Q2 & HY 2019 Results

The Hague, 5 August 2019

Q2 & HY 2019 Results

Key takeaways Q2 & HY 2019

Business review Q2 2019 and progress transition

Financial review Q2 & HY 2019

Outlook 2019

Q&A

Key takeaways

- Underlying cash operating income Q2 at €41m, up €8m
- Net cash from operating and investing activities improved by €66m
- 51% of our revenue in HY 2019 related to e-commerce
- Interim dividend set at €0.08 per share
- Agreement reached to sell Postcon business
- Process intended consolidation Sandd in progress

Agreement reached to sell Postcon business

Focus on core markets in Benelux and transformation of PostNL

Postcon

- Agreement signed on sale of activities Postcon, our German subsidiary, to Quantum Capital Partners
- Closing expected before year-end 2019, subject to a number of conditions, including regulatory approval
- Allows Postcon to further develop its activities and strengthen its position in the German postal market

Nexive

- Good progress divestment process; further negotiations ongoing to reach best possible outcome

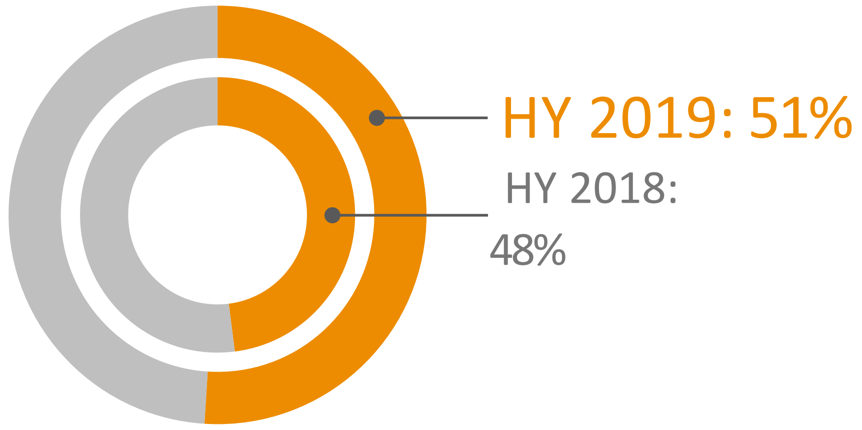
Underlying cash operating income increased to €41m

Outlook 2019 reiterated

	Revenue	Underlying cash operating income	Net cash from operating and investing activities	Profit from continuing activities
Q2 2019	€681m	€41m	€21m	€25m
Q2 2018	€666m	€33m	€(45)m	€9m

Progress transition

(% of revenue relating to e-commerce)



- Good financial performance
  - Underlying cash operating income increased by €8m
  - Net cash from operating and investing activities improved by €66m
  - Profit from continuing operations up €16m
- Outlook 2019 for underlying cash operating income reiterated at between €170m - €200m

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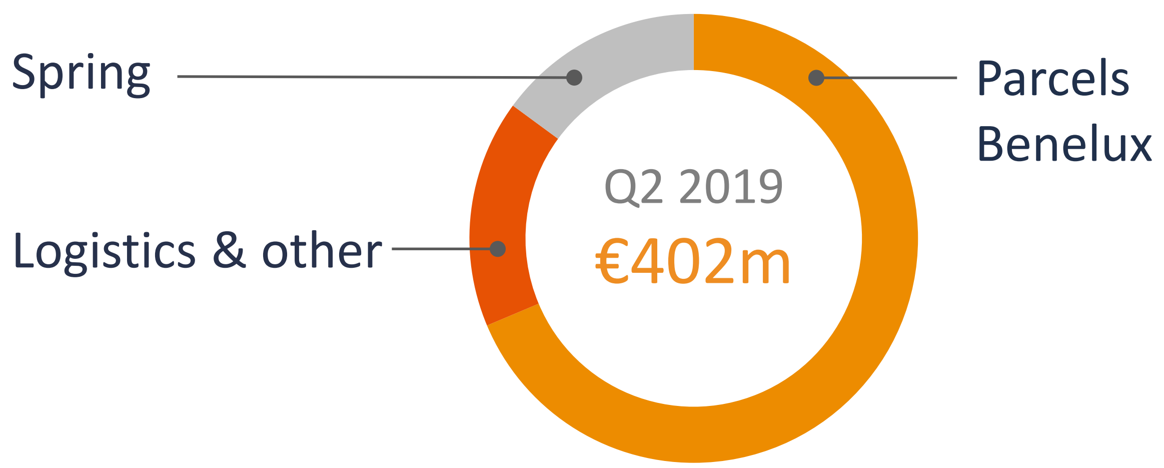
Parcels - continued volume and revenue growth

Spring's declining result impacted performance

	Revenue	Underlying cash operating income	Volume growth
Q2 2019	€402m	€30m	13%
Q2 2018	€373m	€31m	

Revenue mix



Revenue development Parcels Benelux benefiting from ongoing positive trend in e-commerce

- Effect volume growth (€38m), slightly offset by negative price/mix effect of €(3)m; with slightly lower growth in some customer segments in this quarter

Spring and Logistics & other

- Spring: fiercely competitive landscape, especially in Asia, resulting in price pressures; global macroeconomic pressures
- Growth in Logistics

Result Parcels at €30m

- Performance Parcels Benelux increased by €1m
  - volume/price/mix resulted in performance improvement of €7m
  - organic cost increases (CLA and indexation) of €4m
  - better operational efficiency more than offset by costs related to infrastructure expansion: additional costs up €2m
- Result for Spring down €(3)m, performance Logistics improved (€1m)

Leading e-commerce logistics company in Benelux

Our ambition is to be your favourite deliverer

Better balance between volume growth, profitability and cash conversion

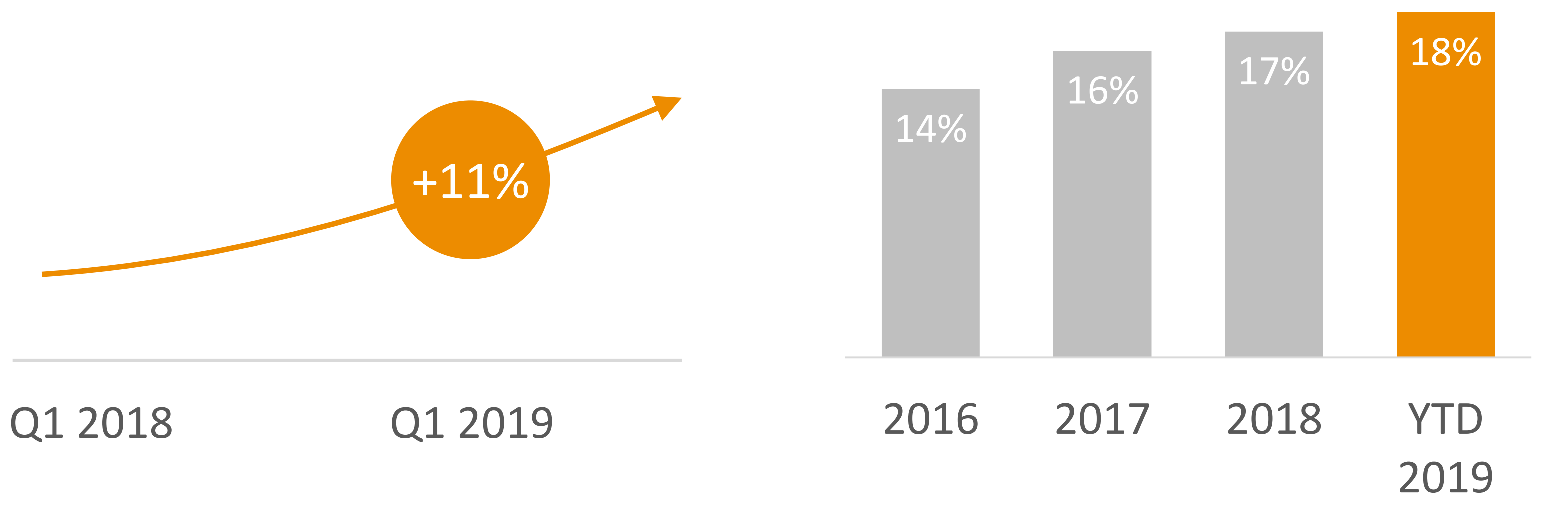
- Capture future growth
- Invest in new capacity and innovate our network
- Improve value through yield management
- Optimise supply chain and reduce costs
- Being a good employer and reduce environmental footprint

