

Q1 2017 results



The Hague, 8 May 2017

Q1 2017



- **Business review**
- Financial review

Q1 2017 results – e-commerce growth continues

Reconfirm outlook 2017

Revenue and revenue mix	Underlying cash operating income	Net cash from operating and investing activities	Consolidated equity
€870m 34% e-commerce	€50m	€(20)m	€(32)m
Q1 2016: €864m; 31% e-commerce	Q1 2016: €61m	Q1 2016: €(26)m	YE 2016: €(79)m

- UCOI PostNL in line with expectations supported by some incidentals
- Addressed mail volume decline 9.6%* driven by substitution
- Parcels volumes increased by 8%, with underlying 15% growth
- Result in International improved
- Consolidated equity position further improved
- Reinitiate dividend payment in May

* 10.3% adjusted for one working day

Mail in the Netherlands

Supported by some incidentals

Revenue	Underlying cash operating income	Total cost savings Q1 2017	Addressed mail volume decline
€450m	€28m	€15m	9.6%*
Q1 2016: €472m (-5%)	Q1 2016: €38m		

- Volume decline driven by ongoing substitution
 - Phasing effects in bulk mail
 - Higher decline in single mail
- Consolidators delivering more mail items via their own networks
- UCOI development supported by some incidentals (bilaterals)
- Delivery quality continued to be high at 96.7%

* 10.3% adjusted for one working day

Regulatory framework

PostNL remains concerned about expected adverse effects non-USO

Dutch postal market and USO

- Ministry of Economic Affairs to publish long-term vision on Dutch postal market
- Evaluation of USO in first half 2017 in accordance with Postal Regulation
- Progress may be impacted by establishment of new Cabinet

Non-USO

- PostNL is concerned about expected adverse effects
 - ACM measures
 - possible outcome of significant market power (SMP)
- Ministry of Economic Affairs published final policy guideline about interpretation of SMP in December 2016
- ACM published new draft decision on SMP in April 2017; market participants to submit views
- As earlier indicated (October 2015), financial impact of ACM measures expected to be between €30m and €50m annualised; full effect visible over 3-4 year period (2016-2019)

€15m cost savings realised in Q1 2017

On track to realise target of €55m - €75m for 2017

Efficiency delivery process

- 5 depots migrated

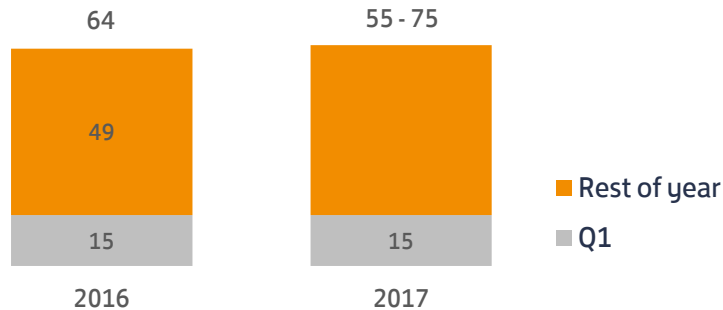
Optimise retail network

- Reduction of 50 postal offices and 500 letter boxes

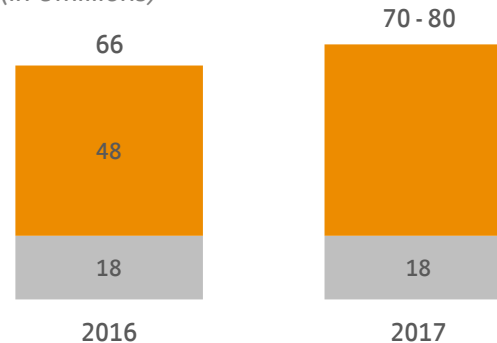
Efficiency sorting process

- Roll-out of the last four machines; equip all machines with improved label-unit

Cost savings
(in € millions)

