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## **bpost makes improved and friendly proposal to PostNL for a combination of both companies**

**Following the leak of 1 November and in accordance with regulatory requirements, bpost announces that it submitted today an improved and friendly proposal to the Boards of PostNL for the combination of both companies**

**Any offer by bpost for PostNL only to be made after agreement with PostNL and upon the recommendation of the PostNL Boards**

### **Compelling industrial and strategic rationale**

- Creation of a leading mail, parcels and logistics solutions provider in Europe serving over 28 million potential customers in the Netherlands and Belgium
- Transaction would secure PostNL's position as the sustainable, solid and reliable universal service provider in the Netherlands, responding to declining mail volumes and boosting growth in the areas of parcels and logistics solutions

### **Substantial value creation**

- Acceleration of PostNL's and bpost's growth strategies would drive significant expected earnings and dividend per share accretion, which would benefit both PostNL and bpost shareholders
- Strong platform for investment in growth opportunities

### **Safeguarding of stakeholder interests**

- combination in the spirit of a merger of equals with balanced governance model, with a new bpost Board consisting of three PostNL representatives, three Belgian State representatives, three independent directors and the CEO
- Protection of pension rights through a full bpost guarantee
- Improved prospects for PostNL employees with long-term job conservation in the mail business and additional job creation in the parcels and logistics business
- bpost will respect the continuity of PostNL's existing employment conditions, social plans and pension arrangements

### **Transaction highlights**

- Proposed price consists of:
  - EUR 2.825 in cash per PostNL share; and

- 0.1202 bpost shares per PostNL share, representing a value of EUR 5.65 per PostNL share<sup>1</sup>
- Offer implies a 31.6% premium to the closing share price of 31 October 2016<sup>2</sup>, a premium of 46.4% to the volume weighted average share price over the 6 months ended 4 November 2016, and a premium of 58.7% to the volume weighted average share price over the 12 months ended 4 November 2016
- Implied value of EUR 2,502 million for 100% of PostNL's issued and outstanding ordinary shares
- PostNL shareholders to represent up to approximately 21% in bpost post-completion; dilution of Belgian State from 51% to approximately 40%
- Mix and match facility to allow PostNL shareholder to elect, subject to off-setting elections, to vary the proportions of cash and bpost shares they would receive for their PostNL shares tendered

*Brussels, 6 November 2016* - bpost announces that, following the leak of 1 November and its press release of 2 November, it has submitted today a renewed and improved proposal to the Boards of PostNL to combine PostNL and bpost through a public offer to be made by bpost for all issued and outstanding ordinary shares of PostNL.

The recent events have forced bpost to accelerate its decision making process regarding a possible approach to PostNL. In its meeting of 6 November the bpost Board unanimously approved a renewed and improved proposal by bpost to PostNL.

In its press release of 2 November, bpost indicated that it would communicate to the market as soon as it would be in a position to give more concrete guidance on a possible approach to PostNL. In view thereof, and in line with legal and regulatory requirements, bpost is obliged to inform the market of the key elements of its proposal.

bpost is fully convinced of the strategic merit of the combination of PostNL and bpost. In view of the consolidation trend in Europe, the strategic rationale of the combination may indeed be more powerful now than ever before. bpost's renewed proposal addresses the views and feedback given by PostNL during the negotiations between PostNL and bpost that ended in May 2016 and takes into account market and stakeholder responses to bpost's earlier approach.

bpost has invited the PostNL Boards to discuss its renewed and improved proposal and to negotiate a recommended transaction. bpost reiterates its intention to come to a mutually agreed transaction and will only proceed with any offer for PostNL after agreement with PostNL and upon the recommendation of the PostNL Boards.

Koen van Gerven, CEO bpost

*"We have a unique opportunity to join forces and stand strong together. The combination of our companies enables us to become one of the leading players in Europe. Together we form a resilient platform to benefit from new challenges and market opportunities. We look forward to having an open and constructive dialogue with the Supervisory Board and the Management Board of PostNL."*

#### **Compelling industrial and strategic rationale**

The combination would create a leading mail, parcels and logistics solutions provider in Europe serving over 28 million potential customers in the Netherlands and Belgium. The combination would

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<sup>1</sup> Valued at bpost's closing price of EUR 23.50 on 4 November 2016

<sup>2</sup> Last date before leak regarding possible new proposal by bpost to PostNL

provide a stronger, more resilient platform to address future market challenges and opportunities, especially in the area of parcels and logistics, where both companies can leverage their combined competencies to lead the development of innovative services.

