

One strong nationwide postal network for the Netherlands



1 October 2019

Consolidation of networks secures sustainable value creation

Transaction PostNL and Sandd allowed by deputy minister based on broader consideration of social interests



Strategically vital step for a more robust and stable mail business; financial consequences of transaction slightly improved compared with 25 February 2019



Strong foundation for a sustainable and solid postal sector: reliable, accessible and affordable



Integration of Sandd's network, volume, people and customers into PostNL to be completed in HY 2020 under clear conditions

Improving longer-term
financial perspective PostNL

Conditions and other principles for integration



Access to PostNL network

- Transitional access regulation for other postal operators in line with advice Authority for Consumers and Markets (ACM)

Customers and consumers

- Continuation of existing pricing policy for PostNL products and services
- Focus on quality and innovation
- Maximum return of 9% on core mail activities
- Return on USO capped at 9%

Workforce

- Job security for thousands of people
- Socially responsible integration of workforce
- Continued current collaboration with sheltered workplace companies, the consolidation will therefore not affect their employees

Consolidation of networks: A vital step



Secure a sustainable mail business

- Reliable, accessible and affordable postal services today and in the future
- Ongoing focus on cost savings plans to offset structural volume decline
- Proud to be the universal service provider
- Clear regulatory framework with 9% maximum return on sales for core mail activities and USO



Balanced stakeholder approach

- Addressing the needs of society, our people and our environment contributes to value creation

Managing our performance
to improve longer-term
financial perspective

Transaction highlights confirmed

Solid business case leading to improved medium-term financial position PostNL

Price and funding

- Cash consideration of €105m at closing (including redemption of shareholder loans) and assumption of circa €25m in other liabilities by PostNL
- Funded through cash in hand

Developments since announcement on 25 February 2019

- Business case made more robust
- Solid integration plan developed
- Clarity on conditions (access, return and labour) to allow consolidation

