



**bpost**



**Stronger together**

**Best and final proposal**

**Annex to press release** – Brussels, 30/11/2016

Time: 21.30 CET

Inside information – Regulated Information

[corporate.bpost.be](http://corporate.bpost.be)

November 2016

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The Information is for background purposes only and does not purport to be full or complete. In particular, the Information must not be used in making any investment decision. If Castor and Pollux reach an agreement on the Combination, an offer document (prospectus) and response memorandum will, upon approval by the relevant market authorities, be published. In such case, the availability of these documents and the place where they can be obtained will be announced. You understand that you should refer to, and may only rely on, such offer document, if and when such offer document will be made available, for further and more complete information about the potential Combination. You are reminded that any acquisition or disposal of securities of bpost or PostNL in the context of the Combination may be made solely on the basis of information contained in any such offer document.

At this time it is uncertain whether the Combination will occur. bpost will proceed with an offer only on the basis of a negotiated merger agreement with PostNL and upon adoption of a Belgian royal decree authorizing the Combination so agreed. The offer itself, if any, 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 Combination.

# There is a clear rationale to join forces in a consolidating EU postal sector

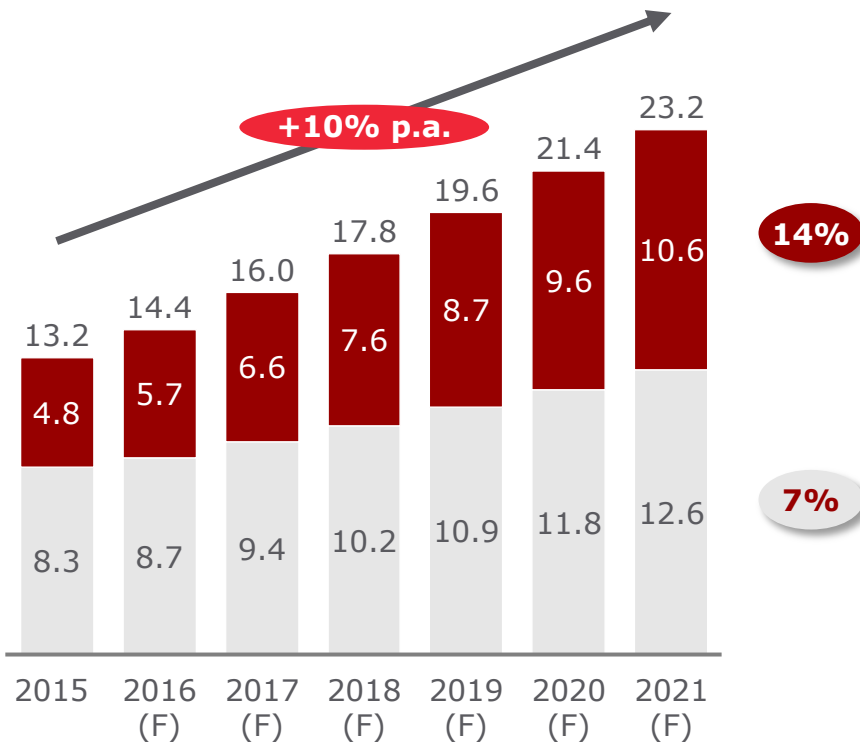
**E-commerce is one of the most promising opportunities for postal players...**

## Internet retailing revenues<sup>1</sup>

EUR billion

**CAGR**  
%

■ Belgium ■ Netherlands



**... and scale is important, leading to accelerating consolidation in Europe and globally**

## Rationale

**Build international presence**



**Strengthen national position**



**Foster innovation**



<sup>1</sup> Retail sales value (RSP excl. sales tax)

SOURCE: Euromonitor

# In particular, there is a clear strategic rationale for the proposed combination of PostNL and bpost



Maintain commitment to “**universal and public services**” in both countries, respective USO and broader public services



Boost **profitable parcel growth** in BE stimulating its economy and its digital agenda, while PostNL accelerates the realization of its current strategy



Optimize the network continuously to be able to **introduce new solutions and technologies** at scale



Build **profitable and growing international businesses** by tapping into the cross-border value pool

