Q2 & HY 2016 Results

8 August 2016

Solid Q2 results, implementation of our strategy 2020 on track

Gradual improvement underlying cash operating income fueled by solid performance

2016	2017	2020
Solid operational performance • Results in line with expectations **Sale TNT Express concluded** • Proceeds of €643 million to be used for debt reduction **Comfortable headroom in equity if interest rates were to reduce further** • Current low level of interest rates triggered further analysis and alignment accounting impact on equity with potential top-up payments	Expectation of and commitment to resuming dividend in 2017	
Reconfirmed outlook UCOI: €220m - €260m	Outlook UCOI 2017: €230m - €270m	Ambition UCOI 2020: €285m - €355m

Business review

Solid Q2 results, in line with expectations

Revenue	Underlying cash operating income	Net cash	Consolidated equity
€824m	**€47m**	**€77m**	**€(177)m**
Q2 2015: €824m	Q2 2015: €65m	Net debt Q1 2016: €578m	Q1 2016: €(194)m

- Addressed mail volume decline 7.6%
- Cost savings of €15 million
- Continued strong performance Parcels

- Financial position improved
  - Net profit (excluding sale of TNT Express) €21 million
  - Proceeds sale TNT Express €643 million
  - Negative net impact from pensions limited to €8 million, IFRS discount rate 1.5%

Mail in the Netherlands	Parcels	International
Deliver sustainable cash flow	Create further profitable growth	Enhance cash profitability

Strong financial position

Q2 2016: Mail in the Netherlands

Performance in line with expectations

Revenue	Underlying cash operating income	Addressed mail volume decline	Total cost savings
€453m	**€29m**	**7.6%**	**€15m**
Q2 2015: €463m	Q2 2015: €40m		

- Volume decline adjusted for working days 8.3%
  - Year-to-date market decline around 9%
- Revenue development influenced by higher internal revenue (cross border mail)
- Impact ACM measures (tariffs and conditions) and adjusted market approach as anticipated
- Underlying cash operating income impacted by other items (difficult market in unaddressed in 2016, decline in traditional cross border mail and lower bilaterals compared to Q2 2015)
- Continued solid cost savings of €15 million (€13 million in Mail in the Netherlands)
- Quality remains high at 97.2%, well above statutory minimum of 95%
- Final agreement reached on CLAs for PostNL and for Saturday deliverers

Mail in the Netherlands regulatory environment

Significant management attention remains important

USO

- In accordance with postal regulation: evaluation of USO will be conducted after Summer
- Process for new stamp price increase in 2017 started
- Adjustment retail network based on postal regulation effective 1 January 2016

	2015	2016	Target
Post boxes	18,000	Roll-out started	~8,700
Postal offices	2,300	Closing ~300	~1,000
Parcels points	600	Opening ~475	2,000
Outlets for stamps	5,000		6,000

Non-USO

- ACM published new draft decision on Significant Market Power (SMP) and Ministry of Economic Affairs published draft policy guideline about interpretation of SMP in a declining mail market
- PostNL has submitted its view on both documents
- PostNL is concerned about expected adverse effects
    - recent measures of ACM
    - possible outcome of SMP, also taking into account outcome of recent court cases
- As earlier indicated, financial impact of ACM measures expected to be between €30 million and €50 million annualised; full effect visible over 3-4 years period (2016-2019)

Cost savings of €15 million realised in Q2, mainly in operational processes

Execution of restructuring plans remains on track

Progress Q2 2016	*Towards 2020 ambition*
Efficiency sorting process • Implementation two sorting machines with coding capabilities started • Preparations to install additional SMXs	• *Innovate and enhance sorting process*
Efficiency delivery process • 7 depots migrated and 1 location optimised • Reorganisation personnel car unit almost fully completed	• *Optimise locations and transportation* • *Simplification and centralisation*
Optimise retail network • Preparations for reduction postal offices and growth in parcel points; implementation started in 2016	• *Increase online offering* • *Reduction of post boxes and postal offices*
Staff and management • Further implementation reduction of staff	• *Leaner operations and head office*
	Synergies and other • *Combine delivery networks*

