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

Brussels, 30 November 2016 - today bpost made a final and improved proposal to PostNL for the combination of PostNL and bpost (the "**Combination**"). The new proposal addresses the objections previously expressed by PostNL. bpost has summarised its entire proposal for the Combination in the annex to this press release.

bpost is convinced that PostNL's Supervisory Board and Management Board will carefully assess bpost's final and improved proposal on its merits. bpost looks forward to receiving PostNL's invitation to enter into talks on a short term.

### **Cash component of offer price increased with EUR 0.376**

bpost has increased its offer price with EUR 0.376 in cash per PostNL share, representing a total amount in cash of EUR 167 million. This means the increased offer price now amounts to EUR 3.201 in cash and 0.1202 shares bpost per share PostNL. On the date of this press release, this amounts to EUR 5.75 per share PostNL. The new bpost shares give entitlement to all bpost dividends declared as of 1 January 2017 (assuming settlement in 2017) and the future progressive dividend payments by the Combination.

### **Improved governance of the Combination**

bpost notes that there is a need for additional reassurance that the values and culture of PostNL and the interests of its Dutch stakeholders will be safeguarded. bpost offers this reassurance by means of four further amendments to the governance of the Combination and PostNL:

*I. Limitation of representatives in the Board of the Combination* – bpost proposes adopting a provision in the articles of association of the Combination that shareholders with an

equity interest above a certain threshold (for example 15%) will have a nomination right for a number of directors proportional to their equity interest, with a maximum of one-third of the directors. This will ensure, firstly, that if the Belgian State's equity interest falls below a certain threshold, the Belgian State's nomination rights will be reduced accordingly, and secondly, that the Belgian State cannot nominate more than three of the ten members of the Board of the Combination.

***II. Equal number of directors in the Board of the Combination*** – As long as the Belgian State has the right to nominate one or more members of the Board, a Dutch foundation will be entitled to nominate an equal number of members. In doing so, the foundation will watch over the observance of the interests of the Dutch stakeholders. The foundation will base its nominations on a profile agreed jointly by PostNL and bpost, which profile will reflect the Combination's business operations. The board of the foundation will have three members: one appointed by PostNL, one appointed by bpost, and one prominent member of the Dutch business community.

***III. Qualified majority in the Board of the Combination*** – There will be a special majority requirement of 75% for a number of decisions of the Board of the Combination that are of significant institutional or strategic importance. This will allow the three directors nominated by PostNL to block that such a majority will be achieved.

***IV. Expansion of the Supervisory Board of PostNL*** – For a period of at least four years from the start of the Combination, the Supervisory Board of PostNL will have eight members. Of those eight members, two independent members will be appointed upon nomination by PostNL, two upon nomination by the works council of PostNL, and four upon nomination by bpost, including the chairman who will have a casting vote if votes are tied. However, the basic premise of decision-making will be that resolutions are adopted by consensus, as is customary in the Netherlands. The proposed expansion of the Supervisory Board will result in an even better safeguarding of the Dutch interests.

### **Non-financial covenants**

bpost proposes certain covenants (non-financial covenants or NFCs) ensuring that the interests of PostNL's stakeholders will be preserved and safeguarded after the transaction. bpost has adopted PostNL's proposal for the NFCs of end May almost in its entirety (including, for example, that bpost shall procure that PostNL will continue to be adequately financed) and even improved it, among others with a pension guarantee. As

far is bpost aware, PostNL and bpost are substantially in agreement on the scope and terms of the NFCs.

The NFCs will apply for a period of four years. Moreover, the covenants with regard to the universal service obligation (USO) will continue to apply for as long as PostNL, or one of its group companies, performs the obligations under the USO in the Netherlands. The pension guarantee is not limited in time. The two members of the PostNL Supervisory Board appointed upon nomination by PostNL will supervise compliance with all NFCs. They will have the right to jointly veto decisions that they consider to be in conflict with the NFCs; they will also be able to take legal action to enforce them.

### **Deal certainty**

bpost sees no issues in relation to deal certainty. PostNL and bpost will jointly announce a possible transaction only after the required Belgian Royal Decree has entered into effect. Declaring a possible offer will only be subject to a set of conditions customary for this type of transaction, including the approval of the European Commission pursuant to the EU Merger Regulation, and a reciprocal Material Adverse Change provision on market terms. Moreover, bpost is willing to accept the risk of the announced market analysis decision by the Netherlands Authority for Consumers & Markets concerning substantial market power of PostNL on the 24-hour market for business mail.

