Royal Mail plc
Full Year 2017-18 Results

17 May 2018

Disclaimer

This presentation contains various statements and graphic representations (together, ‘forward-looking statements’) that reflect management's current views and projections with respect to future events and financial and operational performance. The words ‘target’, ‘objective’, ‘growing’, ‘scope’, ‘platform’, ‘future’, ‘forecast’, ‘expected’, ‘estimated’, ‘accelerating’, ‘expanding’, ‘continuing’, ‘potential’, ‘sustainable’ and similar expressions or variations on such expressions identify certain of these forward-looking statements.

Others can be identified from the context in which the statements or graphic representations are made. These forward-looking statements, as well as those included in any other material discussed as part of this presentation, involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond Royal Mail Group's control and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements.

All statements (including forward-looking statements) contained herein are made as of the date of this presentation and Royal Mail Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

This presentation does not contain or constitute an invitation, inducement or offer to underwrite, subscribe for, or otherwise acquire or dispose of any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Moya Greene
Chief Executive Officer

FY 2017-18 Results overview

A year of challenges and new beginnings

			Underlying change[1]
Royal Mail plc	Revenue	£10,172m	2% ↑
	Adjusted operating profit before transformation costs	£694m	1% ↑
	In-year trading cash flow[2]	£545m	£125m ↑
	Recommended full year dividend per share	24.0p	4% ↑
UKPIL (Royal Mail, Parcelforce Worldwide)	Revenue	£7,615m	Flat ↔
	Adjusted operating profit before transformation costs	£503m	(2%) ↓
GLS	Revenue	£2,557m	10% ↑
	Operating profit	£191m	10% ↑

Maintaining leading position in UK and growing internationally

Note: Adjusted results exclude specific items and the pension charge to cash difference adjustment. [1] Underlying change is calculated after adjusting for working days in UKPIL, foreign exchange movements, acquisitions, and other one-off items that distort the Group's underlying performance. [2] Includes c.£100m benefit from timing of 2017-18 frontline pay award

A more resilient company focused on cash generation

Growing GLS

Leading position in the UK

Investment in growth and innovation

Strategic focus on UKPIL costs

Underpinned by new Pensions, Pay & Pipeline agreement

Sustainable cash generation

Progressive dividend policy

Growing GLS

2017-18 Performance

- Volumes **up 9%,** revenue **up 10%**
  - good revenue growth in Germany, Italy, Denmark and Poland
  - Germany, Italy and France now 60% of revenue

- **15%** revenue growth including acquisitions[1]

- **10bps** operating margin improvement due to better revenue performance

Continued strong performance

Strategy

- **Scale up** existing businesses in core markets to strengthen market positions
  - integration of ASM and Redyser – now no. 2 national express delivery network in Spain
- **Grow** through acquisitions to capture higher growth segments outside EU
  - integration and optimisation of GSO/Postal Express in US
- **Selective B2C** services rolling out across Europe
  - FlexDeliveryService now available in 20 countries
  - expanding B2C ParcelShop network in Denmark

Successful delivery of strategy

Note: Movements in volumes, revenue and margins are on an underlying basis. Underlying change is calculated after adjusting for ASM, GSO, Postal Express and Redyser acquisitions and foreign exchange movements [1] On constant currency basis

UK parcels market

Market trends

Volume growth

- Estimated blended market volume growth of c.4% p.a. in medium-term
- Addressable market volume growth estimated at c.3%

E-commerce

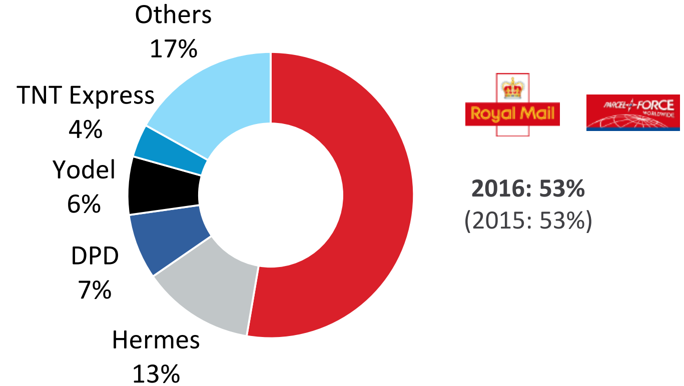
- Market driven by continued strong e-commerce growth
- Customers want more flexibility and convenience

Competitive pressure

- Continued growth in processing capacity
  - c.25% excess capacity on average over year
- Keeps prices low

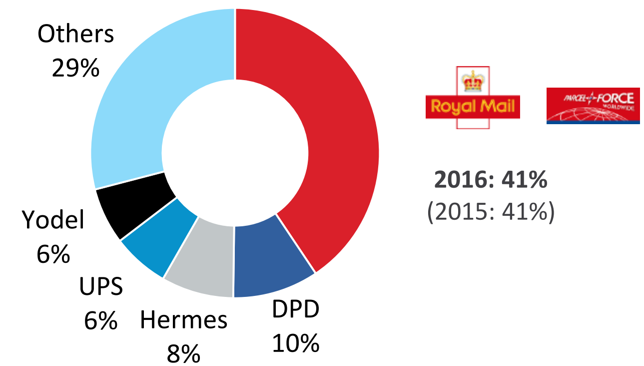
UK e-commerce driving parcel growth
Market remains dynamic and competitive

Addressable volume[1]



2016: 53%
(2015: 53%)

Addressable revenue[1]



2016: 41%
(2015: 41%)

[1] See Appendix for definition of addressable market

Leading position in UK - Parcels

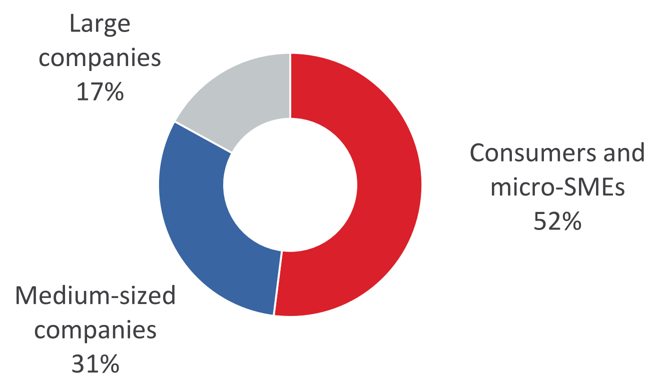
2017-18 Performance

- Total parcel volumes **up 5%**, revenue **up 4%**
- Account volumes (ex. Amazon) **up 4%**
  - successfully targeting faster growing sectors and winning share of volumes from large account customers
- Royal Mail Tracked 24®/48® and Tracked Returns® volumes grew to 219m
  - best competitor benchmark, outpacing market at **28%** volume growth
- Parcelforce volumes **up 2%** driven by new customer wins and growth in existing customers

