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

Good morning, everyone. Thank you for joining us today. With me here in the room are Herna Verhagen, our CEO, and Pim Berendsen, our CFO. As usual, we will start with the presentation and take you through the slides, also available on our website and in the webcast, after which we will open the floor for your questions.

Herna, over to you.



# Navigating a turbulent environment

Q4 & FY 2022 Results



- Key takeaways
- Executing on our strategy
- Business and financial performance 2022
- 2023 and beyond

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**Herna Verhagen – CEO PostNL:** Thank you, Jochem, and welcome to you all. I will start on slide 4.



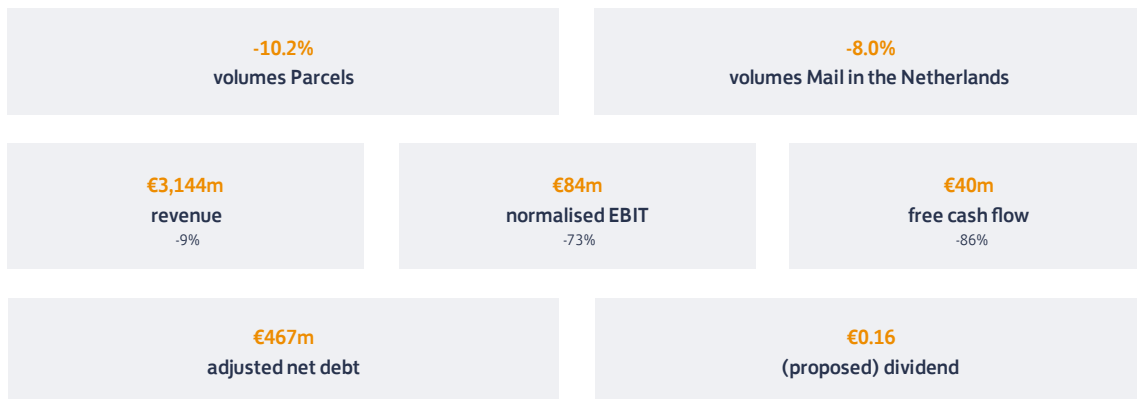
# Key takeaways 2022



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## 2022: Navigating a turbulent environment

Inflation and pressure on consumer spending impacted costs and development of e-commerce volumes, partly mitigated by swiftly taking adaptive measures



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The year 2022 turned out differently than we had all expected at the end of 2021. After a few years that were dominated by the pandemic, we expected to start to see recovery and to



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gradually return to a more normal situation, macroeconomically and also our operating environment.

The war in Ukraine changed everything. As well as creating terrible human suffering it has raised safety risks and uncertainty within Europe to levels not yet seen in this century. The war, now ongoing for more than twelve months, also deeply impacted local, regional and global markets. High inflation and deteriorating macroeconomic conditions put real pressure on consumer spending through the year.

Meanwhile, most countries were recovering from the pandemic and its impact on the global supply chain. The combination of the two negatively impacted e-commerce, putting great pressure on the sector and also on PostNL, leading to lower results than we had expected and hoped for.

We saw labour and fuel cost increase to levels we did not see before with total organic cost increases of around EUR 185 million, sorry, around EUR 138 million, the EUR 185 million relate to 2023, while overall Parcels volumes were down by over 10%.

In this environment, we took swift and firm mitigating actions throughout the year to navigate this turbulent environment. We scaled our network capacity and optimised routes, staffing and fleet. We also reduced indirect cost at Parcels and looked critically at overhead costs by delaying projects and filling staff vacancies. By this, we were able to mitigate about EUR 45 million of the impact. Bottom line, however, we delivered a normalised EBIT of EUR 84 million, significantly below our initial outlook range.

Through strict cash control, free cash flow came in at EUR 40 million and based on the leverage ratio of 1.9 and our dividend policy, we have proposed a dividend for the year 2022 of EUR 0.10 (note: is EUR 0.16).



# Executing on our strategy



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Then over to the challenging macroeconomic environment and industry dynamics.

## Challenging macroeconomic environment and industry dynamics

### Global risk

- Ongoing geopolitical tensions
- Supply chain bottlenecks, mainly to and from Asia



### Slowdown of economic growth

- Recession fears
- Inflationary pressure, lowering discretionary spend
- Low consumer confidence
- Tight labour market



### Competitive dynamics

- Temporary overcapacity in parcels market due to capacity expansion in period of e-commerce slowdown
- Multi-vendorship and platforms
- In/outsourcing of first/last-mile and exits



### Evolving consumer demands

- Sustainable delivery options
- Enhanced and extended service offering, e.g. real-time tracking and APLs



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Some of the elements I mentioned are related to 2022 and we will see them back in 2023 as well.

2022 was a year with challenging macroeconomic and operating environments, impacted by many factors. I already mentioned the war in Ukraine, which impacted local, regional, and global markets. On the other hand, we also saw record-high levels of inflation, putting real pressure on consumer spending throughout the year and in the end also real pressure on the e-commerce market volumes.

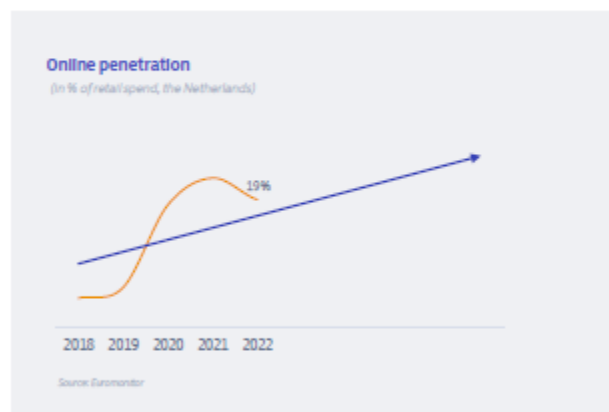
With a slowdown in e-commerce volumes we are now operating in a market that is characterised by overcapacity and that is highly competitive, while consumers continue to demand high quality and evolving service offerings. These dynamics continue to impact our operating environment going forward. Also for the year 2023, we expect ongoing volatility and uncertainty.

## Fundamental drivers of e-commerce growth unchanged

Online penetration and retail spend and main drivers

### Development e-commerce market

- Online penetration main contributor
  - non-mature market
  - upward long-term trend assumed to continue
- Also driven by retail spend
  - function of economic growth and consumer spend
  - current macroeconomic environment creates volatility and limited visibility on short-term development
  - long-term upward trend supported by improvement in macroeconomic conditions over time



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If we look a little bit further ahead and look into the fundamental drivers of the e-commerce, the expectation of growth is unchanged. Or in other words, the e-commerce market has a



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strong potential for future growth, particularly if you look into online presentation, online penetration, which is an important driver behind ecommerce growth: 19% at the end of 2022 shows that the market is still immature and offers a lot of potential and the trend going forward is upwards.

In the graph on the right-hand side of this slide, you see the Euromonitor. Based on their extensive research, it assumes that the growth parts in online presentation will resume going forward.

Of course, we saw a peak in e-commerce penetration at the time of the pandemic and we were in lockdown. After that, once society was opened, levels have come back a bit, but overall levels are still significantly above the level we have seen before the pandemic and show an upward trend.

The second important driver is retail spending. Once the macroeconomic environment starts to turn – and the timing of this is an uncertain factor – it will be an extra growth factor for the upward trend in e-commerce. These are the main drivers behind growth in the market that underpin our confidence in the future growth going forward and underpin our strategy.





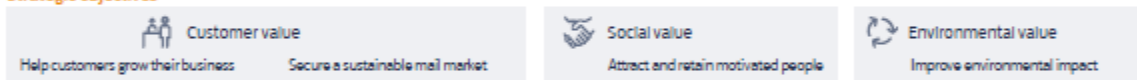
## Our strategy

The leading logistics and postal service provider in, to and from the Benelux region

### Strategic foundation



### Strategic objectives



### Results 2022

Customer value		Social value		Environmental value	
<b>33%</b> Highly satisfied customers	<b>517</b> Automated Parcel Lockers	<b>81%</b> Employee engagement	<b>7.4%</b> Absenteeism	<b>22%</b> Emission-free last-mile delivery	<b>25%</b> Improvement in carbon efficiency (g/km)
<b>98%</b> Delivery quality Parcels Netherlands	<b>66%</b> Active users of consumer PostNL accounts	<b>10%</b> Pension indexation	<b>3</b> CLAs secured	<b>Net zero</b> Offsetting any remaining emissions	
<b>91%</b> Delivery quality Mail in the Netherlands	<b>5,494</b> Retail locations				



Be your favourite deliverer

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If you then look into our strategy, you see that this strategy remains to be the leading logistics and postal service provider in, to and from the Benelux, with three important pillars.

Parcels, which is managed through sustainable growth, Mail, which is managed for value and Digital Next, which will support our business performance in cost and revenue, but also is an important factor in increasing customer satisfaction.

The year 2022 showed on our strategic objectives important improvement and important elements. In customer value we saw 33% of highly satisfied customers. We had 98% of delivery quality parcels in the Netherlands and 91% with Mail in the Netherlands. By this time we have around 600 automated parcel lockers, by the end of 2022 517. 66% are active users of the PostNL account and almost 8 million unique users of that PostNL account at this moment in time.

In employee engagement, we saw a slight decline to 81%. The absenteeism in 2022 was higher, partly because still of Covid, partly because of people needing to go to the hospital, which they could not do during Covid. That is what you see in absenteeism.



As you know, we made a pension agreement just before the end of 2022, which is positive for PostNL – Pim will come to the highlights of that – but also positive to our employees with 10% pension indexation. And the CLAs are secured, which was important for PostNL.

In the environment, we did lots of good. We saw that 22% of our last mile is now emission-free. We had a 25% improvement in our carbon efficiency and we offset any remaining emissions, so we are net zero. That was also seen by externals, for example in the prizes we received around environment.

## Executing on our strategy

Well-positioned to resume growth trajectory at Parcels and maintain solid performance at Mail in the Netherlands

### Strategic foundation



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As said, 2023 is expected to be a difficult year, partly because of the lack of Parcels growth, partly because of the still expected high organic cost. Nevertheless, we expect that the market continues to grow when the economy recovers and hopefully that is as of 2024. It means that we are well positioned to resume our growth trajectory at Parcels and maintain our solid performance at Mail in the Netherlands.