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## ANNEX

### BPOST'S FINAL, IMPROVED PROPOSAL FOR THE COMBINATION

#### SUMMARY

We are convinced that our final, improved proposal is attractive to PostNL and bpost and that it will create substantial value for all stakeholders, including the shareholders, employees, pensioners and customers of PostNL and bpost. In this annex we summarise the contents of the proposal, as set out in our letters to PostNL of 6, 17 and 30 November 2016.

#### 1. OFFER PRICE

Driven by our conviction that the Combination will have an enduring and successful future, bpost offers a final price of EUR 3.201 cash and 0.1202 shares bpost for each share PostNL. As at 30 November 2016, this represents EUR 5.75 per share in PostNL.

##### **Premium**

This price means:

- a premium of 57.2% of the closing price of PostNL shares on 26 May 2016, the day before the previous talks between PostNL and bpost were leaked;
- a premium of 34.0% of the closing price of PostNL shares on Monday 31 October 2016, the trading day before the internal working document about our renewed approach to PostNL was leaked; and
- a premium of 29.7% of the 3-month volume weighted average price ("VWAP"), a premium of 40.8% the 6-month VWAP, and a premium of 52.9% of the 12-month VWAP.

The cash component of the offer price will allow PostNL's shareholders to immediately monetize a significant part of the existing value of their PostNL shares. The new bpost shares to be issued in exchange for the PostNL shares will entitle PostNL's shareholders to all bpost dividends as of 1 January 2017 (assuming settlement in 2017) and the future progressive dividend payments of the Combination. The offer price will be adjusted downwards if PostNL makes a dividend distribution or other distribution before the transaction is completed.

##### **Mix and match facility**

bpost also offers a mix and match facility. This will allow PostNL shareholders to elect, subject to offsetting elections, to vary the proportions in which they would receive cash and bpost shares for the PostNL shares tendered. This mix and match facility will not alter the total cash amount to be paid by bpost or the total number of bpost shares to be issued.

##### **EPS/DPS growth**

The Combination will accelerate the growth strategies of PostNL and bpost considerably. This will result in significant increases of earnings per share (EPS) and dividend per share (DPS) of the Combination, backed up by a strong balance sheet.

#### 2. GOVERNANCE

##### **2.1. CURRENT GOVERNANCE OF BPOST AND THE ROLE OF THE BELGIAN STATE**

Over the past decade, bpost has been managed as an independent company based on strict financial and industrial logic. bpost's modern corporate governance model is in line with that of international private companies.

In 2003, bpost commenced an ambitious modernisation plan with a view to becoming a lean and modern company. This led to its attracting CVC Capital Partners and Post Danmark as shareholders, as a result of which the Belgian State's stake declined to about 50%. bpost is already experienced, therefore, in taking privatisation measures and cooperating with other actors in the postal sector.

In 2013, bpost underwent a successful flotation, which led to its shareholder base becoming more international. As a result of the legislative amendment that entered into force in 2015, bpost's governance was brought fully into line with that of private listed companies. The same legislation lifted public-law restrictions on bpost's HR policies and thus created a level playing field with private competitors. The legislative amendment also opened the way for transactions whereby the Belgian State's stake falls below 50% + 1 and bpost moves entirely into the private sector.

bpost is currently not receiving any subsidy from the Belgian State for its universal postal services. bpost only receives a payment that covers the net costs of the Services of General Economic Interest (*Diensten van Algemeen Economisch Belang*) which it performs in the name of the Belgian State. This payment has been approved by the European Commission, the Belgian supervisory authority and the Court of Audit (*Rekenhof*), and, moreover, it represents less than 5% of bpost's total revenue.

## **2.2. GOVERNANCE OF THE COMBINATION**

The Combination's governance model will enable the Combination to efficiently operate as a modern, international group, with consideration being given to both the Dutch and the Belgian interests. An important premise in this regard will be a balanced distribution of control in the Combination's Board, with PostNL's representation being equal to that of the Belgian State.

