The Hague, 24 February 2020

Strong business performance in Q4 results in FY 2019 underlying cash operating income of €176 million

Combination of postal networks of PostNL and Sandd completed on 1 February 2020

Financial results Q4 and FY 2019

in € million	Q4 2018	**Q4 2019**	FY 2018	**FY 2019**
Revenue	794	**843**	2,772	**2,844**
Underlying cash operating income	100	**79**	188	**176**
Net cash from/(used in) operating and investing activities*	57	**89**	(19)	**169**

* before acquisitions

Highlights Q4 2019

- Strong peak period in Parcels and Mail in the Netherlands results in FY UCOI at high end of outlook range
- Strong improvement in net cash from operating and investing activities
- Sandd transaction completed in Q4, on track to deliver anticipated benefits and synergies
- Disposal of non-core activities brings further strategic focus

CEO statement

Herna Verhagen, CEO of PostNL, commented: "2019 was a crucial year for our transformation towards being the preferred logistics and postal solutions provider in the Benelux area. The completion of the integration of the postal networks of PostNL and Sandd, the steps we are taking to improve operational leverage in Parcels, and the disposal of a number of non-core activities were all key steps in achieving our strategy for growth.

"At Parcels, volume growth this quarter was 10%. This was lower than expected, mainly due to market growth slowing down. In 2020, we expect to benefit from implemented yield measures and continuing steps that will result in a better balance between volume growth, profitability and sustainable cash generation. We are confident that Parcels continues to be well-positioned to both take advantage and shape the e-commerce market in the Benelux region.

"Performance at Mail in the Netherlands was supported by strong sales of the December stamp. During the busy period we were able to show good progress in our cost savings projects, resulting in €48 million in savings for the full year. As of 1 February 2020 the PostNL and Sandd volumes are fully combined, being sorted and delivered by one integrated network. The key focus points for Mail in the Netherlands in 2020 are further cost savings and continuing adjustment of our organisation to the structural volume decline, taking into account the one-time step-up in volume. We are on track to deliver the anticipated benefits and synergies from the Sandd transaction, as announced in February 2019.

"During the year, the number of customers connected digitally to PostNL continued to grow to 5.3 million unique users. We added several new features to the PostNL app, which provide customers with more precise delivery information and allow them to obtain digital shipment and pick-up receipts. In 2020, we will accelerate digitalisation across the company. This helps us develop every aspect of our operations, from optimising the customer experience to smart logistics enabling us to move customers' goods quickly, efficiently and sustainably.

"Business performance is expected to improve, which would bring like-for-like normalised EBIT in 2020 to between €145 million and €165 million. Taking into account higher pension expenses and the effect of new labour regulation, our outlook for normalised EBIT in 2020 is between €110 million and €130 million. Free cash flow is expected to come in at between €(315) million and €(285) million, including a final payment for transitional plans of around €300 million in 2020. We expect to restore dividend payment, temporarily suspended due to the impact of the Sandd transaction, within 12 to 24 months after closing."

Key figures

in € million, except where noted	Q4 2018	Q4 2019	FY 2018	FY 2019
Revenue	794	843	2,772	2,844
Operating income	93	37	185	119
Normalised EBIT	96	40	206	135
Underlying operating income	99	66	209	162
Changes in pension liabilities	2	1	11	8
Changes in provisions	(1)	12	(32)	6
Underlying cash operating income	100	79	188	176
Underlying cash operating income margin	12.6%	9.4%	6.8%	6.2%
Profit from continuing operations	76	19	127	72
Net cash from/(used in) operating and investing activities	57	25	(19)	104

Note: Underlying figures exclude one-offs in Q4 2019 (€26 million for restructuring of which €24 million related to Sandd, €5 million project costs, €25 million for the accelerated write-down of Sandd assets, €(28) million for other non-recurring results and a €1 million consolidation effect from discontinued operations). Figures for Q4 2018 also exclude one-offs (€3 million for restructuring, €4 million in project costs and a €(1) million consolidation effect from discontinued operations).