The strong balance sheet of bpost would allow PostNL to substantially strengthen and accelerate its growth initiatives. The combination of PostNL's and bpost's complementary businesses would allow these companies to keep pace with their competitors in a sector where traditional boundaries are fading and new players are emerging.

Through the combination, PostNL and bpost can:

- commit to mail in their respective home countries for the long term, stand up to declining mail volumes and sustain the universal postal service for customers, by promoting the relevance and potential of mail and improving efficiency and quality of service by sharing best practices and know-how;
- boost growth in the areas of parcels and logistics in the Benelux and take advantage of their joined forces to become one of the top-league European parcels and logistics operators; and
- reap the rewards of technologies at scale to innovate and introduce new innovative solutions to both senders and receivers, by sharing technological know-how and jointly investing in R&D.

#### **Transaction details**

The proposed offer price would consist of EUR 2.825 in cash per PostNL share and 0.1202 bpost shares per PostNL share. This currently represents EUR 5.65 per PostNL share<sup>3</sup> and is an attractive value proposition for PostNL's shareholders.

The offer price represents:

- a premium of approximately 54.5% to the PostNL closing share price of EUR 3.66 on 26 May 2016, the day prior to the first leak of the discussions between PostNL and bpost
- a premium of approximately 31.6% to the PostNL closing share price of EUR 4.29 on 31 October 2016, the day prior to the leak of information regarding a possible enhanced proposal by bpost to PostNL
- a premium of approximately 46.4% to the 6-month PostNL VWAP; and
- a premium of approximately 58.7% to the 12-month PostNL VWAP.

The cash component of the offer price would allow PostNL's shareholders to immediately monetise a significant part of the existing value of their PostNL shares. The share component of the offer price would entitle PostNL's shareholders to all bpost's dividends paid as of January 2017 and the future progressive dividend payments of the combination.<sup>3</sup>

bpost also proposes to offer PostNL's shareholders a mix and match facility that would allow them to elect, subject to off-setting elections, to vary the proportions in which they would receive cash and bpost shares for the PostNL shares tendered. The mix and match facility would not change the total number of bpost shares to be issued or the maximum amount of cash that would be paid by bpost.

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<sup>3</sup> The proposed offer price would be adjusted downwards for any dividend, capital repayment, other distribution or share buy-back made by PostNL prior to the closing of the transaction.

bpost intends to finance the cash component of the offer using existing cash resources and external debt, while keeping a robust balance sheet.

The combination would result in a major acceleration of PostNL's and bpost's growth strategy, which would drive significant expected earnings per share (EPS) and dividend per share (DPS) accretion, supported by a resilient balance sheet.

#### **Long-term job conservation and creation**

bpost is strongly committed to establish the combination as an attractive and socially responsible employer that would contribute to creating enhanced opportunities for the employment and development of the employees.

As the combination would provide a more resilient platform to invest in growth opportunities, it would generate new employment and job opportunities in the Netherlands and Belgium. These new jobs would play a key role in responding to increasing parcel volumes, but more importantly increasing convenience- and consumer-oriented solutions. The successful implementation of the joint strategy could lead in the medium term to the creation of around 3,200 full time jobs in the combined parcels and logistics business in the Netherlands and Belgium, which jobs would *grosso modo* be equally divided over the Netherlands and Belgium. The combination would not only create new employment opportunities, it would also aid the conservation of current jobs, including in the mail businesses through best practice sharing in mail solutions. Together, PostNL and bpost would be better equipped to combat declining mail volumes and the threat this poses to jobs in the mail industry.

