



## Business review Q1 2015

## Financials Q1 2015

## Q&A

Comparative 2014 figures have been restated for transfer of Cendris Customer Contact from PostNL Other to Mail in the Netherlands. Reported results include the results of our UK activities. Outlook is given on figures excluding the UK. For comparison reasons, we include in the appendix revenue and income figures excluding the results of the UK activities.

# On track to achieve full year 2015 outlook

## Performance Q1 2015 in line with our expectations



**Revenue**  
including UK

**€1,058m**

Q1 2014: €1,033m

**UCOI**  
including UK

**€68m**

Q1 2014: €77m

**Net cash**  
from operating and  
investing activities

**€21m**

Q1 2014: €23m

**Consolidated  
equity**

**€(574)m**

YE 2014: €(597)m

- Addressed mail volume decline 13.2%\*, full year expected to be within earlier guided range of 9%-12%
- Cost savings of €15 million, back-end loaded due to phasing of restructuring plans, outlook 2015 unchanged
- Continued volume growth Parcels
- Equity position improved
  - Stake in TNT Express up €22 million; further upside due to offer FedEx
  - Application of pension liability ceiling in accounting of pension obligation significantly reduces further sensitivity equity position for lower interest rates.

**FY 2015 outlook reconfirmed: UCOI between €280 million and €320 million**

### Reported revenue (€ million)

**Q1 15: 476** (- 6%)  
**Q1 14: 505**

Outlook 2015: - mid single digit

### Underlying cash operating income (€ million)

**Q1 15: 46** (margin 9.7%)  
**Q1 14: 62**

Outlook 2015: margin 10% - 12%

### Addressed mail volume\*

**Q1 15: -13.2%**  
**Q1 14: -11.5%**

Outlook 2015: -9% to -12%

### Total cost savings (€ million)

**Q1 15: 15**  
**Q1 14: 41**

Outlook 2015: 75 to 95

- Fluctuation in volume decline corresponds with substitution (annual statements) and phasing working days
- Average price increase well above inflation
- Total cost savings of €15 million partly realised in Mail in the Netherlands; cost savings higher in second half of 2015
- Negotiations new social plan started
- Innovations
  - Track and trace election mail
  - Gemakspost: full service proposition for large clients, including processing and franking of unsorted mail items and parcels

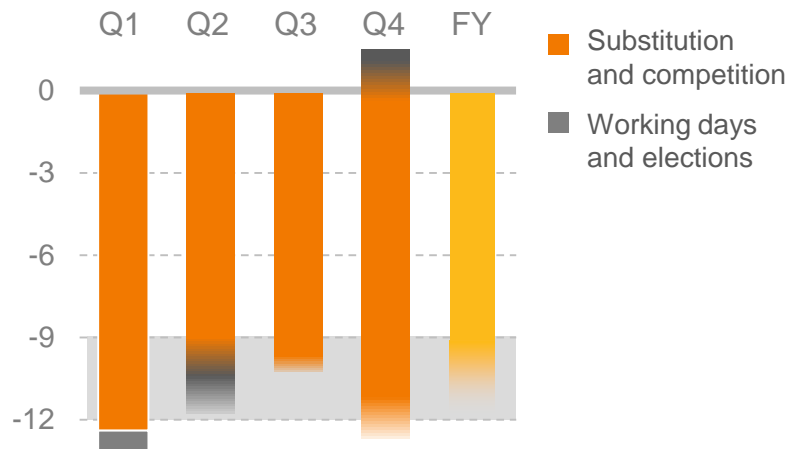
\* Adjusted for working days underlying volume decline in Q1 2015 was 12.5%

# Phasing volume decline and restructuring plans in 2015

## Reconfirm earlier guided ranges

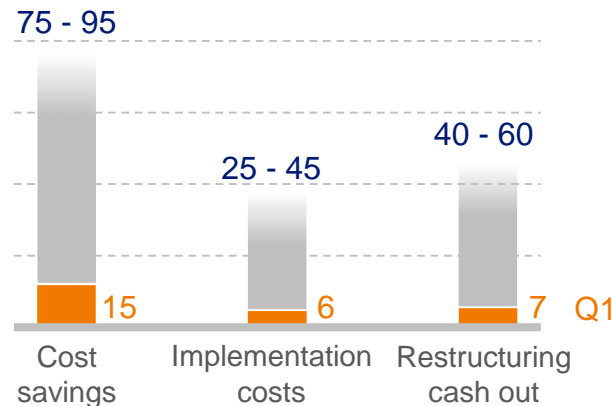


Addressed mail volume decline 2015 (%)



