Q2 & HY 2018 Results

Focus on Benelux: preparations for divestment Nexive and Postcon initiated

The Hague, 6 August 2018

Key takeaways

Business review

Financial review

Conclusion

Q&A

Preparations for divestment Nexive and Postcon initiated

Strategic rationale

- In line with our strategy to be the postal and logistic solutions provider and focus on our core markets in the Benelux
- Full confidence that management teams of Nexive and Postcon will be able to realise their strategic ambition, develop their activities and strengthen their position in Italy and Germany respectively
- Preparations for the processes have been started and we will update the market when appropriate

Technical adjustments and financial impact in Q3 2018

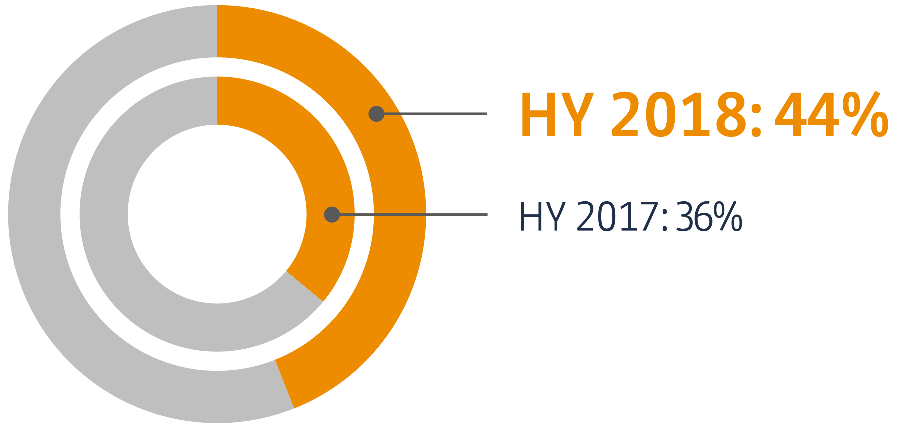
- Nexive and Postcon classified as discontinued operations
- Resulting in adjusted segment reporting
  - Mail in the Netherlands
  - Parcels (including Spring)
  - PostNL Other
- Anticipated financial impact on consolidated equity position of around €(40)m in Q3 2018
  - consolidated equity expected to be positive per YE 2018

Q2 & HY 2018 Results: trends seen in Q1 continued

Outlook 2018 for continuing operations between €160m and €190m

	Revenue	Underlying cash operating income
Q2 2018	**€851m**	**€25m**
Q2 2017	€836m	€46m

Progress accelerating transformation towards > 50% of revenue related to e-commerce in 2020



- Q2 results as expected below last year and in line with development as seen in Q1 with no material changes in underlying drivers

Outlook 2018 – based on continuing operations

- Expected full year underlying cash operating income of between €160m and €190m
  - adjustment fully contributable to classification of Nexive and Postcon as discontinued operations, technical adjustment of margin for Parcels (including Spring) to 7.5% - 9.5%
  - cost savings expected to be slightly below earlier indication, compensated by lower implementation costs
  - no changes in revenue and margin outlook 2018 for the segments Mail in the Netherlands and Parcels (including Spring)
  - subject to final implementation of SMP decision

Dividend

- Aim for progressive dividend confirmed
- Interim dividend 2018 set at €0.07 per share

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Confidence in our strategy

Solidify our position as leading e-commerce logistics company in the Benelux

one postnl

Unlock value through accelerating transformation > > >

Mail in the Netherlands	Connect senders and receivers through our people and innovative postal networks	**Deliver sustainable cash flow**
Parcels	Be the logistic solutions provider that makes our customers' lives easier	**Create further profitable growth**
International	Following the decision to divest Nexive and Postcon, as of Q3 2018 this segment will disappear. Spring will be reported in Parcels	

Capturing e-commerce growth

We aim to be the Postal & Logistic solutions provider in the Benelux

Mail in the Netherlands

Volume decline in line with expectations

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
Q2 2018	**€400m**	**€6m**	**€10m** of which €6m in Mail in the Netherlands	**10.8%**
Q2 2017	€434m	€17m		