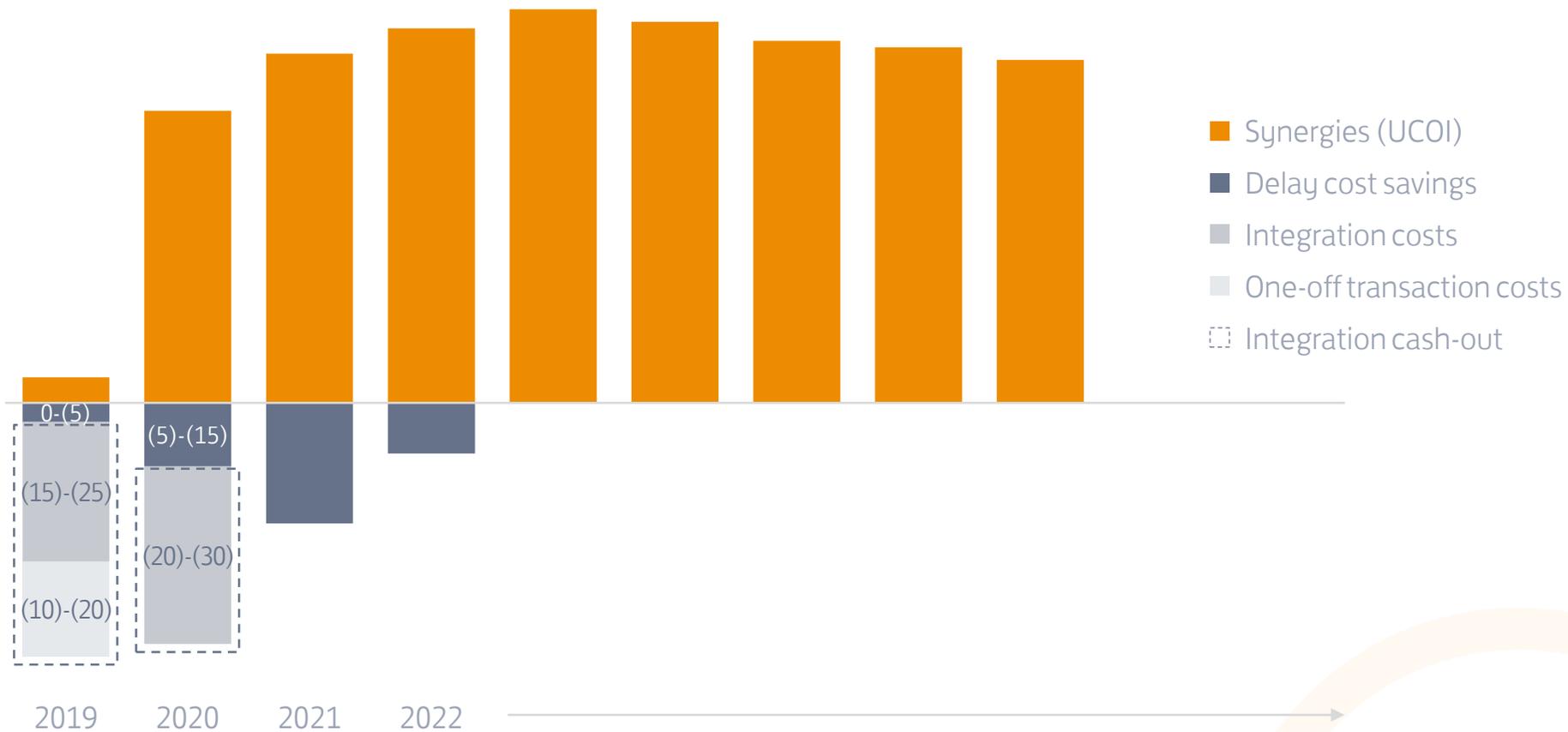
Financial impact

- Annual UCOI contribution* synergies of €50m - €60m, reaching full run-rate in 2022
- Integration-related cash-out of approximately 1x run-rate synergies, equally split over 2019 and 2020; one-off costs (non-cash) related to accelerated depreciation in 2019 and 2020
- Delay in implementation of current cost savings plans will impact result by €(30)m - €(50)m (cumulative) in period 2019 – 2022 (25 February 2019: €(50)m - €(70)m)
- Expected negative UCOI impact in 2019 expected to be between €15m and €25m
- Accretive to UCOI in 2020

* Annual normalised EBIT contribution of €50m-€60m

Run-rate UCOI contribution of €50m - €60m to be reached in 2022

Run-rate UCOI contribution €50m - €60m*



* run-rate annual normalised EBIT contribution €50m - €60m; resulting in anticipated improvement in free cash flow of €45m - €55m

Transaction impact on leverage ratio and dividend

PostNL remains committed to maintaining a prudent financial policy and target of $<2.0x$ adjusted leverage ratio as stated in its dividend policy

As a result of the consideration paid, subsequent integration cash-out and the delay in cost savings plans, the adjusted leverage ratio will exceed the $2.0x$ threshold

Dividend payments will be temporarily on hold

Aim to reduce adjusted leverage ratio below $2.0x$ target within 12 to maximum 24 months

Resi Becker

Member of the Executive Committee of PostNL



Responsible for

- Mail activities, unaddressed mail, print and document services
- Integration of Sandd

Background and experience

- 22 years PostNL in various roles
- Broad experience in logistical transformation involving large numbers of people in a complex stakeholder landscape
- Member of the Executive Committee since 2017