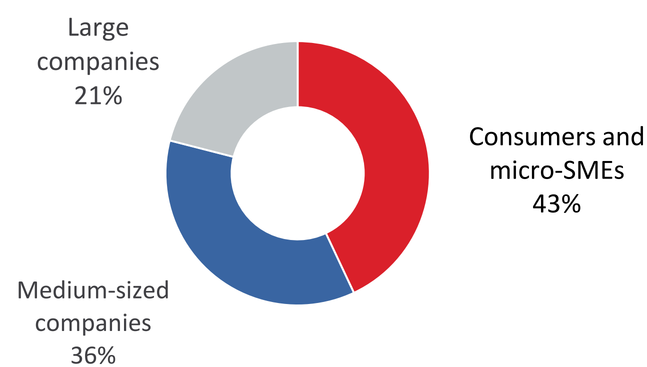
Initiatives continue to drive growth

Split of sales by customer type[1]

2013-14



2017-18



Large customers now account for over ⅕ of sales[1]

[1] Based on sales data, excluding Parcelforce and International

Leading position in UK – International

Royal Mail import/export trends

Imports and cross-border

Low AURs

High volume

Exports

High AURs

Low volume

Continue to see large number of small items from Asia

UK market highly competitive

Potential impact of customs and VAT process changes due to Brexit

International accounted for 20% of volume and 18% of revenue of UKPIL parcels

Initiatives

Import and cross-border services

- Expect further growth in direct imports from Asia
- New cross-border initiative contributed c.£50m revenue
- Cross-border services expected to grow due to increased traffic from Asia and expansion to the US

Export

- Roll-out of service enhancements including:
  - improved tracking
  - bespoke customer reporting
  - roll-out of new returns service

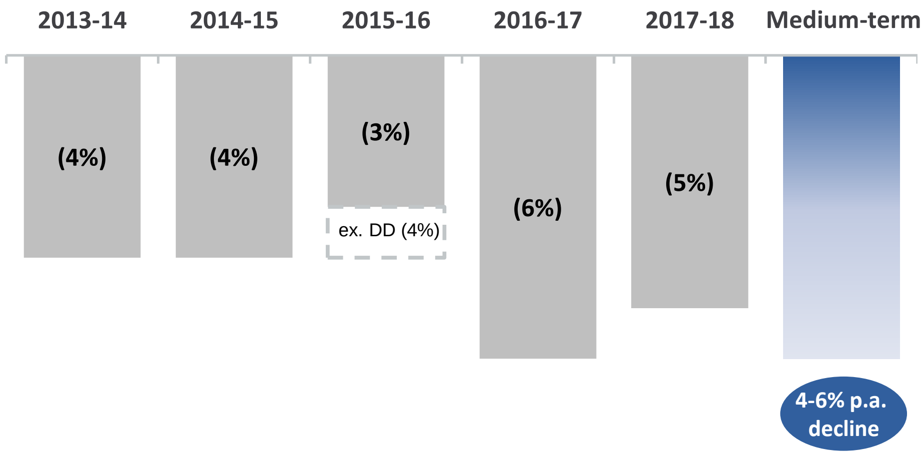
Processing

- Upgrading processing automation at Heathrow hub, more than doubling parcel sorting capacity
  - enables further cost efficiencies
  - improves quality of service

Cross-border services expected to grow

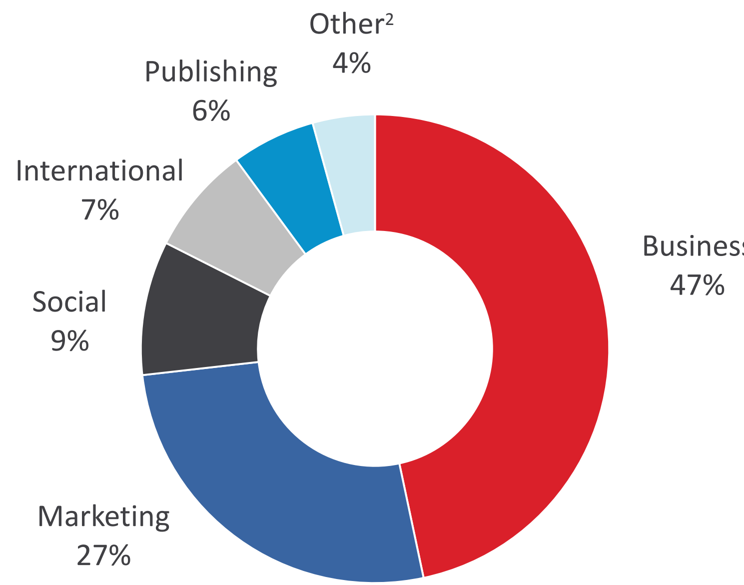
UK letters market

Addressed letter volume[1] trends



- Letters largely B2X so impacted by business uncertainty/GDP movements
- Rate of e-substitution not expected to increase
- GDPR may affect advertising mail but impact uncertain; monitoring developments closely
- Maintain medium-term outlook of 4-6% decline in addressed letter volumes p.a.
  - decline expected to be at higher end of range in 2018-19 due to potential impact of GDPR/business uncertainty
  - may fall outside range in a period

UKPIL letter revenue



[1] Underlying change, excluding political parties' election mailings [2] Other comprises elections, philatelic and other non-volume related revenue

Leading position in UK - Letters

2017-18 Performance

- Addressed letter volumes (ex. political parties' election mailings) **down 5%**
- Total letter revenue **down 4%**
  - benefitted from 2017 General Election
- Marketing mail[1] revenue **up 1%** at £1,101m
- Unaddressed volumes **up 6%** reflecting impact of price incentives
- Full year regulatory Quality of Service performance below targets
  - First Class 91.6% (target 93%)
  - Second Class 98.4% (target 98.5%)
  - outcome impacted by exceptional events[2]
- 81% of customers favourable towards Royal Mail; 88% satisfied with Royal Mail services[3]
  - well above average for brands in survey

Resilient performance despite business uncertainty

Initiatives

Protecting mail volumes

- Expanded advertising mail incentive schemes
- Launched Joint Industry Committee to provide readership research for mail

Maximise profitability

- Targeted pricing initiatives to drive incremental volume/profit
- Enhanced revenue protection measures