Capture future growth

Assumed volume development 2022 ~14% CAGR

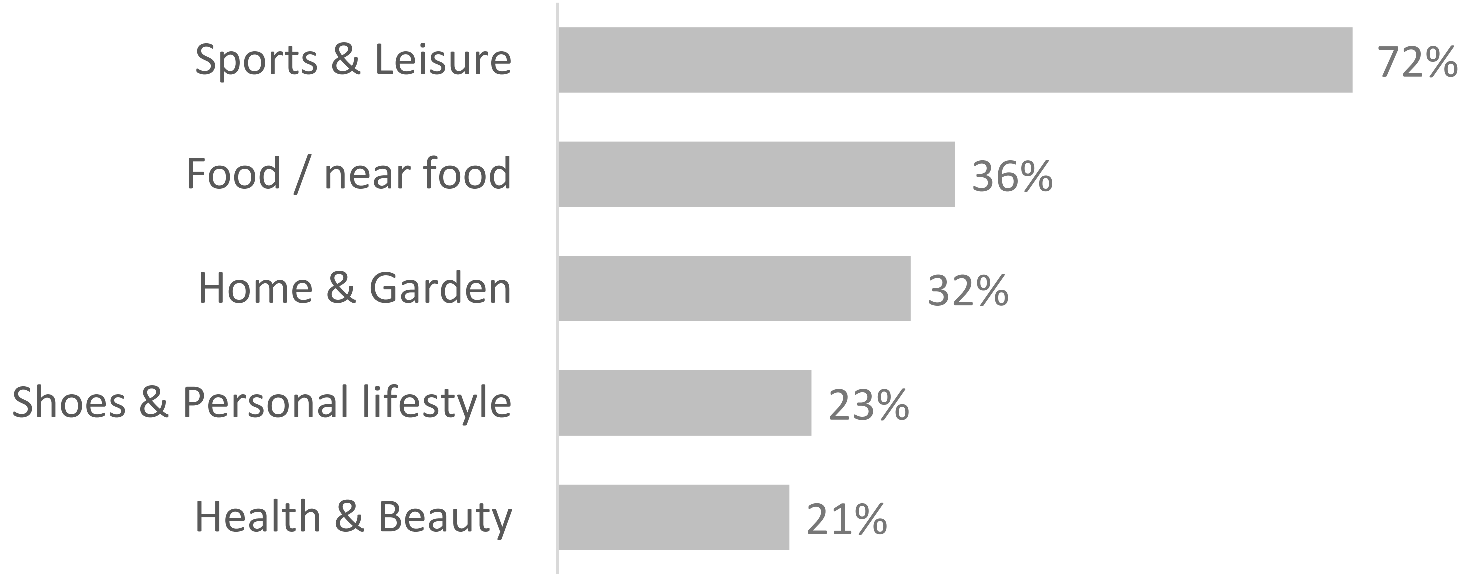
Growth online spending and retail share

(only products)



Top 5 online spending per sector

(growth rate Q1 2019 vs Q1 2018)

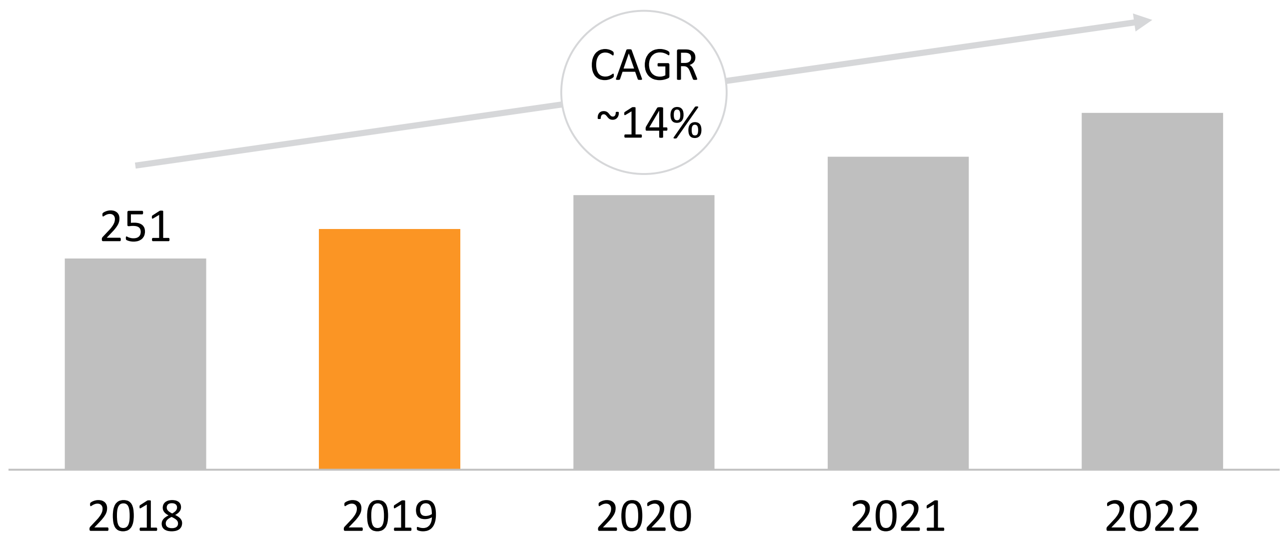


Source: Thuiswinkelmonitor, Q1 2019

Developments Q2

- Further volume growth (13%) in B2C and B2B driven by e-commerce
- Growth in volume and revenue additional services (Evening, Sunday and Food)
- Further development in logistics (especially Extra@Home)

Assumed volume development



Invest in new capacity and innovate our network

Continue to improve utilisation of network structure

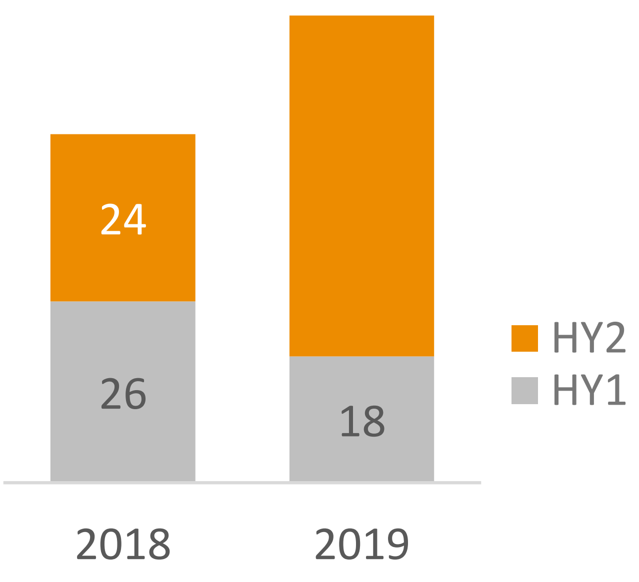
Milestones Q2

- Opening depot in Almere
- Start building depot in Tilburg
- Planning small parcel sorting centre on track: Nieuwegein location confirmed
- Opening new cross-dock location

Network-related capex and financial lease

(in € million)

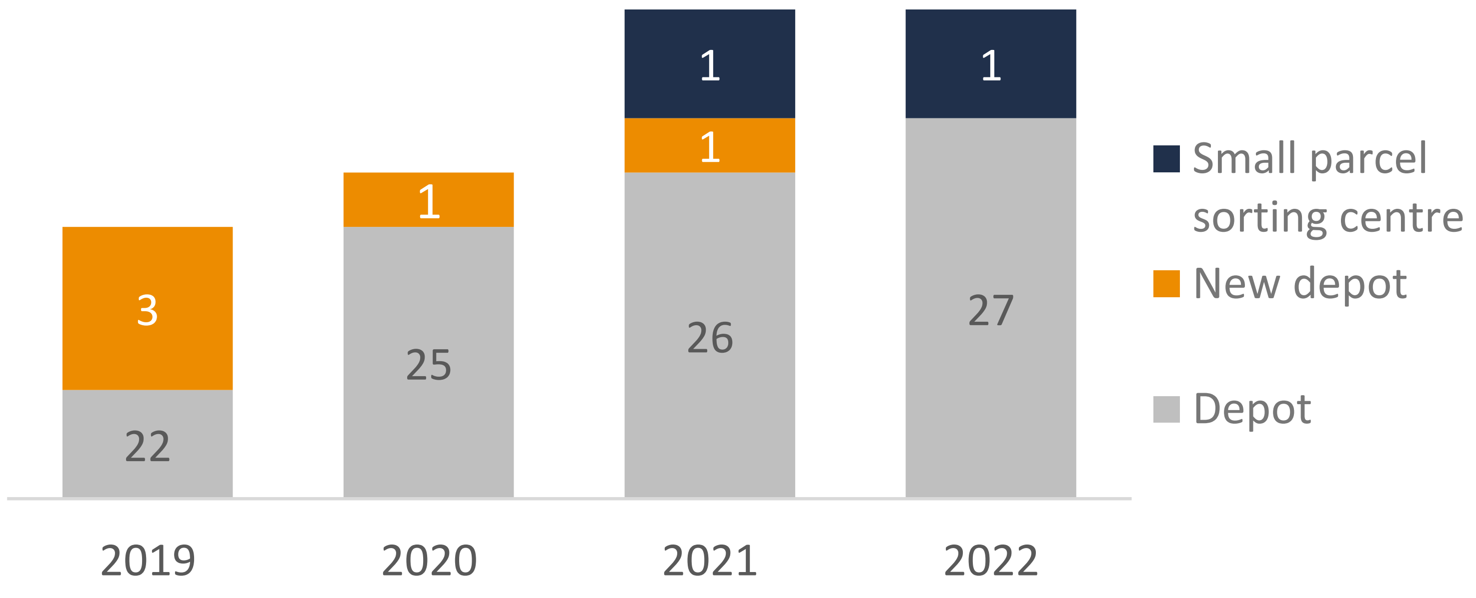
	2018		2019
	HY1	HY2	HY1
Network capex	26	3	2
Financial lease	0	21	16



Expected in HY2 2019

- Opening depots in Dordrecht and Tilburg
- Continue to improve utilisation of current depots
- Peak season preparations