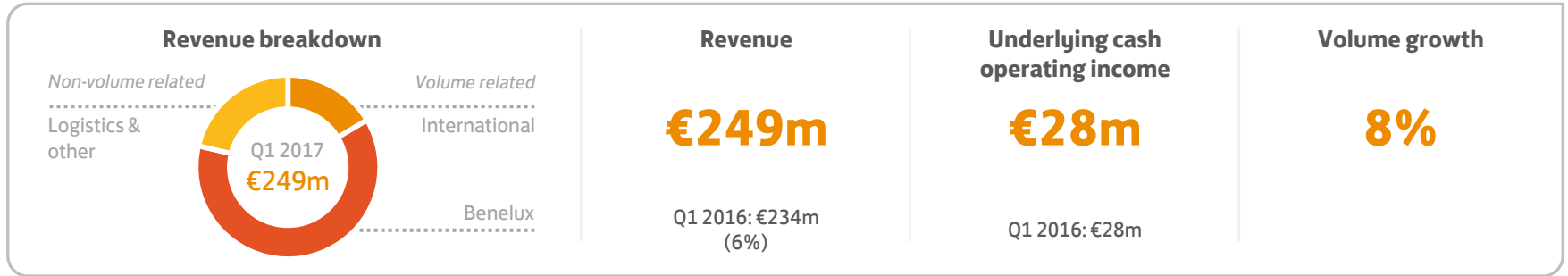


Related costs - implementation costs and restructuring cash out
(in € millions)



Parcels

Strong underlying volume growth and solid business performance

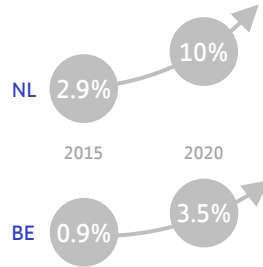


- Adjusted for internal transfers of part of the international volumes, underlying growth of 15%
- Underlying revenue growth was 9%, mainly explained by lower milk powder volumes and a slightly negative price / mix effect
- Increasing demand for additional services
- Growth in logistics
- Solid business performance, offset by internal transfers and phasing of costs

Accelerating transformation

Ambition to become *the* e-food logistics service provider in the Benelux

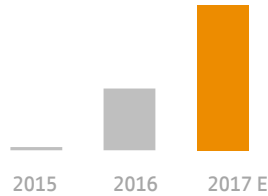
Anticipated increase % food market online



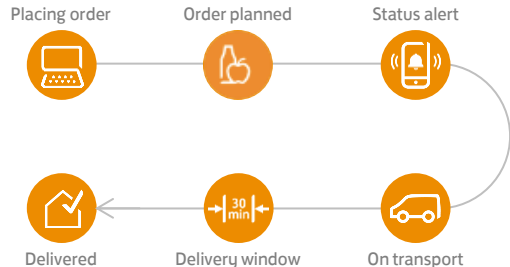
Sources: CBL, 2016; FEVIA, 2013; Synfy, 2015; GfK, 2016; GfK BE monitor, 2016; Thuiswinkel.org, 2016; Rabobank, 2016; Deloitte, 2016 and ING 2016

Belgium value based on 2013 numbers

Food deliveries PostNL 2015-2017: CAGR > 500%



Same day delivery



Reducing barriers

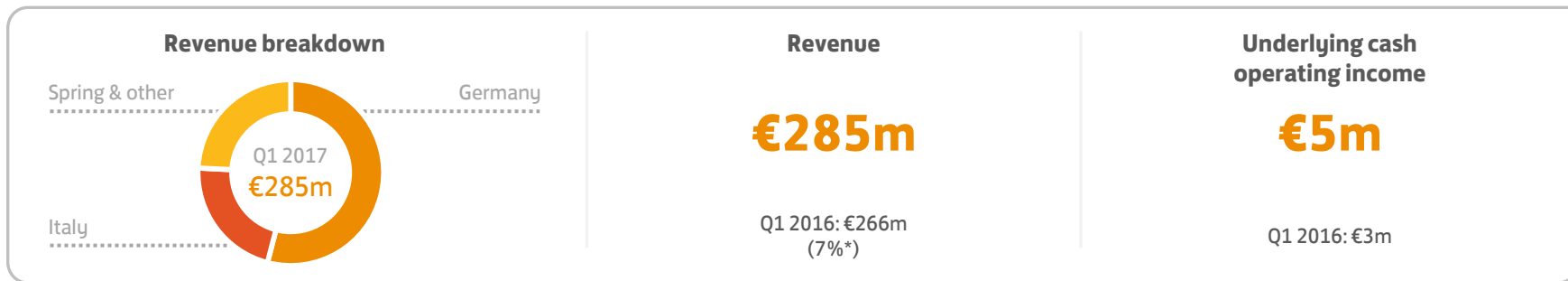


Developing markets - now >40 clients



International

Performance improved, progress accelerating transformation visible



Spring & other

- Lower revenue, impacted by stricter rules for dangerous goods
- Expected to capturing growth from e-commerce
- AliExpress selected PostNL as delivery partner for part of packages to the Netherlands