Target cost savings of €345 million for 2015 – 2020, of which €115 million realised by Q2 2016

Continuous and sustainable innovation and customer focus

Campagne
A tribute to people who are committed to helping others

Mail in the Netherlands

Deliver sustainable cash flow

Parcels

Create further profitable growth

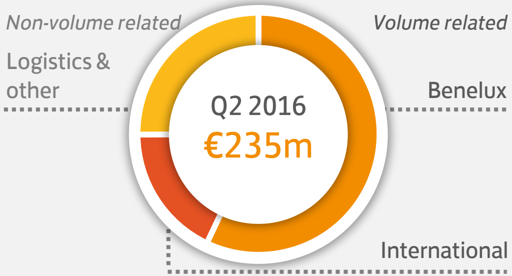
International

Enhance cash profitability

Strong financial position

Q2 2016: Parcels
Strong performance continued

Revenue break down



Revenue

€235m

Q2 2015 : €221m

Underlying cash operating income

€27m

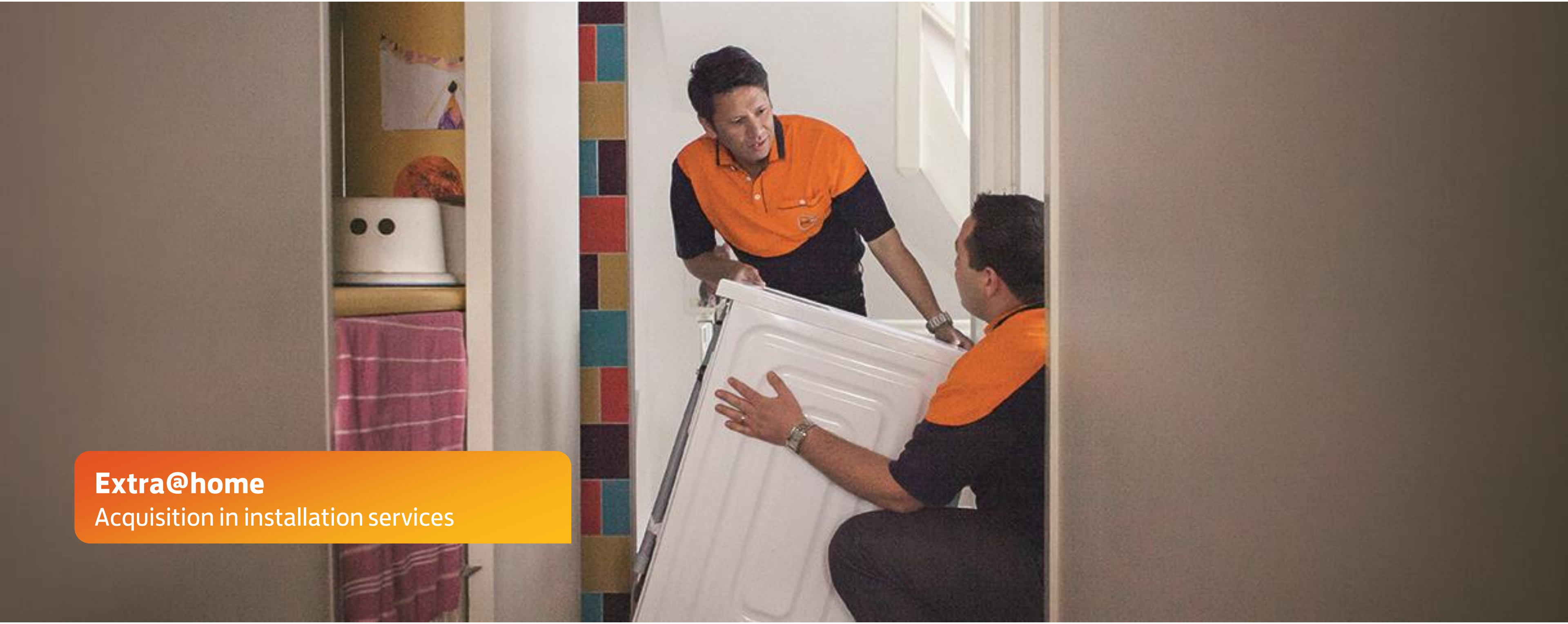
Q2 2015: €24m

Volume growth

16%

- Volume growth in Benelux and International adjusted for working days: 14%
  - Continuing strong growth in e-commerce
  - Further strengthen our market position in 2B
- Translated into 6% revenue growth
  - Negative product/customer mix effect in volume-related business (mainly due to expected milk powder decline)
  - Lower revenue growth in non-volume related business explained by amongst others lower internal revenue
- Improved business performance also explained by better efficiency (NLI fully operational)
- Implementation of sustainable delivery model on track; total financial impact expected to remain within range of €15 million - €20 million
- Continued focus on sustainable innovation to deliver profitable growth

Continuous and sustainable innovation
Expanding service offering



Extra@home
Acquisition in installation services

Continuous and sustainable innovation
Progress food delivery

Food: strong growth in main markets

- Online supermarkets (local and national)
- Meal boxes (pre selected ingredients and recipes)
- Niche and convenience services

- Growth in number of clients and volume per client
- Expanding food network on back of existing assets

Mail in the Netherlands

Deliver sustainable cash flow

Parcels

Create further profitable growth

International

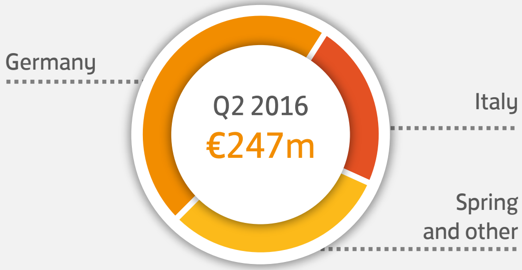
Enhance cash profitability

Strong financial position

Q2 2016 International

Results below last year, improvement expected in HY2

Revenue break down



Revenue

€247m

Q2 2015: €233m

Underlying cash operating income

€0m

Q2 2015: €5m

Germany

- Revenue stable, including impact from sale of last-mile activities in Frankfurt
- Temporary effect relocation of sorting centre and one-off in 2015
- Further cost savings and business improvement planned for HY2

Italy

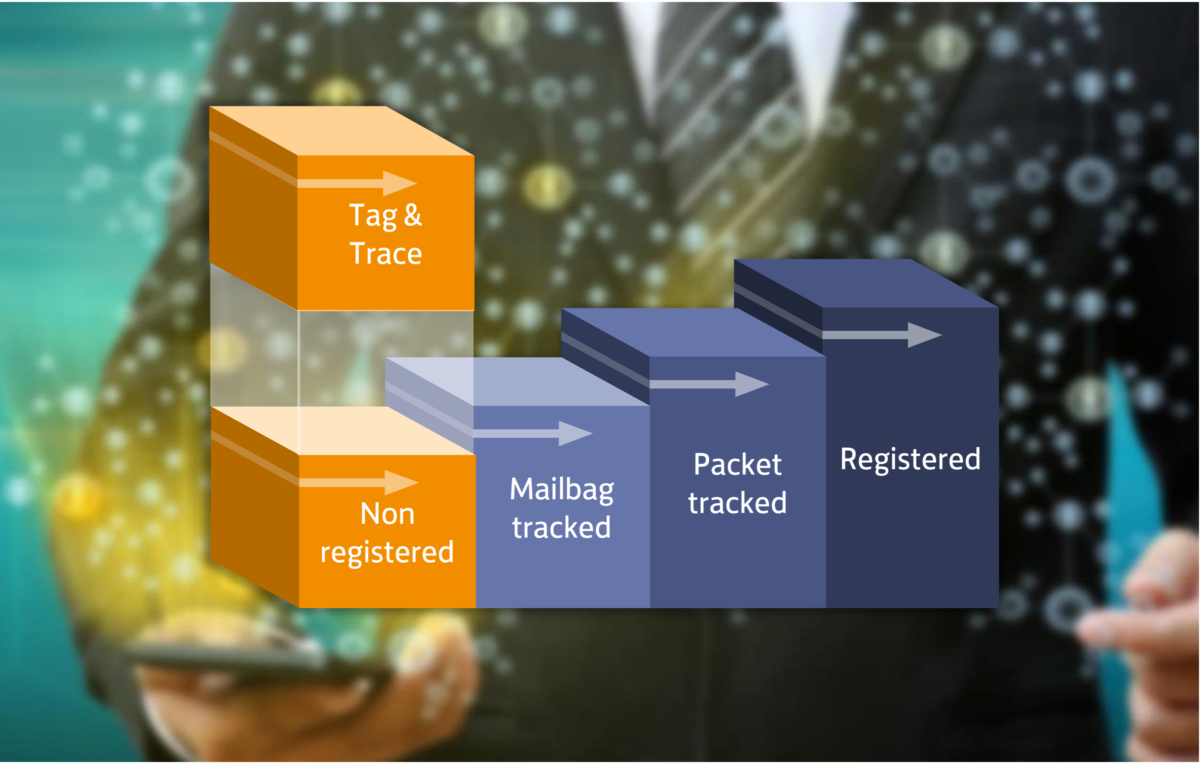
- Revenue increase in parcels offset by lower revenue in Formula Certa
- Result also impacted by start-up losses in parcels network
- Commercial and cost saving initiatives will improve business performance

Spring

- Continued growth from Asia and within Europe driven by e-commerce
- Translated into higher revenues and result
- Expanding service offering by for example international return solutions

Spring

RFID introduction in cross border e-commerce portfolio



Tag & trace: RFID tracking service

- Value added service for non-registered e-commerce items by application of very cost-effective address label with embedded RFID (Radio Frequency Identification) tag enabling tracking

- First postal company to offer this service

- Near 100% read quality; limiting human errors

- Covering ~90% of volume at time of product introduction

Mail in the Netherlands

Deliver sustainable cash flow

Parcels

Create further profitable growth

International

Enhance cash profitability

Strong financial position

Solid Q2 results, implementation of our strategy 2020 on track

Gradual improvement underlying cash operating income fueled by solid performance

2016	2017	2020
Solid operational performance • Results in line with expectations **Sale TNT Express concluded** • Proceeds of €643 million to be used for debt reduction **Comfortable headroom in equity if interest rates were to reduce further** • Current low level of interest rates triggered further analysis and alignment accounting impact on equity with potential top-up payments	Expectation of and commitment to resuming dividend in 2017	
Reconfirmed outlook UCOI: €220m - €260m	Outlook UCOI 2017: €230m - €270m	Ambition UCOI 2020: €285m - €355m

Financials

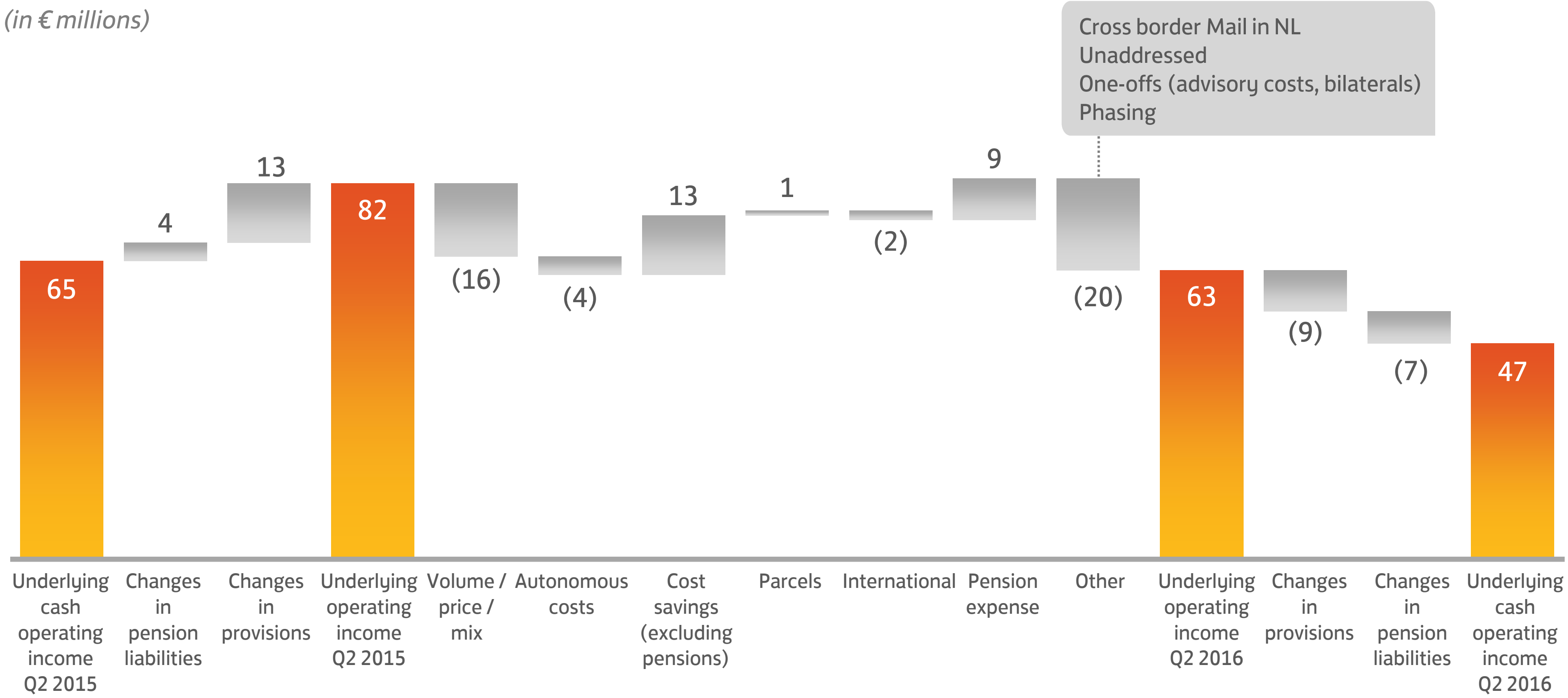
Financial highlights Q2 2016

Solid performance in delivering on our main KPI

(in € millions)	Q2 2016	Q2 2015	Change	HY 2016	HY 2015	Change
Reported revenue	**824**	**824**	**0%**	**1,688**	**1,674**	**1%**
Reported operating income	50	77	-35%	120	146	-18%
Restructuring related charges	5	5		12	14	
Project costs and other	8			10	2	
Underlying operating income	63	82	-23%	142	162	-12%
Underlying cash operating income	**47**	**65**	**-28%**	**108**	**133**	**-19%**
Net cash from operating and investing activities	**668**	**(57)**		**642**	**(32)**	
Excluding TNT Express	*25*	*(57)*		*(1)*	*(32)*	

Q2 2016: underlying (cash) operating income

Business performance in line with expectations



Cost savings of €15 million realised in Q2

Target €345 million for 2015 – 2020, of which €115 million realised

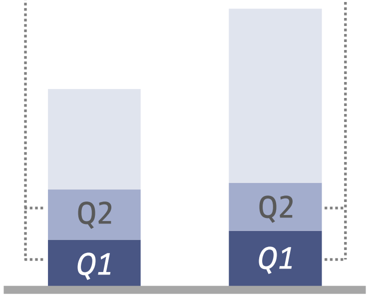
Cost savings and related cash out

(in € millions)

HY 2016
Cost savings: 30

HY 2016

Implementation costs:	13
Restructuring cash out:	19
Capex:	8



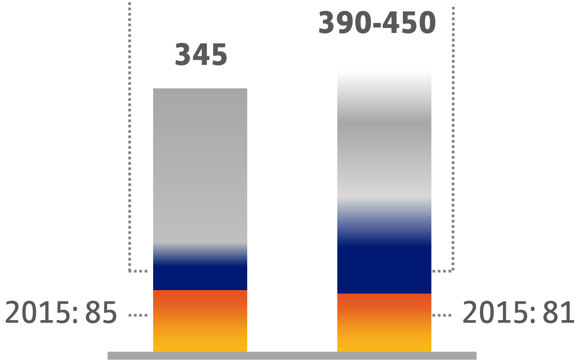
Structural cost savings | Related cash out