Optimise customer experience

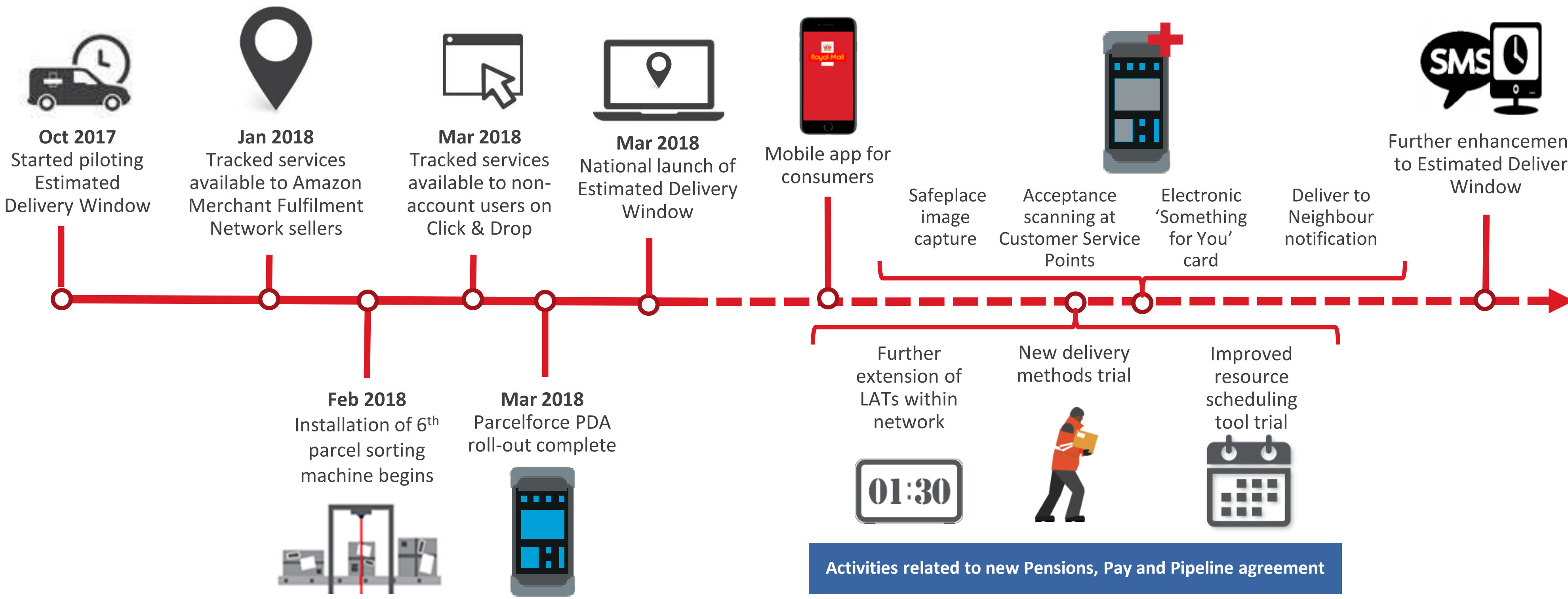
- Increased Mailmark® roll-out to unsorted mail
- Around 90% of in scope mail now has a Mailmark®

[1] Includes redirections, Address Management Unit and addressed & unaddressed advertising mail [2] Royal Mail believes that if 2017-18 performance was adjusted for exceptional events in the year (e.g. industrial relations environment, adverse weather and sick absence), the First Class and Second Class targets would have been met and exceeded, respectively [3] Ipsos MORI survey, 2017

Investment in growth and innovation

Meeting customer expectations for convenience, flexibility and quality

Leveraging technology



Operational improvements

Strategic focus on UKPIL costs

Delivered £235m costs avoided in 2017-18, £642m of annualised costs avoided over 3 years[1] - ahead of target
Good cost performance in all areas despite industrial relations environment during year

Core network				Other areas			
Collections	Processing	Logistics	Delivery	Commercial	Property	IT	Central functions

- 2017-18 productivity improvement 1.0%[2]
  - lower than 2-3% target due to industrial relations environment, sick absence and adverse weather
- Initiatives in core network accounted for c.60% of costs avoided including:
  - logistics and vehicles savings
  - non-frontline manager and support function review
  - contract reviews and renewals

- Initiatives in other areas accounted for c.40% of costs avoided including:
  - efficiency programmes in Parcelforce and International unit
  - IT savings including contract reviews
  - property and facilities management consolidation
  - central functions re-organisation
  - marketing spend review

Targeting to avoid c.£230m of UKPIL costs in 2018-19

[1] Cumulative over financial years 2015-16, 2016-17 and 2017-18 [2] Collections, processing and delivery in core network only

Delivering new Pensions, Pay & Pipeline agreement

New Pensions, Pay and Pipeline agreement

- Negotiators’ agreement announced on 1 February 2018
- CWU members voted in favour in March 2018 with >90% Yes vote

Pensions

- RMPP closed to future accrual after 31 March 2018
- Transitional DBCBS and improved DC scheme in place from 1 April 2018
- Working towards introduction of CDC scheme

Pay

- Pay increase of 5% from October 2017 and increase of 2% in April 2019 for CWU grades
- Move to shorter working week for full-time employees: 38 hours from October 2018; 37 hours from October 2019
- Conditional on operational plans and trials

Trials and initiatives

- 1st hour reduction can be achieved through existing tools and methods, and dependent on:
  - agreement on how to remove 1st hour in each office
  - retaining and growing customers through later acceptance of parcels into pipeline
  - trial of new initiatives, including:
    - new delivery methods
    - improved resource scheduling tools and use of technology to better align resource to workload
- 2nd and subsequent hour reductions dependent on successful deployment of initiatives to unlock further growth and productivity opportunities