Germany

- Last year's acquisition of Pin Mail Berlin and Mail Alliance accounted for €25m of revenue and contributed to UCOI
- Lower volume and revenue in other activities
- Improve operational efficiency and quality

Italy

- First signs of expected recovery
- Large new client started transfer of volumes to Nexive
- Strong growth in parcels
- Ongoing focus on quality and acquisition of new clients

* Adjusted for FX (€(1) million), internal transfers (€(5) million) and adjustment in presentation of intercompany charges (€7 million), revenue increased by 8%

Q1 2017



- Business review
- **Financial review**

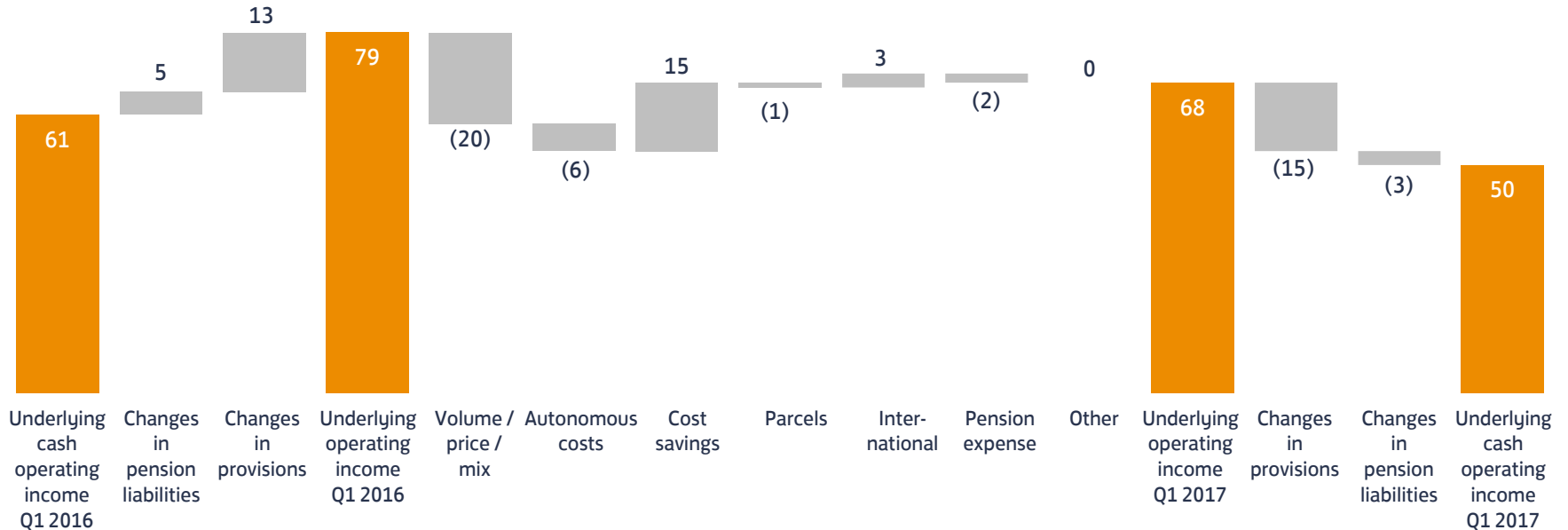
Financial highlights Q1 2017

<i>(in € millions)</i>	Q1 2017	Q1 2016	change
Reported revenue	870	864	1%
Reported operating income	66	70	-6%
Restructuring related charges		7	
Project costs and other	2	2	
Underlying operating income	68	79	-14%
Underlying cash operating income	50	61	-18%
Net cash used in operating and investing activities	(20)	(26)	

Underlying (cash) operating income

In line with expectations, supported by some incidentals

(in € millions)



Results by segment

(in € millions)

	Revenue		Underlying operating income		Underlying cash operating income	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Mail in the Netherlands	450	472	41	51	28	38
Parcels	249	234	28	29	28	28
International	285	266	6	3	5	3
PostNL Other	18	44	(7)	(4)	(11)	(8)
Intercompany	(132)	(152)				
Total PostNL	870	864	68	79	50	61

Statement of income

Lower financial expense contributed to improvement profit

<i>(in € millions)</i>	Q1 2017	Q1 2016
Revenue	870	864
Operating income	66	70
Net financial expenses	(10)	(17)
Results from investments in associates and joint ventures	0	1
Income taxes	(15)	(15)
Profit for the period	41	39