Network development



Initiatives to improve future margin

Improve value through yield management

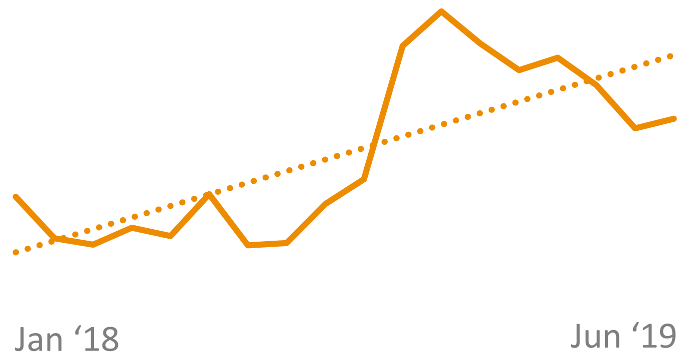
- Preparations for pricing initiatives
- Active discussions with customers, aiming to better balance volume and value
- Continued focus on customer value management
- Lead through innovation: introduction of digital notification for senders at retail locations

Optimise supply chain and reduce costs

- Efficiency gains by higher drop duplication
- Initiatives on first-time-right delivery in progress
- Steps to further optimise transport, collection and network structure

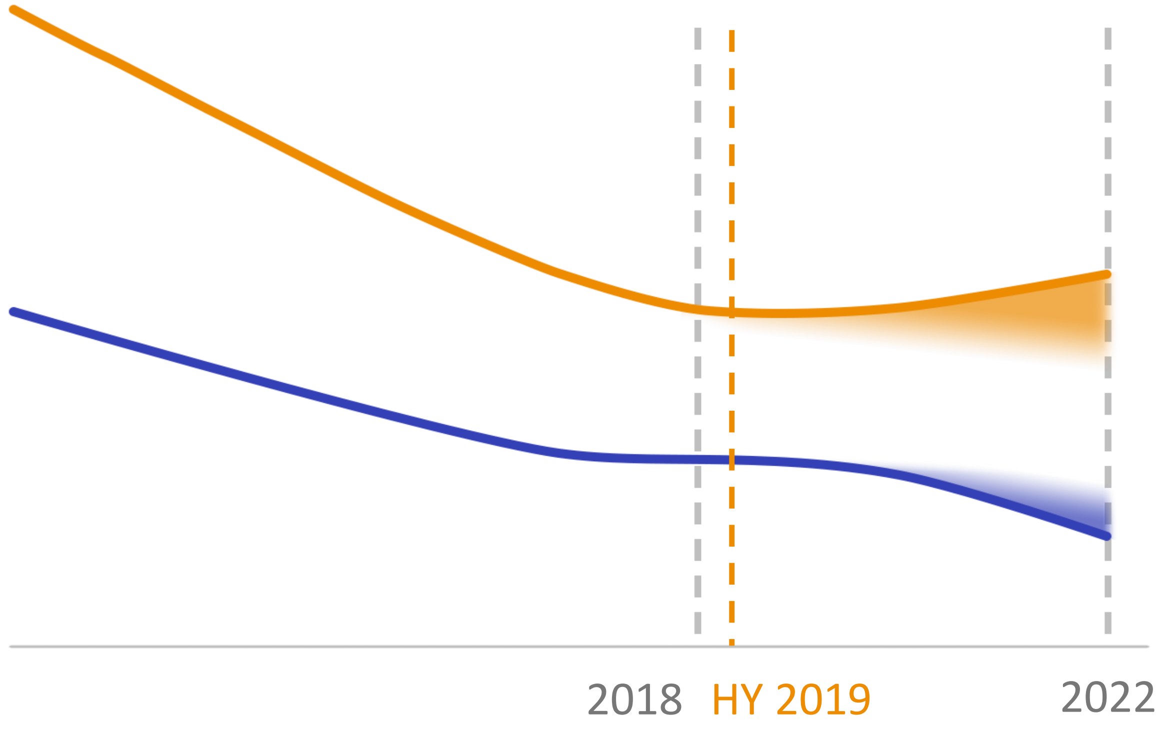
Drop duplication

Hit rate



Revenue and costs per parcel

(Indicative)



Mail in the Netherlands

Good financial result, supported by lower cash out for pensions and provisions

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
Q2 2019	€380m	€13m	€12m of which €8m in Mail in the Netherlands	9.0%*
Q2 2018	€400m	€6m		

Business development

- Main trends, such as volume decline and tight labour market, continued
- Volume declined by 9.0%, driven by ongoing substitution, loss to competition due to less network access and loss of volumes to competition
- Favourable impact product mix
- Delivery quality stable at 95%

Result improved

- Impact from volume/price/mix effect of €(8)m and autonomous cost increases of €6m not offset by cost savings of €8m
- Significantly lower cash out for pensions and provisions (€9m)
- Other effects had a positive impact of €4m

** Adjusted volume decline 9.8%, corrected for one extra working day*

€12m cost savings achieved in Q2 2019, continuing run-rate

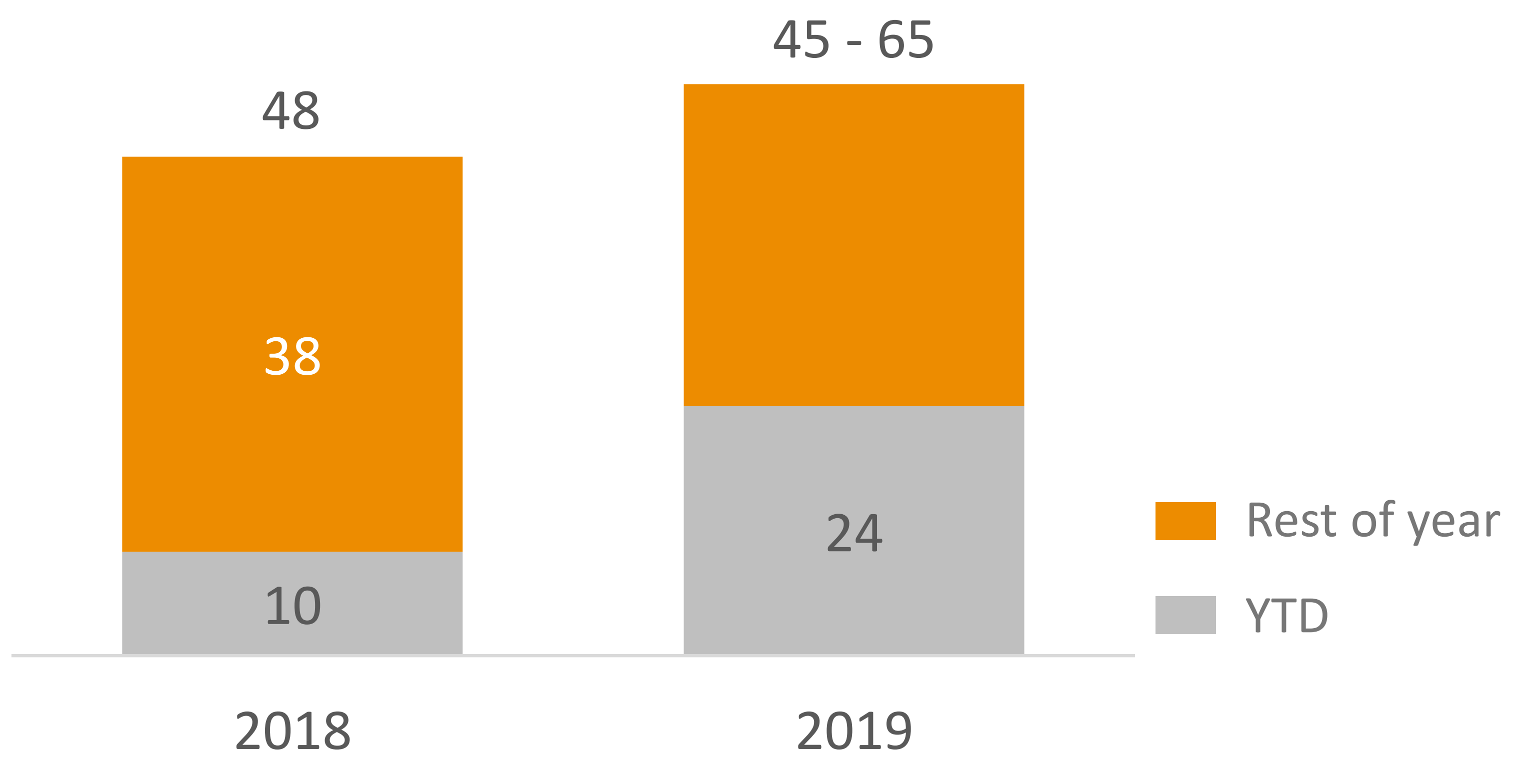
FY 2019 cost savings expected to be in €45m - €65m range

Cost savings Q2 2019

Reduction line management and overhead	• Implementation staff reduction according to plan
Efficiency sorting and delivery process	• Roll-out adjustments in delivery process completed
Implementation New mail route	• Switch to equal-flow model started in June, with non-time-critical mail delivered on five days instead of three days