- Substitution Q1: more annual statements sent electronically
- Anticipated slowdown impact competition, mainly phasing
- Focus on maintaining current market share
- Working days: Q1 and Q2 one less; Q4 two more

Restructuring plans 2015 (€ million)



- Financial impact higher in second half of 2015
- Implementation redesign car unit
- Reorganisation marketing & sales and overhead
- Implementation next generation sorting machines

# Regulatory environment Mail in the Netherlands

## Challenges remain



### Postal Act

- Second chamber approved amended Postal Act
- Next step approval by Senate
- Discussion in Senate scheduled for 19 May
- Review of related postal regulation to take place in May/June
- Start implementation Postal Act and regulation earliest 1 July 2015

### Postal regulation

- Intermediate regulation tariff headroom 2015
- We continue to be in close contact with ACM on cost allocation; outcome expected in Q2 2015

### Significant market power

- PostNL: postal market part of broader communications market, no dominant market position of PostNL
- PostNL may be forced to grant regional postal players and resellers access to network for business mail
- ACM indicated to publish its findings in Q2 2015

Increased attention of supervisory authority and pending regulatory files continue to be significant point of management attention given potential impact after 2015

### Reported revenue (€ million)

**Q1 15: 216** (+7%)  
Q1 14: 201

Outlook 2015: + mid single digit

### Underlying cash operating income (€ million)

**Q1 15: 25** (margin 11.6%)  
Q1 14: 25

Outlook 2015: margin 11% - 13%

### Volume growth

**Q1 15: 8.0%**  
Q1 14: 5.3%

- Growth of domestic B2C volumes followed trend in e-commerce market; lower 2B volumes
- Continued increase international volumes, especially milk powder to China (incidental rather than sustainable)
- Better business performance and efficiency gains
- Around 95% of volumes handled through NLI
- Higher subcontractor costs in line with expectations
- Focus on long-term sustainable delivery model in open dialogue with subcontractors and other stakeholders
- Innovations
  - PostNL app now including option to re-route
  - Further expanding food distribution pilot

# International

## Slight improvement results



**Revenue** *including UK*  
(€ million)

**Q1 15: 461**

**Q1 14: 409**

**Revenue** *excluding UK*  
(€ million)

**Q1 15: 252** (+9.6%)

**Q1 14: 230**

Outlook 2015: + low single digit

**Underlying cash**  
**operating income**  
(€ million)

**Q1 15: 3** (margin 1.2%)

**Q1 14: 2**

Outlook 2015: margin 1% - 3%

### Germany

- Slight improvement
- Initial effects from initiatives to attract volumes and cost savings
- Reorganisation announced, focussing on centralisation of overhead

### Italy

- Results on track
- Further volume growth Formula Certa
- Further expansion by roll-out parcels network in Q2 2015

### UK

- Revenue growth: higher prices and growth in E2E
- LDC concluded discussion on joint venture due to ongoing changes in postal market and complex regulatory environment

Amongst others, continuous regulatory uncertainties in these countries led to launch of strategic review of activities abroad



# Reconfirm outlook full year 2015

## Second half of 2015 expected to be stronger



Deliver on promises

- Performance Q1 in line with our expectations
- On track to achieve full year 2015 outlook
- We support offer for TNT Express, further strengthening financial and equity position
- Application of pension liability ceiling in the accounting of our pension obligation significantly reduces further sensitivity of equity position for lower interest rates