Business performance Q4 and FY 2019

	Revenue		Normalised EBIT		Underlying operating income		Underlying cash operating income	
in € million	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019
Parcels	439	471	36	41	36	41	36	42
Mail in the Netherlands	483	492	75	15	79	40	71	48
PostNL Other	20	22	(15)	(16)	(16)	(15)	(7)	(11)
Intercompany	(148)	(142)						
PostNL	**794**	**843**	**96**	**40**	**99**	**66**	**100**	**79**

	Revenue		Normalised EBIT		Underlying operating income		Underlying cash operating income	
in € million	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
Parcels	1,555	1,672	121	120	121	122	117	121
Mail in the Netherlands	1,678	1,606	130	52	133	77	93	76
PostNL Other	74	81	(45)	(37)	(45)	(37)	(22)	(21)
Intercompany	(535)	(515)						
PostNL	**2,772**	**2,844**	**206**	**135**	**209**	**162**	**188**	**176**

Note: Figures exclude one-offs

Parcels – result improved

PostNL's aim at Parcels is to further improve volume growth, profitability and cash conversion. In good time before the start of the peak season, PostNL opened a new sorting centre in Tilburg, bringing the total number of sorting centres in the Netherlands to 25.

Volume growth came in at 10% compared with Q4 2018. Revenue rose to €471 million (Q4 2018: €439 million), with volume development as the main driver of revenue growth. Revenue at Logistics continues to grow. Although competition remains fierce, revenue at Spring increased on the back of an improved product portfolio.

Business performance at Parcels Benelux improved by €1 million in Q4. This reflected the impact of €11 million in volume growth, partly offset by a negative price/mix effect of €7 million, that was largely due to a shift to lower-margin products in international parcels. Organic cost increases, mainly relating to collective labour agreements and indexations, amounted to €5 million. Other costs reduced by €2 million. Further operational efficiencies were visible from improved drop duplication and hit rate. Other performance was up €5 million, with improving result at Logistics and Spring. Underlying cash operating income came in at €42 million (Q4 2018: €36 million).

Mail in the Netherlands – good business performance

Revenue in Q4 was up by 1% to €492 million (Q4 2018: €483 million), supported by strong sales of the December stamp and the Sandd acquisition, which added 134 million mail items in the quarter. Addressed mail volumes at Mail in the Netherlands (excluding Sandd) declined by 9.6% in the quarter (10.3% adjusted for one working day). The decline was mainly driven by substitution. Delivery quality came in at 94%.The last months of the year proved to be more challenging, with capacity issues pushing delivery quality below the full-year target of 95%. These issues were linked to preparations for the integration of Sandd.

Underlying cash operating income fell to €48 million (Q4 2018: €71 million). Cost savings (€10 million) and less cash out related to pensions and provisions (€4 million) were offset by the negative volume/price/mix effect (€19 million), autonomous cost increases (€6 million) and other business effects (€12 million, mainly related to the acquisition of Sandd and unaddressed mail activities).

Cost savings plans: €15 million cost savings achieved in Q4 2019

In 2019, PostNL achieved total cost savings of €48 million, €15 million of this in Q4. Total cost savings were in line with the company's expectation of between €45 million and €65 million. Cost savings plans include several initiatives, such as adjusting the sorting and delivery process, optimising the retail network, streamlining staff and centralising locations.

Sandd integration going according to plan, strategic and financial drivers for value creation confirmed

The merger of the postal networks of PostNL and Sandd was completed on 1 February 2020, creating a reliable, accessible and affordable postal service, that delivers mail five days a week throughout the Netherlands. It has increased total mail volume by more than 30% and has created a stable base to generate economies of scale to safeguard continuity of the postal services for Dutch society.

The consolidation also helps absorbing the impact of declining postal volumes in a socially responsible way. PostNL is welcoming more than 4,300 new colleagues from Sandd. All 11,000 postal deliverers have been offered jobs with PostNL. Around 60% indicated they would like to receive a personal job offer and about 4,000 people have joined PostNL. In addition, more than 300 Sandd employees working in other roles have joined PostNL. PostNL will also continue its collaboration with sheltered workplaces, protecting 500 jobs for employees who face challenges in the labour market.

In recent months, Sandd customers have been supported in the process of gradually absorbing their volumes into the PostNL network. As of 1 February 2020 we are operating one integrated network to sort and deliver all PostNL and Sandd mail items.

PostNL confirms the key financial elements of the transaction as announced on 25 February 2019, with run-rate synergies of between €50 million and €60 million of normalised EBIT expected to be reached in 2022.

PostNL Other

Revenue at PostNL Other this quarter was €22 million (Q4 2018: €20 million). Underlying cash operating income came in at €(11) million (Q4 2018: €(7) million). Cost savings were more than offset by an increase in other costs.