### ***Board of the Combination***

The Board of the Combination will have ten members, being nine non-executive directors and the CEO. The non-executive directors will all meet the requirements of a job profile to be jointly determined by PostNL and bpost. PostNL will have as many seats in the Combination's Board as the Belgian State: three out of ten. Upon the Combination's commencement, the seats will be distributed as follows:

- three independent non-executive directors, including the chairman, appointed by PostNL
- three independent non-executive directors appointed by bpost
- three non-executive directors appointed by the Belgian State
- bpost's current CEO.

This proposal for the governance of the Combination is included in the Merger Agreement which was enclosed with the letter to PostNL of 17 November. In our letter to PostNL of 30 November, we proposed three further amendments to the governance of the Combination:

- I. Limitation on the number of representatives in the Board – We propose adopting a provision in the articles of association of the Combination that shareholders with an equity interest above a certain threshold (for example 15%) will have a nomination right for a number of directors proportional to their equity interest, with a maximum of one-third of the directors. This will ensure, firstly, that if the Belgian State's equity interest falls below certain thresholds, the Belgian State's nomination rights will be reduced accordingly, and secondly, that the Belgian State cannot nominate more than three of ten members of the Board of the Combination.

- II. Equal number of directors in the Board – As long as the Belgian State has the right to nominate one or more members of the Board, a Dutch foundation will be entitled to nominate an equal number of members. In doing so, the foundation will watch over the observance of the interests of the Dutch stakeholders are duly safeguarded. The foundation will base its nominations on a profile agreed jointly by PostNL and bpost, which profile will reflect the Combination's business operations. The board of the foundation will have three members: one appointed by PostNL, one appointed by bpost, and one prominent member of the Dutch business community. The member appointed by PostNL will, if necessary, nominate his/her successor.
- III. Qualified majority in the Board – There will be a special majority requirement of 75% for a number of decisions of the Board of the Combination that are of significant institutional or strategic importance. These are (i) amendments to the ground rules of the corporate governance charter; (ii) increases in capital by using permitted capital; (iii) dividend proposals that significantly derogate from the guideline provided in the corporate governance charter (which sets out the agreed dividend policy); and (iv) debt financing above a certain net debt/EBITDA ratio. This will allow the three directors nominated by PostNL to block that such a majority will be achieved.

#### ***Executive Committee of the Combination***

The Executive Committee of the Combination will be in charge of the Combination's strategy, the general coordination between the operations of PostNL and bpost, as well as the integration of these operations within the Combination. Upon the Combination's commencement, the Executive Committee will be composed as follows:

- the CFO of the Combination
- the CEO of the Combination
- PostNL's CEO
- PostNL's CFO
- the Integration Officer
- the director Mail and Retail Solutions (Belgium)
- the group director Parcels
- the group director International.

#### ***Executive Committee of bpost***

In addition to the Executive Committee of the Combination, there will be a bpost Executive Committee, responsible for the daily management of the bpost operations of the Combination.

### **2.3. GOVERNANCE OF POSTNL**

PostNL's governance will be balanced, with the full structure regime applying to PostNL. The PostNL Executive Committee will continue to be in charge of PostNL's day-to-day management after the transaction.

#### ***PostNL Supervisory Board***

We propose that, for at least four years after commencement of the Combination, PostNL's Supervisory Board will consist of eight members, with each member being appointed for a period of four years:

- two independent Supervisory Board members nominated by PostNL (the "Independent Members")
- two Supervisory Board members nominated by PostNL's works council
- four Supervisory Board members, including the chairman, nominated by bpost.

The Supervisory Board members will have to meet the requirements of a job profile to be jointly determined by PostNL and bpost. The chairman will have the casting vote if votes are tied. However, the assumption for decision-making will be that resolutions are adopted by consensus, as is customary in the Netherlands. This proposed expansion of the Supervisory Board will allow PostNL to achieve even greater safeguards for the Dutch interests.

#### **PostNL Board**

PostNL's Management Board will consist of two members, specifically the CEO and the CFO.

#### **PostNL Executive Committee**

PostNL's Executive Committee will continue to function as is currently the case, and will as such be in charge of the daily management of the PostNL operations of the Combination.

### **3. SAFEGUARDING THE INTERESTS OF STAKEHOLDERS**

In accordance with previous discussions between the parties, bpost takes on various commitments to PostNL as regards safeguarding the interests of the employees, pensioners, customers and other stakeholders of PostNL after the transaction (referred to as non-financial covenants, or NFCs).