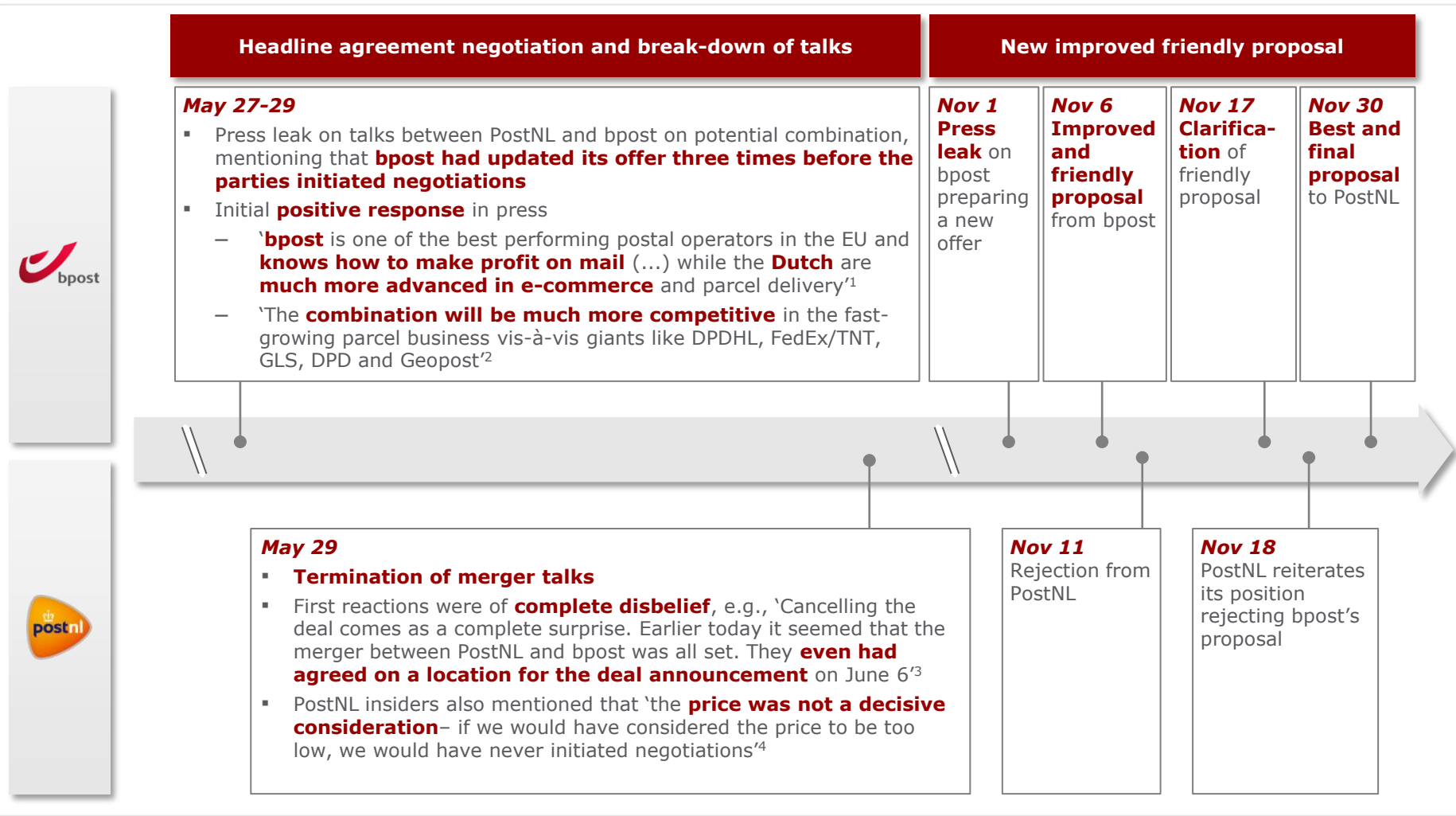


Create a sustainable and stronger investment proposition through a **resilient business model**, a **de-risked capital structure** and **sustainable accretive cash dividends**



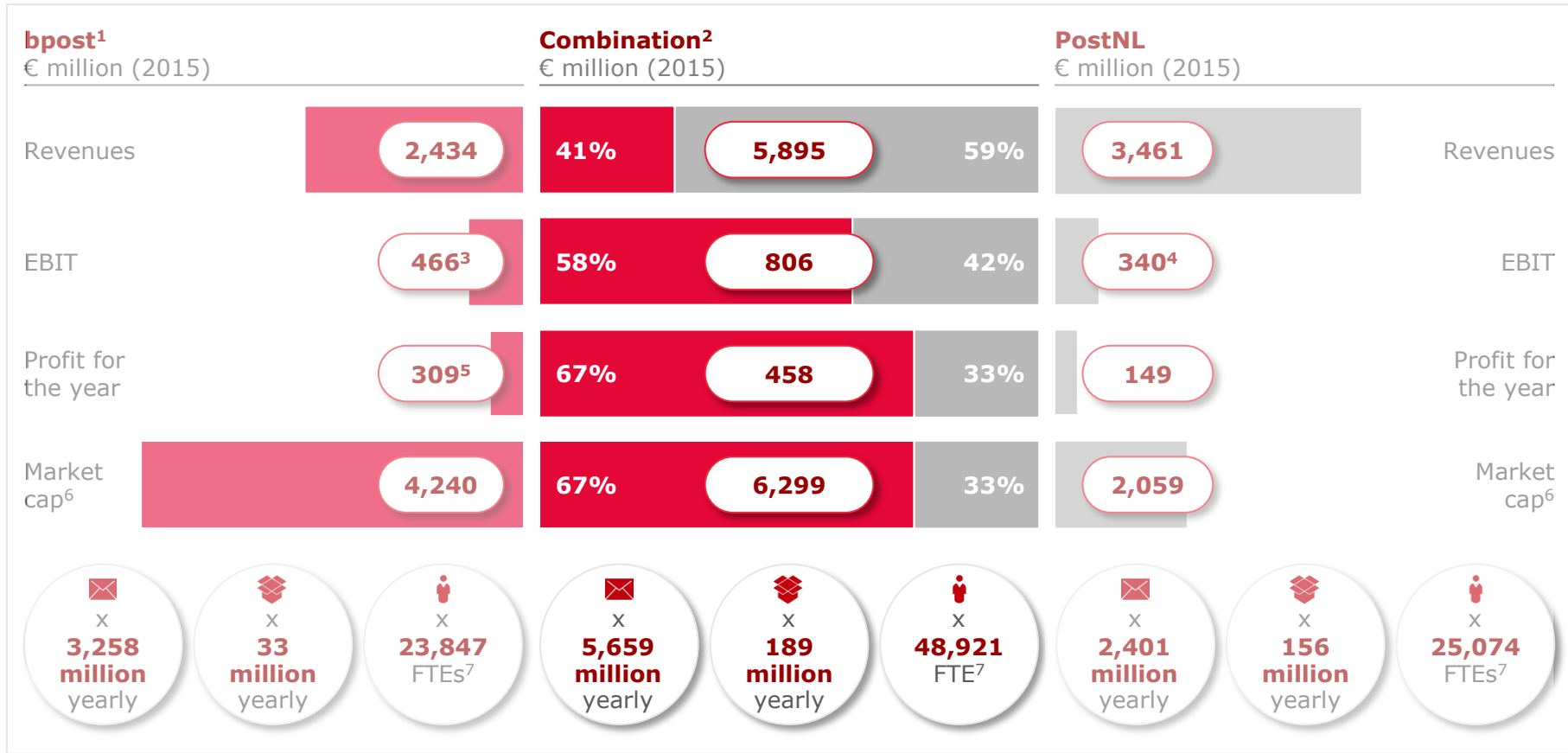
Remain an **attractive and responsible employer of reference** in BeNe, maintaining emphasis on CSR