Pensions

Pension expense amounted to €29 million (Q4 2018: €31 million) and total regular cash contributions were €28 million (Q4 2018: €29 million). In Q4 2019, the net actuarial gain on pensions worked out at €5 million. At the end of 2019, the main pension fund's 12 month average coverage ratio was 110.6%, well above the minimum required funding level of 104.0%. At 31 December 2019, the actual coverage ratio was 113.4%. Provisions for pension liabilities, related to transitional plans, were €283 million as at YE 2019. The expected cash-out for the final payment for transitional plans is €300 million. This amount was determined by parameters set in Q3 2019, when interest rates were at a multi-year low, negatively impacting the amount. PostNL has initiated a discussion with the pension fund to determine whether, given the development of interest rates, the payment can be reduced and/or differently phased, without negatively impacting existing employee entitlements. Payment is capped at € 300 million. The discussion is expected to be completed in Q1.

Discontinued operations

PostNL announced today that it has reached agreement with Mutares to sell 80% in Nexive's business. Please refer to the separate press release issued today for further details. The sale of Postcon's activities to Quantum Capital Partners was completed in Q4 2020.

In Q4 2019, the result from discontinued operations was €(23) million (Q4 2018: €(26) million), reflecting business result and a fair value adjustment.

Financial and equity position

Total equity attributable to equity holders of the parent improved to €(21) million as at 31 December 2019, compared with €(26) million at the end of Q3 2019. The main drivers for this improvement were net profit of €4 million and a net actuarial gain on pensions of €5 million. Net cash from operating and investing activities (excluding the acquisition of Sandd) improved to €89 million (Q4 2018: €57 million), despite the decline in underlying cash operating income.

Working capital improved strongly on the back of a disciplined approach toward collection of receivables. At the end of 2019, the adjusted net debt position was €736 million, up from €698 million at the end of Q3 2019. The year-end leverage ratio (adjusted net debt/EBITDA) was 2.6x.

Environmental, social and governance (ESG)

PostNL proactively takes responsibility for the environmental impact of its operations and has set ambitious targets to reduce its environmental footprint. PostNL is looking to engage with its people and acts as a responsible employer. It aims to be everyone's favourite deliverer and provide customers with services and solutions that enhance their business.

The key achievements for 2019 were:

- 19% of parcels and mail delivered emission-free in the last-mile
- Stable employee engagement and loyalty
- 27% highly satisfied customers

Dividend

In financing the Sandd transaction and the ensuing integration costs, PostNL expects to temporarily exceed its leverage ratio target. In line with its current dividend policy, PostNL will not pay dividend as long as the leverage ratio exceeds ~2x. The leverage ratio at the end of 2019 was 2.6x.

PostNL proposes a dividend of €0.08 per ordinary share for 2019 (2018: €0.24), which is equal to the interim 2019 dividend paid in August 2019. This will be proposed to the Annual General Meeting of Shareholders to be held on 14 April 2020. No final dividend will be distributed.

On 21 February 2020, the Board of Management, with the approval of the Supervisory Board, adopted an adjusted dividend policy to align with normalised EBIT and free cash flow as key performance indicators. The main elements of this dividend policy are:

- Dividend distribution conditional on being properly financed in accordance with PostNL's financial framework
- The aim is to pay dividend that develops substantially in line with operational performance
- Pay-out ratio of around 70% - 90% of normalised comprehensive income
- Shareholders are offered a choice to opt for cash or shares
- Interim dividend set at ~ 1/3 of dividend over prior year

PostNL expects to restore dividend payment, temporarily suspended due to the impact of the Sandd transaction, within 12 to 24 months after closing.

2020

in € million	2019	2020 like-for-like		outlook 2020
Normalised EBIT	**135**	**145 - 165**	impact new labour regulation and pensions ~(35)	**110 - 130**
Free cash flow*	**107**	**(15) - 15**	final payment transitional plans of ~(300)	**(315) - (285)**

** before acquisitions*

- Assumed volume growth Parcels 7%-9%
- Assumed volume decline Mail in the Netherlands 8%-10%

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2019	63	62	65	65	255
2020	**62**	**60**	**65**	**68**	**255**

Financial calendar 2020

14 April	Annual General Meeting of Shareholders
4 May	Publication of Q1 2020 results
3 August	Publication of Q2 and HY 2020 results
2 November	Publication of Q3 2020 results

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Audio webcast and conference call Q4 2019 results

The conference call for analysts and investors will start on 24 February 2020, at 11.00 CET and can be followed live via an audio webcast on **www.postnl.nl**.

