)



- Strong track record in realising cost savings
- €40m additional cost savings identified to be achieved towards 2021
- Outlook 2018 €50m - €70m

# International

## Improvement cash profitability



### Capturing opportunities from e-commerce growth

- Excellent position to benefit from further acceleration global e-commerce
- Offering cross-border mail and e-commerce solutions
  - Roll-out new service proposition for SMEs in 4 countries
  - Grow volumes from recent contract wins (AliExpress)
- Leveraging on PostNL's networks, customer base and competences



### Further roll out parcels activities and strengthen position in mail activities

- Parcels activities are fast-growing, Italian market offers attractive growth potential
- Favorable development regulatory environment



### Add volume and business improvement initiatives

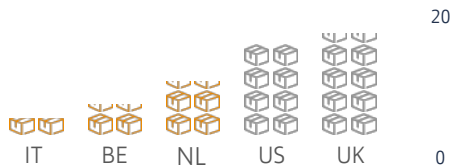
- Important contract wins in 2017 – start in Q2 2018
- Improving pricing environment
- Implementation restructuring plans
- Favorable development regulatory environment

# E-commerce drives further volume growth

Higher than anticipated volume growth in Parcels

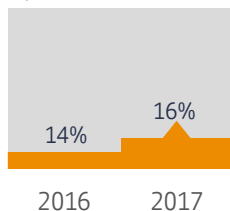


## Growth potential parcels per capita per year



## Growth potential online share retail

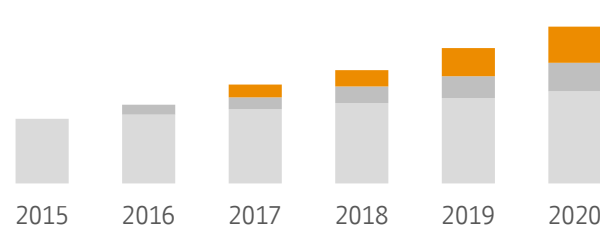
(only products)



## Broader adoption online shopping

	2017	2017-2027	2027-2035
Top 25% spenders online	€€	€€€€	€€€€ €€€€
Other	€	€€	€€€€ €€

## Accelerating growth Parcels volume



Assumption 2017

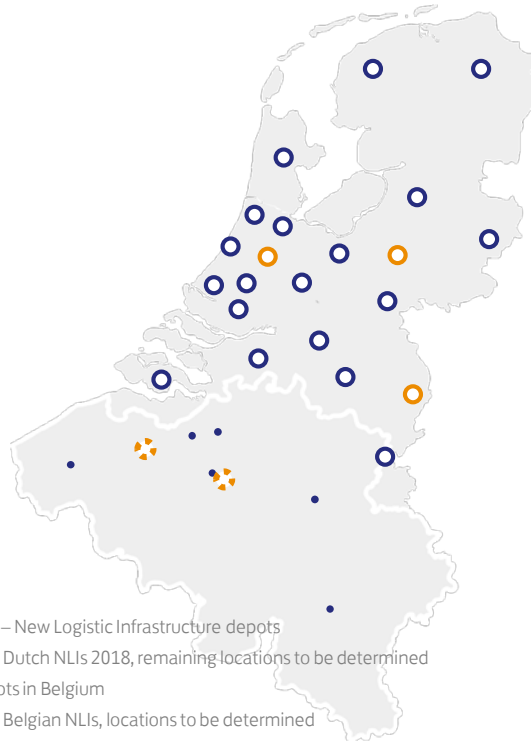
Assumption 2016

Assumption 2015



# Investments to accommodate volume growth

Solidify our position as leading e-commerce logistics solutions provider in Benelux



## Investments to expand networks and services in Benelux

- Increase number of parcel points
- 9 new sorting and delivery centres in the Netherlands
  - 3 in 2018, 3 in 2019 and 3 in 2020 - more and faster roll-out than earlier anticipated
- Attention for sustainable delivery model, taking into account tight labour market

One-time step up in implementation costs in 2018 ~ €10m

## Improvement performance after 2018

- Accelerating volume and revenue growth
- No additional implementation costs after 2018
- Increase operational efficiency, via increased use of data analytics, robotising and improvement performance logistic solutions

# Outlook 2018 UCOI between €160m and €200m

Ambition 2020 adjusted to between €230m and €300m



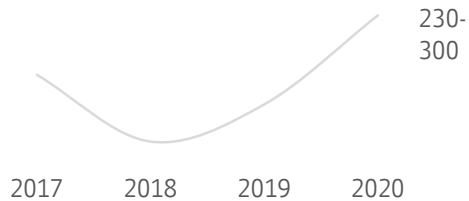
<i>(in € millions)</i>	Revenue			UCOI / margin		
	2017	outlook 2018	CAGR 2018-2020	2017	outlook 2018	ambition 2020
Mail in the Netherlands	1,783	- mid single digit	- low single digit	125 (7.0%)	3%-5%	↗
Parcels	1,110	+ mid teens	+ low teens	120 (10.8%)	9%-11%	➡
International	1,051	+ high single digit	+ high single digit	6 (0.6%)	0%-2%	↗
PostNL Other / eliminations	(449)			(26)		
<b>Total</b>	<b>3,495</b>	<b>+ mid single digit</b>	<b>+ mid single digit</b>	<b>225</b>	<b>160-200</b>	<b>230-300</b>