Stuart Simpson
Chief Finance Officer

2017-18 Financial summary

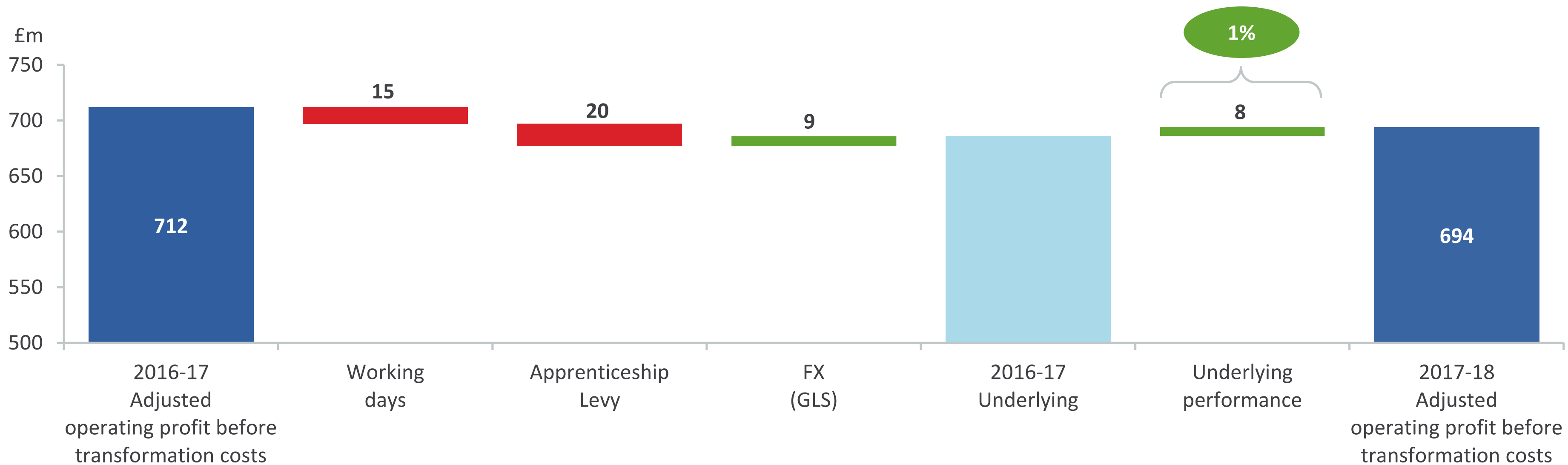
£m	Adjusted 2017-18	Adjusted 2016-17	Underlying change
Revenue	**10,172**	9,776	2%
Operating profit before transformation costs	**694**	712	1%
Transformation costs	**(113)**	(137)	
Operating profit after transformation costs	**581**	575	
Operating profit margin after transformation costs	**5.7%**	5.9%	+20bps
Profit before tax	**565**	559	
Earnings per share (basic)	**45.5p**	44.1p	
In-year trading cash flow	**545**	420	
Net cash/(debt)	**14**	(338)	
Recommended full year dividend per share	**24.0p**	23.0p	4%

£m	2017-18	
	Reported	Adjusted
Operating profit before transformation costs	236	694
Profit before tax	212	565
Profit after tax	258	454
Earnings per share (basic)	25.9p	45.5p

- IAS 19 pension charge to cash adjustment £458m (2016-17: £222m)
- Reported results impacted by increase in pension service cost, specific items and tax credit arising from pension accounting

Note: Adjusted results exclude specific items and are after the pension charge to cash difference adjustment. Underlying change is calculated after adjusting for working days in UKPIL, foreign exchange movements, acquisitions, and other one-off items that distort the Group's underlying performance

Underlying movement in operating profit



- £15m impact in UKPIL due to c.1 less working day (2017-18: 305.0 working days; 2016-17: 305.6 working days)
  - UKPIL will report 53-week period (310 working days) in 2018-19
  - adjusted results and underlying movements will be presented on 52-week basis (304.5 days); estimated impact (c.£15m)
- £20m impact of Apprenticeship Levy – in cost base going forward
- £9m positive impact on Group due to weaker Sterling
  - average rate £1 = €1.13 (2016-17: £1 = €1.19)
  - £106m positive revenue impact offset by £97m negative cost impact due to GLS
- 1% increase in adjusted operating profit before transformation costs

Note: Adjusted results exclude specific items and are after the pension charge to cash difference adjustment. Underlying change is calculated after adjusting for working days in UKPIL, foreign exchange movements, acquisitions, and other one-off items that distort the Group's underlying performance

UKPIL results

£m	Adjusted 2017-18	Adjusted 2016-17	Underlying change
Revenue	**7,615**	7,658	Flat
Operating costs	**(7,112)**	(7,110)	Flat
Operating profit before transformation costs	**503**	548	(2%)
Transformation costs	**(113)**	(137)	
Operating profit after transformation costs	**390**	411	4%
Operating profit margin after transformation costs	**5.1%**	5.4%	+20bps

£m	2017-18	2016-17
Voluntary redundancy	**(44)**	(62)
Project costs	**(69)**	(75)
Total transformation costs	**(113)**	(137)

- Transformation costs below expectations due to industrial relations environment

Outlook

- Transformation costs in 2018-19 expected to be at upper end of c.£130-150m range due to expected productivity improvements

Note: Adjusted results exclude specific items and are after the pension charge to cash difference adjustment. Underlying change is calculated after adjusting for working days in UKPIL, foreign exchange movements, acquisitions, and other one-off items that distort the Group's underlying performance

UKPIL revenue

Parcels – Revenue £3,463m, Volumes 1,230m

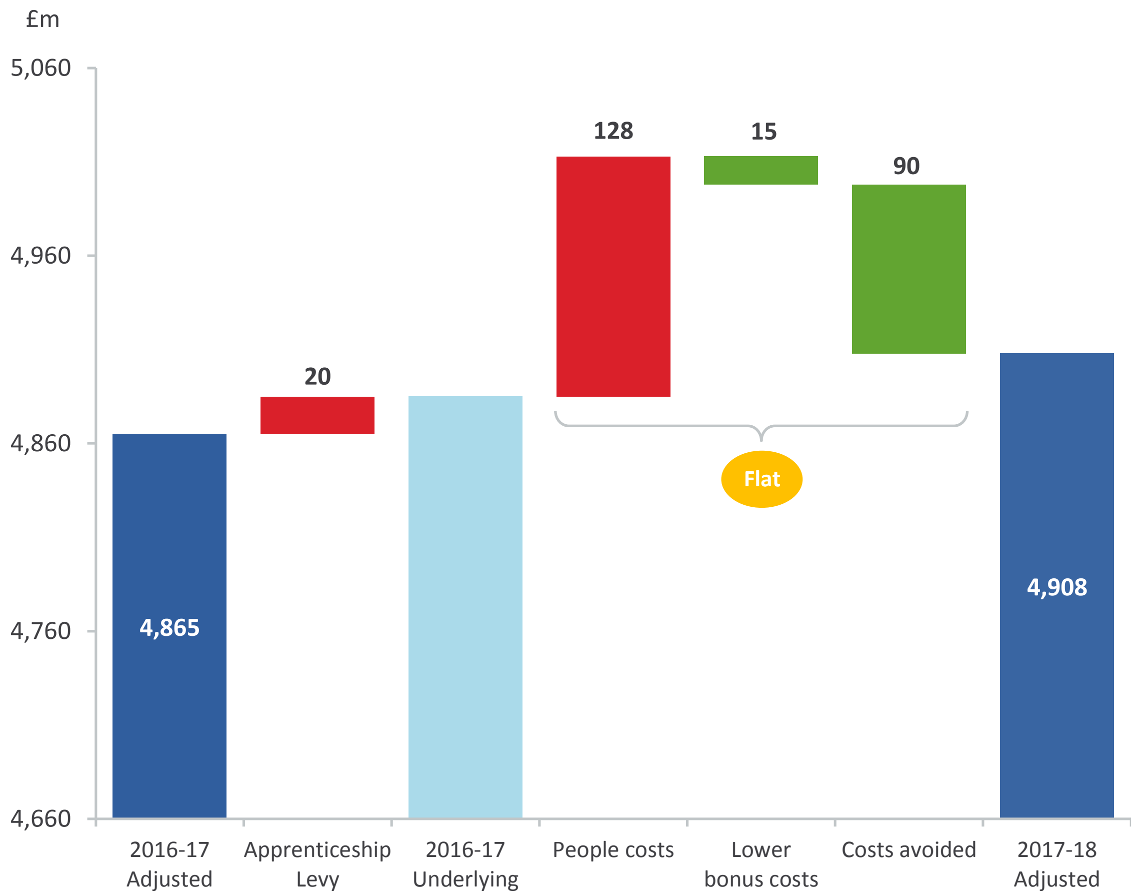
- Volumes up 5%, revenue up 4%
- Account volumes (ex. Amazon) continue to grow, up 4%
- International traffic
  - new cross-border initiative accounted for £48m of revenue
  - growth in import volumes (excluding cross-border)
  - contract export volumes flat due to competitive market
- Parcelforce continued improvement in volume trend, up 2%