For the year 2023, we expect a normalised EBIT of EUR 70 million to EUR 100 million. There are a few important elements underneath. As said, we still expect higher organic cost – Pim



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will come back to that – we expect a slight decline in the amount of parcels but on the other hand we see continued growth after 2023. That makes the year 2023 for us so important to set the organisation totally right.

That is the reason why we also announced an additional plan to do EUR 25 million – EUR 30 million of cost savings as of 2024 by the reduction of 200 to 300 full-time equivalents in overhead and other indirect cost, mainly at Parcels. These will deliver a saving of EUR 25 million in 2024, which will grow to EUR 30 million in 2025.

Of course, we will continue to adapt our organisation with price adjustments. We will give you some insights in what we did for the year 2023, scaling our organisation to volumes and also further efficiency programs.

Beyond 2023, with all the actions taken in 2023, we expect a gradual margin improvement, mainly at Parcels, partly because of the e-commerce growth and with our flexible investment program. Secondly, we keep our mail accessible, reliable and affordable and we are building our digital platform. We are integrating customers, consumers and solutions to simple and smart digital journeys. What the exact gradual margin improvement will be in 2024 will be detailed later in the presentation.

A very difficult year by far, not what we expected it to be. We still have a difficult year ahead of us in 2023. While we took the necessary actions to be fully ready and fit the moment, the market will start growing again.

Now, I hand over to Pim to give you the highlights of 2022 and make a first step into 2023.



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# Business and financial performance 2022



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**Pim Berendsen – CFO PostNL:** Thank you, Herna. Quite clearly that the year turned out different than we expected at the outset. Where we expected growth, it turned into volume decline in Parcels, due to fundamentally changed market circumstances as of 24th of February last year. And I think we dare to say that we have made the most of the very demanding market circumstances and I am going to talk you through the elements to indicate that.



## Results in 2022

A different year than expected

Main drivers	FY 2022 assumptions (28 February 2022)	Actual development	Impact on performance
Organic costs	-€70m inflationary cost pressure	<ul style="list-style-type: none"> <li>Inflation significantly higher than assumed</li> <li>CLA agreements (PostNL, mail deliverers)</li> <li>indexation for delivery partners</li> <li>fuel and other</li> </ul>	<ul style="list-style-type: none"> <li>-€65m additional impact (bringing total organic cost increase to -€135m)</li> </ul>
Parcels	3% - 5% volume growth	<ul style="list-style-type: none"> <li>10.2% volume decline</li> </ul>	<ul style="list-style-type: none"> <li>-€100m assumed impact</li> </ul>
Mail in the Netherlands	8% - 10% volume decline	<ul style="list-style-type: none"> <li>8.0% volume decline, at better end of range</li> </ul>	
		<b>Swift response by taking necessary adaptive measures</b> <ul style="list-style-type: none"> <li>Scaling operations with volumes</li> <li>Tight control of overheads project, and indirect costs at Parcels</li> </ul>	<ul style="list-style-type: none"> <li>-€45m mitigating impact at Parcels</li> </ul>
<b>Normalised EBIT</b>	€210m - €240m		<ul style="list-style-type: none"> <li>-€84m</li> </ul>



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If you look at the organic cost developments, when we were at the outset of the year, we expected EUR 70 million of organic cost increases, part of which we were already not expecting to be able to put through in prices. That EUR 70 million turned into EUR 135 million of organic costs, which is a EUR 65 million additional impact, which basically in the year 2022 had an effect of an EUR 80 million gap between organic cost increases and price increases, because of the fact that prices were fixed prior to the steep increases in inflation and fuel prices as of February 24.

The beginning of the year, coming out of Covid, we expected growth in Parcels on the back of the same market drivers that Herna just discussed. Consumer spending was going to be up, online penetration was going to continue in the right direction and that projected growth. That that growth turned into a 10% volume decline with roughly speaking 60 million items less than we predicted at the beginning of the year, amounting to EUR 100 million of assumed EBIT impact. Obviously, that decline is completely driven by lower consumer spending as a consequence of the uncertain market circumstances.



For Mail in The Netherlands we projected 8% - 10% volume decline, which ended up at 8%, at the better end of the range. All in all, Mail did a very good job, also realising the cost saving plans as we projected them to be.

Clearly we have done our utmost to offset and to compensate those negative elements in our business model throughout the year and we managed to mitigate EUR 45 million of these elements through different measures within Parcels predominantly. Scaling back operations, reducing the routes, taking out sorting capacity and all different types of measures also focused on indirect cost in the year, to mitigate as much as we could the elements of lower volume and higher organic costs. That amounts to EUR 45 million of mitigating actions, actions separately from the cost savings within Mail. That then, all in all, resulted in the normalised EBIT for 2022 of EUR 84 million that you surely will have seen.

## Key financial results Q4 2022

Solid peak season

### Key takeaways

- Domestic volumes at Parcels -3.8%, excluding non-recurring impact related to Covid-19; reported volumes -5.4%
- Volumes at Mail in the Netherlands -8.1%; underlying mail development -6.5%, mainly due to substitution
- Efficiency improvements and productivity gains in comparison with last year
- Improvement in cross-border activities compared with Q1-Q3 2022
- New CLA PostNL retroactively implemented in December (start date 1 April 2022; total impact €35m)
- Pension agreement
  - de-risking financial profile
  - positive impact on financial position
  - significant (non-cash) impact on some reported financial metrics, following technical accounting classification

### Key financial metrics

(in €million)	Q4 2021	Q4 2022	change
Revenue	936	883	-6%
Normalised EBIT	93	60	-35%
<i>Assumed to be non-recurring and related to Covid-19</i>	9	1	
Free cash flow	65	79	22%
Normalised comprehensive Income	89	41	-54%



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If we then look at the fourth quarter and we look at it as a solid peak season, operationally very well executed against very good quality, we see it turned in EUR 60 million of normalised EBIT and EUR 79 million of free cash flow, where free cash flow is up in comparison to last year and normalised EBIT, given the elements we just discussed, down.



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In Mail, volumes were more or less in line with expectations ex-Covid elements in 2021. It is actually a flat result in comparison to Q4 last year. Parcel volumes were down but from an operational perspective we delivered strong performance, but we were not able to fully scale down the organization as labour markets remain to be tight and we had to ensure our flexibility and service levels to remain high in peak season.

From a labour perspective, we reached an important milestone by reaching the new collective labour agreement from April 2022 until March 2024. That has been applied retroactively, meaning that the full impact for 2022 also from April 1 to December 31 is visible in the Q4 numbers, with a total impact of EUR 35 million.

In order to further de-risk the balance sheet and improve the financial position of PostNL, we have managed to conclude a very important pension agreement with the pension fund. And further de-risking the pension position, which means that as of January 1 there are no top-up payments anymore. It changed into a defined contribution scheme, which also means that from now on what we will account for in the P&L and the balance sheet will actually be the cash cost of the pensions and no specific IFRS component anymore. Furthermore, that deal resulted in an improvement of PostNL's financial position of roughly speaking EUR 20 million because of the reduction of the unconditional funding obligation. There are also some technical accounting classification elements related to the pension deal that I will discuss a bit later on.



strictly confidential – for internal discussion only

## Strong operational performance at Parcels Q4 2022

Well-managed execution of peak season

	Revenue	Normalised EBIT	Volumes	Revenue mix <i>in € million</i>																		
<b>Q4 2022</b>	<b>€587m</b>	<b>€24m*</b>	<b>94m</b> -5.4%	<table border="1"> <thead> <tr> <th></th> <th>Q4 2021</th> <th>Q4 2022</th> </tr> </thead> <tbody> <tr> <td>Parcels Netherlands</td> <td>409</td> <td>392</td> </tr> <tr> <td>Spring</td> <td>104</td> <td>113</td> </tr> <tr> <td>Logistics solutions and other</td> <td>111</td> <td>101</td> </tr> <tr> <td>Eliminations</td> <td>(19)</td> <td>(19)</td> </tr> <tr> <td><b>Parcels</b></td> <td><b>604</b></td> <td><b>587</b></td> </tr> </tbody> </table>		Q4 2021	Q4 2022	Parcels Netherlands	409	392	Spring	104	113	Logistics solutions and other	111	101	Eliminations	(19)	(19)	<b>Parcels</b>	<b>604</b>	<b>587</b>
	Q4 2021	Q4 2022																				
Parcels Netherlands	409	392																				
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Eliminations	(19)	(19)																				
<b>Parcels</b>	<b>604</b>	<b>587</b>																				
Q4 2021	€604m	€55m	99m																			
FY 2022	€2,165m	€56m (margin 2.6%)	344m -10.2%																			

\* Down €3.1m; down €29m when corrected for non-recurring Covid-19 impact (no impact in 2022 and €2m in 2021)

### Volume

- Domestic volumes -3.0%, excluding non-recurring impact related to Covid-19; reported volumes -5.4%
- Cross-border activities below last year, but first signs of improvement visible compared with Q1-Q3 2022
- Some market share loss, particularly related to temporary overcapacity in market

### Revenue

- Volume decline partly offset by peak pricing, price indexation and favourable change in mix
- Revenue at Spring in Europe up; revenue at Logistics down

### Costs

- Inflationary pressure leads to higher organic costs (labour and fuel)
  - includes impact of new CLA PostNL retroactively applied for Q2-Q4 2022
- Higher costs related to sick leave
- Operational efficiency above 2021 levels



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The segment Parcels in the fourth quarter has realised EUR 24 million of normalised EBIT in comparison to EUR 55 million the year before, as said on the back of 5.4% volume decline. Corrected for Covid it was 3.8%.