Customer focus



People at the heart of the company



Close contact with all stakeholders



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# Financial highlights

Underlying cash operating income in line with our expectations



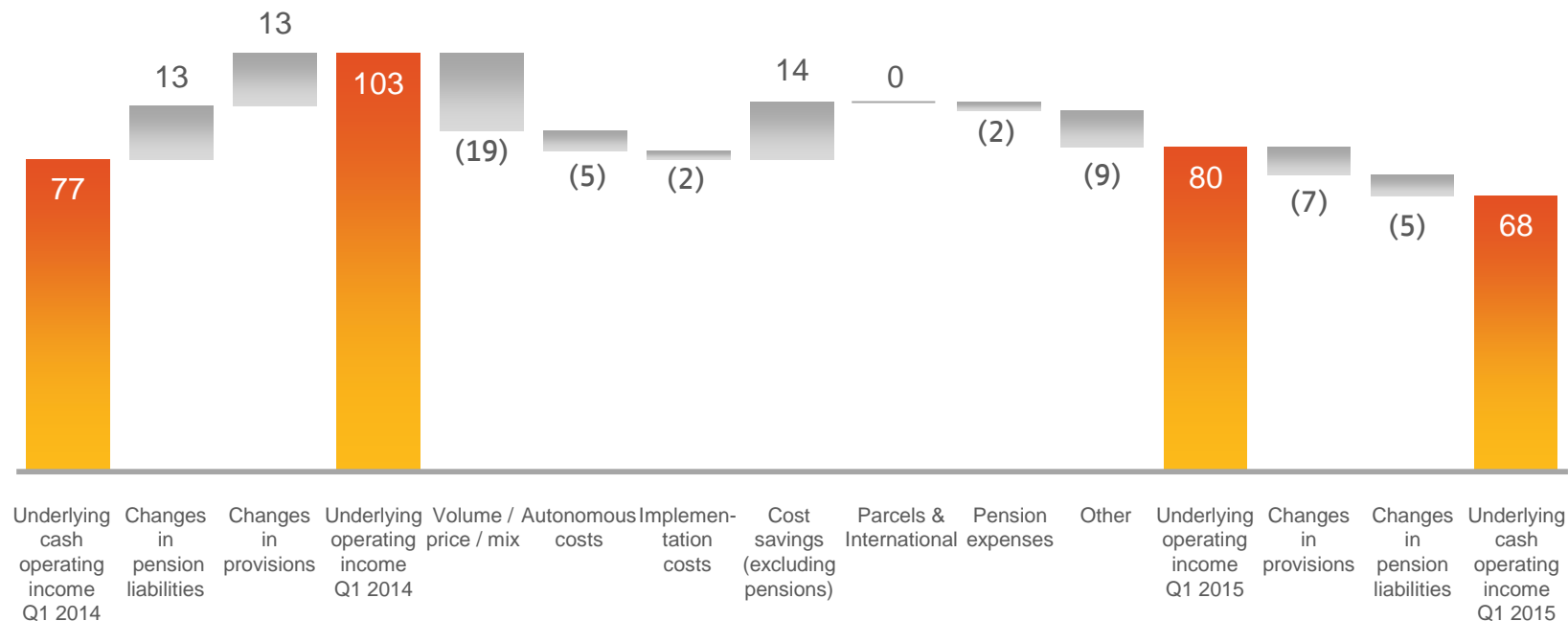
€ million	Q1 2015	Q1 2014	Change
Reported revenue	1,058	1,033	2%
<b>Underlying revenue</b>	<b>1,032</b>	<b>1,033</b>	<b>0%</b>
Reported operating income	68	99	-31%
Restructuring related charges	10	2	
Rebranding and project costs	2	2	
Underlying operating income	80	103	-22%
<b>Underlying cash operating income</b>	<b>68</b>	<b>77</b>	<b>-12%</b>
<b>Net cash from operating and investing activities</b>	<b>21</b>	<b>23</b>	

# Underlying (cash) operating income

Q1 impacted by phasing effects, FY expected to be in line with outlook



Underlying cash operating income (€ million)



# Results per segment



€ million	Revenue			Underlying operating income		Underlying cash operating income	
	Q1 2015	Q1 2014	% Change	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Mail in the Netherlands	476	505	-6%	59	84	46	62
Parcels	216	201	7%	25	26	25	25
International	461	409	13%	3	2	3	2
PostNL Other	47	49	-4%	(7)	(9)	(6)	(12)
Intercompany	(142)	(131)	-9%				
<b>PostNL</b>	<b>1,058</b>	<b>1,033</b>	<b>2%</b>	<b>80</b>	<b>103</b>	<b>68</b>	<b>77</b>

# Statement of income



€ million	Q1 2015	Q1 2014
Revenue	1,058	1,033
<b>Operating income</b>	<b>68</b>	<b>99</b>
Net financial expenses	(21)	(24)
Results from investments in associates/joint ventures	1	1
Income taxes	(14)	(22)
<b>Profit for the period</b>	<b>34</b>	<b>54</b>

# Net cash from operating and investing activities

Cash performance Q1 impacted by tax payments and working capital



€ million		Q1 2015	Q1 2014
<b>Cash generated from operations</b>		<b>81</b>	<b>54</b>
Interest paid		(1)	(1)
Income taxes paid		(45)	(8)
<b>Net cash from operating activities</b>		<b>35</b>	<b>45</b>
Interest / dividends received / other		1	1
Capex		(17)	(24)
Proceeds from sale of assets		2	1
<b>Net cash from operating and investing activities</b>		<b>21</b>	<b>23</b>
		Q1 2015	2015 outlook
Capex	Base capex	10	
	Cost savings initiatives	3	
	New Logistics Infrastructure Parcels	4	
<b>Total</b>		<b>17</b>	<b>Max 115</b>