Cost savings YTD

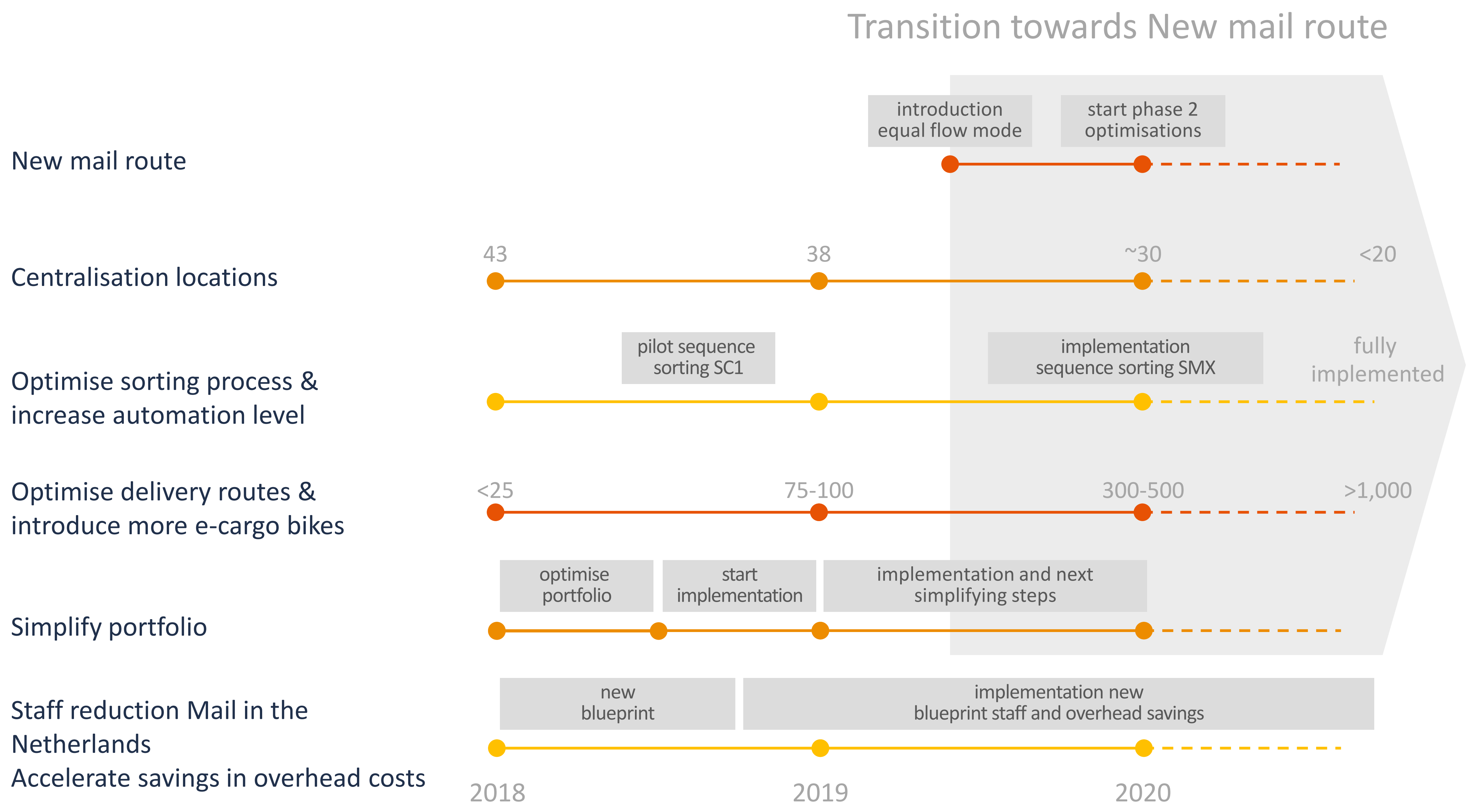
(in € million)



Following the announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

Anticipated step-up cost savings in 2019 - 2020

Step change in business model enables us to adapt organisation to future volume declines



Switch to New mail route started in June

- Contracts with customers adjusted to enable equal flow model
- Full implementation of sequence sorting and adjusted delivery process completed
- Contracts with more hours offered to employees to match working hours with longer delivery routes
- Prepared mail bags provided to deliverers at an earlier time in the day
- Well-managed process progressing according to plan
- Contribution to cost savings from 2020 onwards, implementation costs in 2019

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Regulatory update

Proposed amendments to Postal Act

- Overall, PostNL supports the proposed changes
- Council of State to advise on proposed amendments to Postal Act

Significant Market Power – no news

- ACM has published new draft decision (December 2018)
- No final decision yet
- Financial impact related to ACM measures will be adjusted back to between €50m and €70m, fully visible in 2021, if draft decision becomes final

Following the announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

Being a good employer and reduce environmental footprint

Being a good employer

- Continuously looking for initiatives to realise favourable working conditions
  - Active dialogue with own people and delivery partners to improve engagement
  - Initiatives to make working in hot weather more convenient

Reduce environmental footprint

- SBTi confirmed emission-free targets PostNL (2025 and 2030)
- Further roll-out of city logistics programme by start emission-free delivery of business goods in city centres of Groningen, The Hague, Maastricht, Utrecht and Nijmegen

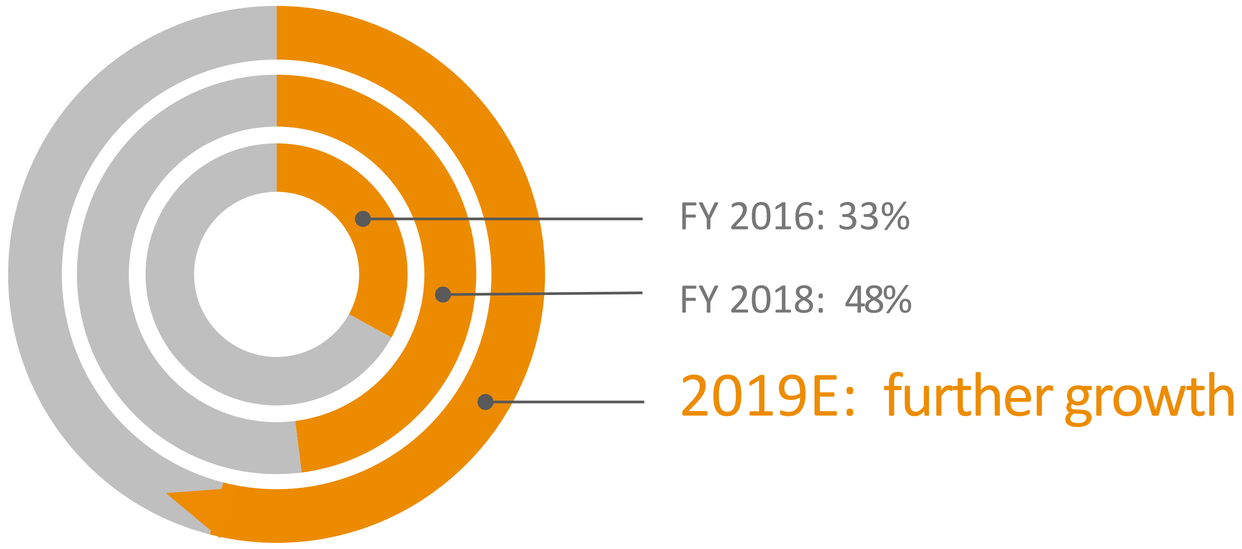
Good financial performance in Q2 2019

- Underlying cash operating income increased by €8m to €41m
- Net cash from operating and investing activities at €21m (Q2 2018: €(45)m), improvement of €66m
- Profit from continuing operations increased by €16m to €25m

- Outlook 2019 for underlying cash operating income reiterated at between €170m - €200m

Towards e-commerce logistics player

(% of revenue relating to e-commerce)