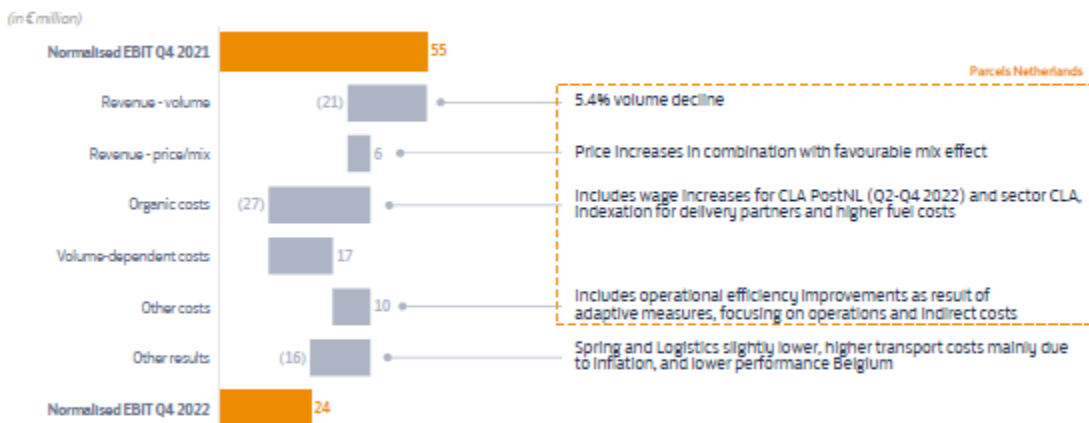
Cross border activities still suffered from difficult market circumstances in Asia in comparison to Q4 of 2021 but we are on a more positive run rate throughout Q3 and Q4 of 2022 in comparison to the first part of 2022, and as such indicate some positive momentum in that area.





## Parcels Q4 2022 normalised EBIT bridge

Margin suppressed by organic cost increases



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If you move then to the Parcels bridge and on the next slide, you will see the move from the EUR 55 million of last year to the EUR 24 million. The big driver there is the EUR 21 million volume development, positive price/mix increases and favourable mix effects as well. The Organic cost increase is very significant in this quarter and actually the entire year, EUR 27 million.

Volume-dependant costs go the other way.

Other costs indicate the savings that we have realised by taking operational efficiency improvements. Basically on all operational efficiency drivers we have done better than last year.

In other results also you see that the other businesses, not the volume-related elements but Logistics Belgium and transportation units have also been hit quite significantly by the changing market circumstances.



## Strong performance at Mail in the Netherlands Q4 2022

Mitigating volume decline through moderate pricing policy and cost savings initiatives

	Revenue	Normalised EBIT	Volumes
<b>Q4 2022</b>	<b>€429m</b>	<b>€60m*</b>	<b>534m</b> -8.1%
Q4 2021	€482m	€66m	581m
FY 2022	€1,495m	€107m (margin 7.2%)	1,884m -8.0%

\* Down €7m; or flat when corrected for non-recurring Covid-19 impact (€1m in 2022 and €7m in 2021)

### Volume

- Overall volume decline of 8.1%, including fewer Covid-19-related items
- -6.5% underlying mail development, mainly due to substitution

### Revenue

- Moderate pricing policy
- Less favourable mix, mainly due to fewer Covid-19-related volumes

### Costs

- Increased labour costs (also impacted by PostNL CLA)
- Higher sick leave rates in tight labour market
- Further cost savings achieved through efficiency gains in sorting and preparation processes



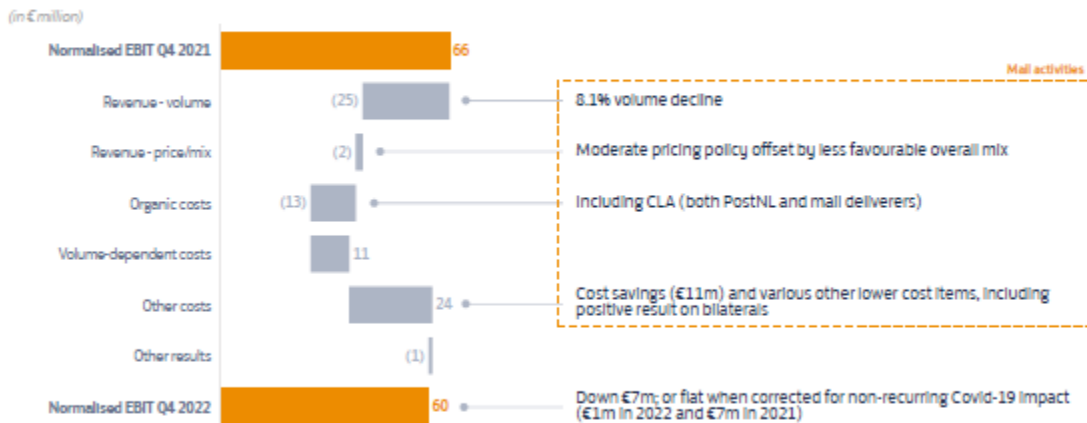
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If you then move over to Mail, we are actually quite happy about Mail's performance in the fourth quarter. A strong performance, the way we look at it, with a result of EUR 60 million in comparison to EUR 66 million last year but also with the delta relating to non-recurring Covid of EUR 6 million, so actually contributing a flat result ex-Covid, which is in our view a good result, also driven by the step-up in cost savings realising the total ambition of EUR 27 million of cost savings in the year, of which EUR 11 million are saved in the fourth quarter. Volume decline by 8.1%, corrected for non-recurring Covid items, the volume development of 6.5% driven by ongoing substitution.



## Mail in the Netherlands Q4 2022 normalised EBIT bridge

Cost savings partially offset higher organic costs

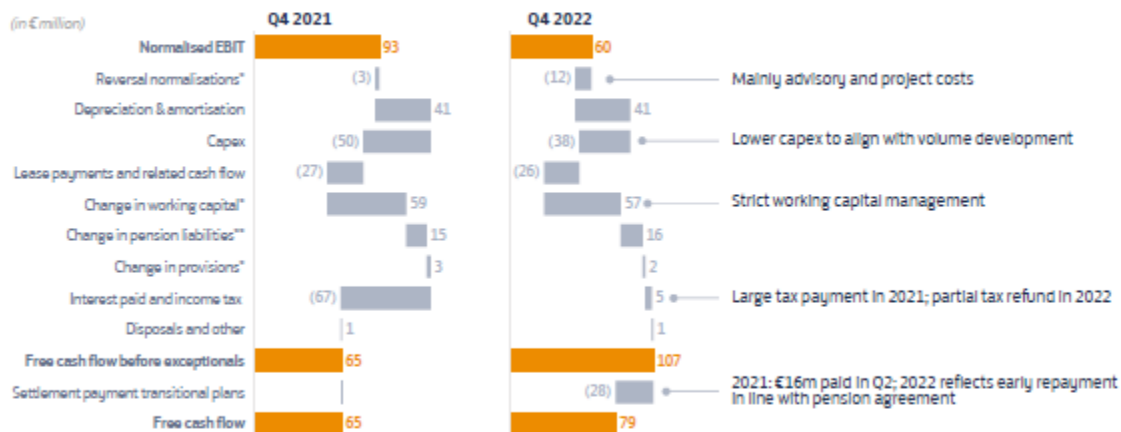


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The bridge of Mail is on the next slide. The impact of volume decline is EUR 25 million on the EBIT, slightly negative price/mix effect, and a positive price effect offset by less favourable overall mix. The organic cost increase is also quite high within Mail and other costs define the cost savings, including the positive results on bilaterals and nothing specific in other results. So, down EUR 6 million or EUR 7 million but, as said, corrected for non-recurring Covid, flat in comparison to last year and we are happy with the performance of Mail, operationally and financially, in the fourth quarter.



## Cash flow in Q4



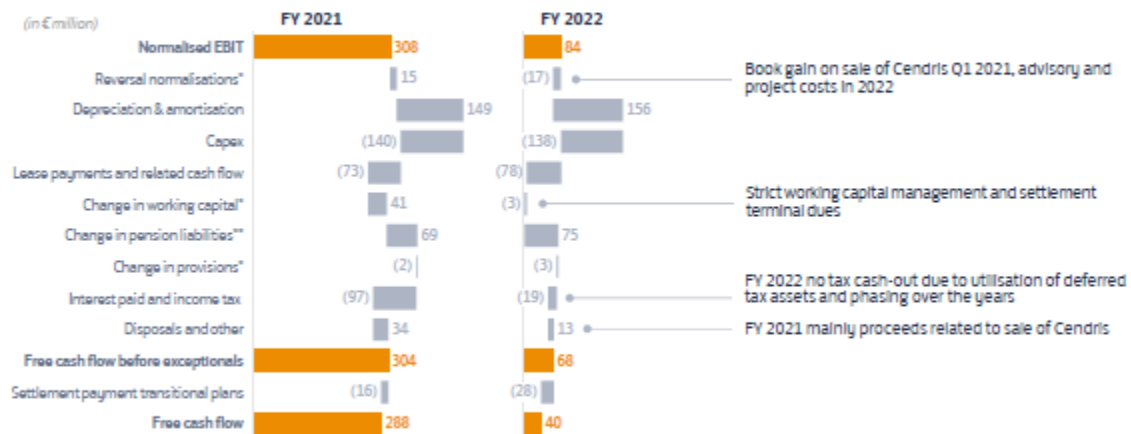
\* Q4 2022 excluding (non-cash) accounting impact of pension agreement  
 \*\* Based on regular pension contribution

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The second financial key driver is the cash flow in the fourth quarter. Our free cash flow in Q4 came in at EUR 79 million, which is an increase of EUR 14 million compared to Q4 last year. There is no pension-deal elements in the cash flow bridge up to the point of the free cash flow before exceptionals. So there is the settlement payment transitional plans and you find the EUR 28 million because part of the pension deal led to a change in the payment schedule by which we have now paid EUR 28 million in the fourth quarter rather than the EUR 16 million per year that you might recognize from the past. There is still one payment to be made in the first quarter of 2023 and then that is all done and settled.



## Full-year cash flow



\* Q4 2022 excluding (non-cash) accounting impact of pension agreement  
 \*\* Based on regular pension contribution

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If you look at the full year cash flow, the bridge from normalised EBIT to free cash flow went from EUR 84 million towards EUR 43 million free cash flow for the full year. Obviously, also there you will find the settlement payment for transitional plans of EUR 28 million. So, the bridge actually goes business wise from EUR 84 million to EUR 68 million with a fair amount of normalisations in EBIT in this year that we do expect to see back in 2023.

Depreciation and amortisation are more or less in line with last year. Capex is the same. I think, again, much focus was set on strict working capital management, which helped to protect the balance sheet. All in all, a good performance on cash, I think.