Net cash from operating and investing activities

Supported by favourable development working capital

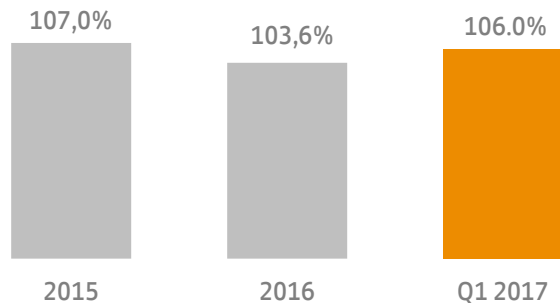
<i>(in € millions)</i>	Q1 2017	Q1 2016
Cash generated from operations	59	49
Interest paid	(1)	(1)
Income taxes paid	(60)	(65)
Net cash used in operating activities	(2)	(17)
Interest / dividends received / other	1	1
Capex	(23)	(13)
Proceeds from sale of assets	4	3
Net cash used in operating and investing activities	(20)	(26)

	Q1 2017	2017 outlook
Capex		
Base capex	14	
Cost savings initiatives	7	
New sorting and delivery centres	2	
Total	23	Around 125

Positive impact of pensions on equity €3m

Coverage ratio recovered to 106%

Coverage ratio pension fund



(in € millions)

Q1 2017

Return on plan assets in excess of interest income	65
Defined benefit obligation	35
Asset ceiling	(32)
Minimum funding requirement	(64)
Total pension	4
Net effect on equity within OCI	3

- Coverage ratio 106.0%; actual month-end coverage ratio 111.4%
- Trigger for start of 5-year recovery period in which top-up payments might apply started in Q3 2016
- Current 5-year recovery period will end per end of Q3 2017, if coverage ratio remains above minimum required level
- Projections per Q1 2017 show no anticipated top-up payment obligation

Consolidated statement of financial position

Further improvement consolidated equity

<i>(in € millions)</i>	1 Apr 2017		1 Apr 2017
Intangible fixed assets	205	<i>Consolidated equity</i>	(32)
Property, plant and equipment	502	<i>Non-controlling interests</i>	3
Financial fixed assets	56	Total equity	(29)
Other current assets	591	Pension liabilities	406
Cash	620	Long-term debt	225
Assets classified as held for sale	5	Other non-current liabilities	67
		Short-term debt	328
		Other current liabilities	982
Total assets	1,979	Total equity & liabilities	1,979

- Net cash position of €68m
- Consolidated equity improved to €(32)m, on track to turn positive in 2017
- Corporate equity of €2,740m, of which €293m distributable

Q2 2017 expected to be around FY development

Working days

	2017	2016
Q1	65	64
Q2	61	62
Q3	65	65
Q4	63	64
Total year	254	255

Q2 2017

- Net cash and equity development:
impact dividend paid

Progress accelerating transformation

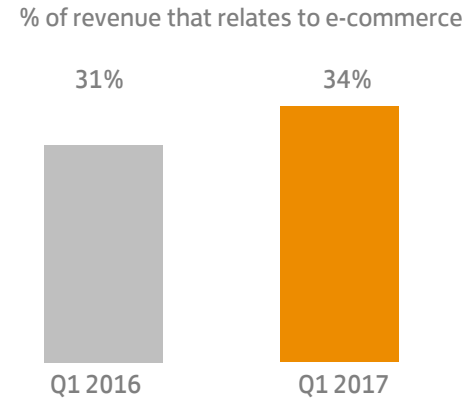
Reconfirm outlook 2017

Key takeaways Q1 2017

- UCOI PostNL in line with expectations supported by some incidentals
- Addressed mail volume decline driven by substitution
- Parcels volumes increased with underlying 15% growth
- Result in International improved
- Consolidated equity position further improved
- Reinitiate dividend payment in May

- Outlook UCOI 2017 reconfirmed at €220m - €260m

Shift in revenue mix



Questions & Answers



Appendix



- Breakdown pension cash contribution and expenses

Breakdown pension cash contribution and expenses

Pensions <i>(in € millions)</i>	Q1 2017		Q1 2016	
	Expenses	Cash	Expenses	Cash
Business segments	25	30	26	30
IFRS difference	2		(1)	
PostNL	27	30	25	30
Interest	2		3	
Total	29		28	

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