# Confidence in accelerating transformation strategy

Regulation remains concern



**Expected UCOI development 2017-2020**  
(in € millions)



- Volume/price/mix effect to become less negative due to slowdown impact regulation
- Improvement run-rate cost savings



- Improving contribution due to strengthening e-commerce position Spring and recovery Nexive and Postcon



- Harvesting from investments to capture further volume growth



# Committed to progressive dividend

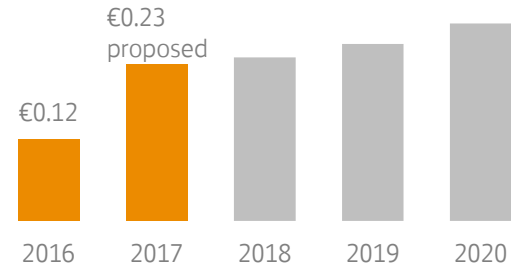
AGM to approve proposed dividend



## Progressive dividend 2017 and onwards

- Based on 75% of underlying net cash income (2017: €138m)
- One-time increase in pay-out ratio considered

## Estimated development dividend



# Agenda item 3

Annual Report 2017

*Jaarverslag 2017*

## Agenda item 4

Discussion of the Corporate Governance chapter in the Annual Report 2017

*Bespreking van het corporate governance hoofdstuk in het jaarverslag 2017*

## Agenda item 5

Discussion of the execution of the remuneration policy during the financial year 2017

*Bespreking van de uitvoering van het bezoldigingsbeleid gedurende het boekjaar 2017*

# Remuneration 2017

## Overview

- Remuneration study
- Execution of remuneration policy in 2017
- No changes in remuneration policy (as approved in 2013 AGM)

# Remuneration study

## Outcome market assessments

The remuneration benchmark in 2015 and remuneration study in 2016 have shown that for both BoM members:

- total direct compensation (base salary, target STI and expected value LTI) is positioned below the 25th percentile
- gap between total direct compensation and median peer group increased over the years. This gap is primarily result of variable remuneration (STI and LTI) which is below market

→ The Remuneration Committee agreed to leave the BoM's remuneration as is. Supervisory Board adopted advice of Remuneration Committee

# Remuneration policy PostNL

## Variable pay

### Short term - Cash -

#### Financial targets (60%)

- Underlying cash operating income PostNL
- Adjusted net cash flow from operating/investing activities

#### Non-financial targets (40%)

- Employee engagement
- Customer satisfaction
- Quality score
- CO<sub>2</sub> reduction

Maximum 37.5% of base salary

### Long term - Shares -

#### Internal financial & strategic targets (100%)

- Underlying net cash income PostNL
- Cost savings
- New growth initiatives

Maximum 37.5% of base salary

# Remuneration 2017

According to remuneration policy as approved in 2013

## Total compensation

CEO : €925,001  
CFO : €703,001



## Base salary

CEO : €625,000 (100%)  
CFO : €475,000 (100%)



## Variable pay

CEO : €300,001 (48.0%)  
CFO : €288,001 (48.0%)



## Short term performance criteria - cash -

CEO : €70,313 (11.25%)  
CFO : €53,438 (11.25%)



## Long term performance criteria - vesting shares '15-'17 -

CEO : €229,688 (36.75%)  
CFO : €174,563 (36.75%)



# Agenda item 6

Adoption of the 2017 financial statements (Resolution)

*Vaststelling van de jaarrekening over het boekjaar 2017 (Besluit)*

# Voting

## Stemmen

Insert the card with the gold chip pointing towards you  
*Voer de kaart in met de gouden chip naar u toe*

Open LUMI AGM app and log in  
*Open LUMI AGM app en log in*



# Voting

## Stemmen

When the chairman invites you to vote the options will appear in the device screen

*Wanneer de voorzitter u uitnodigt om te gaan stemmen verschijnen de stemopties in het beeldscherm*

- Button 1 to vote for
  - Button 2 to vote against
  - Button 3 to abstain
  - Confirmation that your vote has been received will appear on the screen
  - To change your vote, simply enter your new choice (1, 2 or 3) to overwrite your previous selection
- *Toets 1 om voor te stemmen*
  - *Toets 2 om tegen te stemmen*
  - *Toets 3 voor onthouding*
  - *Een bevestiging dat uw stem is ontvangen verschijnt in het beeldscherm.*
  - *Om uw stem te wijzigen drukt u op de toets (1, 2 of 3). Uw laatste keuze geldt*