## Accounting classification pensions

From defined benefit to defined contribution

(in € million)	Reported FY 2022	Technical accounting adjustment IAS19 (non-cash)	Unconditional funding obligation adjustment	FY 2022 excluding adjustments
Reported EBIT (operating income)	(1,291)	1,377	(20)	66
Profit from continuing operations	(993)			26
Profit for the period	(981)	1,022	(15)	14
Other comprehensive income	1,071	(1,020)		52
Total comprehensive income	79	2	(15)	66

- No impact on normalised EBIT and normalised comprehensive income in 2022
- Other implications pension agreement December 2022:
  - reduction in unconditional funding obligation, improving adjusted net debt by €20m as per year-end 2022
  - free cash flow 2022 includes €12m early payment for transitional plans (total payment FY 2022 of €28m); final instalment of €16m to be paid in Q1 2023



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On this slide you find a technical explanation of the accounting elements related to pensions, because on profit for the period and also an operating income you might have seen quite a significant loss. That loss is because of accounting elements completely related to pensions. That does not affect the equity, nor does it affect the total and normalised comprehensive income because the hit on operating income is reversed in other comprehensive income but at first glance, operating income looks a bit strange, so that is why we have included the reconciliation of that on this specific slide.



## Balance sheet

Adjusted net debt at €467m

### Balance sheet

(in € million)

	31 Dec 2022		31 Dec 2022
Intangible fixed assets	389	Consolidated equity	177
Property, plant and equipment	457	Non-controlling interests	2
Right-of-use assets	295	Total equity	179
Other non-current assets	53	Pension liabilities	2
Other current assets	465	Long-term debt	697
Cash	556	Long-term lease liabilities	255
Assets classified as held for sale	6	Other non-current liabilities	103
		Short-term lease liabilities	75
		Other current liabilities	909
<b>Total assets</b>	<b>2,221</b>	<b>Total equity &amp; liabilities</b>	<b>2,221</b>

### Adjusted net debt

(in € million)

	31 Dec 2021	31 Dec 2022
Short- and long-term debt	732	745
Long-term interest-bearing assets	(20)	(17)
Cash and cash equivalents	(848)	(556)
<b>Net debt</b>	<b>(136)</b>	<b>172</b>
Pension liabilities	67	18
Lease liabilities (on balance)	333	331
Lease liabilities (off balance)	17	29
DTA on operational lease liabilities	(79)	(83)
<b>Adjusted net debt</b>	<b>203</b>	<b>467</b>



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If you then look at the balance sheet you will find in a similar set-up as before the composition of the balance sheet but also the development of adjusted net debt. Our debt went up roughly speaking by EUR 260 million, as a consequence of lower performance but also because of the first tranche of the share buyback and the dividends paid within the year 2022.

The pension liabilities show the impact of EUR 16 million regular annual pension settlement, EUR 12 million additional payment and EUR 20 million release of the liability, which is actually the real improvement of the pension deal on the balance sheet, next to the fact that going forward we will only have the pension cash out as pension cost reported. As such, by managing the cash flow, the balance sheet was carefully managed also during the year within those very difficult market circumstances, we managed to keep the leverage ratio below the 2 times and ended up at 1.9.

From there it is a logical step to the dividend policy.



## €0.16 dividend per share proposed to AGM

### Financial framework

- Steering for a solid balance sheet with positive consolidated equity
- Aiming at a leverage ratio (adjusted net debt/EBITDA) not exceeding 2.0x (FY 2022: 1.9)
- Strict cash flow management

### Proposed dividend of €0.16 per share

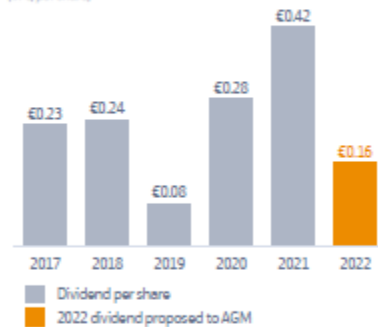
- Being properly financed in accordance with PostNL's financial framework is condition for distribution of dividend
- Aim to pay dividend that develops substantially in line with operational performance: 85% pay-out ratio of normalised comprehensive Income (FY 2022: €90m) in 2022

### €250m share buyback programme

- First tranche completed for total consideration of €164m
- More than neutralising intended dilutive impact of dividends over 2021-22
- Second tranche share buyback programme postponed

### Dividend

(in €, per share)



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The financial framework indicated that we steer for a solid balance sheet, aiming at a leverage ratio of adjusted net debt over EBITDA not exceeding 2. We managed to stay within those boundaries and that is also why, given the dividend policy, we propose a dividend of EUR 0.16 per share, of which EUR 0.14 have already been paid. So, the final dividend will be EUR 0.02, if approved at the AGM.

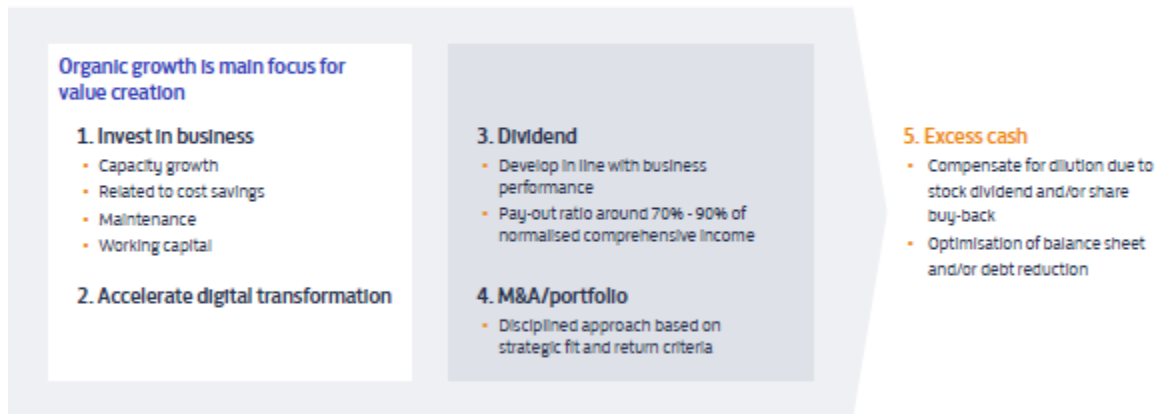
In 2022, we executed a first tranche of the share buyback program with the objective to mitigate the dilutive impact of dividends over 2021 and 2022 and that has been done. Obviously, given the more uncertain circumstances, particularly in 2023, we have decided to postpone the second tranche at least for now. Again, we will reconsider whether or not we can do something about it on the back of the capital allocation funnel that we have shared with you before.





## Clear allocation of capital and sound financial framework

Aim for leverage ratio (adjusted net debt/EBITDA) below 2.0



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First and foremost, we need to be able to invest in the business, to focus on realising our strategy and making sure our businesses are in the best possible place in relation to the competitive dynamics, accelerate our digital transformation, make sure that we pay a good dividend. That is a function of the operational performance. We will consider the M&A portfolio if there is room left and if there is excess cash again, we will consider and make the same judgments as we have done when concluding the share buyback in the first time around. For now, it is postponed due to uncertain circumstances.

Herna, let's go back to you for a first view on 2023 and then I will take over with more financial details later on.



# 2023 and beyond



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**Herna Verhagen – CEO PostNL:** Thank you, Pim. We already explained why we are confident in that growth path will resume and that we are well positioned.

## Confident in being well-positioned to resume growth path

Further executing on our strategy with improving performance as of 2024

### Uncertain economic environment in short term

- Challenging conditions assumed to continue into 2023
  - prolonged uncertainty
  - limited visibility on short-term development of e-commerce
  - remaining inflationary pressure on costs
- Additional measures to strengthening foundation
  - solidifying fundamentals and strategic enablers

### E-commerce growth potential going forward

- Fundamental growth drivers of e-commerce market unchanged
- Achieve strategy objectives
  - resume growth trajectory at Parcels, supported by upturn in economic conditions
  - maintaining solid performance at Mail in the Netherlands
  - accelerating strategic enablers and innovative capabilities
- Maintain solid financial position

To be your favourite deliverer



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The strategy we are executing at this moment in time and the extra plans also have a positive improvement or have an improvement on the performance as of 2024. 2023 will remain a year with volatile macroeconomic environment and therefore prolonged uncertainty. That also means that we have taken additional measures to strengthen our foundation. As said, the fundamental growth drivers of the long-term upward trend in e-commerce are unchanged and therefore, we are confident that the long-term e-commerce growth perspective and also our position as market leader in the Benelux can be maintained. Our strategy helps us to navigate through these challenging times on the one hand and on the other hand prepare for the future. In getting and strengthening our foundation we invest further in sustainability, in digitisation, in labour model, in quality and also in our network.

At the same time, we take all the necessary adaptive measures in which we align our organisation to the volume we expect, in which we make the organisation more efficient and effective.

On top of that, we announced today an additional plan, an additional plan to make sure we are well positioned for once the economic conditions improve and to secure our position in a competitive landscape to also resume our growth path, with, of course, an improvement of our margin as of 2024.



## Additional plans to reduce costs

Further solidify fundamentals

	2023	Benefits in 2024 and beyond
Reduction of 200-300 FTEs in overhead and other indirect cost measures, mainly at Parcels	€20m costs mainly restructuring provision	<ul style="list-style-type: none"><li>~€25m cost savings* in 2024</li><li>full run rate of ~€30m* to be reached as of 2025</li></ul>
Invest in customer value and quality	€10m additional capex	



\* In addition to regular cost savings programme at Mail in the Netherlands and previously communicated adaptive measures to mitigate inflationary pressure

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To give you a little bit of insight in that additional plan to reduce cost more, we have this slide. This morning we said that we will add to the plans we already have in our budget a reduction of 200 to 300 fulltime equivalents in overhead and other indirect costs, mainly at Parcels. This results in additional cost savings, so on top of our regular cost saving programme we run at Mail in the Netherlands and on top of all the other adaptive measures we have implemented, will be EUR 25 million of cost savings in 2024 and expected to have its full run rate in 2025, with a cost saving of EUR 30 million at that moment in time. For this, a total of EUR 20 million in cost, mainly restructuring provision is necessary and that is what you will see back in the results of 2023. In addition, we will increase capex in 2023 by EUR 10 million to invest and secure our customer value and quality.

2023, a year with volatility in which we take lots of extra actions, including the reduction of fulltime equivalents, delivering cost saving and therefore margin improvement as of 2024.