Letters – Revenue £4,152m, Volumes[2] 11,269m

- Addressed letter volume decline of 5%
- Revenue down 4% benefitting from 2017 General Election
  - no expected impact from elections next year
- Marketing mail[3] revenue up 1% at £1,101m
  - lapping sharp slowdown last year
- Lower AUR unaddressed letter volumes up 6%

Note: Underlying change is calculated after adjusting for working days. For volumes, underlying movements are adjusted for working days and exclude political parties' election mailings in letter volumes [1] Includes elections, philatelic, unaddressed and other non-volume related items [2] Total addressed letter volumes including political parties' election mailings [3] Includes redirections, Address Management Unit and addressed & unaddressed advertising mail

UKPIL people costs



- Apprenticeship Levy headwind (underlying adjustment)

People costs flat

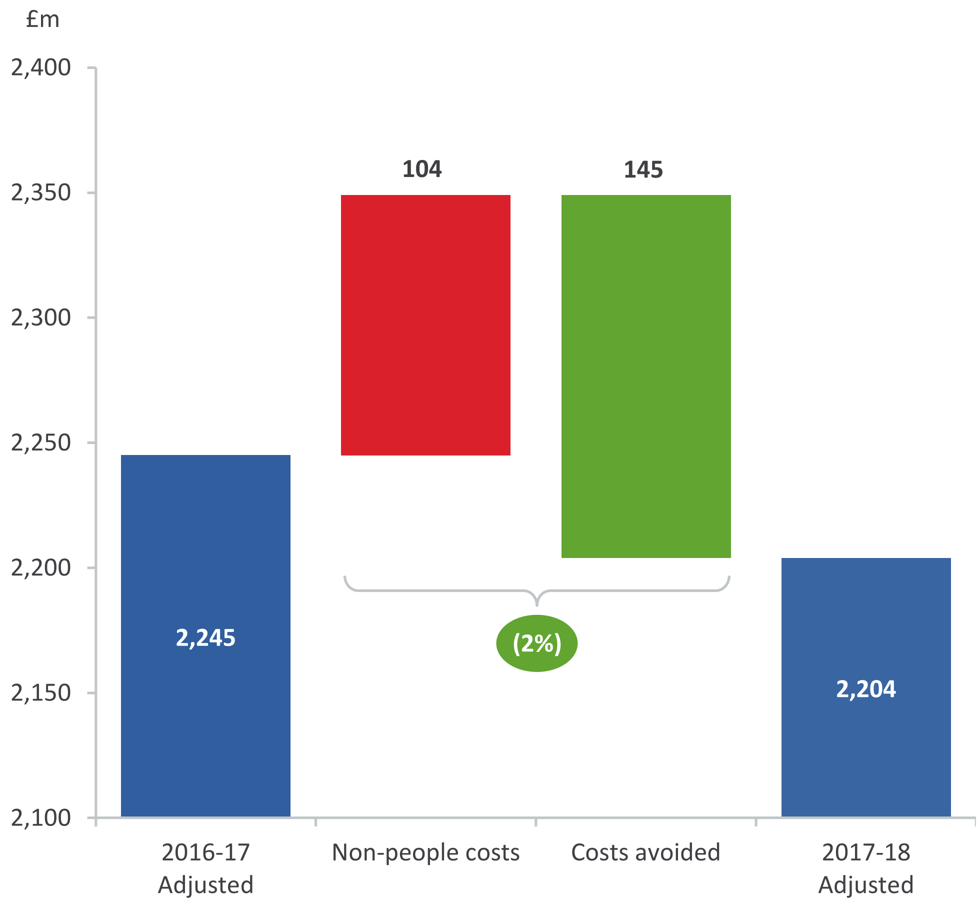
- 5% frontline pay award from October 2017
- Increased variable costs related to higher Parcelforce volumes
- £15m lower bonus costs

Costs avoided £90m

- Total core network hours down 0.9%
- Management headcount reduction
- Headcount down c.660
- FTEs down 185
  - increase in variable hours due to adverse weather and sick absence in March 2018

Note: Adjusted results exclude specific items and the pension charge to cash difference adjustment. Underlying change is calculated after adjusting for one-off items that distort the Group's underlying performance

UKPIL non-people costs



Non-people costs down 2%

Distribution & conveyance - down 4%

- Fuel costs £147m, £12m lower due to lower pricing and improved fleet management
- Terminal dues £14m lower due to revenue protection activities offsetting costs associated with increased volume

Infrastructure - up 1%

- £36m increase in depreciation & amortisation
- Increased utilisation of technology to support growth in tracked parcels

Other - down 3%

- Higher customer service costs associated with tracked parcel volumes more than offset by lower marketing, discretionary and contracts spend

Costs avoided £145m

- Distribution optimisation
- Transformation of IT infrastructure
- Revenue protection activities on terminal dues
- Lower property costs
- Supplier contract renegotiations

Note: Adjusted results exclude specific items and the pension charge to cash difference adjustment. Underlying change is calculated after adjusting for one-off items that distort the Group's underlying performance

UKPIL cost performance 2018-19 (illustrative)

Targeting to avoid c.£230m of UKPIL costs in 2018-19

Variable costs dependent on growth in tracked and international parcel volumes

- No expected underlying adjustments
- People cost pressures
  - impact of frontline and Unite pay awards
  - higher bonus cost of £15m assuming annual bonus targets met
- Non-people cost pressures
  - increase in variable costs associated with higher tracked and international parcel volumes
    - c.£15m increase in technology utilisation costs
    - increase in terminal dues
- Non-people cost pressures (continued)
  - increase in depreciation c.£10m
  - non-pay inflation
- Targeting c.£230m costs avoided in 2018-19
  - includes absorption of 1st hour reduction in working week for full-time employees
  - productivity improvements towards upper end of 2-3% target range[1]