Additional information

Additional information is available at **www.postnl.nl**. This press release contains inside information within the meaning of article 7(1) of the EU Market Abuse Regulation.

Forward-looking statements

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

Use of non-GAAP information

In presenting and discussing the PostNL Group operating results, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have a standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The main non-GAAP key financial performance indicator is underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for PostNL’s dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for non-recurring and exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflow. As of 2020, the main non-GAAP key financial performance indicator is normalised EBIT. Normalised EBIT is derived from the IFRS-based performance measure operating income adjusted for the impact of project costs and incidentals. Aside from adjustments for restructuring-related costs, all currently adjusted non-recurring and exceptional items within underlying cash operating income are also normalisations within normalised EBIT.

Please refer to our Annual Report 2019 for more information on our financial statements, including disclosure notes.

in € million	Q4 2018	Q4 2019	FY 2018	FY 2019
Revenue from contracts with customers	790	839	2,758	2,829
Other operating revenue	4	4	14	15
Total operating revenue	**794**	**843**	**2,772**	**2,844**
Other income	9	8	21	12
Cost of materials	(18)	(19)	(63)	(67)
Work contracted out and other external expenses	(369)	(398)	(1,308)	(1,330)
Salaries, pensions and social security contributions	(262)	(309)	(1,003)	(1,059)
Depreciation, amortisation and impairments	(22)	(73)	(83)	(180)
Other operating expenses	(39)	(15)	(151)	(101)
Total operating expenses	**(710)**	**(814)**	**(2,608)**	**(2,737)**
Operating income	**93**	**37**	**185**	**119**
Interest and similar income	1	1	3	3
Interest and similar expenses	(4)	(6)	(27)	(19)
Net financial expenses	**(3)**	**(5)**	**(24)**	**(16)**
Results from investments in JVs/associates	0	0	0	0
Profit/(loss) before income taxes	**90**	**32**	**161**	**103**
Income taxes	(14)	(13)	(34)	(31)
Profit/(loss) from continuing operations	**76**	**19**	**127**	**72**
Profit/(loss) from discontinued operations	(26)	(23)	(94)	(68)
Profit for the period	**50**	**(4)**	**33**	**4**
Attributable to:				
Non-controlling interests				
Equity holders of the parent	50	(4)	33	4
Earnings per ordinary share (in €cents) [1]	10.8	(0.9)	7.1	0.8
Earnings per diluted ordinary share (in €cents) [2]	10.8	(0.9)	7.1	0.8
Earnings from continuing operations per ordinary share (in €cents) [1]	16.4	3.8	27.5	14.9
Earnings from continuing operations per diluted ordinary share (in €cents) [2]	16.3	3.8	27.4	14.9
Earnings from discontinued operations per ordinary share (in €cents) [1]	(5.6)	(4.7)	(20.4)	(14.1)
Earnings from discontinued operations per diluted ordinary share (in €cents) [2]	(5.5)	(4.7)	(20.3)	(14.1)

1 Based on an average of 482,577,917 outstanding ordinary shares (2018: 462,015,866).

2 Based on an average of 483,484,286 outstanding diluted ordinary shares (2018: 463,179,101).

Consolidated statement of comprehensive income

in € million	Q4 2018	**Q4 2019**	FY 2018	**FY 2019**
Profit for the period	**50**	**(4)**	**33**	**4**
Other comprehensive income that will not be reclassified to the income statement				
Impact pensions, net of tax	13	5	30	(5)
Impact tax rate change related to OCI pensions	(3)	3	(3)	3
Change in value of financial assets at fair value through OCI	11		11	3
Other comprehensive income that may be reclassified to the income statement				
Currency translation adjustment, net of tax	0	0	0	0
Gains/(losses) on cashflow hedges, net of tax	0	1	1	(2)
Total other comprehensive income for the period	**21**	**9**	**39**	**(1)**
Total comprehensive income for the period	**71**	**5**	**72**	**3**
Attributable to:				
Non-controlling interests				
Equity holders of the parent	71	5	72	3
Total comprehensive income attributable to the equity holders of the parent arising from:				
Continuing operations	97	28	166	71
Discontinued operations	(26)	(23)	(94)	(68)