The combination is driven by the joint growth strategy. PostNL's and bpost's businesses are strongly complementary, with limited overlap. The creation of the combination is therefore not expected to result in significant redundancies. bpost would respect the continuity of PostNL's existing employment conditions, social plans and pension arrangements.

bpost is committed to keeping an open and constructive dialogue and maintaining good relations with the relevant employee representative bodies and trade unions, based on mutual respect and recognition of shared interests. bpost looks forward to engaging with employee representative bodies and trade unions to share with them its views on the combination.

#### **Observance of universal service obligations**

As a pillar of the envisaged joint strategy of the combination, the domestic mail operators in the Netherlands and Belgium would remain fully committed to affordable, accessible, reliable and innovative postal services. PostNL's strategic plan to remain the universal service provider that performs the universal service obligations in the Netherlands would be an important component of the joint strategy.

#### **Pension guarantee**

In order to safeguard the interests of current and former PostNL employees, as part of the offer, bpost would guarantee the performance of the PostNL's pension obligations towards the PostNL Pension Fund under the execution agreement. Should at any time PostNL be unable to meet its payment obligations under that agreement, bpost would stand ready to perform such obligations on the basis of its pension guarantee.

### **Innovation centre based in the Netherlands**

bpost is committed to establishing an innovation centre based in the Netherlands that would position the combination at the forefront of innovation and technology in the industry, whilst creating high quality employment in various fields of expertise. By investing in innovation, the combination would be able to deliver more services to the citizens of the Netherlands and Belgium, and create new opportunities in a market in the shaping. By innovating, the combination would be prepared and able to respond to tomorrow's customers' demands.

### **Governance of the combination**

bpost views the combination as a merger of equals. The combination would require a balanced and workable governance framework to address the differences and strengths of PostNL and bpost within the combination.

As a result of the transaction, the Belgian State's shareholding in bpost would be diluted from 51% to approximately 40%, and bpost would become fully subject to private corporate law. This would be reflected in the governance of the combination.

#### *Board of Directors of the combination*

The Board of Directors of the combination would consist of ten members, comprising:

- (a) three non-executive directors to be nominated by PostNL, one of whom would be designated as chairman of the Board of Directors;
- (b) three non-executive directors to be nominated by the Belgian State;
- (c) three independent non-executive directors with an internationally recognized profile to be nominated by bpost's Remuneration and Nomination Committee; and
- (d) the CEO of the combination, being the current CEO of bpost.

#### *Executive Committee of the combination*

The Executive Committee would be responsible for the overall coordination between the PostNL and bpost activities of the combination and the integration of those activities. PostNL and bpost would be equally represented in the Executive Committee.

#### *PostNL Boards*

The combination would hold on to the full large company regime for PostNL. The PostNL Supervisory Board would consist of five members: (a) three individuals to be nominated by bpost, (b) one current member of the PostNL Supervisory Board, who would be the chairman, and (c) one individual to be nominated upon the enhanced recommendation of the PostNL works council. The PostNL Board of Management would consist of two PostNL representatives.

### **Non-financial covenants**

bpost values the interests of all PostNL's stakeholders, including shareholders, employees, suppliers and customers. Therefore, bpost would ensure the observance of certain non-financial covenants relating to strategy, dividend policy, governance, integration, universal service obligation of PostNL, organization, financing, pension, and employees, in addition to the abovementioned arrangements.

The PostNL brand will continue to be applied as the brand of PostNL's Dutch operations. PostNL's Dutch headquarters and its key support functions would remain at its current location in The Hague, the Netherlands. The headquarters of the combination would be located in Brussels, Belgium.

### **Next steps**

bpost is ready to move swiftly and resume the well-advanced (as of May 2016) negotiations on the merger agreement with a view to coming to a recommended transaction within a short period of time.

As previously contractually agreed with PostNL, bpost will only proceed with the offer on the basis of such an agreement with PostNL and upon the recommendation of the PostNL Boards. In addition, the offer can only proceed after adoption of a Belgian royal decree authorizing the transaction so agreed.

The offer itself would be subject to customary pre-offer and offer conditions precedent for transactions of this nature, including, but not limited to, a minimum acceptance level, anti-trust clearance and such other regulatory clearances as may specifically be required in respect of the transaction.

bpost looks forward to engaging with PostNL on the renewed and improved proposal.

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