[1] Collections, processing and delivery in core network only

GLS results

£m	2017-18	2016-17	Underlying change
Revenue	**2,557**	2,118	10%
Operating costs	**(2,366)**	(1,954)	10%
Operating profit	**191**	164	10%
Operating profit margin	**7.5%**	7.7%	+10bps
Volumes (m)	**584**	508	9%
Average £1 = €	**1.13**	1.19	

€m	2017-18	2016-17
Revenue	**2,899**	2,521
Operating costs	**(2,682)**	(2,325)
Operating profit	**217**	196

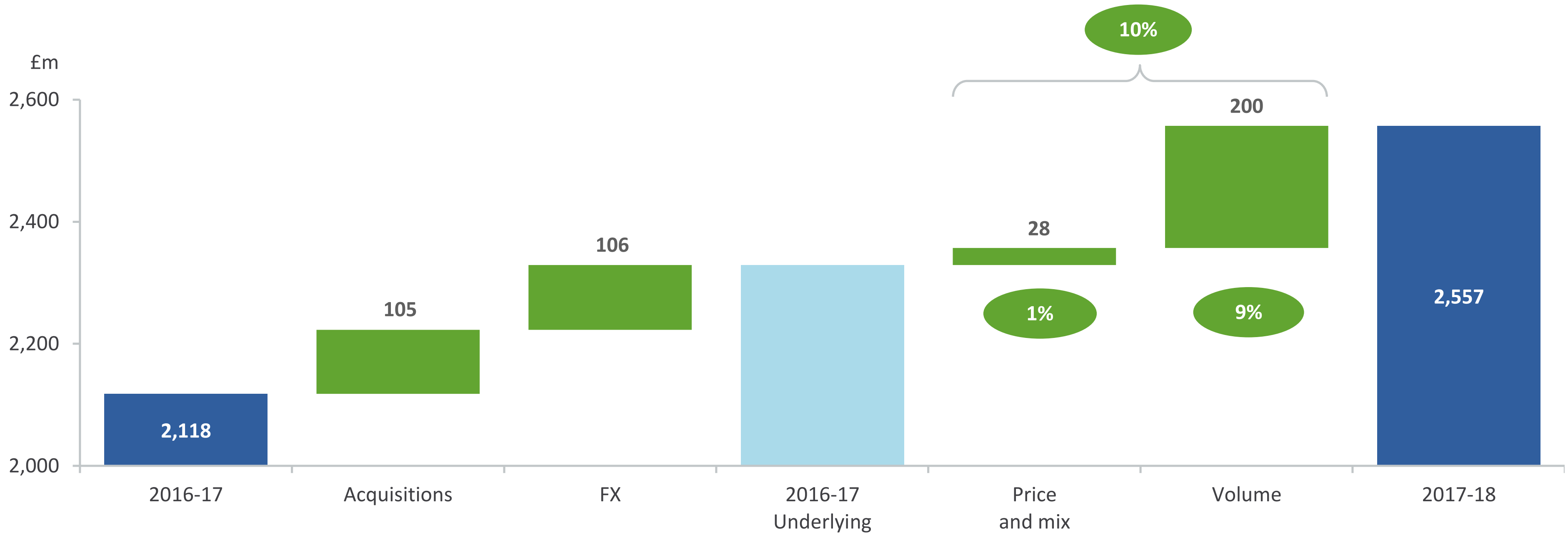
- Continued strong performance
- Performance largely driven by good volume growth – domestic and international
  - timing of holidays across Europe reduced underlying volumes and revenue movements by c.2ppts
- Margin better than expected due to stronger revenue performance
- Sterling profit positively impacted by £9m due to foreign exchange

Acquisition	Acquisition date	Incremental contribution[1] to 2017-18
ASM	June 2016	3 months
GSO	October 2016	6 months
Postal Express	April 2017	12 months
Redyser	February 2018	2 months

Note: Movements in volume, revenue, costs, profits and margin are on an underlying basis. Underlying change is calculated after adjusting for ASM, GSO, Postal Express and Redyser acquisitions (26m volumes; £105m revenue; £105m costs) and foreign exchange movements (£106m revenue; £97m costs; £9m operating profit)

[1] Incremental period of contribution in 2017-18 over 2016-17

GLS revenue



- Underlying revenue up 10%
- Headline revenue up 15% including acquisitions (constant currency basis)
- Germany up 6%, driven by international volumes, improved domestic pricing, and growth in new customers and B2C volumes
- Continued strong growth in Italy, up 19% mainly due to strong B2C volume growth
  - challenging to maintain growth rate going forward
- France growth slowed, up 1%
  - losses increased to €12m, break even unlikely in short-term
  - remains challenging market but integral to GLS network
- Spain up 13% benefitting from 9 months incremental contribution from ASM
- Other strong revenue performances in Denmark, Croatia, Czech Republic, Hungary, Poland, Romania and Slovenia

Note: Movements in revenue, volumes and costs are on an underlying basis. Underlying change is calculated after adjusting for ASM, GSO, Postal Express and Redyser acquisitions and foreign exchange movements

GLS costs

£m	2017-18	2016-17	Underlying change
People costs	**608**	489	8%
Distribution & conveyance costs	**1,558**	1,278	12%
Infrastructure costs	**148**	128	5%
Other operating costs	**52**	59	(21%)
Operating costs	**2,366**	1,954	10%

People costs up 8%

- semi-variable costs linked to volume c.6%
- pay inflation c.2%

Non-people costs up 10%

- Distribution & conveyance costs up 12% due to higher volumes and increased sub-contractor costs
  - €5m impact of new German minimum wage from January 2017
  - labour market pressures in Europe and US expected to persist
- Infrastructure costs up 5% due to one-off provision release for IT-related costs in prior year
- Other operating costs down by 21% driven by one-off provision release this year and higher acquisition costs last year

Note: Movements in revenue, volume and costs are on an underlying basis. Underlying change is calculated after adjusting for ASM, GSO, Postal Express and Redyser acquisitions and foreign exchange movements

Group profit after tax

£m	Adjusted 2017-18	Adjusted 2016-17
Operating profit after transformation costs	**581**	575
Finance costs	**(19)**	(18)
Finance income	**3**	2
Net finance costs	**(16)**	(16)
Profit before tax	**565**	559
Tax charge	**(111)**	(121)
Profit for the period	**454**	438
Earnings per share (basic)	**45.5p**	44.1p

Lower Group effective tax rate 20%

Note: Adjusted results exclude specific items and the pension charge to cash difference adjustment