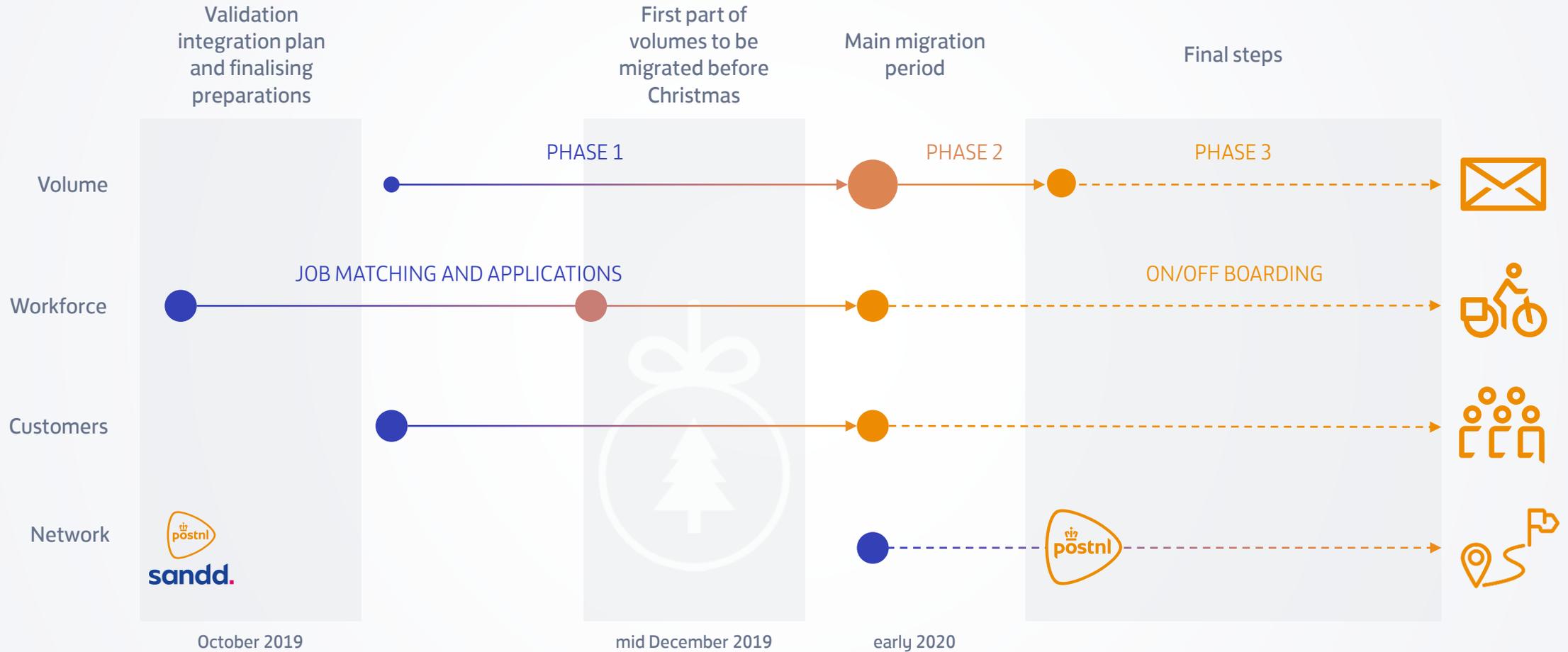
Responsible and controlled integration plan in place

Integration plan to be validated and adjusted based on knowledge and expertise of Sandd

- Phased and controlled migration of all volumes to PostNL network
 - Main part of volumes to be migrated as of the beginning of 2020
 - Followed by fading out Sandd brand and stamps
- Careful customer approach
 - Continuing our existing pricing policy
 - Maintaining high delivery quality and customer service, and safeguarding continuity of services
- Socially responsible approach towards people
 - Offering jobs to postal deliverers and helping other employees to find a job within or outside PostNL
 - Social arrangement for all employees agreed with Sandd works council
 - Continued cooperation with sheltered workplace companies
- Clear and timely communication with all stakeholders

Timing of integration plan

Clear milestones set to complete integration in HY 2020



Acquisition of Sandd is solid business case

Swift integration leading to full run-rate synergies in 2022

Synergies of €50m - €60m, reaching full run-rate in 2022

- Improving efficiency ratios
- More efficient utilisation sorting equipment, transport, depots and retail network
- Reduction of commercial and other costs
- Lower fixed costs for buildings, IT and other equipment through usage of PostNL infrastructure

Integration cash-out and one-off costs in 2019 and 2020

- Implementation costs, for example related to IT, mainly in 2020
- Double running costs related to operational network integration
- Restructuring cash-out in 2019 and 2020 due to social arrangement for Sandd employees
- One-off costs due to accelerated depreciation costs (non-cash) following closure of infrastructure Sandd (buildings, equipment and other lease contracts)

Swifter anticipated integration limits delay in cost savings

- Phased migration towards full integration main priority, safeguarding synergies
- Integration expected to be completed in HY 2020
- Expected cumulative financial impact of delay in cost savings between €30m and €50m (compared with €50m - €70m as anticipated on 25 February 2019) due to accelerated integration

Solid integration plan developed with balanced approach towards employees, customers and other stakeholders



Network integration to result in economies of scale



Socially responsible approach towards people



Migration of customer contracts



Mail volume 2018:
1,781 million



Mail volume 2018:
720 million

One strong nationwide network demands responsibility towards all our stakeholders

Integration of PostNL and Sandd to be completed in HY 2020

Emphasise quality, service and innovation



Reliable



Accessible



Affordable

Continuing our existing pricing policy



Digitalisation continues to result in declining volumes



Value for our customers

People do make the difference



Motivated people with decent labour conditions



Adjust workforce socially responsible way

Secure sustainable and more stable mail business



Published by:

PostNL NV
Prinses Beatrixlaan 23
2595 AK The Hague
The Netherlands

Additional information is available at postnl.nl

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