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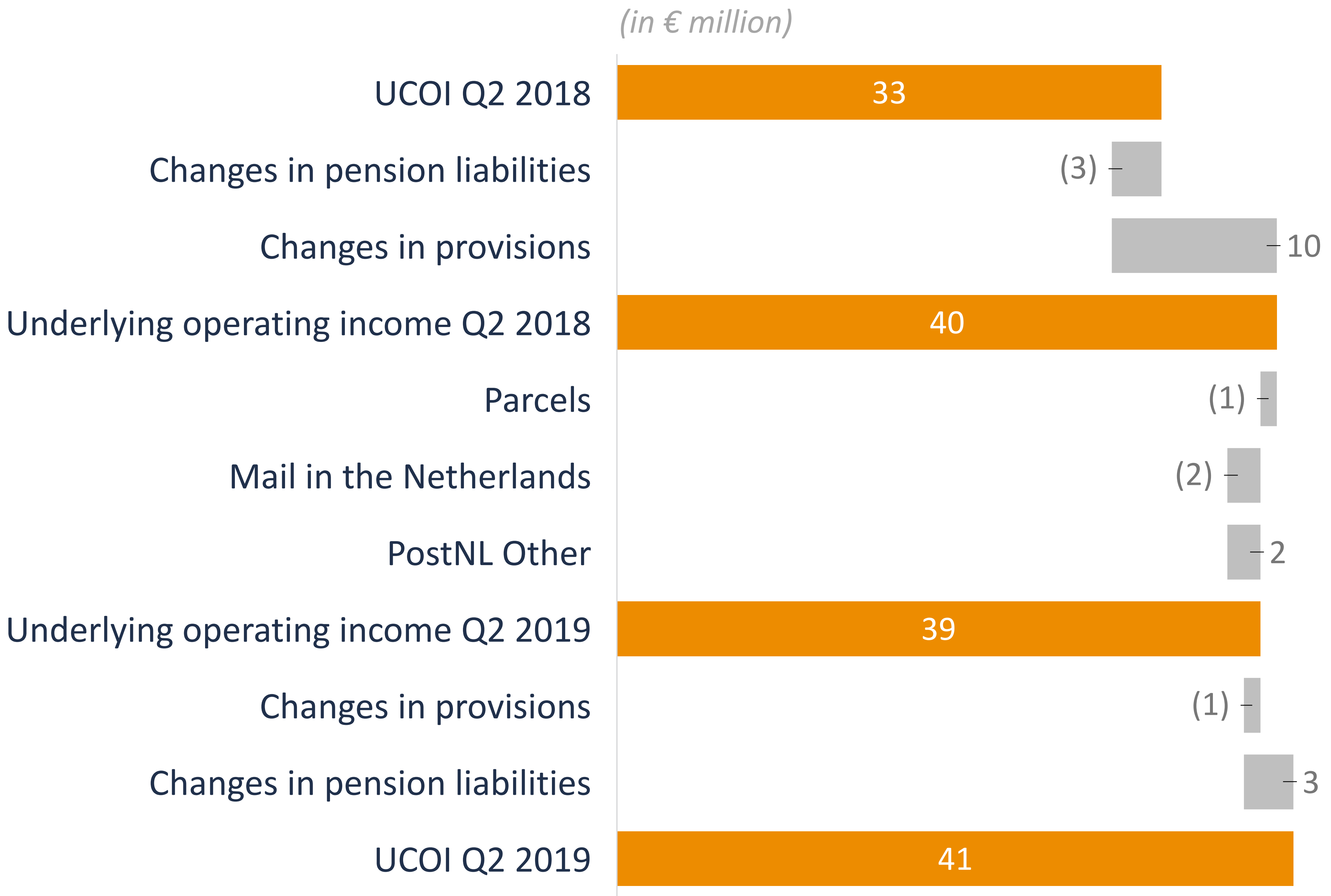
Q2 & HY 2019 Results

Financial highlights continuing operations

Good financial performance in Q2 2019

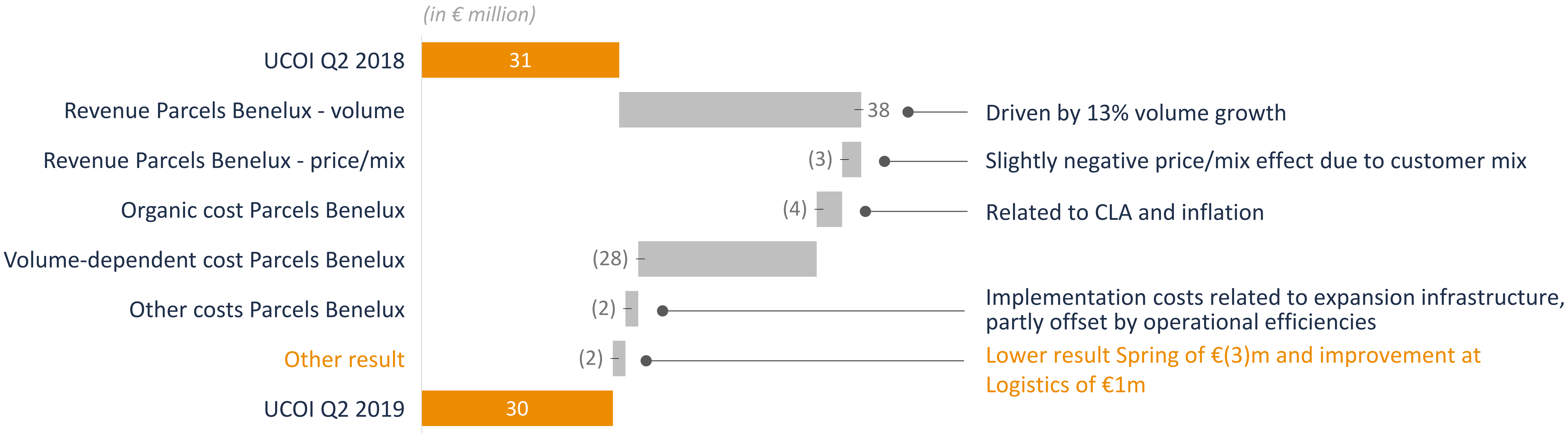
(in € million)	Q2 2018	Q2 2019	HY 2018	HY 2019
Reported revenue	666	681	1,340	1,365
Reported operating income	21	37	61	59
Project costs and other	20	2	22	11
Elimination intercompany results from discontinued operations	(3)	0	(5)	(1)
Normalised EBIT	38	39	78	69
Restructuring-related charges	2		3	
Underlying operating income	40	39	81	69
Change in provisions	(10)	(1)	(23)	(4)
Change in pension liabilities	3	3	7	7
Underlying cash operating income	33	41	65	72
Net cash from/(used in) operating and investing activities	(45)	21	(34)	25

Underlying cash operating income increased by €8m

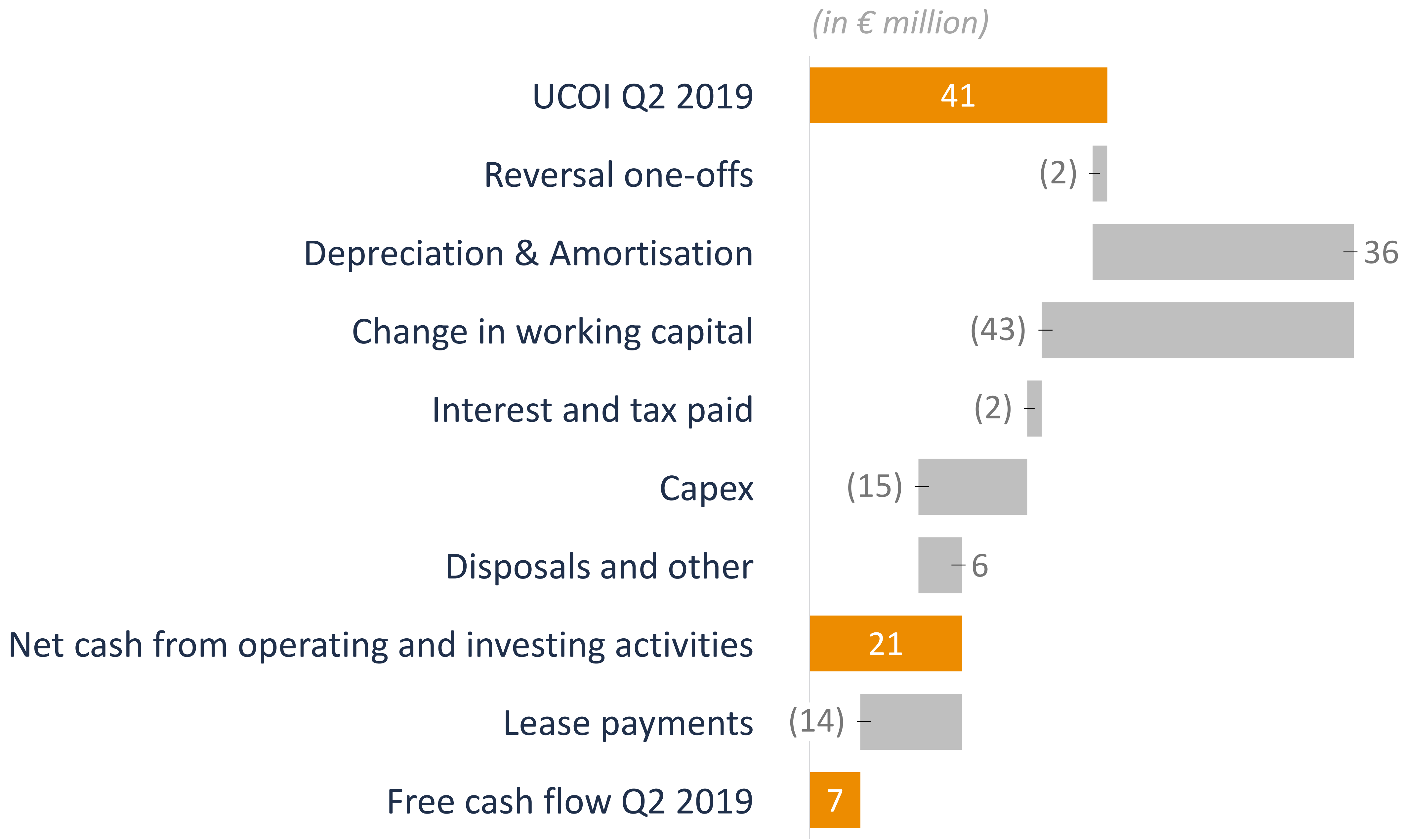


Performance Parcels Benelux increased €1m

More than offset by lower result in Spring



Generation of free cash flow in Q2 2019



Capex
(in € million)

	Q2 2019	HY 2019
Base capex	11	19
Cost savings initiatives	3	5
New sorting and delivery centres	1	1
Total capex (2019: max. 100)	15	25