## Outlook 2023

Fundamental drivers e-commerce market remain unchanged

(in € million)	2022	2023 outlook
Normalised EBIT	84	70 – 100
Normalised comprehensive income	90	40 – 70
Free cash flow	40	10 – 40

### Well-positioned to improve performance as of 2024

- ≥ 200 bps margin improvement PostNL, mainly at Parcels, and assumes upward trend in the development of e-commerce
  - upside dependent on economic conditions
- Step-up in EBITDA > than normalised EBIT, reflecting increase in D&A
- Aim to pay dividend that develops substantially in line with operational performance



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Let me give you more insight in the bridge from 2022. First, I will do the outlook and then we will go the bridge. On this slide, you will find the outlook of 2023. We have a normalised EBIT of EUR 70 million to EUR 100 million. Next to that, we have a normalised comprehensive income, the basis for our dividend policy of EUR 40 million to EUR 70 million and a free cash flow of EUR 10 million to EUR 40 million.

We assume that the current challenging and volatile macroeconomic environment continues in 2023, that we resume our growth path after 2023. We expect economic conditions to improve over time and this together underpins the longer-term upward trend in e-commerce.

With regards to the additional plans we have launched today, we will ensure that we are well positioned to resume the growth trajectory. Through our strategy and proactive approach, including all the additional plans, focus on head office and indirect costs at Parcels, we expect a step-up in performance beyond 2023. For 2024, that means a margin improvement of at least 200 basis points. That will be visible, particularly at Parcels with further upside potential dependent on economic conditions. With this, we expect a step-up in EBITDA that will be around EUR 20 million higher than normalised EBIT as a result of the increase in depreciation



and amortisation. Our dividend policy remains unchanged and we aim to pay a dividend that develops substantially in line with our operational performance.

Then to the transition from 2022 to 2023, Pim?

## Transition from 2022 to 2023



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**Pim Berendsen – CFO PostNL:** There we look at how we end up with the composition and with the outlook. From the normalised EBIT of 2022 towards the outlook range of EUR 70 million to EUR 100 million, there are a few important markers that I want to spend a bit of time on.

Here, you see the improvement of the pension agreement, of lower pension expenses that is visible in PostNL Other of EUR 75 million. That is all driven by very complicated market circumstances but that also means that we assume that the business performance of Parcels and predominantly Mail to go back compared to the levels of 2022. In Parcels that is driven by a low single digit volume decline that we expect, also taken into account some potential loss of market share in line with what we are seeing in 2022. Obviously also there, there are price adjustments. The price adjustments that we have managed to put through to our clients do not



compensate the entire organic cost increases. I will show you later how big of an effort we have done to up the prices and compensate as much as possible of that organic cost increase.

You see a far bigger step down in Mail performance and that might seem bigger than expected, but I think it is important to understand here that price increases within Mail normally help to offset volume decline. Roughly speaking, half of volume decline is compensated by price increases in line with our moderate price policies. Now, that entire price increase is used to offset organic cost increases and, as such, does not contribute to part of the volume decline. That drives specifically from 2022 to 2023, this step-down in performance, which we will not see back from 2023 to 2024 again.

The cost element of the additional plans that Herna just talked about is EUR 20 million for the combination of restructuring costs and additional cost in relation to the changes. And then you will end up with the EUR 70 million to EUR 90 million (note: EUR 100 million) outlook range as we just presented to you.

## Significant organic cost pressure from inflation to continue

Majority of cost increases will be allocated to Parcels



\* Gap FY 2022: -480m (FY 2022: -€135m organic cost increases; -€35m price adjustments)

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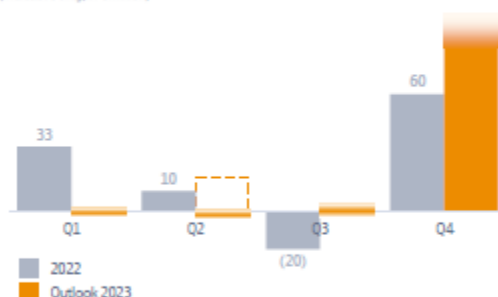
It is important to look at the next slide to get a better understanding of the big impact of organic cost increases from inflation. Those will continue from 2022 to 2023 and actually increase in comparison to 2022. All in all, we expect organic cost increases of EUR 185 million, roughly split between labour and other cost elements like transportation, electricity and cost developments in other businesses than our Mail and Parcels businesses.

By huge commercial efforts we are able to offset a very big component of that EUR 185 million, but not fully. And the not-absorbed component is roughly speaking around about the EUR 30 million mark that also impacts the EBIT forecast for 2023 and is included in the outlook we just discussed. So if you look back at the combination of 2022 and 2023, you are actually looking at an impact on EBIT of more than EUR 100 million of organic cost increases that could not be offset by pricing policies. That is a function of how our contracts are set up; the moment that those inflationary elements kicked in and also the competitiveness in the market in which we operate. We believe it's a huge effort impact on prices, as this slide indicates. By the end of the day it gets short of the impact of organic costs and as such, an explanation of a step-down in profits.

## Quarterly split of normalised EBIT

As of Q2, gradually improving business performance assumed compared with last year

Normalised EBIT  
(Indicative only, in € million)



- Q1 2023 assumed to be below last year
  - Significant volume decline in Parcels
  - Some additional negative volume development Mail in the Netherlands
  - CLA Impact, including one-time allowance of 1.5%
- Better business performance compared to last year, as of Q2, also based on improving parcel volume development
- €20m costs related to the additional plans to occur in Q2







On this slide you see the quarterly split, as you also recognise. It is a year in which the fourth quarter will be very important but at the same time, business-wise we will be able to show positive comparables in comparison to last year as of Q2 onwards. That is what the dotted line indicates with Q2 because of the fact that we in terms of the planning of the restructuring expect to be able to take a restructuring provision by Q2. The actual expected number is down but business-wise we are able to see improvements as of the second quarter in comparison to last year.

## Further executing on our strategy

Confident in being well-positioned to resume growth path



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Then to the last slide. As said, 2022 is completely different than we expected on the outset, with serious implications on PostNL but also on our competitors and clients in this e-commerce market space. 2023 will be a challenging year. At the same time, we are confident that we have the right strategy. We are confident that longer-term growth will continue on the back of GDP growth and online penetration. And in the meantime, we are doing everything we can to mitigate as much as we can those negative elements, to protect the balance sheet, to take all necessary measures between the right place competitive-wise and as an employer to benefit from the growth, when it will return. As said, there is no doubt in our minds that it will come



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back at some point in time. In the meantime, we are taking all adaptive measures that we can think of.

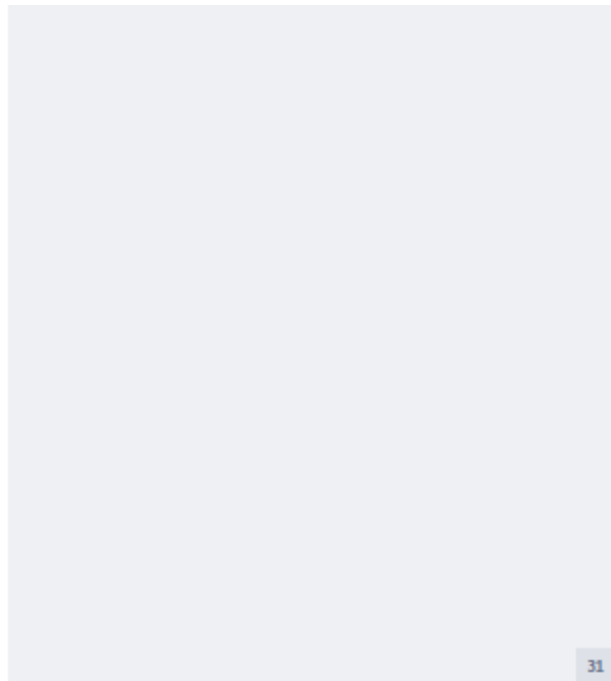
Thanks for now. Jochem, we go back to you.

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

Thank you. Operator, please open the floor for Q and A.

## Q&A

Q4 & FY 2022 Results



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- **Frank Claassen – Degroof Petercam**

Good morning, two questions please. First of all, on the assumption of low single-digit volume decline for Parcels. Could you roughly indicate how much you think the market overall will do and how much is due to market share loss and could you also elaborate why you have lost market share?

Secondly, could you help us on the Mail savings, the programs you have already installed? How much is still to come in 2023 and 2024? Thank you.

**Pim Berendsen – CFO PostNL:** Overall, we expect a market growth of 0 to small single-digit increase. If we look back up market share development in 2022, we have seen a market share loss round about 2% for the full year. That is also what we expect to continue going into 2023, on the back of fierce competition, temporarily over capacity in the market because all parties were expecting growth to come. That overcapacity is looked for to be utilised, sometimes with price points that we do not think are appropriate for the longer term. And that drives a little bit of market share loss, not fundamentally impacting the market position that we have still being by far the biggest in the market. So that is how you end up with the low single-digit volume decline number.

**Herna Verhagen – CEO PostNL:** When it comes to mail savings, we expect significant savings in 2023 of around EUR 47 million. We did not give that number for 2024 going forward; what we normally do and that is what we will do this year as well is, that we develop our cost saving plans. Those cost saving plans are partly already implemented in 2023 and will partly be implemented in 2024. You can think about a few of the big programmes this year or still, for example, reducing the amount of locations. We are also working on a reduction of how we steer our organisation within Mail in the Netherlands, but also looking into increasing the amount of hours in contracts of our employees, which in the end makes it easier for us to do it efficiently. So part of the programmes of 2023 will continue in 2024, some new ones will be added. And those will be developed in the year 2024 and that will help the savings in 2024 and probably also the years ahead.



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**Frank Claassen – Degroof Petercam:** Thank you very much.

- **David Kerstens – Jefferies**

Thank you. Good morning, everybody. I also have two questions please. First, on the pension agreement. Can you explain how that actually came about? I think you highlighted that the pension went up by 10%. You go from the defined benefit to defined contribution. So I was wondering what is the cash payment that is now included in EBIT and in your cash flow guidance for it for 2023? Initially you guided for roughly unchanged payment, but given that you now come out much lower than what everybody was expecting, has that cash payment increased compared to previous expectations, given the fact that you paid 10% more and also that you go to a DC scheme, which I think is less effective than DB?