These NFCs will be in force for four years. Furthermore, under our improved proposal, the NFCs that relate to PostNL's compliance with the USO obligations will remain in force for as long as PostNL, or a group company of PostNL, performs the obligations under the USO. The pension guarantee is not limited in time.

The two Independent Members will together supervise compliance with the NFCs. They will be able to jointly veto decisions that they deem contrary to the NFCs; they will also be able to enforce compliance by taking legal action.

The following is a summary of the most important NFCs:

#### **Pension**

Entering into the Combination comes with a considerable responsibility to all stakeholders of PostNL and bpost, including our employees. bpost guarantees, as surety, that PostNL will perform its obligations to the PostNL pension fund under the execution agreement between PostNL and the PostNL pension fund of 30 July 2015 and the one-off funding agreement of 31 December 2013. If at any point PostNL is unable to perform these payment obligations, bpost, as the parent company of the Combination, will be ready to fulfil them on the basis of this pension guarantee. By issuing this pension guarantee, bpost is providing clarity to employees and pensioners and an increased degree of certainty about their future pension situation.

#### **Financing of the Combination and PostNL**

In structuring the transaction, bpost will make use of its current strong balance sheet, which includes a significant number of usable cash resources. In addition, external debt financing will be raised, although these will remain well within customary margins. After the transaction, the Combination will keep a solid balance sheet which will form the basis for a progressive dividend policy and further growth through investments and acquisitions, the precondition of which will always be a solid investment grade rating (BBB+) or equivalent.

bpost will ensure that PostNL will continue to have adequate funds to safeguard the performance of its USO obligations, its strategy and the continuity of PostNL's business.

PostNL will also have access to and enjoy the benefit of the Combination's cash pooling arrangements, which arrangements will be entered into on customary terms. In this regard, loans that PostNL grants to bpost on a non-commercial basis will require the approval of at least one of the two Independent Members of PostNL's Supervisory Board.

#### ***Universal Service Obligation***

PostNL and bpost are the traditional providers of the universal service obligation (USO) in the Netherlands and Belgium. This means that both companies strive on a daily basis to meet the high requirements of the USO, such as guaranteeing delivering five days a week and meeting high quality standards. We are proud to perform this mission in the interest of citizens and we will continue the tradition as responsible providers of the USO in the Netherlands and Belgium, maintaining an excellent relationship with all the competent regulators. The Combination will stay dedicated to preserving its reliable, accessible, affordable and innovative service. In particular, we fully endorse the role of PostNL as the provider of the USO. For as long as PostNL, or a group company of PostNL, performs the USO in the Netherlands, the Combination will support it in that regard and will ensure that the PostNL organisation in the Netherlands has all necessary resources and support to perform these obligations properly.

#### ***Organisation and strategy of PostNL***

bpost supports PostNL's strategy as part of the strategy of the Combination. In this regard, PostNL's Dutch business will be organised as an independent division of the Combination. The Dutch mail and parcel divisions will remain based in their current locations. PostNL will continue to be the holding company of its Dutch subsidiaries and operations, and PostNL's Dutch head office and its most important supporting functions will continue to be based in their current location in The Hague.

PostNL's trademark and logo will be maintained: the Dutch PostNL operations will continue to carry the PostNL trademark, and the Combination will keep developing and investing in that trademark. The Combination will endeavour to ensure that PostNL retains the predicate "Koninklijke" (Royal).

#### ***Innovation centre***

An important cornerstone of the strategy is the fact that the Combination will be *the* reference point for e-commerce in the Netherlands and Belgium. The postal market is undergoing rapid change and our customers' demands are changing with it. With an innovation centre in the Netherlands, our ambition is therefore to become one of the market leaders in technology and innovation.

By investing in innovation, the Combination will be able to satisfy the demands of tomorrow's customers and provide more services to those living in the Netherlands and Belgium. The innovation centre will focus on developing new products and services (such as e-fulfilment opportunities), adding new properties to existing products (such as supplementing physical services with digital services) and improving operational processes (such as track and trace systems, cobots).