Statement of income

Profit from continuing operations increased by €16 m in Q2 2019

(in € million)	Q2 2018	Q2 2019	HY 2018	HY 2019
Revenue	666	681	1,340	1,365
Operating income	21	37	61	59
Net financial expenses	(8)	(4)	(16)	(7)
Results from investments in associates and joint ventures	0	0	0	0
Income taxes	(4)	(8)	(13)	(12)
Profit from continuing operations	9	25	32	40
Loss from discontinued operations	(10)	(29)	(19)	(38)
Profit for the period	(1)	(4)	13	2

- Loss from discontinued operations: €(29)m in Q2 2019, mainly explained by a fair value adjustment and a negative business result

IFRS 16 impact Q2 2019

Impact of previously reported off-balance sheet operational leases (continuing operations)

(in € million)	Parcels	Mail in the Netherlands	PostNL Other	PostNL
Right-of-use assets (new)	70	31	24	125
Lease liabilities	+71	+31	+25	+127
Depreciation & Amortisation	+7	+3	+4	+14
Operating income	+0.3	+0.2	+0.2	+0.7
Net financial expenses	+0.3	+0.2	+0.2	+0.7
Net cash from operating activities	+7	+3	+4	+14
Net cash from financing activities	−7	−3	−4	−14

Consolidated statement of financial position

Monitoring capital markets for a new debt arrangement

(in € million)	29 Jun 2019		29 Jun 2019
Intangible fixed assets	210	*Consolidated equity*	(7)
Property, plant and equipment	449	*Non-controlling interests*	*3*
Right-of-use assets	180	Total equity	(4)
Other non-current assets	72	Pension liabilities	317
Other current assets	409	Long-term debt	398
Cash	214	Long-term lease liabilities	122
Assets classified as held for sale	196	Other non-current liabilities	23
		Short-term lease liabilities	48
		Other current liabilities	677
		Liabilities related to assets classified as held for sale	149
Total assets	1,730	Total equity & liabilities	1,730

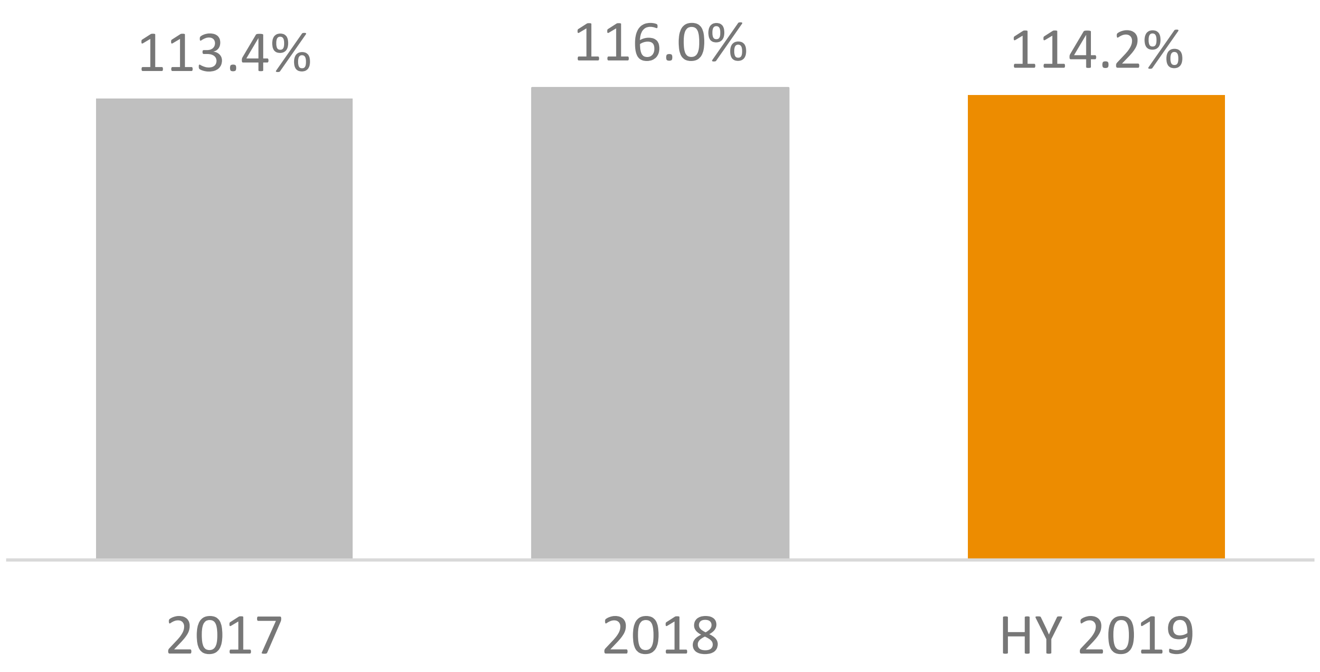
- Adjusted net debt is €702m; gross debt (Eurobond, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position
- Adoption of IFRS 16 Leases per 1 January 2019
  - Recording of right-of-use assets and increased lease liabilities for operating leases, mainly related to rent and lease of buildings and transport fleet
  - Right-of-use assets include transferred finance leases and capitalised leasehold rights and ground rent contracts (from PP&E)

Coverage ratio pension fund at 114.2%

Negative impact of pensions on equity €3m

(in € million)	Q2 2019
Return on plan assets in excess of interest income	224
Defined benefit obligation	(291)
Minimum funding requirement	63
Total pension	(4)
Net effect on equity within OCI	(3)

Coverage ratio pension fund



- Netted pension liabilities HY 2019: €317m
  - €33m Fifth and last instalment of unconditional funding obligation to be paid in Q4 2019
  - €284m Transitional plans

2019 Interim dividend of €0.08 per share

Prudent financial framework

Financial framework

- Solid balance sheet and positive consolidated equity
- Aiming leverage ratio (adjusted net debt*/EBITDA) not > ~ 2x
- Strict cash flow management

Priorities for capital allocation

- Investments to accommodate further growth in Parcels
- Dividend policy unchanged
- Invest in growth: close to core, adjacent and transformational
- Intention to compensate for dilution of EPS in later years

Impact acquisition Sandd and expected development free cash flow

- Acquisition to be funded through cash on hand and new debt
- Intended consolidation and investments in Parcels expected to result in leverage ratio > ~ 2x for a period of 12 – 24 months
- Temporary delay in dividend payments

2019 Interim dividend set at €0.08 per share

- 1/3rd of total dividend 2018, to be paid in cash or shares, at the choice of the shareholder
- In line with dividend policy

2019 Interim dividend calendar

7 August	ex-dividend date
8 August	record date
9 - 23 August, 3PM CET	election period
26 August	announcement conversion rate
27 August	payment date interim dividend