# On this basis PostNL and bpost started merger discussions earlier this year



1 De Tijd, May 28, 'bpost slaat vleugels uit terwijl treinen niet rijden' 2 De Tijd, May 28, 'bpost maakt kwantumsprong op pakjesmarkt' 3 De Tijd, May 29, 'PostNL blaast onderhandelingen met bpost op' 4 De Tijd (quoting Het Financieele Dagblad), May 30, 'PostNL vreesde voor Belgische overheidsbemoeienis'

# The Combination will have the scale to further shape the postal and parcels industry

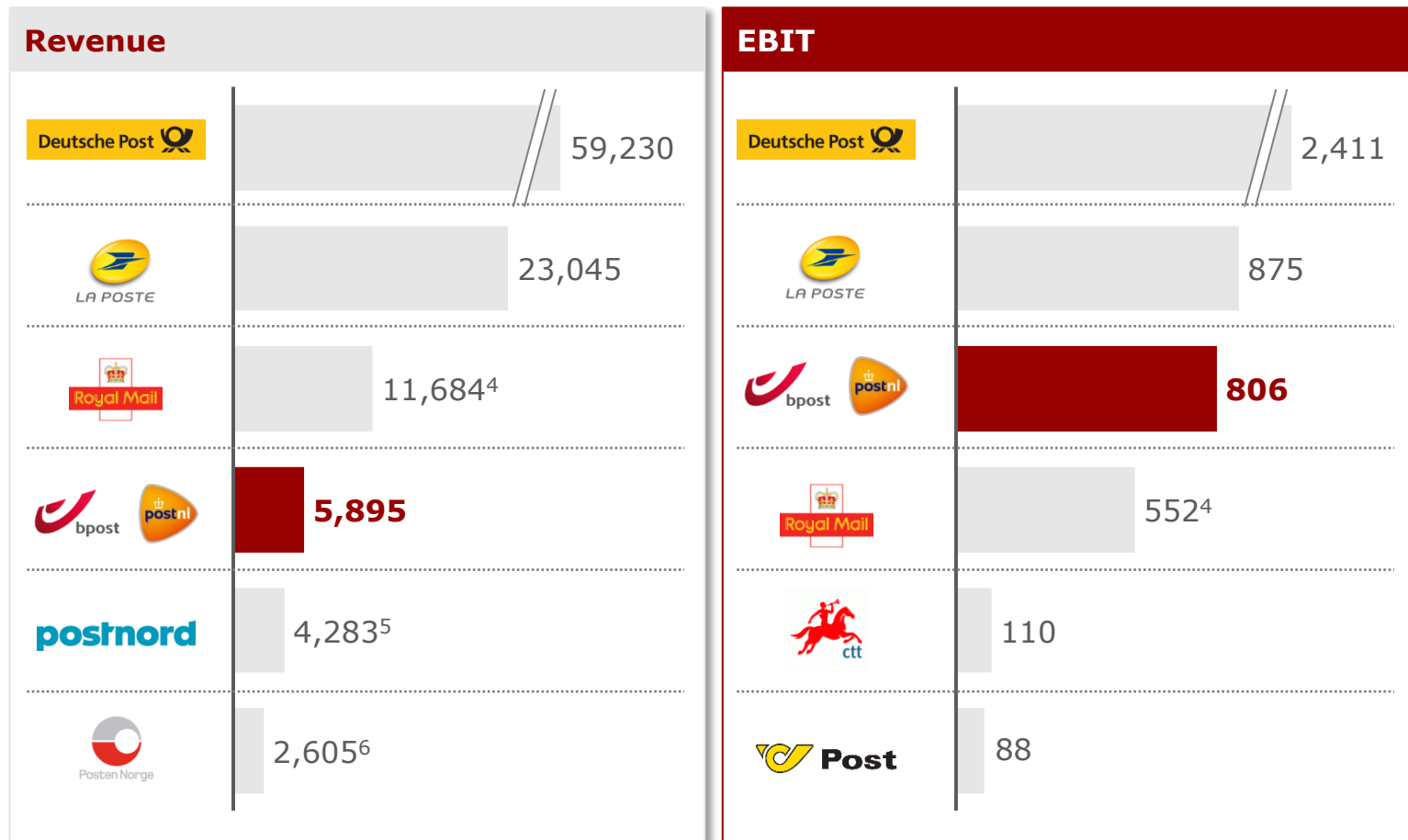


1 Reported numbers    2 Simple pro-forma, excluding synergies or potential re-rating    3 Reported EBIT reported and operating income    4 As defined by IFRS consolidated net profit    5 As defined by IFRS consolidated net profit    6 As of Nov 30, 2016    7 2015 average

SOURCE: Annual report PostNL & bpost

# The Combination will represent the 4th largest postal operator in EU in terms of revenue and 3rd in EBIT

Relative size versus listed EU Peers<sup>123</sup>, 2015 figures in € million



1 Simple pro-forma, excluding synergies or potential re-rating 2 Excluding Poste Italiane, for which 87% of the revenue comes from financial services 3 Includes all activities of the postal operators, incl. financial services 4 Year ending Mar 31, 2016 - using a GBP to € exchange rate of 1.263 on Mar 31 2016 5 Using a SEK to € exchange rate of 9.187 on Dec 31 2015; EBIT defined as operating income 6 Using a NOK to € exchange rate of 9.625 on Dec 31 2015