Specific items and pension adjustment

£m	2017-18	2016-17
Employee Free Shares charge[1]	**(33)**	(105)
Amortisation of acquired intangible assets	**(16)**	(11)
Legacy/other costs	**(8)**	(18)
Total operating specific items	**(57)**	(134)
Profit on disposal of property, plant and equipment	**71**	14
Loss on disposal of business	**–**	(2)
Net pension interest	**91**	120
Total non-operating specific items	**162**	132
Pension charge to cash difference adjustment[2]	**(458)**	(222)

- Decrease in Employee Free Shares charge due to SIP 2013 maturing in October 2016
  - expected to be c.£26m in 2018-19[3]
- Amortisation of acquired intangibles mainly relate to ASM and GSO acquisitions
- Prior year legacy costs higher due to reduction in discount rate used to calculate industrial diseases provision
- Profit on disposal of property, plant and equipment
  - £44m overage payments from sale of Rathbone Place and Paddington Mail Centre
  - £22m profit on completion of sale of Phoenix Place
- 2017-18 pension interest credit £91m
  - estimated c.£80m in 2018-19 in relation to RMPP
- Pension charge to cash difference adjustment £458m in 2017-18
  - estimated c.£90m in 2018-19 largely in relation to DBCBS

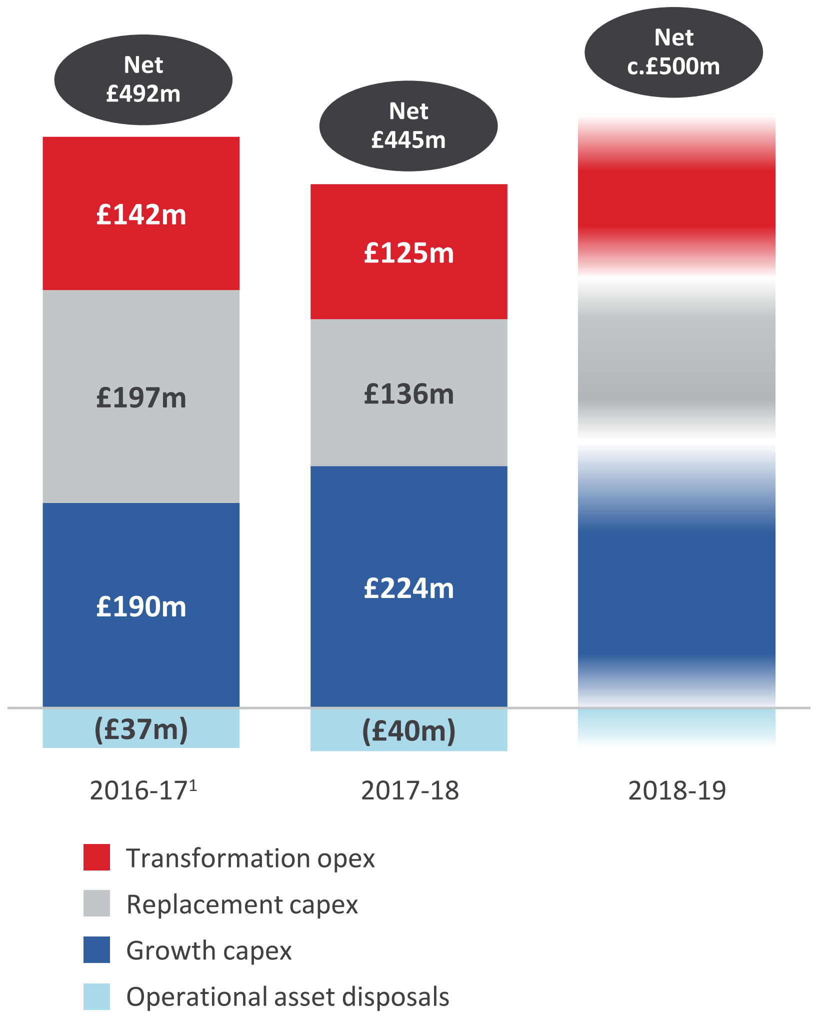
[1] Includes National Insurance which will be cash settled (2017-18: £2m credit; 2016-17: £5m charge) [2] Including RMSEPP deficit payment of £10m [3] Calculated based on value of Employee Free Shares of c.£111m (including £4m National Insurance) pro-rated over the period up to maturity for level/mix of leavers

Group in-year trading cash flow

£m	2017-18	2016-17
Reported EBITDA before transformation costs	**577**	793
Pension charge to cash difference adjustment	**458**	222
Adjusted EBITDA before transformation costs	**1,035**	1,015
Trading working capital movements	**74**	(3)
Share-based awards (SAYE/LTIP/DSBP) charge	**6**	11
Total investment	**(485)**	(529)
Income tax paid	**(75)**	(60)
Research & Development expenditure credit	**5**	-
Net finance costs paid	**(15)**	(14)
In-year trading cash flow	**545**	420
2017-18 frontline pay award (not paid in 2017-18)	*(101)*	-
Implied in-year trading cash flow	*444*	-

- Higher adjusted EBITDA before transformation costs
- Trading working capital inflow:
  - £101m benefit from timing of 2017-18 frontline pay award
  - offset by:
    - £15m bonus payment relating to 2016-17
    - higher terminal dues relating to high exports in H2 2016-17
- Higher cash tax due to GLS
- Research & Development tax credit as a result of prior year claims

Group investment - cash



Transformation opex

£m	2017-18	2016-17[1]
Voluntary redundancy	**56**	67
Project costs	**69**	75
Total	**125**	142