** Adjusted net debt: gross debt (Eurobond, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position*

Following the announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

Q2 & HY 2019 Results

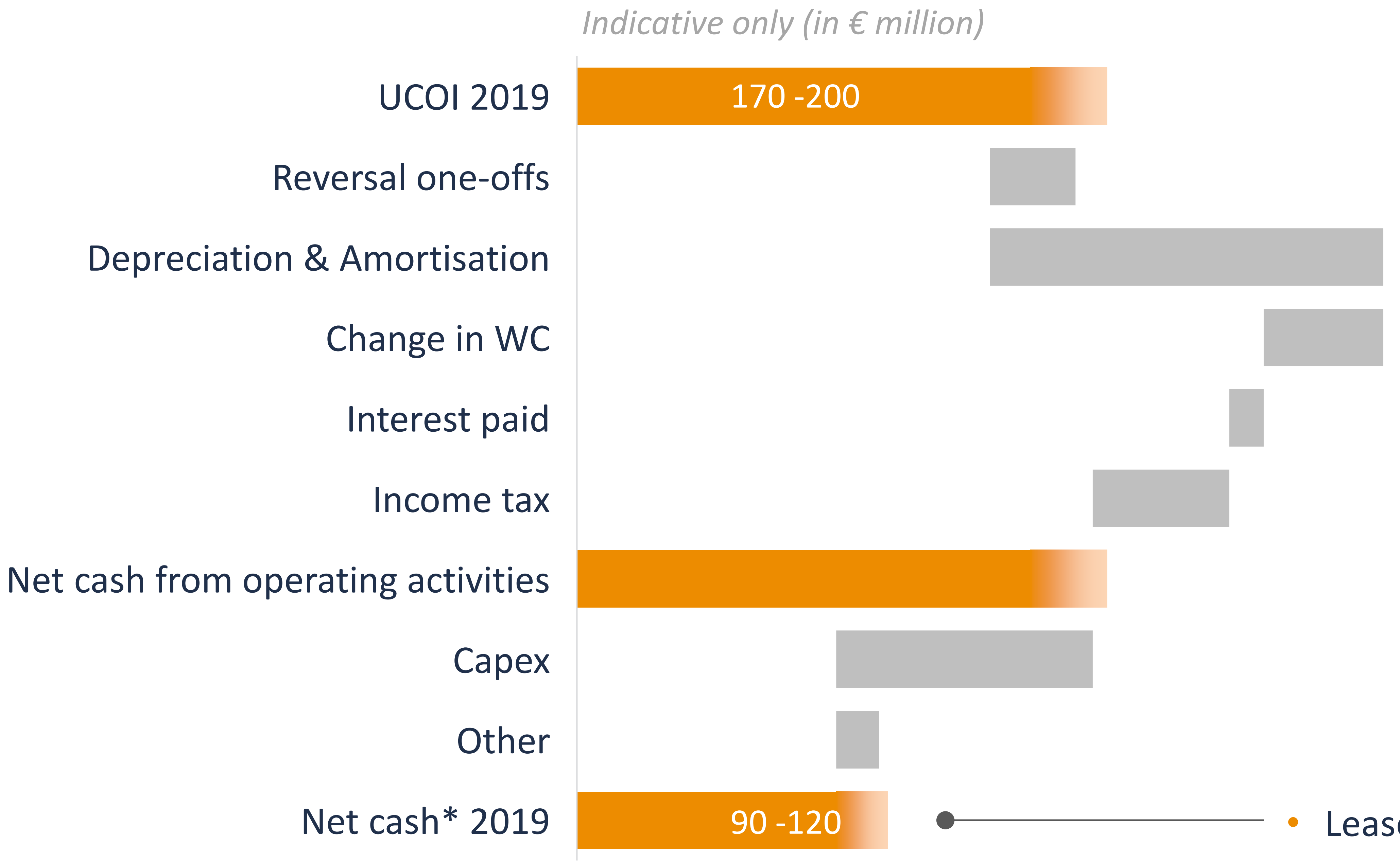
Outlook 2019 reiterated

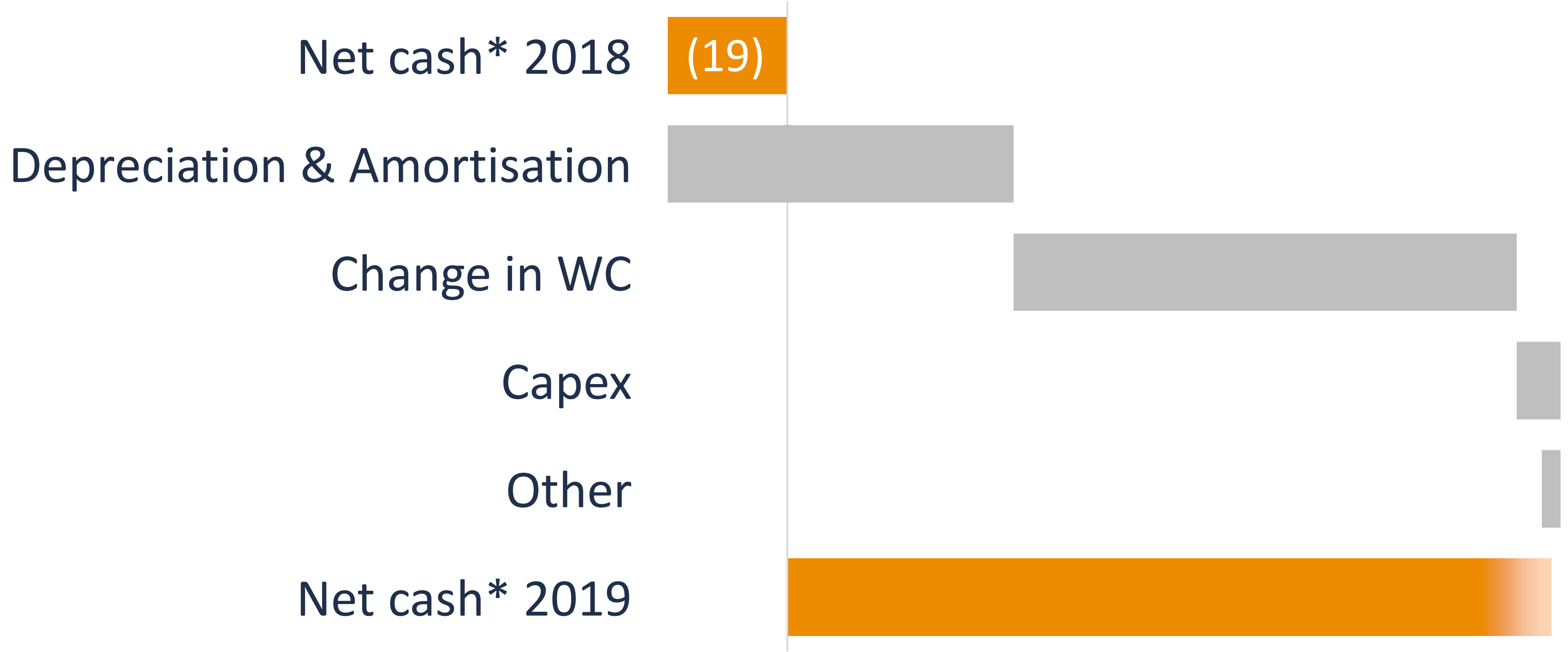
(in € million)	Revenue 2018	Revenue outlook 2019	UCOI / margin 2018	UCOI / margin outlook 2019	compares to normalised EBIT (margin)
Parcels	1,555	+ low teens	117 *(7.5%)*	7.5%-9.5%	7.5%-9.5%
Mail in the Netherlands	1,678	- mid single digits	93 *(5.5%)*	3%-5%	3%-5%
PostNL Other / eliminations	(461)		(22)		Δ~(15)*
Total	2,772	+ low single digits	188	170-200	155-185

- normalised EBIT as new key metric for profitability as of 2020 (comparative numbers for 2019)
- reflection of business performance; one-off and significant non-business related items are excluded and explained
- normalisations in EBIT equal to underlying items in UCOI for 2019 except for restructuring-related costs
- difference between UCOI and normalised EBIT visible in PostNL Other, mainly due to pensions
- closing of the intended transaction with Sandd in Q4 2019 could impact underlying cash operating income in 2019 by €25 million - €35 million, depending on timing

Following the announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

Strong improvement net cash from operating and investing activities expected compared to 2018





- Lease payments (around €55m)
- Acquisitions
- Dividend

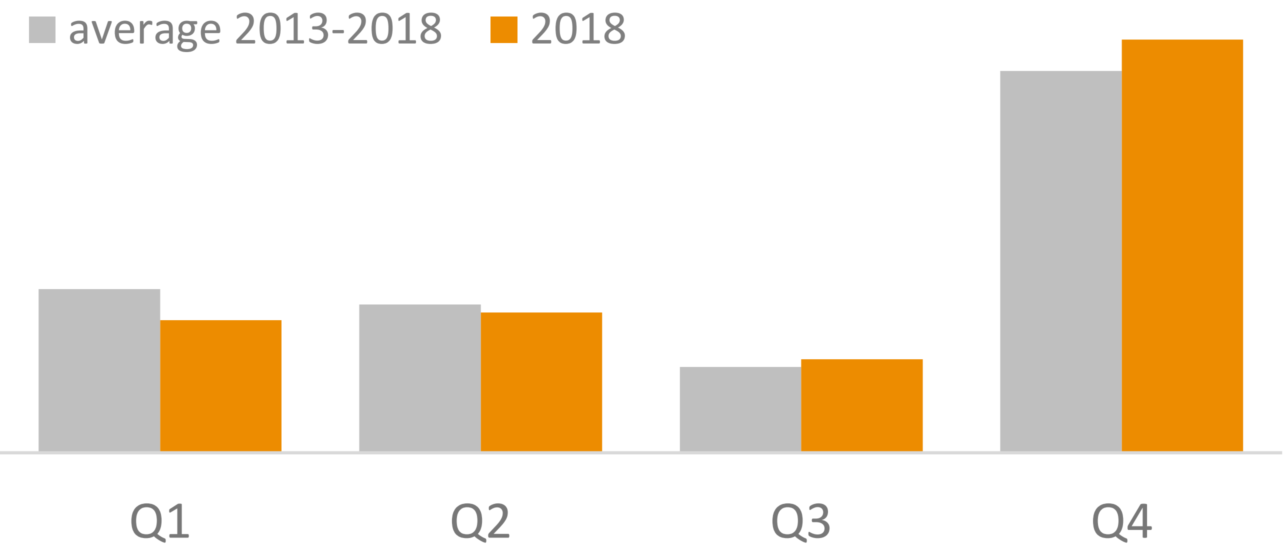
**Net cash from operating and investment activities*

Following the announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

Seasonal pattern

UCOI split 2013 - 2018

(in %)



Working days	2018	2019
Q1	64	63
Q2	61	62
Q3	65	65
Q4	64	65
Total	254	255

Attention points for Q3 2019

- Outlook underlying cash operating income 2019: between €170m and €200m (FY 2018: €188m)
- Underlying cash operating income Q3 2018: €23m
- Mail in the Netherlands: effect from lower cash-out for provisions and pensions mainly visible in HY1

Following the announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change.