SOURCE: Annual reports

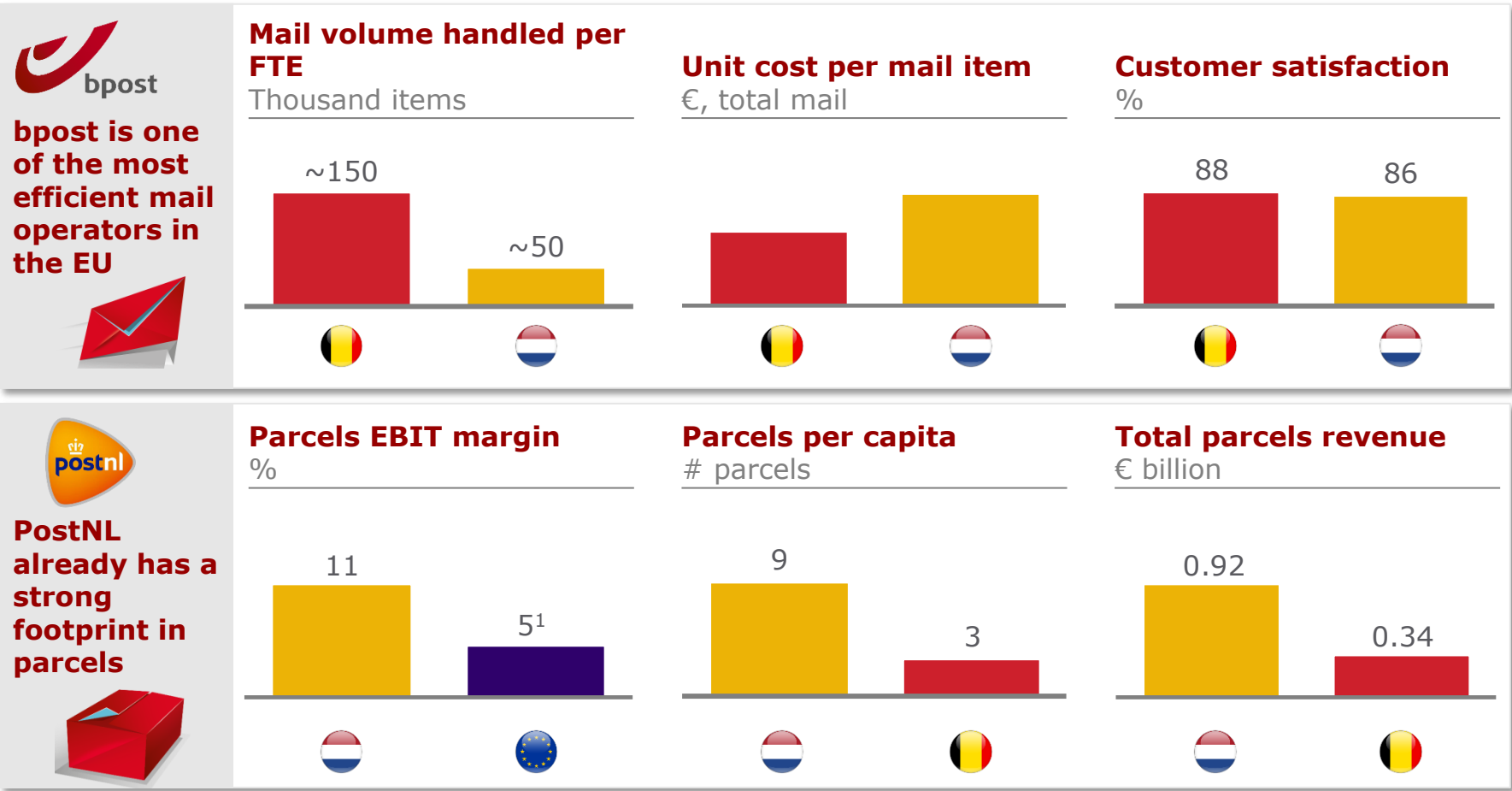


# The Combination will be mutually beneficial as it would combine bpost's efficient mail operations and PostNL's developed parcels operations



2015

bpost PostNL European average



1 Average based on UPS, Deutsche Post, Swiss Post, FedEx, La Poste, Royal Mail, PostNord, TNT, Österreichische Post, Posten Norge, Correos

SOURCE: Annual reports



# bpost has undergone many fundamental changes under various shareholder structures

## Key events in the successful transformation of bpost

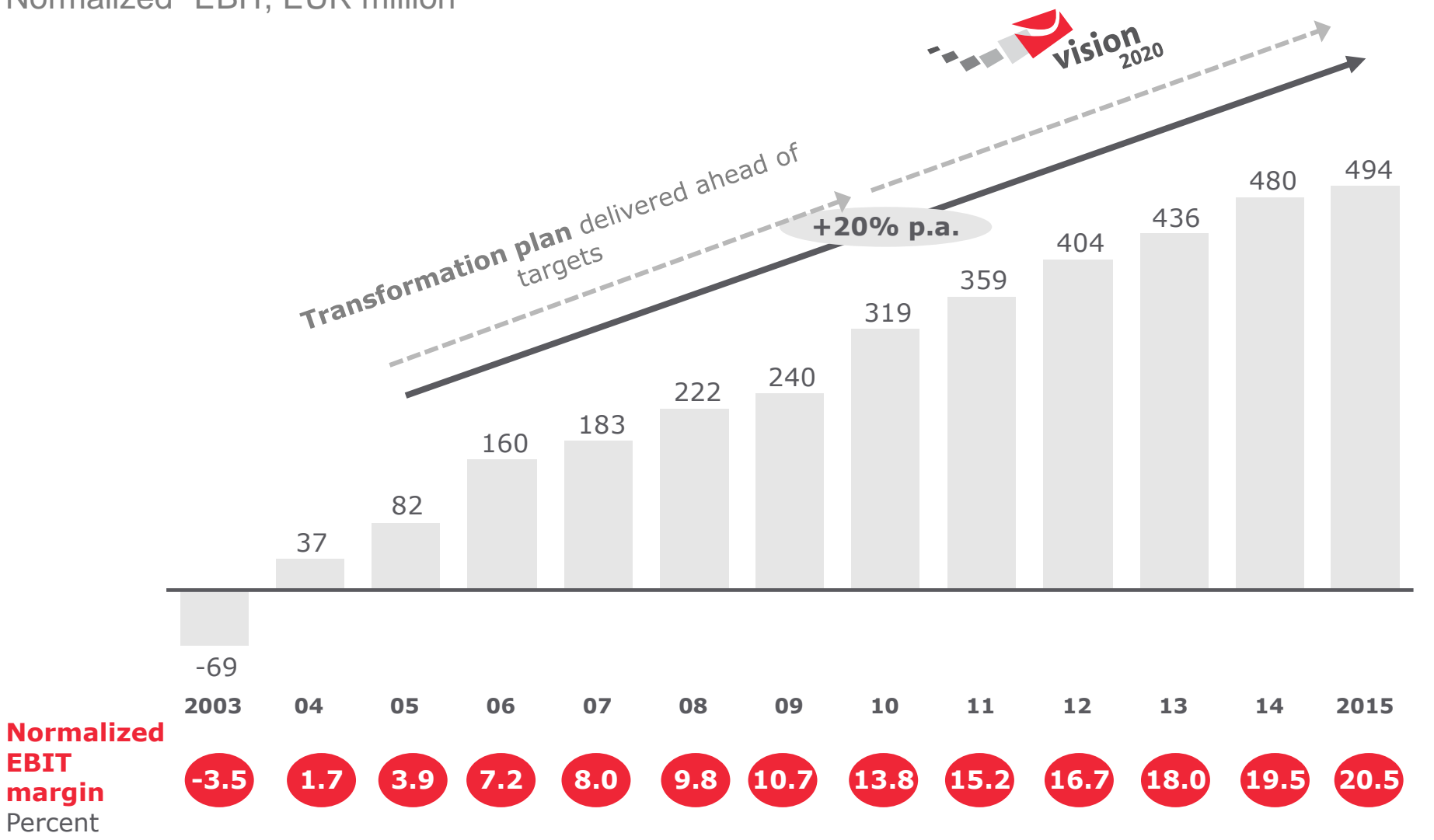
- 2003 ● Ambitious **modernization plan** launched to make bpost a lean and modern company
- 2006 ● State stake drops from 100% to ~50% while **strategic partners Post Danmark and CVC** take a joint 49.99% stake, enabling further modernization and expertise sharing
- 2009 ● Post Danmark leaves the consortium, leaving CVC as the sole private shareholder at 49.99%
- 2013 ● bpost becomes a **listed company** after a successful IPO, further internationalizing the shareholder base
- 2015 ● **Modernization of the 1991 Law** for autonomous public companies, creating a **level-playing field** and aligning the corporate governance rules and culture to those of disciplined private listed companies, without state intervention