2016

2016
Cost savings: 50-70

2016

Implementation costs:	30-40
Restructuring cash out:	35-45
Capex:	~30



Structural cost savings | Related cash out

2015 - 2020

Q2 2016: results per segment

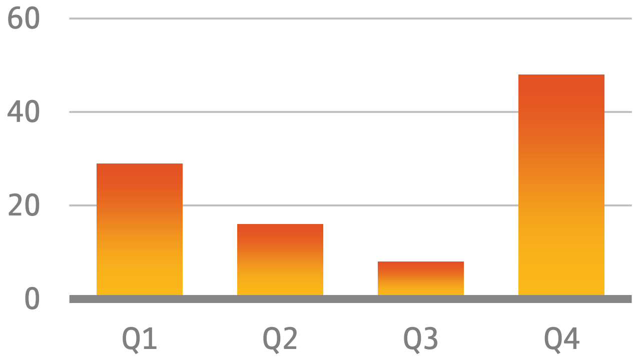
In line with expectations

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015
Mail in the Netherlands	453	463	41	57	29	40
Parcels	235	221	27	26	27	24
International	247	233	1	3	0	5
PostNL Other	45	45	(6)	(4)	(9)	(4)
Intercompany	(156)	(138)				
Total PostNL	**824**	**824**	**63**	**82**	**47**	**65**

	HY 2016	HY 2015	HY 2016	HY 2015	HY 2016	HY 2015
Mail in the Netherlands	925	939	92	116	67	86
Parcels	469	437	56	51	55	49
International	513	485	4	6	3	8
PostNL Other	89	92	(10)	(11)	(17)	(10)
Intercompany	(308)	(279)				
Total PostNL	**1,688**	**1,674**	**142**	**162**	**108**	**133**

FY 2016 underlying operating income outlook reconfirmed: €220 million - €260 million
Q3 2016 expected to be better than FY 2016 trend

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**

Q3 2016

- Expected strong performance in Parcels
- Anticipated improved performance in International
- Higher capex and possible phasing of working capital between Q3 and Q4

Statement of income

Profit for the period includes completion sale of TNT Express

(in € millions)	Q2 2016	Q2 2015	HY 2016	HY 2015
Revenue	824	824	1,688	1,674
Operating income	**50**	**77**	**120**	**146**
Net financial expenses	127	(19)	110	(40)
Results from investments in associates and joint ventures	0	(2)	1	(1)
Income taxes	(11)	(17)	(26)	(31)
Profit/(loss) from continuing activities	**166**	**39**	**205**	**74**
Profit/(loss) from discontinued activities		**(43)**		**(44)**
Profit for the period	**166**	**(4)**	**205**	**30**
Excluding TNT Express	*21*	*(6)*	*60*	*28*

Net cash impacted by TNT Express

Lower interest and income taxes paid

(in € millions)	Q2 2016	Q2 2015	HY 2016	HY 2015
Cash generated from operations	**37**	**44**	**86**	**128**
Interest paid	(1)	(14)	(2)	(15)
Income taxes received / (paid)	(2)	(61)	(67)	(106)
Net cash (used in) / from operating activities	**34**	**(31)**	**17**	**7**
Interest / dividends received / other	(2)	(2)	(1)	(1)
Capex	(14)	(25)	(27)	(41)
Proceeds from sale of assets	650	1	653	3
Net cash (used in) / from operating and investing activities	**668**	**(57)**	**642**	**(32)**
Excluding sale TNT Express	*25*	*(57)*	*(1)*	*(32)*

		Q2 2016	HY 2016	2016 outlook
Capex	Base capex	10	19	
	Cost savings initiatives	4	8	
	New sorting and delivery centres	-	-	
	Total	**14**	**27**	**Around 100**

