



sandd.

PostNL and Sandd to form one strong national postal network for the Netherlands

- Creation of a sustainable and solid foundation for one national postal network
- Consolidation essential to achieve a reliable, accessible and affordable postal service
- PostNL offers to employ Sandd mail deliverers
- Improved long-term employment prospects for mail deliverers
- Approval process to be initiated with the authorities upon filing
- Total consideration values Sandd at an enterprise value of €130m
- Annual anticipated UCOI contribution of €50m-€60m from synergies; full benefits expected as of third year following approval

The Hague/Apeldoorn, 25 February 2019 - **PostNL and Sandd are to join forces by combining their postal networks. This marks an important development in ensuring that postal services throughout the Netherlands continue to be reliable, accessible and affordable. PostNL and Sandd will today inform their employees about the plan. At the same time, the announcement will be formally filed with the Netherlands Authority for Consumers & Markets (ACM), thus setting the approval process in motion. PostNL is to acquire all outstanding shares of Sandd, subject to transaction approval by the authorities and consultation with the works councils and trade unions.**

Cornerstone of a quality postal service in the Netherlands

The transaction assures companies and consumers, the users of physical mail in the Netherlands of a future postal delivery service that remains affordable and accessible, while continuing to meet the high-quality standards expected, including in rural areas and declining regions in the Netherlands. This is also positive news for mail delivery staff of both companies. Consolidation will bring more job security for thousands of mail deliverers and makes it possible to address the declining postal market in a socially responsible manner. PostNL offers to employ all Sandd mail deliverers. Also for all other Sandd employees, opportunities within PostNL or alternatives will be considered. The combination will enable PostNL and Sandd to create a strong basis for a nationwide Dutch postal network across urban and rural areas, safeguarding a sustainable postal service for everyone, including the elderly and socially vulnerable groups.

Regulatory clearance

PostNL and Sandd will today file their intention to combine the networks with the supervisory authority ACM. Under the Competition Act, the ACM has the authority to review those aspects of the transaction in accordance with the competition law. The ACM review comprises two phases, a notification phase and an permitting phase. This approval process has a legal term of, in principle, four weeks for the first phase, and 13 weeks for the second phase, with a possible extension in case

the ACM requires further clarifications. In the event that the ACM withholds approval, the parties can apply for approval to the State Secretary of Economic Affairs and Climate Policy. She has the authority to grant approval on the basis of significant public interest. A comprehensive approval process provides clarity and assurance for all employees involved. Both companies have notified their works councils and the trade unions of the proposed transaction. Both works councils are positive about the intended transaction.

Broad support for consolidation

At the beginning of 2018, it became clear there was broad political support for consolidation in the postal market in the Netherlands. This was further evidenced by a letter from Mona Keijzer, State Secretary for Economic Affairs and Climate Policy, to the Dutch House of Representatives concerning the future of the postal market in the Netherlands, in response to the so-called “Postal Dialogue” process. In relation to the future of the postal services, it was concluded that consolidation between PostNL and Sandd was the only option to safeguard continuity of the postal services for Dutch society. Combining the volumes of these two networks will generate economies of scale, an important factor in a declining postal market. Consolidation is also the best option for the Netherlands as it facilitates a socially responsible transition to postal service in the future.

Herna Verhagen, CEO PostNL: “This proposed transaction will secure the foundation for a sustainable postal service in the Netherlands. Combining the two national postal networks is of vital importance for the postal market in the Netherlands to remain reliable, affordable, innovative and accessible for everyone. It will also serve increased long-term employment security for mail deliverers. This has always been an important objective of our efforts.”

Ronald van de Laar, managing director Sandd Holding: “I am very proud of what has been achieved by my colleagues following the liberalisation of the postal market. In responding to the ever-decreasing mail volumes in the Netherlands caused by digitalisation, we need to be realistic. For this reason, opting for one strong national postal network is the best long-term solution for the consumer, the business sector and for employees. It is the only solution if we are to guarantee the continuity of the postal service in the Netherlands. Issues affecting the integration of our networks and our employees will also be carefully discussed between us. The sooner we receive the necessary approval, the better it will be for all parties involved.”

Sustainable value creation

The proposed transaction represents an important step for PostNL in realising sustainable value creation in its postal activities in the Netherlands. The main aspects are:

- The total consideration values Sandd at an enterprise value of €130m.
- Total added volume of 720m mail items.
- Anticipated annual UCOI contribution of €50m-€60m from synergies to be realised by combining the networks into one network, and due to the operational synergies that will result from combining central functions and optimising the sorting processes.
- We expect to see the first synergy benefits in the first year following approval of the plan. The full run-rate will be achieved in the third year following approval. The combination of both networks will put PostNL in a better position to implement the restructuring required in response to a declining postal market, and to do this in a gradual and socially responsible manner, thus guaranteeing the quality of the national postal network. Economies of scale as a result of the integration of both postal networks will contribute to lower costs.
- The one-off implementation costs are estimated at one times annual synergies, to be incurred mainly in the first two years following approval of the transaction.

- PostNL will continue to implement its cost saving plans. Due to the consolidation, some of these cost saving initiatives will be slowed down. The effect of this delay during the period of four calendar years will be €(50)m-€(70)m. The amount of the total cost savings remains intact over this period.

Transaction details

The transaction values Sandd at an enterprise value of €130m and provides for the purchase of all (100%) Sandd shares. The transaction is conditional on approval of the merger of Sandd and PostNL by the relevant authorities, agreement on the final transaction documentation and on consultation with the relevant works councils and trade unions.

Financing and dividend

In financing the transaction and the ensuing integration costs, PostNL expects to temporarily exceed the leverage ratio target (adjusted net debts/EBITDA) of 2.0x max. In line with its dividend policy, PostNL will not pay dividend during the integration period as long as the leverage ratio exceeds the 2.0x figure. PostNL aims to reduce leverage below the 2.0x target in 12-24 months after approval and to resume paying dividends thereafter. PostNL anticipates the Sandd transaction to be accretive to UCOI in the first year after approval.

If the proposed acquisition of Sandd does not complete, PostNL will pay a dividend for 2019 in line with its current policy.

PostNL key figures

- 38,000 employees
- Of which 18,000 mail deliverers
- Mail volume 2018: 1,781m
- Revenue Mail NL 2018: €1,678M

Sandd key figures

- 19,000 employees
- Of which 16,000 mail deliverers
- Mail volume 2018: 720m
- Revenue Mail volume 2018: €201m

NOT FOR PUBLICATION

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More information

This is a translation of the Dutch press release. In case of any differences between the English and Dutch version, the Dutch version is leading.

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Some statements in this press release are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this press release and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities law.

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In presenting and discussing the PostNL Group operating results, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The main non-GAAP key financial performance indicator is underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for the dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for non-recurring and exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows.