Q1 2016 Results

9 May 2016

Business review

Performance Q1 2016 in line with expectations

Supported by additional working days

Revenue	Underlying cash operating income	Net debt	Consolidated equity
€864m	**€61m**	**€578m**	**€(194)m**
Q1 2015 €850m	Q1 2015: €68m	YE 2015: €552m	YE 2015: €(223)m

- Addressed mail volume decline 6.1%*
- First effects visible from ACM measures and adjusted market approach
- Cost savings of €15 million realised
- Strong performance in Parcels

- Equity position further improved
  - Net profit of €39 million
  - Fair value adjustment stake TNT Express €8 million
  - Negative impact from pensions limited to €19 million

FY 2016 outlook including Germany reconfirmed: UCOI between €220 million and €260 million

* Adjusted for working days, volume decline was 8.2%

Q1 2016: Mail in the Netherlands

First effects from ACM measures and adjusted market approach visible

Revenue	Underlying cash operating income	Addressed mail volume decline	Total cost savings
€472m	**€38m**	**6.1%**	**€15m**
Q1 2015: €476m	Q1 2015: €46m		

- Volume decline of 6.1%, adjusted for working days: 8.2%, substitution around 10%
- Revenue slightly down helped by higher internal revenue
- Results supported by additional working days
- First effects ACM measures (tariffs and conditions) and adjusted market approach
- Solid cost savings of €15 million (almost fully in Mail in the Netherlands)
- In principle agreements CLA for PostNL and for Saturday deliverers, final agreement on CLA for mail deliverers
- Quality remains high at 96.5%

Mail in the Netherlands regulatory environment unchanged

Significant management attention remains important

USO

- Price increase per 1 January 2016 based on tariff headroom as determined by ACM
- Amended Postal Act effective 1 January 2016
- In accordance with postal regulation: evaluation of USO will be conducted in 2016

- Reduction of ~300 postal offices in 2016, implementation expected to start in Q2
- Roll out of ~475 new parcel points in 2016

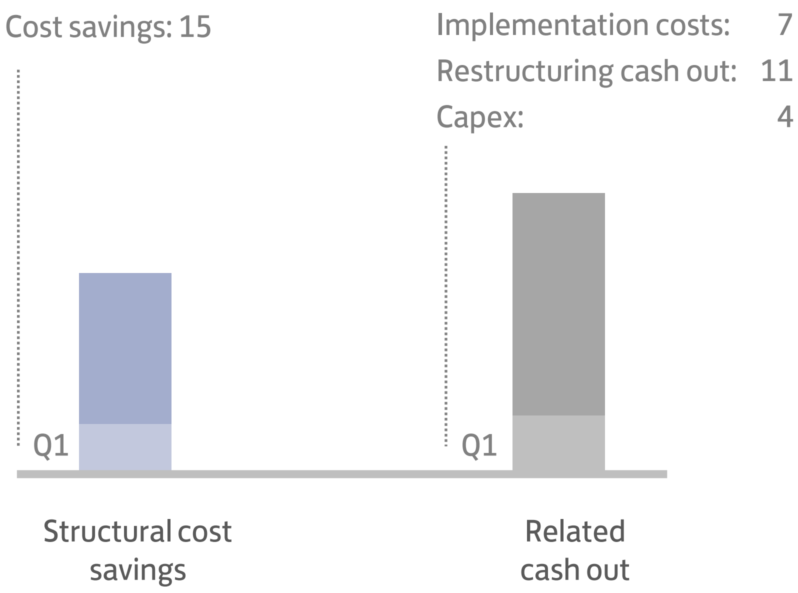
Non-USO

- PostNL is concerned about the expected adverse effects of measures limiting its competitive position
- Estimated financial impact of ACM measures may add up to €30 million - €50 million annualised, including mitigating actions
- First negative effect experienced in Q1 2016

Cost savings of €15 million realised in Q1, mainly in operational processes
Target €50 million - €70 million for 2016

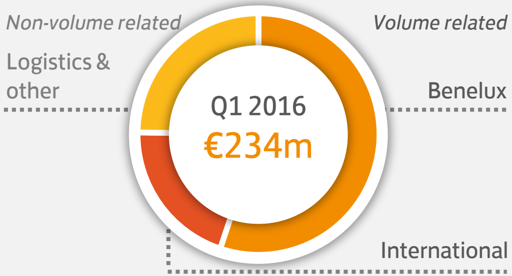
	Q1 2016
Efficiency sorting process	• First sorting machine with coding capabilities under construction
Efficiency delivery process	• 1 depot migrated and 8 locations optimised • Redesign car of unit: successful implementation nationwide
Optimise retail network	• New retail policy and fee structure,
Other	• Cloud migration programme completed

(in € millions)



Q1 2016: Parcels
Strong performance

Revenue break down



Revenue

€234m

Q1 2015 : €216m

Underlying cash operating income

€28m

Q1 2015: €25m

Volume growth

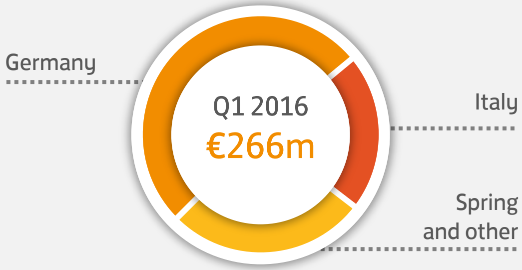
16%

- Volume growth in Benelux and International adjusted for working days: 12%
  - Continuing strong growth in e-commerce
  - Market position 2B and 2C further strengthened by enhancing service offerings
- Translated into 8% revenue growth
  - Negative product/customer mix effect in volume-related business, however less negative than in previous quarters
  - Lower revenue growth in non-volume related business
- Improved business performance also explained by better efficiency
- Implementation of sustainable delivery model well on track

Q1 2016 International

Results in line with expectations

Revenue break down



Revenue

€266m

Q1 2015: €252m

Underlying cash operating income

€3m

Q1 2015: €3m

Germany

- Revenue up, driven by volume growth supported by price increases
- Good progress in restructuring
- Improvement in underlying cash operating income

Italy

- Strong revenue increase in parcels offset by lower revenue in Formula Certa
- Volume decline and some contract renewals at lower average price; partially offset by positive product mix
- Performance also impacted by start-up losses parcels network
- Introduction of Sistema Slim (Parcel product delivered via Formula Certa network)

Spring

- Continued growth in Asia and within Europe driven by e-commerce resulted in higher revenues and profitability

German business continues to be part of PostNL
Strategic review in International now completed

Rationale of decision Germany

- Improved performance and growth potential of Postcon in German market
- Sale of last mile operations in Frankfurt and buy-out of minority shareholder in Postcon National to fully realise growth in cash profitability
- Transactions closed
- Sustainable return against appropriate risk profile, taking into account interests of all stakeholders

Strategic review completed

- German and Italian business continue to be part of PostNL
- Management buy-out of Whistl

FY 2016 outlook and 2020 ambition now including Germany

Financials

Financial highlights Q1 2016

Underlying cash operating income in line with expectations

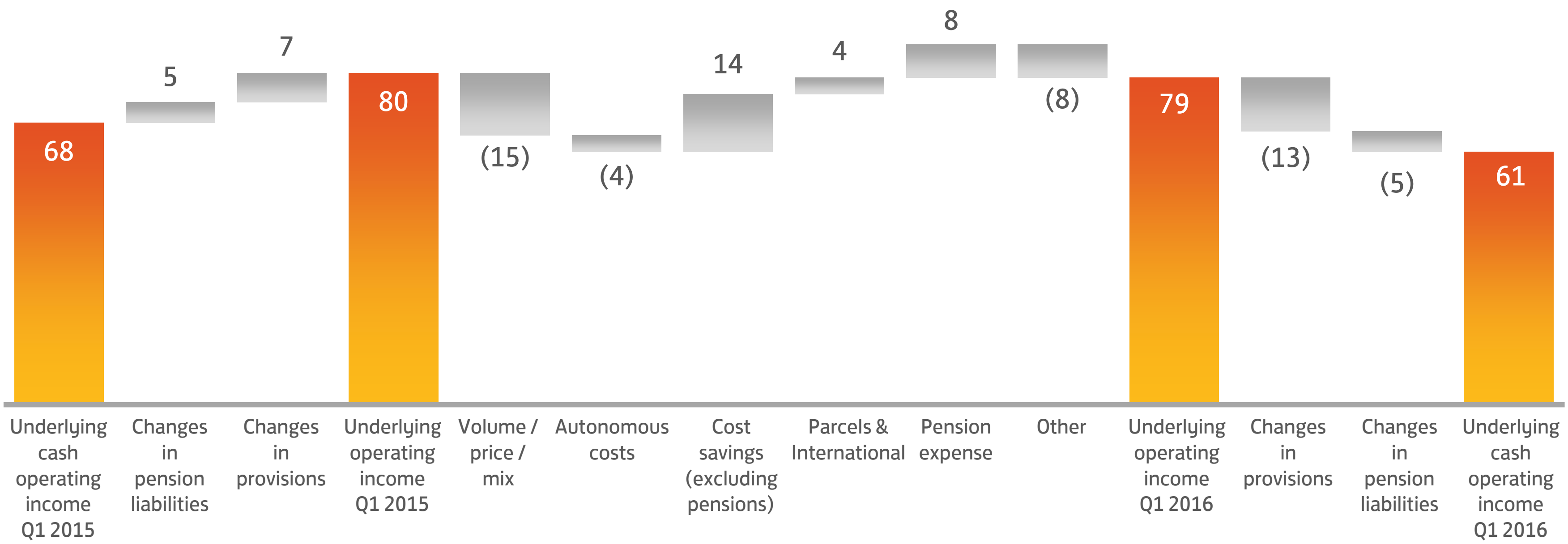
(in € millions)	Q1 2016	Q1 2015	Change
Reported revenue	**864**	**850**	**2%**
Reported operating income	70	69	1%
Restructuring related charges	7	9	
Project costs and other	2	2	
Underlying operating income	79	80	-1%
Underlying cash operating income	**61**	**68**	**-10%**
Net cash from operating and investing activities	**(26)**	**25**	

- Net cash from operating and investing activities impacted by higher planned tax payments and intra-year phasing in working capital development

Note: Q1 2015 figures excluding United Kingdom

Q1 2016: underlying (cash) operating income

(in € millions)



Q1 2016: results per segment
Strong performance in Parcels

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Mail in the Netherlands	472	476	51	59	38	46
Parcels	234	216	29	25	28	25
International	266	252	3	3	3	3
PostNL Other	44	47	(4)	(7)	(8)	(6)
Intercompany	(152)	(141)				
Total PostNL	**864**	**850**	**79**	**80**	**61**	**68**

Statement of income
Increase in net profit

(in € millions)	Q1 2016	Q1 2015
Revenue	864	850
Operating income	**70**	**69**
Net financial expenses	(17)	(21)
Results from investments in associates and joint ventures	1	1
Income taxes	(15)	(14)
Profit / (loss) from continuing activities	**39**	**35**
Profit / (loss) from discontinued activities		(1)
Profit for the period	**39**	**34**

Net cash from operating and investing activities

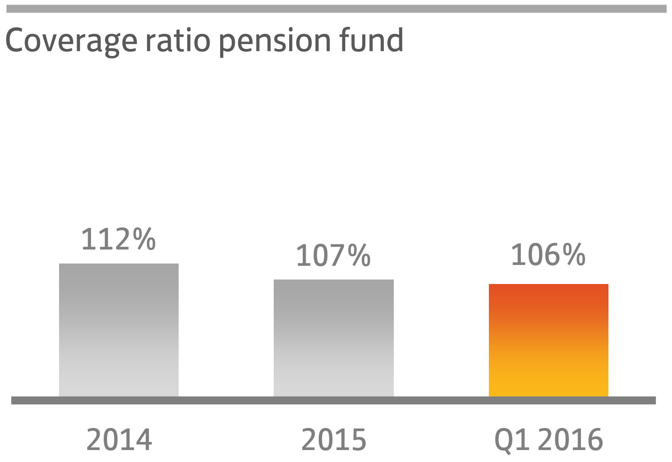
Impacted by intra-year phasing in working capital and taxes paid

(in € millions)	Q1 2016	Q1 2015
Cash generated from operations	**49**	**84**
Interest paid	(1)	(1)
Income taxes received / (paid)	(65)	(45)
Net cash from operating activities	**(17)**	**38**
Interest	1	1
Capex	(13)	(16)
Proceeds from sale of assets	3	2
Net cash (used in) / from operating and investing activities	**(26)**	**25**

		Q1 2016	2016 outlook
Capex	Base capex	9	
	Cost savings initiatives	4	
	New sorting and delivery centres	-	
	Total	**13**	**Around 100**

Pensions
Limited negative impact of €19 million on equity

(in € millions)		Q1 2016
Return on plan assets in excess of interest income		326
Defined benefit obligation		(601)
Of which:		
Lower discount rate	*(1,118)*	
Lower rate of benefit increases	*517*	
Asset ceiling		143
Minimum funding requirement		107
Total pension		**(25)**
Net effect on equity within OCI		**(19)**



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

- Limited sensitivity of equity position for lower interest rates

Consolidated statement of financial position

Continued improvement in consolidated equity position

(in € millions)	2 Apr 2016		2 Apr 2016
Intangible fixed assets	146	*Consolidated equity*	*(194)*
Property, plant and equipment	497	*Non-controlling interests*	*7*
Financial fixed assets	717	Total equity	(187)
of which stake in TNT Express	*634*	Pension liabilities	472
Other current assets	541	Long-term debt	914
Cash	329	Other non-current liabilities	92
Assets held for sale	13	Short-term debt	1
		Other current liabilities	951
Total assets	**2,243**	**Total equity & liabilities**	**2,243**

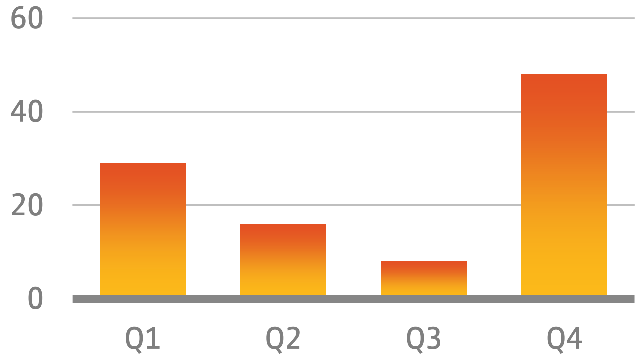
- Net debt increased by €26 million to €578 million compared to the end of 2015
- FedEx and TNT Express continue to anticipate closing of the offer in the first half of 2016, expected proceeds €643 million
- Consolidated equity improved by €29 million to €(194) million compared to the end of 2015
- Corporate equity of €2,202 million, of which €(11) million distributable

Q2 2016 expected to be slightly below FY development

Outlook UCOI 2016 €220 million - €260 million (FY 2015: €303 million)

Average UCOI split 2010 - 2015

(%)



Working days

	2016	2015
Q1	64	61
Q2	62	60
Q3	65	65
Q4	64	68
Total year	**255**	**254**

Q2 2016

- Underlying cash operating income expected to be slightly below FY development despite two extra working days
  - Incidentals Q2 2015
  - Impact CLA
- Net cash expected to improve; ~€60 million less cash tax out due to phasing

Q1 2016: in line with expectations

Remain committed towards restoring dividend as early as possible

Q1 2016	2016	2020
Underlying cash operating income **€61m** Consolidated equity **€(194)m** Net debt **€578m**	• Significant management attention on regulation • Create further profitable growth in Parcels and International, driven by e-commerce and innovation • Maintain focus on successful implementation of restructuring plans • Continuously improve our employees' engagement and customer satisfaction; maintain high quality • Remain committed towards restoring dividend as early as possible Outlook underlying cash operating income: €220m - €260m*	Ambition underlying cash operating income: €285m - €355m*

* Outlook 2016 and Ambition 2020 now including German activities

Q&A

Appendix

- Breakdown pension cash contribution and expenses

Breakdown pension cash contribution and expenses

Pensions	Q1 2016		Q1 2015	
(in € millions)	Expenses	Cash	Expenses	Cash
Business segments	26	30	29	38
IFRS difference	(1)		4	
PostNL	**25**	**30**	**33**	**38**
Interest	3		3	
Total	**28**		**36**	

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