Consolidated statement of financial position

Financial position further strengthened

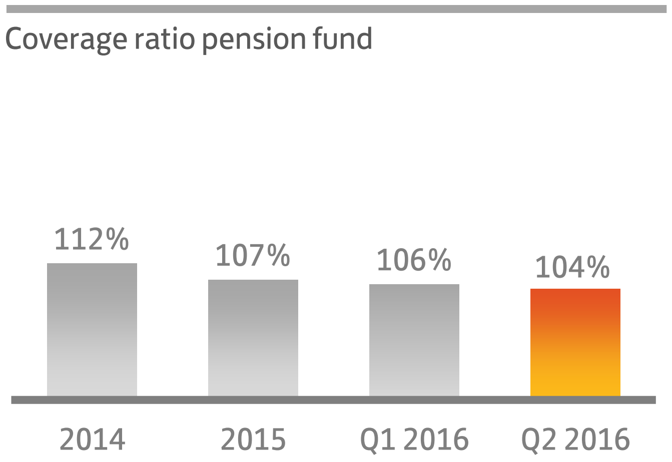
(in € millions)	2 July 2016		2 July 2016
Intangible fixed assets	146	*Consolidated equity*	*(177)*
Property, plant and equipment	486	*Non-controlling interests*	*2*
Financial fixed assets	86	Total equity	(175)
Other current assets	522	Pension liabilities	479
Cash	987	Long-term debt	913
Assets held for sale	11	Other non-current liabilities	85
		Short-term debt	3
		Other current liabilities	933
Total assets	**2,238**	**Total equity & liabilities**	**2,238**

- Net debt decreased by €655 million to €(77) million compared to the end of Q1 2016
- Consolidated equity improved by €17 million to €(177) million compared to the end of Q1 2016
- Corporate equity of €2,301 million, of which €223 million distributable

Pensions

Limited negative impact of €(8) million on equity

(in € millions)		Q2 2016
Return on plan assets in excess of interest income		248
Defined benefit obligation		(271)
Of which:		
Lower IFRS discount rate	*(271)*	
Minimum funding requirement		12
Total pension		**(11)**
Net effect on equity within OCI		**(8)**



- IFRS discount rate per end Q2 2016 at 1.5%

Limited sensitivity to equity position if interest rates would further decline

Alignment IFRS accounting and (potential) top-up payments

- Ongoing decline interest rates to current low level triggered additional analysis on impact equity

- Current analysis shows that main pension liability is expected to be capped to:
  - unconditional funding obligation of €129 million, plus
  - estimated top-up payments
- Estimated top-up payments are:
  - triggered when 12-months average coverage ratio pension fund is below 104%, and
  - pension fund unable to recover to 104% within five years, taking into account development of interest rate pension fund and assumed reasonable excess return on assets of 1.5%*, and
  - capped at 1.25% of obligations of pension fund (currently around €95 million, pre-tax) per annum, for at most five consecutive years

- Based on our projections (starting point Q2 2016 actuals, interest rate pension fund ~1.0%):
  - 0.5% decline in the pension fund's interest rate compared to Q2 would only impact equity relatively limited
  - Each 0.1% further decline** would impact equity by around €50 million

* Based upon expert opinions
** All other relevant variables remaining unchanged

Solid Q2 results, implementation of our strategy 2020 on track

Gradual improvement underlying cash operating income fueled by solid performance

2016

Solid operational performance

- Results in line with expectations

Sale TNT Express concluded

- Proceeds of €643 million to be used for debt reduction

Comfortable headroom in equity if interest rates were to reduce further

- Current low level of interest rates triggered further analysis and alignment accounting impact on equity with potential top-up payments

Reconfirmed outlook UCOI:

€220m - €260m

2017

Expectation of and commitment to resuming dividend in 2017

Outlook UCOI 2017:

€230m - €270m

2020

Ambition UCOI 2020:

€285m - €355m

Q&A

Appendix

- Breakdown pension cash contribution and expenses

Breakdown pension cash contribution and expenses

Pensions	Q2 2016		Q2 2015	
(in € millions)	Expenses	Cash	Expenses	Cash
Business segments	26	32	31	38
IFRS difference	(1)		3	
PostNL	**25**	**32**	**34**	**38**
Interest	3		4	
Total	**28**		**38**	

Published by:
PostNL NV
Prinses Beatrixlaan 23
2595 AK The Hague
The Netherlands
T: +31 88 86 86 161

Additional information is available at postnl.nl

Warning about forward-looking statements:

Some statements in this presentation 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 our control and impossible to predict and 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 we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this presentation and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.