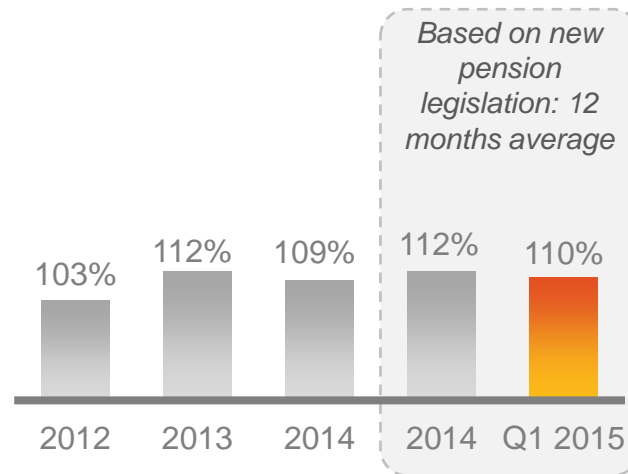
# Pension developments

## Limited effect on equity



€ million	Q1 2015
Return on plan assets in excess of interest income	645
Defined benefit obligation	(700)
Of which:	
Lower discount rate	(1,305)
Change in rate of benefit increase	605
<b>Total pension</b>	<b>(55)</b>
<b>Net effect on equity within OCI</b>	<b>(40)</b>

Coverage ratio main pension fund



- Cash contribution maximised (financing agreement)
- Via liability ceiling accounting of pension obligation matched with maximised cash contribution (visible in rate of benefit increase)

- Reduced sensitivity of equity position for lower interest rates



# Consolidated statement of financial position

## Improvement net debt and consolidated equity



€ million	28 Mar 2015	28 Mar 2015
Intangible fixed assets	131	<i>Consolidated equity</i> (574)
Property, plant and equipment	510	<i>Non-controlling interests</i> 6
Financial fixed assets	601	Total equity (568)
<i>of which stake in TNT Express</i>	467	Pension liabilities 590
Other current assets	527	Long-term debt 937
Cash	596	Other non-current liabilities 122
Assets held for sale	222	Short-term debt 350
		Other current liabilities 997
		Liabilities rel. to assets held for sale 159
<b>Total assets</b>	<b>2,587</b>	<b>Total equity &amp; liabilities 2,587</b>

- Net debt improved by €25 million to €658 million compared to the end of Q4 2014
- Consolidated equity improved by €23 million to €(574) million compared to the end of Q4 2014
- Corporate equity of €1,965 million, of which €(257) million distributable
- Credit rating S&P: BBB-, now with positive outlook

# Reconfirm outlook full year 2015

## Second half of 2015 expected to be stronger



Deliver on promises



People at the heart of the company

	Revenue	Underlying cash operating income / margin
€ million	2015	2015
Mail in NL	- mid single digit	10 to 12%
Parcels	+ mid single digit	11 to 13%
International*	+ low single digit	1 to 3%
<b>PostNL*</b>	<b>stable</b>	<b>280 to 320</b> <b>8 to 9%</b>



Customer focus



Close contact with all stakeholders



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# Appendix

- KPIs excluding UK
- Breakdown pension cash contribution and expenses



# Impact activities UK – overview Q1 2015



Revenue, € million	Reported Q1 2015	Activities UK	Q1 2015 ex UK	Q1 2014 ex UK
Mail in NL	476		476	505
Parcels	216		216	201
International	461	209	252	230
PostNL Other / Intercompany	(95)	(1)	(94)	(82)
<b>PostNL</b>	<b>1,058</b>	<b>208</b>	<b>850</b>	<b>854</b>

UCOI, € million	Reported Q1 2015	Activities UK	Q1 2015 ex UK	Q1 2014 ex UK
Mail in NL	46		46	62
Parcels	25		25	25
International	3	0	3	2
PostNL Other	(6)		(6)	(12)
<b>PostNL</b>	<b>68</b>	<b>0</b>	<b>68</b>	<b>77</b>

# Breakdown pension cash contribution and expenses



Pensions	Q1 2015		Q1 2014	
€ million	Expenses	Cash	Expenses	Cash
Business segments	30	39	33	45
IFRS difference	4		(1)	
<b>PostNL</b>	<b>34</b>	<b>39</b>	<b>32</b>	<b>45</b>
Interest	3		5	
<b>Total</b>	<b>37</b>		<b>37</b>	