Consolidated statement of cash flows

in € million	Q4 2018	Q4 2019	FY 2018	FY 2019
Profit/(loss) before income taxes	**90**	**32**	**161**	**103**
Adjustments for:				
Depreciation, amortisation and impairments	22	73	83	180
Share-based payments	1	0	3	1
(Profit)/loss on disposal of assets	(9)	(3)	(19)	(7)
(Profit)/loss on sale of Group companies		(5)		(5)
Interest and similar income	(1)	(1)	(3)	(3)
Interest and similar expenses	4	6	27	19
Results from investments in JVs/associates	0	0	0	0
Investment income	**(6)**	**(3)**	**5**	**4**
Pension liabilities	(31)	(32)	(22)	(25)
Other provisions	4	38	(14)	30
Changes in provisions	**(27)**	**6**	**(36)**	**5**
Inventory	1			
Trade accounts receivable	(81)	4	(40)	55
Other accounts receivable	4	(13)	15	(19)
Other current assets excluding taxes	8	(19)	2	(18)
Trade accounts payable	(10)	23	(24)	20
Other current liabilities excluding short-term financing and taxes	61	4	(75)	(73)
Changes in working capital	**(17)**	**(1)**	**(122)**	**(35)**
Cash generated from operations	**63**	**107**	**94**	**258**
Interest paid	(5)	(9)	(26)	(14)
Income taxes received/(paid)	(5)	9	(39)	(34)
Net cash (used in)/from operating activities	**53**	**107**	**29**	**210**
Interest received	1		3	3
Acquisition of subsidiairies (net of cash)		(64)		(65)
Disposal of subsidiaires		3		3
Investments in JVs/associates			(2)	(1)
Disposal of JVs/associates		1		1
Capital expenditure on intangible assets	(20)	(11)	(40)	(32)
Capital expenditure on property, plant and equipment		(17)	(55)	(34)
Proceeds from sale of property, plant and equipment	22	6	46	14
Changes in other loans receivable	1		1	0
Other changes in (financial) fixed assets			(1)	5
Net cash (used in)/from investing activities	**4**	**(82)**	**(48)**	**(106)**
Dividends paid			(63)	(71)
Proceeds from long-term borrowings	3	(1)	3	296
Proceeds from short-term borrowings	(1)			
Repayments of short-term borrowings		(63)	(223)	(64)
Repayments of lease liabilities	(1)	(21)	(2)	(62)
Net cash (used in)/from financing activities	**1**	**(85)**	**(285)**	**99**
Total change in cash from continuing operations	**58**	**(60)**	**(304)**	**203**
Cash at the beginning of the period	**222**	**525**	**645**	**269**
Cash transfers to discontinued operations	(11)	15	(72)	8
Total change in cash from continuing operations	58	(60)	(304)	203
Cash at the end of the period	**269**	**480**	**269**	**480**
Total change in cash from discontinued operations	**(1)**	**12**	**(52)**	**(4)**

Consolidated statement of financial position

in € million	31 December 2018	31 December 2019
ASSETS		
Non-current assets		
Intangible fixed assets		
Goodwill	97	224
Other intangible assets	115	140
Total	**212**	**364**
Property, plant and equipment		
Land and buildings	322	272
Plant and equipment	155	119
Other	12	13
Construction in progress	5	10
Total	**494**	**414**
Right-of-use assets		259
Financial fixed assets		
Investments in joint ventures/associates	3	3
Other loans receivable	6	6
Deferred tax assets	66	65
Financial assets at fair value through OCI	17	15
Total	**92**	**89**
Total non-current assets	**798**	**1,126**
Current assets		
Inventory	5	4
Trade accounts receivable	313	271
Accounts receivable	12	51
Income tax receivable	2	1
Prepayments and accrued income	99	114
Cash and cash equivalents	269	480
Total current assets	**700**	**921**
Assets classified as held for sale	200	91
Total assets	**1,698**	**2,138**
LIABILITIES AND EQUITY		
Equity		
Equity attributable to the equity holders of the parent	46	(21)
Non-controlling interests	3	3
Total	**49**	**(18)**
Non-current liabilities		
Deferred tax liabilities	31	0
Provisions for pension liabilities	296	283
Other provisions	19	26
Long-term debt	398	695
Long-term lease liabilities	22	201
Accrued liabilities	4	
Total	**770**	**1,205**
Current liabilities		
Trade accounts payable	146	197
Other provisions	21	53
Short-term debt	1	1
Short-term lease liabilities	3	63
Other current liabilities	126	110
Income tax payable	3	9
Contract liabilities	80	67
Accrued current liabilities	378	351
Total	**758**	**851**
Liabilities related to assets classified as held for sale	121	100
Total equity and liabilities	**1,698**	**2,138**