Het is vandaag mooi weer

Voor / For	2,101,665
Tegen / Against	9,541
Onthouding / Abstain	2,674,490



## Agendapunt 6 / Agenda Item 6

Voor / For	153,569,778
Tegen / Against	516
Onthouding / Abstain	229,061



# Agenda item 7

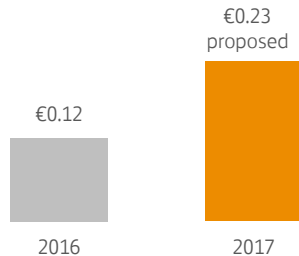
- a. Dividend policy  
*Dividendbeleid*
  
- b. Appropriation of profit (Resolution)  
*Winstbestemming (Besluit)*

# Dividend 2017 proposal: €0.23 per share

## Capital return to shareholders

- Proposed dividend 2017 of €0.23 per share, based on 75% of underlying net cash income of €138m, election dividend
- €0.06 per share paid as interim dividend in August 2017; final dividend of €0.17 per share

## Development dividend per share



## Dividend calendar 2018

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17 April	AGM
19 April	ex-dividend date
20 April	record date
23 April – 7 May, 3PM CET	election period
9 May	payment date final dividend

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## Agendapunt 7b / Agenda Item 7b

Voor / For	153,772,957
Tegen / Against	5,843
Onthouding / Abstain	8,056





# Agenda item 8

Release from liability of the members of the Board of Management (Resolution)

*Het verlenen van kwijting aan de leden van de Raad van Bestuur (Besluit)*

## Agendapunt 8 / Agenda Item 8

Voor / For	150,292,851
Tegen / Against	2,593,467
Onthouding / Abstain	882,598



## Agenda item 9

Release from liability of the members of the Supervisory Board (Resolution)

*Het verlenen van kwijting aan de leden van de Raad van Commissarissen (Besluit)*

## Agendapunt 9 / Agenda Item 9

Voor / For

Tegen / Against

Onthouding / Abstain



# Agenda item 10

## Supervisory Board

### *Raad van Commissarissen*

- a. Announcement of two vacancies in the Supervisory Board  
*Kennisgeving van twee vacatures in de Raad van Commissarissen*
- b. Opportunity for the General Meeting of Shareholders to make recommendations for the (re)appointment of members of the Supervisory Board  
*Gelegenheid tot het doen van aanbevelingen door de Algemene Vergadering van Aandeelhouders voor de (her)benoeming van leden van de Raad van Commissarissen*
- c. Announcement by the Supervisory Board of the persons nominated for (re)appointment  
*Kennisgeving door de Raad van Commissarissen van de voor (her)benoeming voorgedragen personen*

# Agenda item 11

Proposal to appoint Mr Nooitgedagt as member of the Supervisory Board (Resolution)

*Voorstel tot benoeming van de heer Nooitgedagt tot lid van de Raad van Commissarissen (Besluit)*

## Agendapunt 11 / Agenda Item 11

Voor / For	152,353,468
Tegen / Against	1,392,303
Onthouding / Abstain	36,845



# Agenda item 12

**Proposal to reappoint Mr Wallage as member of the  
Supervisory Board (Resolution)**

*Voorstel tot herbenoeming van de heer Wallage tot lid van  
de Raad van Commissarissen (Besluit)*



## Agendapunt 12 / Agenda Item 12

Voor / For	150,641,438
Tegen / Against	3,142,173
Onthouding / Abstain	503



## Agenda item 13

Announcement of vacancies in the Supervisory Board as per the close of the Annual General Meeting of Shareholders in 2019

*Mededeling van vacatures in de Raad van Commissarissen die na afloop van de Jaarlijkse Algemene Vergadering van Aandeelhouders in 2019 zullen ontstaan*

# Agenda item 14

Intended appointment of Mr Berendsen as member of the Board of Management

*Voorgenomen benoeming van de heer Berendsen tot lid van de Raad van Bestuur*

## Agenda item 15

Extension of the designation of the Board of Management as authorised body to issue ordinary shares (Resolution)

*Verlenging van de aanwijzing van de Raad van Bestuur als bevoegd orgaan tot het uitgeven van gewone aandelen (Besluit)*

## Agendapunt 15 / Agenda Item 15

Voor / For	115,441,212
Tegen / Against	38,330,430
Onthouding / Abstain	12,242



## Agenda item 16

Extension of the designation of the Board of Management as authorised body to limit or exclude the pre-emptive right upon the issue of ordinary shares (Resolution)

*Verlenging van de aanwijzing van de Raad van Bestuur als bevoegd orgaan tot het beperken of uitsluiten van het voorkeursrecht bij uitgifte van gewone aandelen (Besluit)*

## Agendapunt 16 / Agenda Item 16

Voor / For	111,220,286
Tegen / Against	42,210,626
Onthouding / Abstain	353,094



# Agenda item 17

Questions

*Rondvraag*



# Agenda item 18

Close

*Sluiting*