- Over the past decade, bpost has been **run independently from the State** and in accordance with **strict industrial and financial logic**
- bpost's **Board of Directors** counts many directors with extensive industrial and financial experience
- Both the BE legislation and the Corporate Governance Charter require that **decisions are taken independently**, and in line with the **company's best interests**
- **bpost does not receive any subsidies from the State**
- Services of General Economic Interest that bpost conducts on behalf of the State are compensated to only cover the net costs, as **reviewed and approved by the European Commission** (<5% revenues)

# This supported its transformation journey and strong financial performance over the last 15 years



Normalized<sup>1</sup> EBIT, EUR million



<sup>1</sup> Excluding non-recurring items

# Best and final proposal of € 5.75 is structured to reduce the offer value volatility

**bpost has significantly improved its offer value and has now put a "best and final proposal" on the table**

## Evolution of offer prices

EUR per PostNL share



**The offer is structured in a new consideration, which reduces the offer value's volatility**

Offer value structure		Evolution since Nov 6 offer
Share component	0.1202 bpost shares per PostNL share	=
+		
Cash component	€ 3.201 consisting of 1) € 2.825 from Nov 6 offer 2) € 0.376 extra (make whole <sup>1</sup> and increase of €0.10)	↑
=		
Offer price	Best and final proposal price of € 5.75 per PostNL share <sup>2</sup>	↑

A mix and match facility offers investors the freedom to vary the proportion in which they will receive shares or cash for their shares tendered

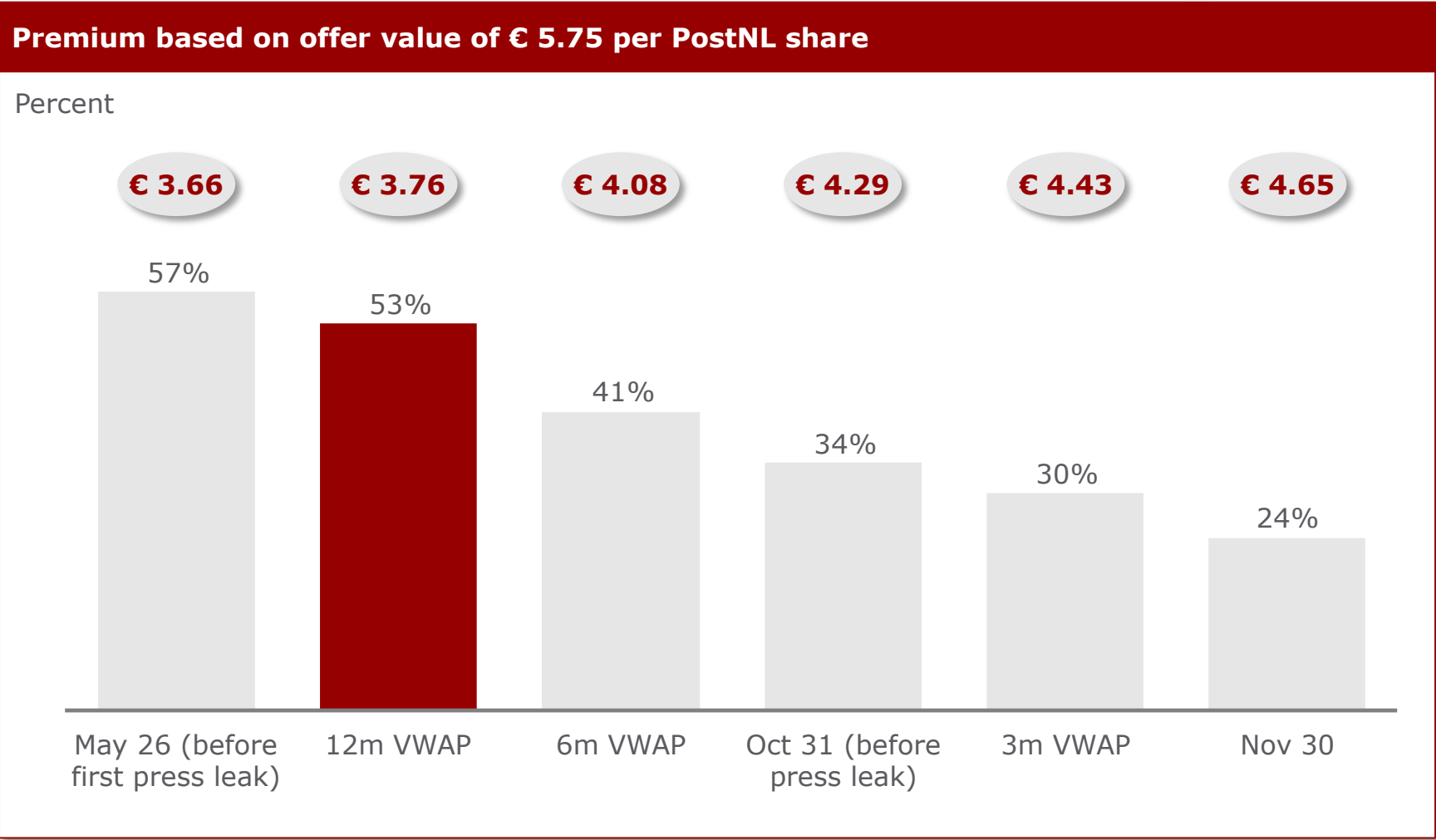
<sup>1</sup> Fill gap with previous offer in cash, which was created by recent decline in value of share component (leading to implied offer value of EUR 5.37 vs. EUR 5.65)