The Combination intends to achieve this by building on clear foundations. These include dedicated resources (such as skilled employment in various expertise areas and an agreed location), a clear organisation (such as an innovation charter), short innovation cycles in order to guarantee that products or services will be marketed quickly, and a firm commitment to the ecosystem (including, among others, customers, and legal and political framework).

The innovation centre will report directly to the Executive Committee of the Combination.

## **Employees**

Both PostNL and bpost are leading employers in the Netherlands and Belgium. The Combination will enable PostNL and bpost to develop a more sustainable business model, find solutions for challenges in the postal sector, and improve their position as attractive and responsible employers. By joining forces, we will be better positioned to tackle the declining mail volumes, which will help preserve jobs in our mail divisions.

Unlike other transactions, the rationale of the Combination is driven by the aspiration to establish a common growth strategy and achieve a strategic advantage. PostNL and bpost complement each other strongly, with limited overlap. bpost is therefore able to give the undertaking that the Combination will not result in significant redundancies.

The goal of the Combination is to establish a common growth strategy and not to cut costs. We can therefore confirm that, in addition to preserving jobs, we will also be able to stimulate growth in the areas of parcels and logistical services in the Benelux. In the mid-term, this growth strategy of the Combination will lead to the creation of jobs and improved career prospects. bpost expects that this will lead to the creation of 3,200 FTEs, which, roughly speaking, will be divided equally between the Netherlands and Belgium. We wish to emphasise that this creation of employment will be in addition to PostNL's stand-alone strategy.

Furthermore, the Combination will provide access to international, outstanding training and career prospects for its employees. The Combination will also maintain its strong focus on constructive dialogue and good relations with the works councils and the unions, based on mutual respect and the recognition of a common interest, in line with the tradition of PostNL and bpost. Finally, the Combination will respect the continuity of the current employment terms, the social plans and the pension arrangements of PostNL and bpost.

## **4. DEAL CERTAINTY**

Deal certainty is of great importance to all the parties concerned. If PostNL and bpost can agree on the transaction, approval will have to be obtained from the European Commission and the Belgian government, the latter by Royal Decree. As we will explain, the Royal Decree will not lead to uncertainty about the deal. The transaction is not subject to financing being arranged.

The reciprocal MAC clause in the draft Merger Agreement is on market terms and protects both PostNL and bpost and their respective stakeholders against exceptional events that could occur between announcement of the offer and the offer being declared unconditional.

### ***Approval of the European Commission***

To enter into the Combination, approval from the European Commission under the EU Merger Regulation (Regulation 139/2004) is required. The offer is conditional on this approval, as is customary for this type of transaction.

### ***Royal Decree***

Pursuant to applicable law, the Royal Decree that is required for the transaction can only be adopted if there is agreement between PostNL and bpost on the terms of the transaction. For this reason, and as previously discussed and agreed between bpost and PostNL, the Merger Agreement has been made conditional upon the Royal Decree entering into force. The intended transaction can be announced publicly immediately after that. The Royal Decree will not, therefore, create uncertainty about the deal among the stakeholders of PostNL, as the transaction will only be announced once the Royal Decree has entered into force. The announcement of the offer nor the offer being declared

unconditional is conditional upon any Royal Decree other than the aforementioned Royal Decree.

***Reciprocal MAC clause***

The MAC clause in the Merger Agreement, which is on market terms, protects both PostNL and bpost against exceptional changes in, among other things, laws and regulations in the period between the announcement and the offer being declared unconditional which could have such a significantly adverse impact on a party that the other party can no longer be required to go ahead with the transaction on the same terms. The impact of this on the certainty of the deal does not counterbalance the interests of both companies and their stakeholders in retaining this protection. bpost is, however, willing to accept the risk of the announced market analysis decision by the Netherlands Authority for Consumers & Markets ("ACM") about the substantial market power ("SMP") of PostNL and, for that reason, excludes the SMP decision of the ACM from the PostNL MAC clause.

***Funding of the transaction***

bpost intends to finance the cash portion of the offer price partly with its own cash and partly by raising external financing, preserving its own robust balance sheet. The draft Merger Agreement does not contain a financing arrangement clause.

**5. PROCESS AND TIMING**

We assume that the Supervisory Board and Management Board of PostNL will assess our final, improved proposal on its merits. We are convinced that we will soon be able to reach agreement about the key elements of the Combination.