2017-18

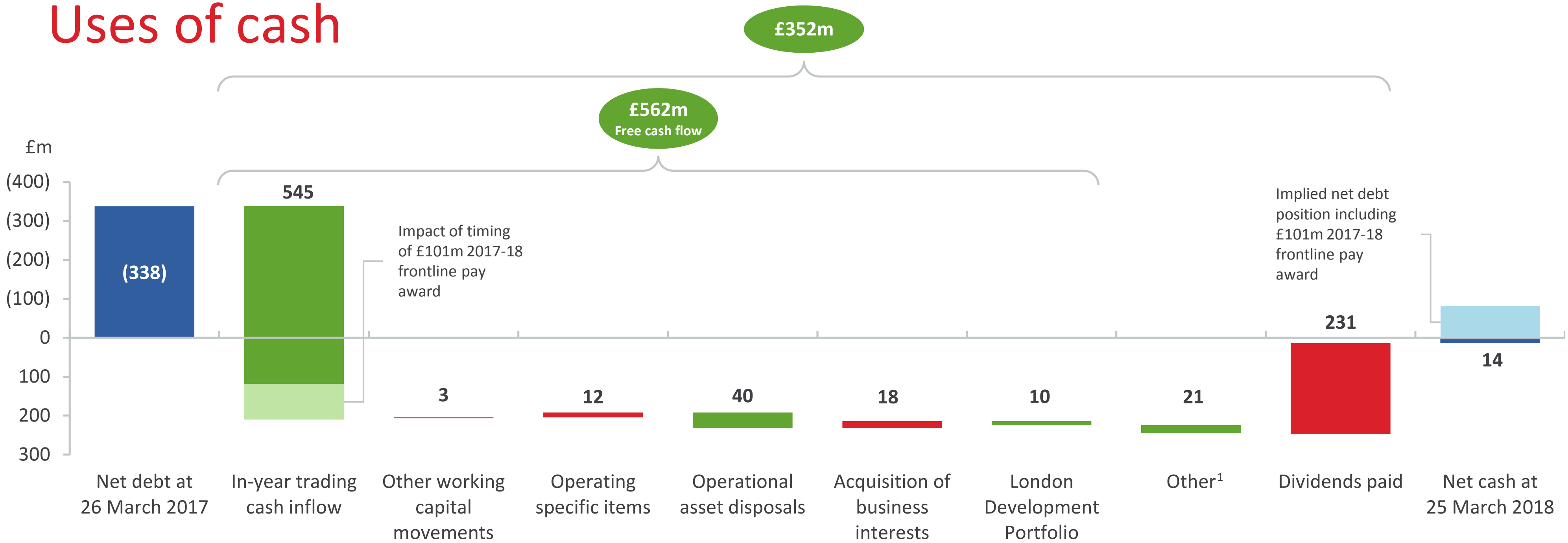
- £34m increase in growth capex due to continued investment in strategic projects in UKPIL and GLS
- £61m lower replacement capex due to completion of IT transformation programme and lower property spend
- Lower transformation opex due to industrial relations environment

Outlook

- Expect c.£500m net cash investment in 2018-19
  - transformation opex will reflect expected productivity improvements

[1] £18m of growth capex in 2016-17 has been reclassified as replacement capex and £1m of project costs as voluntary redundancy cash payments to more accurately reflect the nature of these cash investments

Uses of cash



- Other working capital movements - stamps used but purchased in previous periods, GLS client cash held and other deferred revenue
- Operating specific items - additional employer National Insurance contributions on Employee Free Share sales, industrial diseases settlements and Romec business integration costs
- Operational asset disposals – mainly £24m overage payment from sale of Rathbone Place in 2011 and £14m from sale of operational properties
- Acquisition of business interests - purchases of Postal Express and Redyser by GLS
- London Development Portfolio - £43m received in relation to Mount Pleasant plots net of £33m re-investment in Nine Elms and Mount Pleasant
- Net debt improved by £352m

[1] Other comprises debt transferred on acquisitions (-£3m), employee exercise of SAYE options (£28m), FX movement (-£2m) and non-cash increase in finance lease obligations (-£2m)

Pension update

RMPP closed at 31 March 2018

- Closed with accounting surplus of £3.3bn and estimated actuarial surplus of c.£100m – due to different assumptions
- One week's service charge (£15m) and Company cash contribution (£6m) to 31 March 2018 in 2018-19
- Pension assets and liabilities – remain on balance sheet
- Pension interest credit/(charge) – continues, c.£80m in 2018-19
- Actuarial surplus and £178m escrow account not available to Company – act as buffer for fund
- Subject to triennial valuations
- Company remains liable if fund goes into deficit but interest/inflation risk hedged

Transitional arrangements

- All RMPP members join DBCBS[2]
- Eligible RMDCP[3] members can join DBCBS
- RMDCP Company contributions increased by 1ppt at each tier, max. 10%
- Company cash contributions at 15.6% for DBCBS and average 7.2% for RMDCP
- Total cash cost of all Company pension contributions in 2018-19 of c.£400m[4]
- IAS 19 pension service charge at 18.9% from 1 April 2018

DBCBS

- Pension to cash difference of c.£90m for 2018-19
- Pension assets and liabilities on balance sheet
- Pension interest (charge)/credit from 2019-20 – based on (deficit)/surplus at start of year
- Subject to triennial valuations

CDC and DBLSS[1]

- Company cash contribution rate of 13.6%
- Employee contribution rate of 6%
- Company and employee contributions fund CDC and DBLSS

CDC

- No pension to cash difference
- No pensions interest credit/(charge)
- No surplus/(deficit)

DBLSS

- Potential pension to cash difference – but smaller than currently
- Pension assets and liabilities on balance sheet
- Pension interest (charge)/credit
- Subject to triennial valuations

[1] Based on current intentions and legislation, CDC (Collective Defined Contribution scheme), DBLSS (Defined Benefit Lump Sum Scheme) [2] Defined Benefit Cash Balance Scheme [3] Royal Mail Defined Contribution Plan [4] Assuming all eligible RMDCP members join DBCBS

Property

Site	Acres	Key features	Status
Nine Elms	13.9	• Outline planning consent for 1,950 residential units • Core infrastructure works nearly complete	• Two plots sold for £101m conditional on obtaining detailed planning consent — due to timing on obtaining planning consent, proceeds expected in 2018-19 — c.£30m being re-invested in infrastructure associated with plots • Remaining five plots continue to be marketed • Further investment required (infrastructure, park) for remaining plots when sold
Mount Pleasant	8.6 acres covered by planning consent (of which 6.25 acres sold)	• Full planning permission in place for up to c.680 residential units • Separation works now commenced	• 6.25 acres sold for £193.5m in August 2017 • £43m received - £9.5m deposit and a £33.3m staged payment • Remaining £147.3m to be paid in staged payments over 2018-19 to 2020-21 and final lump sum payments in 2024 • Separation and enabling works well underway and expected to cost c.£100m
Paddington	1.0	• Sold in 2014 for £111m with overage agreement for £20m upon purchaser obtaining planning permission	• Overage payment of £20m received in line with agreement; recorded as profit on disposal of property in 2017-18 • Cash received in April 2018

	2014-15	2015-16	2016-17	2017-18
Total proceeds	111	-	-	43
Total investment	(11)	(23)	(34)	(33)
Net cash position	100	(23)	(34)	10
Cumulative	100	77	43	53

2018-19 onwards

Paddington overage (2018-19) and potential sales proceeds

Further investment only if further proceeds received

Moya Greene
Chief Executive Officer

Outlook – 2018-19

UKPIL parcel volume and revenue growth rates at least same as 2017-18

Addressed letter volume[1] decline at higher end of 4-6% range

UKPIL costs avoided of c.£230m
Productivity improvements towards upper end of 2-3% target range
Transformation costs at upper end of £130-150m range

GLS expected to continue to perform well
Labour market pressures may impact margins

Investment expected to be c.£500m

Committed to progressive dividend policy going forwards

[1] Addressed letter volume (excluding political parties' election mailings)

Royal Mail