<sup>2</sup> Based on bpost closing share price on November 30 (€ 21.20)








Best and final offer price of € 5.75 per PostNL share constitutes a premium of 53% vs the 12-month avg



€ xx    Share price



# In addition, the proposed Combination will maintain PostNL's local anchoring & identity

Our commitment to PostNL organization	Balanced governance 	<ul style="list-style-type: none"> <li>▪ <b>Well-balanced governance model</b> with <b>3 representatives of PostNL as members</b> of the Board of Directors (including its Chairman) – equivalent to the representation of the BE state</li> <li>▪ <b>Balanced PostNL representation in Group Executive Committee</b> (e.g., PostNL CEO and CFO)</li> </ul>
	NL legal entity 	<ul style="list-style-type: none"> <li>▪ Continuation of PostNL operations under its current <b>legal identity</b>, subject to the <b>Dutch large company regime</b></li> </ul>
	Preserved Brand 	<ul style="list-style-type: none"> <li>▪ Continuation of <b>brand name &amp; positioning</b>, highly <b>trusted by Dutch consumers</b></li> </ul>
Our commitment to PostNL employees	Additional pension guarantee 	<ul style="list-style-type: none"> <li>▪ <b>Pension guarantee</b> in the form of a <b>suretyship ("Borgtocht")</b>, for the fulfillment of PostNL's pension obligations</li> </ul>
	Local employment and opportunities 	<ul style="list-style-type: none"> <li>▪ <b>Mail network to remain separate</b> (i.e., not integrated with that of bpost)</li> <li>▪ <b>Parcels</b> and niche sectors (e.g., value transport) to remain at the very <b>heart of PostNL's business</b></li> <li>▪ As a result, creation of <b>~1,600 jobs in NL<sup>1</sup></b>, as well as <b>international career opportunities for Dutch talents</b></li> </ul>
Our commitment to Dutch citizens	Commitment to USO in NL 	<ul style="list-style-type: none"> <li>▪ Commitment to remain <b>fully compliant universal service providers</b>, ensuring that PostNL has the <b>necessary resources available</b> to perform its role of national USO provider</li> </ul>
	Local Decision and Innovation Center 	<ul style="list-style-type: none"> <li>▪ Retention of <b>Dutch national mail HQ in The Hague</b></li> <li>▪ Creation of an <b>Innovation Center</b> in NL leading to high-value employment creation</li> </ul>



# PostNL will have a balanced representation in the Board of Directors, at par with Belgian State



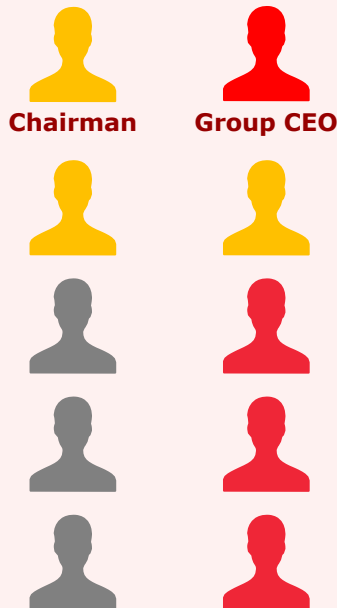
Belgian State



PostNL

bpost<sup>1</sup>

## Board of Directors (10)



Strategic Committee (CEO chair)

Audit Committee (independent chair)

Remuneration Committee (PostNL chair)

Nomination Committee (BE State chair)

## Key considerations for governance

- **Prior to closing**, the **Board size and composition will remain as-is**
- **bpost's governance model** will be that of a privately owned listed company **at par with other listed companies**
- There are several other elements that will **guarantee a balanced representation within the Board** going forward, i.e.,
  - PostNL's representation in the Board will **always be at par** with that of the Belgian State
  - A **Dutch institution ("Stichting")** consisting of three members (1 nominated by PostNL, 1 nominated by bpost, and 1 prominent person from the Dutch corporate world) **will have a director nomination right equal to that of the Belgian State**
  - Every shareholder can only appoint Directors *pro rata* their shareholding, and the **Belgian State can never appoint more than one third of the Board members**
  - **Certain decisions of institutional or strategic importance<sup>2</sup> will require a special majority vote of 75%**
- Furthermore, PostNL will be represented in all four committees and **chair the remuneration committee**

<sup>1</sup> bpost nominees other than the CEO are independents

<sup>2</sup> Decisions will include (i) changes to the ground rules of the corporate governance charter, (ii) capital increase under authorized capital, (iii) propositions concerning dividend payment that deviate significantly from the dividend payout path set forth in the corporate governance charter, and (iv) debt financing in excess of a pre-defined net debt/EBITDA ratio



# The organizational structure allows to safeguard Dutch interests, values and culture



PostNL Workers'  
Council



PostNL



bpost



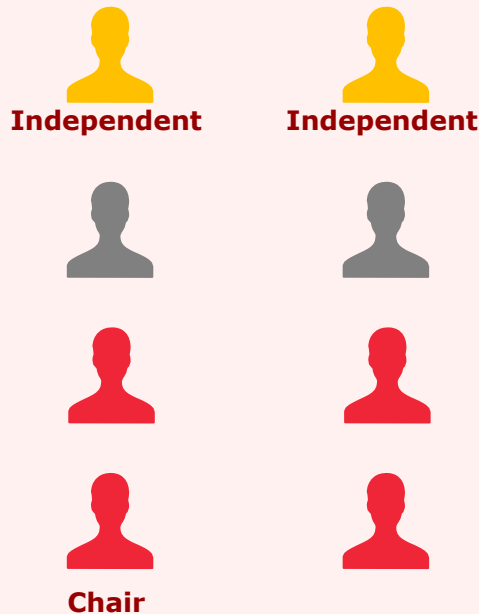
To be discussed (best  
person for the job)

## Group Executive Committee (8<sup>1</sup>)



- The Group Executive Committee will initially consist of **8 members** (Group CEO, Group CFO, PostNL CEO, PostNL CFO, Director MRS, Director parcels, Director international, Integration Officer)
- Target size and composition based on **"best person for the job principle"** in the spirit of a merger of equals

## PostNL Supervisory Board (8<sup>2</sup>)



- In general **decisions will be consensus-based** as is customary in the Netherlands
- The renewed size and composition will allow PostNL to **further guarantee the interests of Dutch stakeholders**
- The Belgian State will not be represented at the level of PostNL**

## PostNL Board of Management (2)



- Initial **appointment** of these two positions will be a **joint effort** and **part of the agreed deal**
- Going forward the Board of Management will be **appointed by the PostNL Supervisory Board**

1 Integration Officer phasing out

2 Appointed for a period of at least 4 years





# The governance model and organizational structure reflect the spirit of a merger of equals and ensure balanced representations



## Decision center



- **Group headquarters in Brussels**
- Dutch business of PostNL will have an operating structure as a **separate division within the Group**, with **headquarters of Mail and Parcels NL** anchored **in the Netherlands**
- Dutch subgroup will **retain collecting, sorting and delivery functions** related to the Mail NL business

## Governance



- **Well-balanced governance model** with **3 representatives of PostNL** as members of the Board of Directors of bpost (including Chairman)
- **Representation of PostNL** in Board will always be **at par with BE Government**, the **BE State can never appoint more than one third of the Board members**, and **certain decisions of institutional or strategic importance<sup>1</sup> will require a special majority vote of 75%**
- bpost CEO and current PostNL CEO will **jointly establish composition of Group Executive Committee**, ensuring **balanced representation** and **adherence to culture and values** of PostNL
- **PostNL Supervisory Board** will consist of **8 members**, i.e., 2 nominated by PostNL, 2 nominated by PostNL Workers Council and 4 nominated by bpost (incl. chairman)
- **PostNL Executive Committee is appointed by the PostNL Management Board** (CEO and CFO)
- **Current NL executive committee remains responsible** for daily operations, and will naturally represent Dutch geography, culture and values of PostNL

## Privatization Law



- As a result of the adoption of the Privatization Law<sup>2</sup> in 2015, the **governance model is that of a privately owned listed company**
- Hence, BE State only retains governance rights proportional to its shareholding

## Other commitments



- Continuation of PostNL operations under its current **legal identity**, subject to the **Dutch large company regime**
- **Continuation and further development of PostNL highly trusted brand** in the Netherlands in the foreseeable future

<sup>1</sup> Decisions will include (i) changes to the ground rules of the corporate governance charter, (ii) capital increase under authorized capital, (iii) propositions concerning dividend payment that deviate significantly from the dividend payout path set forth in the corporate governance charter, and (iv) debt financing in excess of a pre-defined gearing ratio    <sup>2</sup> Currently being challenged before the Constitutional Court



## bpost will provide a pension guarantee in the form of a suretyship



The pension guarantee provided by bpost is a **suretyship, i.e.,** bpost commits to pay PostNL's pension obligations to the Pension Fund, **conditional upon PostNL being in default** in relation to its payment obligations towards the Pension Fund

### Terms

- There will be **no changes to the unconditional contributions** PostNL makes towards the pension fund
- bpost will have the **same rights and defenses as PostNL towards the pension fund**

### Scope

- The pension guarantee will **cover all current and future obligations** under the execution agreement with the PostNL pension fund **and the unconditional contributions of €129m**
- The long-term guarantee towards the **TNT pension fund will not be covered** by the guarantee

### Certainty

- The pension's **formal agreements may not be amended** without both parties' consent

### Enforceability

- The suretyship will be **effective as of settlement of the offer** – as of then, in case PostNL is unable to meet its obligation, bpost will cover them



# The Combination will remain an attractive and responsible employer of reference in BeNe



## 1 Responsible employer of reference

- **Sharing best practices in corporate social responsibility** will allow the Combination to create a more sustainable business model, develop solutions for the challenges the postal industry faces, and improve its position as an **attractive and responsible employer/business partner**

## 2 New employment opportunities

- The successful implementation of the Combination could lead to the **creation of 3,200 FTEs in the medium term equally divided between BE and NL**, from unlocking B2C parcels growth, becoming one of the leading players in the BE B2B segment, fulfillment, niche and growth initiatives
- The enlarged company will give access to **international and high-quality job opportunities** for its employees, as well as training and other employment benefits

## 3 No forced redundancies

- Contrary to other mergers, there is a strong **complementarity with limited overlap**
  - There are therefore **no forced redundancies** not at bpost nor at PostNL which are directly linked to the transaction, as this is a growth story and not a cost reduction exercise
  - Personnel evolution **will follow business logic and match market dynamics**

## 4 Social dialogue

- The Combination will remain strongly **committed to constructive dialogue and maintaining good relations with the relevant workers council**, based on mutual respect and recognition of shared interests and consistent with the past practice of bpost and PostNL

# The Combination is committed to ensure continuity of the universal service and adequate financing of PostNL



## Providing postal universal service is part of our DNA ...



- PostNL and bpost are the traditional USO providers in NL and BE
- As such, we are both committed to comply with high USO requirements (e.g., ensuring high delivery quality, delivering all private mail five days a week)
- We are proud to fulfill this mission in the interest of all citizens and persist in doing so under the Combination

## ... and the Combination commits to keeping it at its core

### Maintaining the service quality of USO

- The Combination will remain fully committed to
- **Confidentiality** & proof of exchange
  - **Reliability**, with >95% delivery D+1
  - **Accessibility** via extensive retail network of post offices & post points
  - **Affordability**
  - **Innovative services**

### Supporting USO in NL

- The Combination shall ensure PostNL has access to **functions and resources necessary to meet universal service requirements** in NL
- The Combination will ensure this for **as long as PostNL is the designated universal service provider** in NL
- Joint veto right of two independent members of PostNL Supervisory Board in respect of material asset relocations, etc. that they consider contrary to the NFCs



# The innovation center based in NL will position the Combination at the forefront of the industry, while creating high quality employment

## The innovation center will enable us to be the shaper in a dynamic market...

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A key pillar of the deal rationale is to be **the shaper of e-commerce in BeNe**, which implies the need for continuous innovation and introduction of new product features

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**The e-commerce environment is evolving fast**, increasingly pressured by new product innovations, consolidating competitors, large international logistics companies and new digital solutions

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**By developing innovation best practices and combining resources**, the innovation center will enable us to continue competing and swiftly deliver more innovative services to citizens in NL and BE

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The center will focus on

- **Developing new products and services** (e.g., new e-fulfillment ventures)
- Adding new features to **existing products** (e.g., supplementing physical offer with digital services)
- Improving **operational processes** (e.g., track and trace systems, cobots)

## ... which will be set up around clear key principles

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**Dedicated resources** including diverse experts and a clearly identified location

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**Clear organization** (e.g., innovation center steering committee, innovation charter)



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**Highly collaborative and agile processes** to shape, test, pilot, roll-out in short innovation cycles to ensure speed to market

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Close connection to **ecosystem** (e.g., suppliers, consumers, legal and political environment, etc.)

# Concerns raised by PostNL related to deal uncertainty have been addressed in the best and final proposal

PostNL concern	bpost's proposed resolution	PostNL concern addressed
Dutch regulatory environment (Material Adverse Effect clause)	<ul style="list-style-type: none"><li>▪ The Material Adverse Effect (MAC) clause is a <b>usual condition for every large-scale transaction</b> – the market does not expect bpost nor PostNL to enter into an agreement in absence of this clause</li><li>▪ At the same time, <b>bpost is prepared to take on the specific risk</b> of the ACM decision concerning PostNL's <b>Significant Market Power</b> on the 24-hour market for business mail by excluding it from the MAC clause</li></ul>	
Royal Decree approving the transaction	<ul style="list-style-type: none"><li>▪ bpost's majority shareholder, <b>the Belgian Government has been informed and consulted at each critical milestone of the process</b></li><li>▪ In any case, the signing of the merger agreements and the adoption of the Royal Decree will occur substantially simultaneously and the <b>transaction will only be announced publicly once the Royal Decree has been adopted</b></li></ul>	



# In summary, we consider this final proposal addresses all concerns raised by PostNL in its last response letter

## Increased offer price of € 5.75 and new consideration that reduces offer volatility



- Improved offer price captures all recent information disclosed by PostNL to the market and includes a generous premium, constituting an **attractive proposal for shareholders**
- Increased cash component of the offer price reducing the volatility of the offer price



## Balanced governance structure with limited influence from Belgian State



- **Number of directors** appointed by BE State **will never be higher than the number of Directors appointed by PostNL** (or the Stichting)
- **Belgian State can never appoint more than one third of the Board members**
- **Decisions** of institutional or strategic importance will **require a supermajority vote of 75%**
- **Belgian State will not be represented at the level of PostNL**



## Strengthened non-financial covenants



- bpost will provide a **pension guarantee** in the form of a suretyship
- The Combination shall ensure PostNL has **access to functions and resources** necessary **to meet its universal service requirements**
- The independent members of PostNL's Supervisory Board can **veto decisions that are contrary to the terms and conditions of the non-financial covenants**
- **Brand name, positioning and current legal identity will be maintained**
- The combination will remain an **attractive and responsible employer of reference**, ensuring long-term job conservation (incl. **1,600 new jobs in NL**) and offering **international and high-quality job opportunities**



## Minimized deal uncertainty



- bpost **will take on the specific risk of** the ACM decision concerning PostNL's **Significant Market Power on the 24-hour market for business mail**
- Transaction will **only be made public upon adoption of the Royal Decree**





## Some final key considerations

- When pursuing inorganic growth opportunities, bpost diligently follows objective criteria in its decision making process. bpost is convinced that this **best and final proposal is compelling to both Parties, creating substantial value for all stakeholders**. Further concessions would be detrimental to bpost's shareholders and destroy joint value creation.

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- bpost is **fully convinced of the merits of the transaction** and the compelling industrial rationale for both parties. It constitutes an opportunity to accelerate both companies' growth strategy. At the same time, the Combination will be a larger and more competitive international postal operator that is able to **withstand some of the key volatilities to which PostNL is exposed in its standalone plan**.

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- A key pillar of the deal rationale is to take on a shaping role in the BeNe region, allowing both companies to **keep their future in their own hands**.

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- This best and final proposal is a sound **basis to reach a final agreement** on the Merger Protocol, which aims at ensuring the **interests of all stakeholders** are well reflected

## Contact details

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