The second question is around the share buyback. You put that now on hold. I was wondering to what extent are you limited by the large shareholding of your largest shareholder, close to the 30% threshold and how will that situation change going forward that will lead to return of share buybacks in the future? Thank you very much.

**Pim Berendsen – CFO PostNL:** Thank you, David. A few points on pensions. How did it come about and what are the implications? I think how it came about is that for many reasons the specific accounting treatment of the set-up of the fund, and all the arrangements from an IFRS point of view have been complicated, also for you as an analyst community, as investors to understand. It makes comparisons with other companies more cumbersome. And that is also why we over time have been very explicit on what is the cash component of the pensions, what is the IFRS charge of the expense, what are the differences. All those differences you can find in the PostNL Other lines. There was momentum to try to do this, given the fact that the pension fund had a very high coverage ratio. From that coverage ratio point of view there was room to index the pensions and the entitlements of active people more than what we agreed to in



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contract. So, on the back of the arrangement that was in place there was a maximum indexation possible of 4%. If that 4% needed to move up without the scheme being changed to define benefit, then it would have had huge implications for PostNL's EBIT. Obviously I did not want to accept those and I tried to find the momentum to fundamentally change the agreement, which we have successfully done, leading to an indexation for the pensioners of 10%, becoming Defined Contribution, getting rid of the top-up payments and getting back EUR 20 million that immediately limited the net debt position of PostNL's balance sheet. And from now on, pension expense will be the same as pension cash out, expense to cash out more or less in line with the pension cash out that you have also seen over 2022. So we are not going to pay more because of this change. On the contrary, we have gained EUR 20 million and we have de-risked future top-up payments. Lastly, you know there is a change in pensions in the Netherlands going on and that needs to be implemented by the 1st of January 2027. We have also made principle arrangements on how we would do that pension transition, also on a cost-neutral point for the employer.

**David Kerstens – Jefferies:** That is amazing but can you explain why the pension cash out will be more or less in line with 2022? Because it sounds like it should become more expensive, right?

**Pim Berendsen – CFO PostNL:** No, because the pension arrangement is the same. So, the threshold of the salary-given pension is the same and the contribution levels are the same. We have just taken out some of the DB-elements that made it a defined benefit arrangement. They are no longer there, so also the employee has not suffered anything from this nor are we going to pay more. We are going to pay the same per individual as we have done in 2022.

**David Kerstens – Jefferies:** Yes, plus the 10% indexation?

**Pim Berendsen – CFO PostNL:** That is not an indexation on future payments; that is an indexation on the entitlements that are built up over the period to 1 January 2023. To simplify things, if I was a pensioner in the pension fund and I got in January 23 a pension which basically was 10% higher than the pension I got in December 2022, funded by the coverage



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ratio of the fund, obviously going back down from 140% coverage ratio to 132% or something like that.

**Herna Verhagen – CEO PostNL:** We cannot see your face, so is it clear or do you still have questions?

**David Kerstens – Jefferies:** I probably still have more questions. What is the actual contribution now then?

**Pim Berendsen – CFO PostNL:** EUR 80 million. In the back pocket there is the reconciliation of the pension expense with the pension cash and there you can find it. So hopefully, I got the number right.

The second question was about share buyback and whether or not there is a limitation because of the size of the VESA-stake. That did not play any part in our considerations. That was already a factor at the first tranche when they already also had a quite a significant shareholding. So the arguments to postpone this are given the fact that we have ended the year at the 1.9 leverage ratio in very uncertain markets and it is in our view not the right time to start that second tranche of share buyback. But it has nothing to do with the VESA share.

**Herna Verhagen – CEO PostNL:** What is important for us in 2023 and the years ahead is to stay below the limit of the 2.0 leverage ratio. And with all the actions taken, a share buyback does not fit into that important element.

**David Kerstens – Jefferies:** Understood. Thank you very much.



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- **Stefano Toffano – ABN AMRO ODDO**

Good morning, everybody. I have quite a few questions, but I will try to limit them to three. The first question is on the 200 to 300 FTE. That is obviously quite a big gap, 200 or 300 but we have a fixed restructuring number. Would it be more towards 300 or more towards 200? Or are you keeping it flexible dependent on how the macro, the market and your business will develop?

The second question is looking out towards 2024 and the margin improvement. You say you assume that the market at some point will go back to growth but how are we to think about your margins, let's say assuming a stable market? So, I am not assuming an improvement of the market, how do we have to look at the margins going forward after 2023, so for 2024 and 2025?

Then my last question. You get very close to the 2.0 times net debt to EBITDA. And if you look at the outlook for 2023, I fully appreciate the bottom-up explanation, but just thinking about 2023 when we have pressure on the top line, we have higher costs, addition Capex of EUR 10 million, additional costs and you still get to a free cash flow of EUR 10 million – EUR 40 million. It seems you have to run a very, very tight ship, not to get over that 2.0 times on your leverage ratio. Could you help us understand what kind of flexibility you have to make sure that you do not reach that? And maybe related to this one, the vision of the EUR 40 million free cash flow for this year was also because you did not pay any taxes due to the DTAs. Can you remind me how much of the unutilized DTAs are left? So maybe assuming this kind of normalised EBIT we will not see any tax cash out for this year as well? Is that included in the EUR 10 million – EUR 40 million cash flow?

My apologies for all the questions and thank you for your patience.

**Herna Verhagen – CEO PostNL:** I will take the first question and then Pim will take over. When it comes to the 200 to 300 full-time equivalents, it is a big gap and we have a fixed restructuring number in the sense of the positive impact of EUR 25 million. The reason for



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having that bandwidth is that not all cost savings will come through the reduction of full time equivalents. The biggest part will come through the reduction of full time equivalents, but not all. And that is the reason we gave a bandwidth. We still have to develop the plans. Of course, we know the directions where we want to find the full time equivalents. Nevertheless, plans still have to be made, need to be ready before the end of May to have the reorganisation fully implemented by the end of the year. But the reason for the gap is the fact that not all will come from restructuring but the biggest part will.

**Pim Berendsen – CFO PostNL:** And regarding the number of basis points increase, what we have said as part of the outlook slide is that we expect more than 200 basis points increase on the back of the measures that we take and gradually improving market circumstances. If you look at the 200 basis points, it is actually 300 basis points roughly in Parcels and 100 in Mail and because of the mix that turns to 200 basis points improvement in total. So, both segments will contribute to the improvement of margins. Mail, as said, because of the fact that the big gap of organic cost and price increases will not be there in 2024, the step-up in cost savings we are comfortable about, and in the Parcels side there is the element where the biggest impact of the cost savings will land and, as such, the margin contribution is driven by those cost saving measures as well. That is assuming the level of growth to return. We are confident that this growth will return. If it is all a status quo and it stays at the level of 2023, then roughly speaking all things being equal you can calculate that it is actually a little bit more, 100 basis points of contribution coming from the measures standalone.

Regarding the leverage ratio, yes, we are running a very tight ship and we have been doing that already for quite a while if it is about the balance sheet, working capital, phasing of investment decisions. And that is why we ended up with 1.9, because that also was not a given, given the big impact on costs and loss of volume that we just talked about. So, we continue to monitor that. We continue to manage quite rigidly our working capital positions. And yes, we expect on the back of the numbers that we have discussed to be able to maintain that position below the two times. If market circumstances deteriorate – you could add all the elements that make up adjusted net debt, which also includes lease additions and what have you, we will find ways to offset or compensate if profit numbers drop through the balance sheet to try to





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keep it under 2. So, we are running a tight ship. 1.9 is close to 2, but we still expect it to improve a little bit in 2023.

On the tax side, the easy answer is that, roughly speaking, all tax losses in relation to Germany and Italy have been used to the extent that we produced them over the past period. That is also why we expect a tax payment, a tax cash out in 2023 as part of our free cash flow expectations, which is obviously included in the free cash flow guidance that we have given.

**Stefano Toffano – ABN AMRO ODDO:** Thank you.

- **Henk Slotboom – the IDEA!**

Good morning. I am breaking my mind on something where you need to explain to me how it works. If I look at Mail you have done a fantastic job there in keeping the underlying results more or less unchanged, if we filter out the Covid-impact. There was a volume decrease of 8%. There was no room, at least as far as the USO is concerned, to increase tariffs. The only tariff increases we have seen are in the non-regulated part of your business. And still, they managed to keep their results unchanged. If I look at Parcels where roughly 80% of the parcels are still being delivered by subcontractors – you have a much more flexible set up there – I almost see a one-for-one relationship in the development of your sales and volumes and what it does to your operating level. What am I missing here? Is it the fact that Mail has a more centralised set-up in comparison to Parcels or are there any other things?

My second question is on price adjustments, as you could have expected. The price adjustments you have pencilled in on page 28 of the slide deck, is that something that has already been implemented or is still a significant chunk of the offers with your clients underway?



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The third question is on the competitive environment. Could you be a little bit more specific? What are you seeing there, the insourcing by bol, the increased competition in the field of tariffs you referred to? And maybe a quick word on DHL's intention to move into not only the letter box parcels, but also the top end of the Mail segment; is that a concern to you?

**Pim Berendsen – CFO PostNL:** Herna, there were a couple of questions in one question. I will try to have a go at the first one and then maybe ...

**Herna Verhagen – CEO PostNL:** I will do the other ones.

**Pim Berendsen – CFO PostNL:** Henk, you tried to make a comparison in the leverage between Mail and Parcels. In Mail's performance it is a flat line in Q4 but it is not completely flat for the full year. Mail is also impacted by higher organic cost increases than originally impacted. So, if you take out the full year non-recurring Covid element, there is still a bit of a gap. Prices also increased there but also not only for business mail but also for USO within 2022 [note: USO prices were flat 2022], the beginning of the year.

Regarding Parcels you say that 80% is delivered by subcontractors or delivery partners, so, there should be more flexibility there. I think there is one fundamental difference. The entire mail business has been set up and has been running a year-over-year declining business. And as such, whether or not it is 7% or 8% down, always works to mitigate those volume-decline elements. Parcels in the beginning of the year, coming out of 2021 was focused on growth and growth expectations were legitimate at that point in time. But that growth turned into a -10% quite quickly because of deteriorating market circumstances. Then you have a big network with very many different locations that over time have been added. That is also adding a bit of complexity and part of the cost base is much more fixed than only the 30% of delivery that we do ourselves. The infrastructure, the line haul routes, support around transportation units, so it is not strange that in a year with such a fundamentally different perspective on volume developments that you are going to get hit on margins. That is my attempt on the first question.