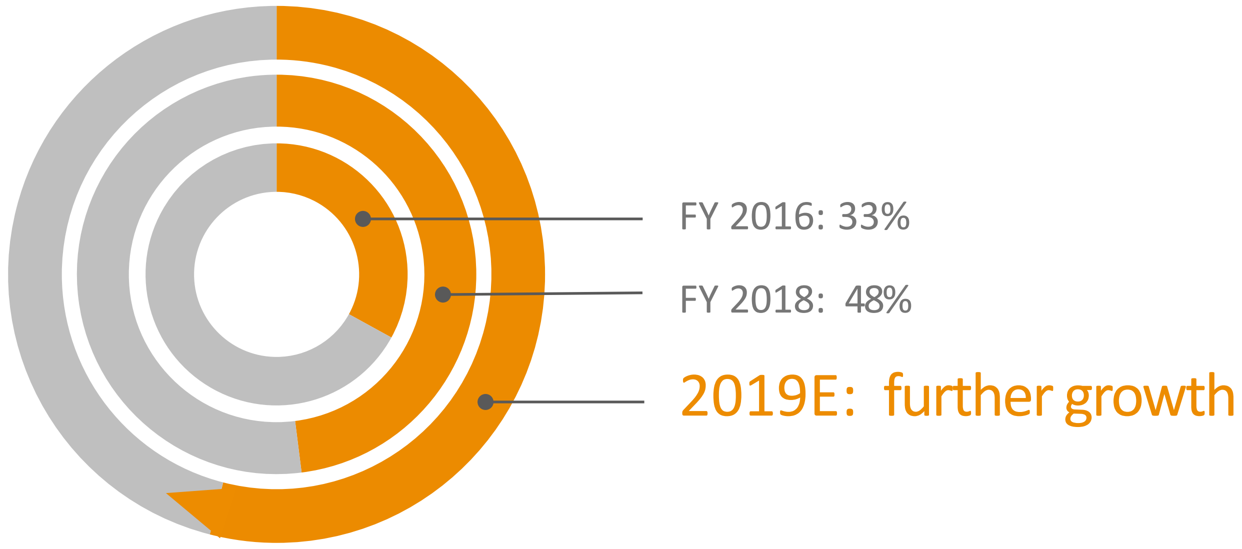
Good financial performance in Q2 2019

- Underlying cash operating income increased by €8m to €41m
- Net cash from operating and investing activities at €21m (Q2 2018: €(45)m), improvement of €66m
- Profit from continuing activities increased by €16m to €25m

- Outlook 2019 for underlying cash operating income reiterated at between €170m - €200m

Towards e-commerce logistics player

(% of revenue relating to e-commerce)



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Q2 & HY 2019 Results

Appendix

- Results by segment Q2 and HY
- Underlying (cash) operating income HY
- Breakdown pension cash contribution and expenses

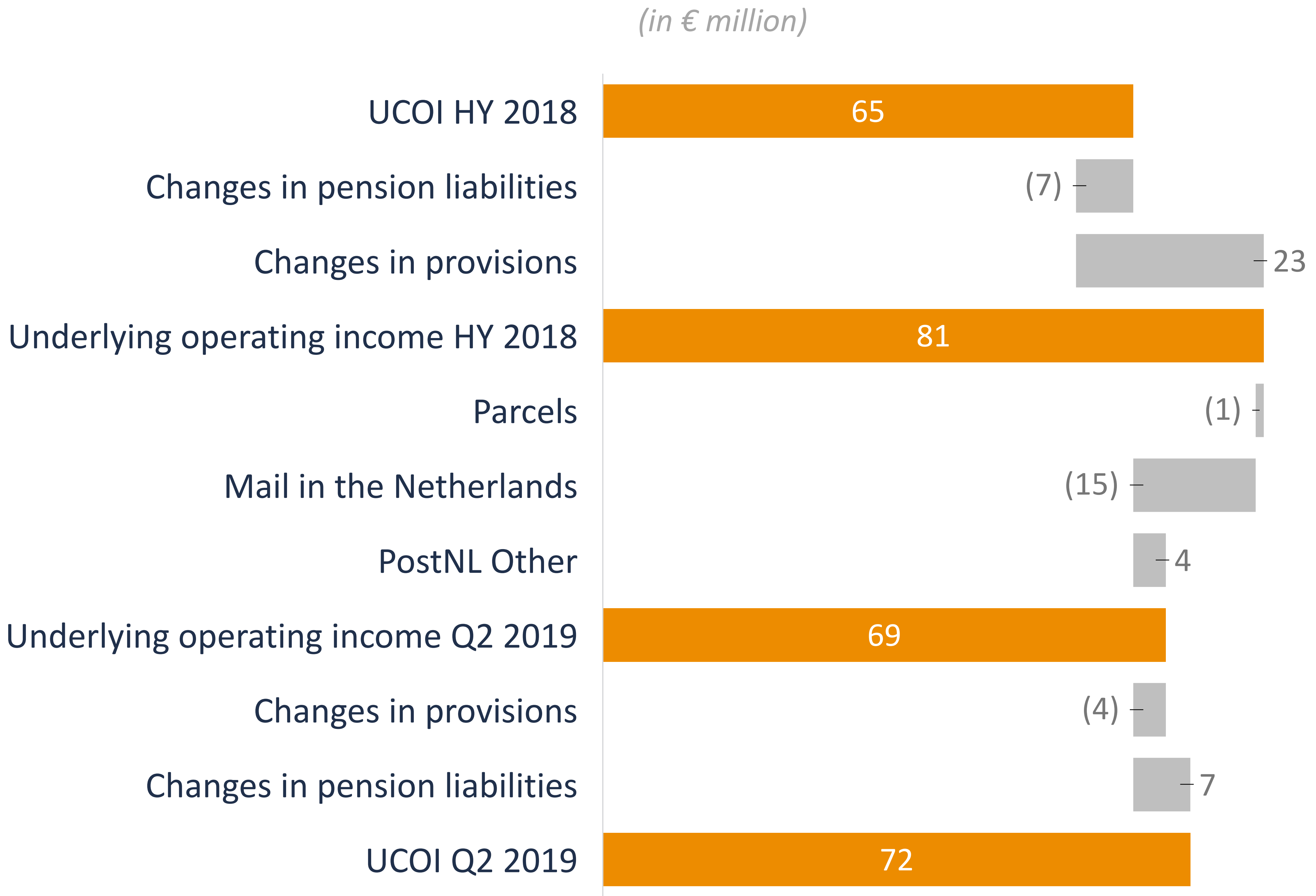
Results by segment Q2 2019

(in € millions)	Revenue		Normalised EBIT		Underlying operating income		Underlying cash operating income	
	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019
Parcels	373	402	32	29	32	31	31	30
Mail in the Netherlands	400	380	17	17	18	16	6	13
PostNL Other	19	19	(11)	(7)	(10)	(8)	(4)	(2)
Intercompany	(126)	(120)						
Total PostNL	666	681	38	39	40	39	33	41

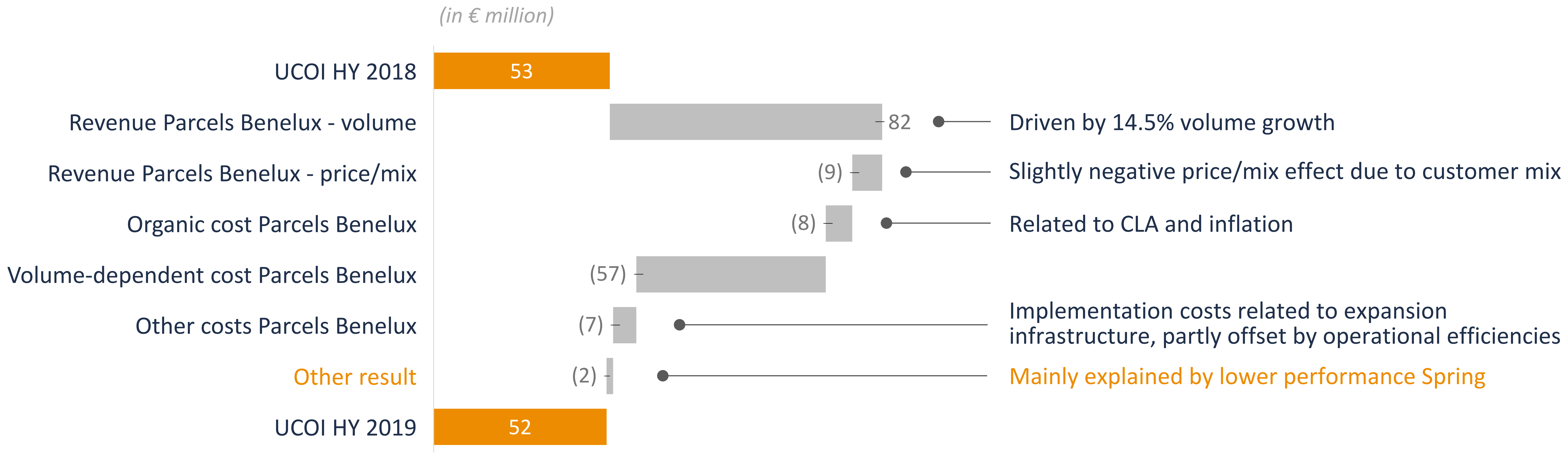
Results by segment HY 2019

(in € millions)	Revenue		Normalised EBIT		Underlying operating income		Underlying cash operating income	
	HY 2018	HY 2019	HY 2018	HY 2019	HY 2018	HY 2019	HY 2018	HY 2019
Parcels	741	800	55	52	55	54	53	52
Mail in the Netherlands	824	772	45	33	47	32	23	28
PostNL Other	37	40	(22)	(16)	(21)	(17)	(11)	(8)
Intercompany	(262)	(247)						
Total PostNL	1,340	1,365	78	69	81	69	65	72

Underlying (cash) operating income HY 2019



Underlying (cash) operating income Parcels HY 2019



Breakdown pension cash contribution and expenses

(in € million)	Q2 2018		Q2 2019	
	Expenses	Cash	Expenses	Cash
Business segments	25	29	25	27
IFRS difference	7		5	
PostNL	32	29	30	27
Interest	2		2	
Total	34		32	

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