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**Herna Verhagen – CEO PostNL:** Then your question on price adjustments. Almost all of those price adjustments are already implemented because they were part of the contract negotiations at the end of 2022.

The competitive environment in the Netherlands became more competitive over the last few years. And the reason for that, already mentioned by Pim, is the fact that there is over capacity in the market. When we think about the market in 2021 not only PostNL but also competitors and customers were thinking that after Covid the market would grow further. That means that capacity is built by everybody to be able to deliver those volumes. We did not have the volumes in 2022 nor our customers, nor PostNL nor competition. That means that there is overcapacity and overcapacity brings a stronger competitive situation with also price competition. Next to that, you see other competitors and some of those competitors disappeared in 2022 because of the issues like Instabox, and some of them were there and stay there, like own delivery by Amazon but also the insourcing bol did when it comes to Cycloon. But in our view, it is part of the parcel market going forward and it is what we have said many times before: when we think about parcels in the future, the way your parcel will be delivered will be more diverse than it was five to six years ago. The importance for PostNL is to maintain our leading position and the only way to do that, the only way to maintain the leading position is by the investments we do, by the digitisation, by also creating the products customers want or would like to have and by staying competitive also on the side of our cost.

DHL moving into the deep end of the mail segment: we have seen that communication as well. So far, we did not see any action at that front. Of course, they are active in the domain of the letterbox parcels and their competition is the same as it is in the parcel market, but we did not see any action into the real mail market or the top end mail segment market.

**Henk Slotboom – the IDEA!:** Can I ask for some clarification on what Pim said about the core structure of Parcels? Is it fair to assume that with the decentralised structure you have right now the structure in itself makes it more difficult to bring down cost if we are talking about a prolonged periods of stagnating economic growth or stagnating demands? I fully share your view on the growth of e-commerce and on e-commerce penetration, but what happens if this



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period of no growth or slightly negative growth goes on for a longer period of time? How flexible are you really there?

**Pim Berendsen – CFO PostNL:** On one of the first slides, we have indicated that we have mitigated for EUR 45 million. The cost per parcel is roughly speaking EUR 0.13 per parcel by these changes within the year. That are the key operational elements here. So it is not un-flexible but it is completely different if you set it up for growth and then all of a sudden growth turns into a -10% volume development. So, I think there is flexibility but at the same time there are also changes and additions to the network on the back of customer requirements, to be able to do Sunday delivery or morning in-feed early in the day, and those elements also lead to some increases of the cost per parcel. Obviously, if you were to know for sure that you are in a period of prolonged standstill, then you could make different choices. We are not making those because we are confident that when GDP improves consumer spending will come back to the levels we have seen before and online penetration will continue. And then growth will be there again. We want to be ready to capture that growth when that moment in time is there. We just cannot afford to gamble by not investing in those elements, not being in a position to deliver that growth when it when it is back again.

**Herna Verhagen – CEO PostNL:** Henk, why do you think that a decentralised structure is more difficult to bring back cost because we are giving you lots of arguments. Why do you think that?

**Henk Slotboom – the IDEA!:** I think it is easier to bring back costs in a centralised environment. For example, if you have a sorting centre with a capacity of 100 million parcels – your average sorting centre parcels is 12 to 15 million parcels per annum – you can reduce the number of shifts for example. If I add NLIs you have to change the routes, you have to make alterations in the in the cross talks and that sort of things. It works the same way the other way around.

**Herna Verhagen – CEO PostNL:** But in my view then you overlook much. You are only looking into the sorting centre and forgetting that in the end you also have lots of distribution. When



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you have only a few sorting centres you have lots of depots where you do the further sorting before it is delivered. From a big sorting centre you cannot deliver on for example 5,000 routes in The Netherlands daily. That is impossible. So there is a structure behind the big sorting centres, which are the depots, where you have to sort as well from which part the deliverers will depart. So, in my view the structure we have is as flexible as any other structure, to be honest, because also in the smaller sorting centres you can of course change the amount of shifts you need to make sure that the buses of our parcel deliverers are filled. You have to change routes anyway because of the volume you have or because of other reasons. We quite regularly change routes anyway. So, I do not see big differences to be honest between a little bit more centralised sorting infrastructure and the more decentralised sorting infrastructure. In the centralised sorting infrastructure you have lots of depots, which are a burden in case of a decline of parcels as well. So, I do not see that difference. I see much more the difference Pim explained, which is about you have to turn around an organisation which is used to growth to decline. The way you do that and the speed with which you can do depends of course also partly on your future perspective. The future perspective still is that we will return to growth. So can you do more in the flexibilisation of your cost? The answer is yes, but you always have to ask yourself the question whether you are then hurting your future growth potential or whether you are still in the right balance. That is the balance Pim and I try to strike to do the cost savings we need to do and to create more flexibilisation but not limiting our further growth opportunity going forward. And when it takes longer than 2023, you have to review that balance again. So it is a review which you have to do every few months to see whether you are still on the track you expect to be. So, that is that is a more detailed answer to your question.

**Henk Slotboom – the IDEA!:** That is a very detailed answer indeed. Thank you very much, Herna. Without monopolising the call, can I ask one quick question on the mail delivery score, the 91%? When do you expect to have that back at the at the required 95% and are you risking a fine there?

**Herna Verhagen – CEO PostNL:** The 91% of quality at Mail is by far not what we would like to have and it is mainly caused by the fact that within Mail we do have quite some vacancies in delivery routes. As long as we have so many vacancies as we have today it is difficult to



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significantly improve. Of course you can improve, but to significantly improve. So we are working day and night and I think we're running at this moment more than ten projects to get in the right amount of people for those delivery routes, but in this current labour market it is not easy to do so. If it will be fined or not, in my view it is too early to say. We have to deliver our numbers in May or June together with the argumentation around the Mail delivery quality. That is the starting point of the discussion with our regulator. From that moment, we will start the discussion.

**Henk Slotboom – the IDEA!:** Thank you very much.

- **Marco Limite – Barclays Capital**

Hi, good morning, thanks for taking my question. The one question I have is on your slide 29, where you are showing that all of the profit in your guidance is coming from Q4. So, I am just trying to analyse the moving parts. I guess pricing will not be able to offset the cost pressures. I assume Mail will be flat at best year-over-year, so I am just trying to understand why you expect Q4 2023 will be quite above Q4 2022.

**Pim Berendsen – CFO PostNL:** It basically follows the same pattern that excluding the Covid years you can recognise because of the seasonality, on the Parcels side because of Black Friday growing into Sinterklaas and Christmas, contributing the most and on the Mail side the Christmas cards that still contribute quite significantly towards the December results. So you always see whatever market circumstances growth or decline a fourth quarter that will always be the biggest at PostNL, just by the nature of the markets we are in. I think the point that I was trying to make is that business wise, in comparison to last year, we always had that discussion that we have to compare against a very high Covid 2021 year, so your comparables will always be difficult. And that is also why we were transparent to try and detail out what the non-recurring component of Covid was. The point I wanted to make is that business wise from Q2 onwards you can see improvement. So, you do not need to wait until you see improvement



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until the fourth quarter. We can show that earlier on in the year, but nevertheless the fourth quarter will be by far the biggest.

**Marco Limite – Barclays Capital:** But if I think about the different moving parts, in Parcels we are expecting flattish volume growth and we are not expecting pricing to offset costs. So Parcels ...

**Pim Berendsen – CFO PostNL:** But I am not expecting a flat line for Parcels and I definitely do not expect that for the first quarter, given the fact that the beginning of 2022 still had January and February at pre-crisis growth levels. So, for Q1 you would see a quite significant volume decline that for the full year turns into a low single digit decline as well.

**Marco Limite – Barclays Capital:** So, the assumption is for volume growth in Q4 in Parcels?

**Pim Berendsen – CFO PostNL:** Yes.

**Marco Limite – Barclays Capital:** Thank you!

**Jochem van de Laarschot – Director Communications & Investor Relations PostNL:** As there are no more questions, thank you for all your questions. We have covered a lot of ground during the call. If you have any other questions or remaining issues to discuss, please reach out to the IR team. You know where to find us. Thanks again and see you next time!

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End of call



# Appendix

## Q4 & FY 2022 Results



- Results per segment Q4 2022 and FY 2022
- Full reconciliation of income statement and EBITDA per segment
- Free cash flow per segment
- Revenue mix Parcels per quarter
- Assumed non-recurring impact related to Covid-19 per quarter
- Result development (bridge) per segment FY 2022
- Profit and normalised comprehensive income
- Pension expense and cash contribution

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## Results per segment Q4 2022 and FY 2022

(in € million)

	Revenue		Normalised EBIT		Margin	
	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022
Parcels	604	587	55	24	9.1%	4.1%
Mail in the Netherlands	482	429	66	60	13.8%	14.0%
PostNL Other	50	49	(29)	(23)		
Intercompany	(200)	(182)				
<b>PostNL</b>	<b>936</b>	<b>883</b>	<b>93</b>	<b>60</b>	<b>9.9%</b>	<b>6.8%</b>

	FY 2021		FY 2022		FY 2021		FY 2022	
	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022
Parcels	2,361	2,165	230	56	9.7%	2.6%		
Mail in the Netherlands	1,683	1,495	160	107	9.5%	7.2%		
PostNL Other	200	215	(81)	(80)				
Intercompany	(777)	(731)						
<b>PostNL</b>	<b>3,466</b>	<b>3,144</b>	<b>308</b>	<b>84</b>	<b>8.9%</b>	<b>2.7%</b>		



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## Full reconciliation of income statement and EBITDA per segment

Income statement <i>(in € million)</i>	PostNL		Parcels		Mail in NL		PostNL Other		Eliminations	
	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022
Total operating revenue	3,466	3,144	2,361	2,165	1,683	1,495	200	215	(777)	(731)
Other income	25	7		0	25	7		-		-
Cost of materials	(69)	(85)	(51)	(65)	(11)	(12)	(6)	(7)		-
Work contracted out and other external expenses	(1,708)	(1,570)	(1,542)	(1,466)	(801)	(694)	(142)	(140)	777	731
Salaries and social security contributions*	(968)	(975)	(337)	(364)	(521)	(505)	(110)	(106)		-
Pension contributions & related costs*	(161)	(172)	(29)	(34)	(45)	(47)	(87)	(92)		-
Depreciation, amortisation and impairments	(149)	(156)	(76)	(73)	(39)	(28)	(34)	(55)		-
Other operating expenses	(113)	(128)	96	(110)	(115)	(117)	98	98		-
Total operating expenses*	(3,168)	(3,085)	(2,131)	(2,111)	(1,532)	(1,404)	(281)	(301)	777	731
<b>Operating income / EBIT*</b>	<b>324</b>	<b>66</b>	<b>230</b>	<b>54</b>	<b>176</b>	<b>98</b>	<b>(81)</b>	<b>(86)</b>		

EBITDA	PostNL		Parcels		Mail in NL		PostNL Other	
	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022
Operating income / EBIT*	324	66	230	54	176	98	(81)	(86)
Depreciation, amortisation and impairments	149	156	76	73	39	28	34	55
<b>Reported EBITDA*</b>	<b>473</b>	<b>222</b>	<b>305</b>	<b>127</b>	<b>215</b>	<b>127</b>	<b>(47)</b>	<b>(32)</b>
Non-cash pension expense*	69	75		0		-	69	75
<b>EBITDA excluding non-cash pension expense</b>	<b>542</b>	<b>297</b>	<b>305</b>	<b>127</b>	<b>215</b>	<b>127</b>	<b>22</b>	<b>43</b>
IFRS16 impact (depreciation RoU assets)	(62)	(66)	(39)	(43)	(12)	(12)	(12)	(11)
<b>EBITDA excluding non-cash pensions and IFRS16</b>	<b>480</b>	<b>231</b>	<b>267</b>	<b>84</b>	<b>202</b>	<b>115</b>	<b>11</b>	<b>32</b>



\* FY 2022 excluding accounting impact of pension agreement

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## Free cash flow per segment

(in € million)

	PostNL		Parcels		Mail in NL		PostNL Other & eliminations	
	2021	2022	2021	2022	2021	2022	2021	2022
EBITDA*	473	222	305	127	215	127	(47)	(32)
Change in pensions**	69	75	0	0	(0)	-	69	75
Change in provisions*	(2)	(3)	1	4	(3)	(5)	(0)	(2)
Change in working capital*	41	(3)	(3)	(7)	41	(5)	4	9
Capex	(140)	(138)	(54)	(35)	(36)	(17)	(50)	(85)
Disposals	6	6	(0)	(0)	6	6	(1)	(0)
Interest paid	(21)	(20)	(5)	(5)	(3)	(3)	(14)	(12)
Income tax paid	(76)	1	(57)	(14)	(44)	(25)	25	40
Lease payments and related cash flow	(73)	(78)	(46)	(49)	(20)	(18)	(6)	(10)
Other	28	6	(4)	2	(19)	(0)	50	4
Adjusted free cash flow**	304	68	137	23	136	59	31	(14)
Soft pension settlement	(16)	(28)	(0)	-	(0)	-	(16)	(28)
Free cash flow	288	40	137	23	136	59	14	(42)
Free cash flow yield	15%	5%						



\* 2022 excluding accounting impact of pension agreement; net impact of these adjustments on FCF equals zero  
 \*\* Excluding settlement payment transitional plans (€16m in 2021 and €28m in 2022)

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## Revenue mix Parcels per quarter

(in € million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	Q4 2021	Q4 2022	FY 2021	FY 2022
Parcels Netherlands	444	361	383	345	329	332	409	392	1,566	1,431
Spring	145	105	131	91	95	95	104	113	475	404
Logistics solutions and other	102	105	100	98	95	93	111	101	409	396
Eliminations	(30)	(17)	(26)	(15)	(14)	(14)	(19)	(19)	(89)	(65)
Parcels	662	554	589	519	505	506	604	587	2,361	2,165



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## Assumed non-recurring impact related to Covid-19

### Volumes

(around, in million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	Q4 2021	Q4 2022	FY 2021	FY 2022
Parcels	26	2	11	-	-	-	2	-	38	2
Mail in the Netherlands	12	15	23	3	16	7	16	6	67	30

### Revenue

(around, in € million)

	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	Q4 2021	Q4 2022	FY 2021	FY 2022
Parcels	137	2	78	-	-	-	12	-	226	2
Mail in the Netherlands	33	9	27	1	7	2	18	1	85	13
Eliminations	(6)	0	(9)	0	-	-	0	-	(15)	-
<b>PostNL</b>	<b>164</b>	<b>10</b>	<b>96</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>30</b>	<b>2</b>	<b>297</b>	<b>14</b>

### Normalised EBIT

(around, in € million)

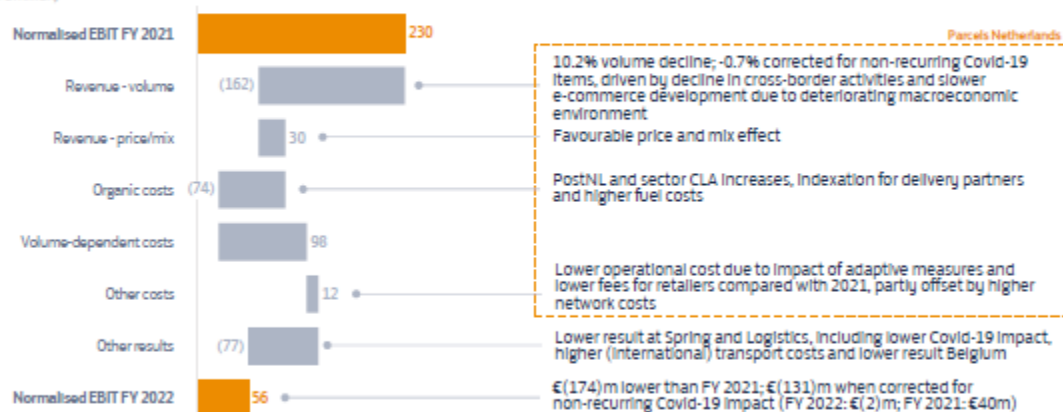
	Q1 2021	Q1 2022	Q2 2021	Q2 2022	Q3 2021	Q3 2022	Q4 2021	Q4 2022	FY 2021	FY 2022
Parcels	24	(2)	14	-	-	-	2	-	40	(2)
Parcels Netherlands	17	(2)	7	-	-	-	1	-	26	(2)
Spring and Logistics	7	-	7	-	-	-	1	-	14	-
Mail in the Netherlands	18	3	12	(0)	5	1	7	1	42	5
<b>PostNL</b>	<b>42</b>	<b>1</b>	<b>26</b>	<b>(0)</b>	<b>5</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>82</b>	<b>2</b>



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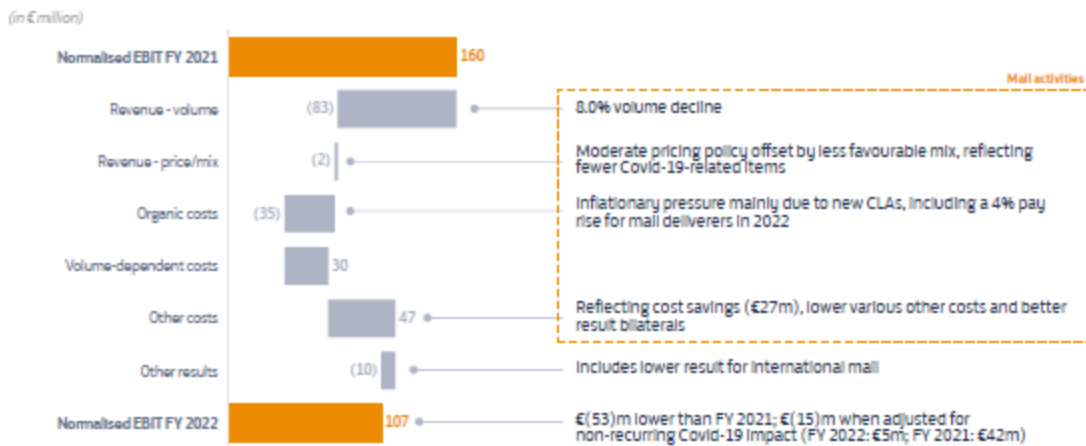
## Parcels normalised EBIT bridge

(in € million)



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## Mail in the Netherlands normalised EBIT bridge



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## PostNL profit and normalised comprehensive income

(in € million)

	FY 2021	FY 2022
Operating income / EBIT*	324	66
Net financial expenses	(21)	(19)
Results from investments in JVs/associates	(0)	(1)
Income taxes*	(74)	(21)
Profit/(loss) from discontinued operations	29	(11)
<b>Profit*</b>	<b>258</b>	<b>14</b>
Other comprehensive income (mainly related to pensions)*	68	52
<b>Total comprehensive income*</b>	<b>325</b>	<b>66</b>
Normalisation on EBIT, net of tax*	(12)	13
Exclude result from discontinued operations	(29)	11
<b>Normalised comprehensive income</b>	<b>285</b>	<b>90</b>



\* FY 2022 excluding accounting impact of pension agreement

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## Reconciliation pension expense and cash contribution

(in € million)

	PostNL		Parcels		Mail In NL		PostNL Other	
	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022
Cash contribution*	(92)	(97)	(29)	(34)	(45)	(47)	(18)	(17)
IFRS non-cash pension expense*	(69)	(75)		(0)		-	(69)	(75)
<b>Total pension expense</b>	<b>(161)</b>	<b>(172)</b>	<b>(29)</b>	<b>(34)</b>	<b>(45)</b>	<b>(47)</b>	<b>(87)</b>	<b>(92)</b>

### Total pension expense increased by €11 million in 2022, in line with earlier indication

- Visible in EBIT, EBITDA and profit for the period (after tax)
- Includes a substantial non-cash part (i.e. IFRS non-cash pension expense)
  - reversed via other comprehensive income, mitigating the impact on total comprehensive income
  - visible in free cash flow under "Change in pension liabilities"



\* Excluding settlement payment transitional plans (€16m in 2021 and €28m in 2022)