Key takeaways Q2 2018

- Volume decline driven by ongoing substitution and competition, supported by regulation; continued high decline in single mail
- Significant Market Power
  - ACM published preliminary tariffs for postal operators; PostNL submitted its views; final tariff decision expected after summer
  - Court's ruling on appeal against SMP decision expected end of September 2018 at the earliest
  - Financial impact between €50m and €70m on annualised basis, effect fully visible in FY 2020; impact subject to final implementation
- Cost savings lower than anticipated
  - Delays in implementation of sorting code and other adjustments in operational process
  - Anticipated full year cost savings to be slightly below indication of between €50m and €70m
- Performance also includes autonomous cost increases, less cash out for provisions and pensions, and other
- Delivery quality at 95%

PostNL welcomes outcome postal dialogue

Swift political action required to facilitate consolidation

Postal dialogue and letter of state secretary of Economic Affairs

- Main conclusions state secretary of Economic Affairs
  - Urgency to align regulation with shrinking market and reduce legislation that stimulates competition
  - USO must remain affordable; reliability and accessibility of postal market and decent labour conditions must be preserved
  - USO unchanged, but should become exclusive to avoid cherry-picking
  - Consolidation of networks best solution to keep cost per mail item affordable; requires further guidance on conditions that would allow for consolidation
  - No reason for sector specific regulation in parcel market

Implementation of conclusions of postal dialogue

Next steps in process:

- Debate in parliament after summer
- Swift political action required to facilitate consolidation

Our focus remains on:

- Increasing run-rate cost savings
- Innovation
- Reliable and accessible mail delivery
- Adjusting organisation to continuing volume decline

Implementation is expected to impact :

- Business drivers in Mail in the Netherlands and phasing of anticipated cost savings and related cash-out in years towards 2020

€10m cost savings realised in Q2 2018 (€18m YTD)

FY 2018 cost savings expected to be slightly below bandwidth of €50m and €70m

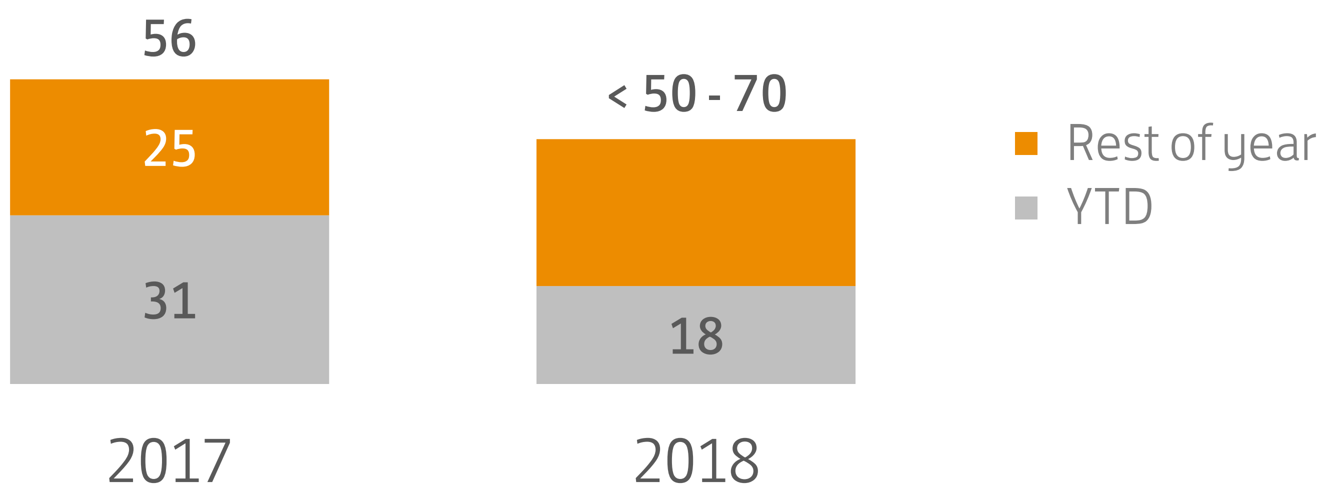
Cost savings Q2

- Reduction of 1,000 post boxes
- Reduction in line management, supported by our mobility program
- Further integration of international mail activities
- Delays in roll-out sorting code and adjustments in operational process

Improvement in HY2 2018

- Continuation of implementation sorting code in five locations in June
- Calendar for remaining locations determined
- Next step in further improvement operational process in agreement with works' council, to start in Q3
- More cost savings plans in overhead announced

Cost savings YTD
(in € millions)



Cost savings expected to be slightly below earlier indication compensated by lower implementation costs

Anticipated step-up cost savings after 2018

Well-supported by several projects underpinned by robust plans and clear milestones

Centralisation locations

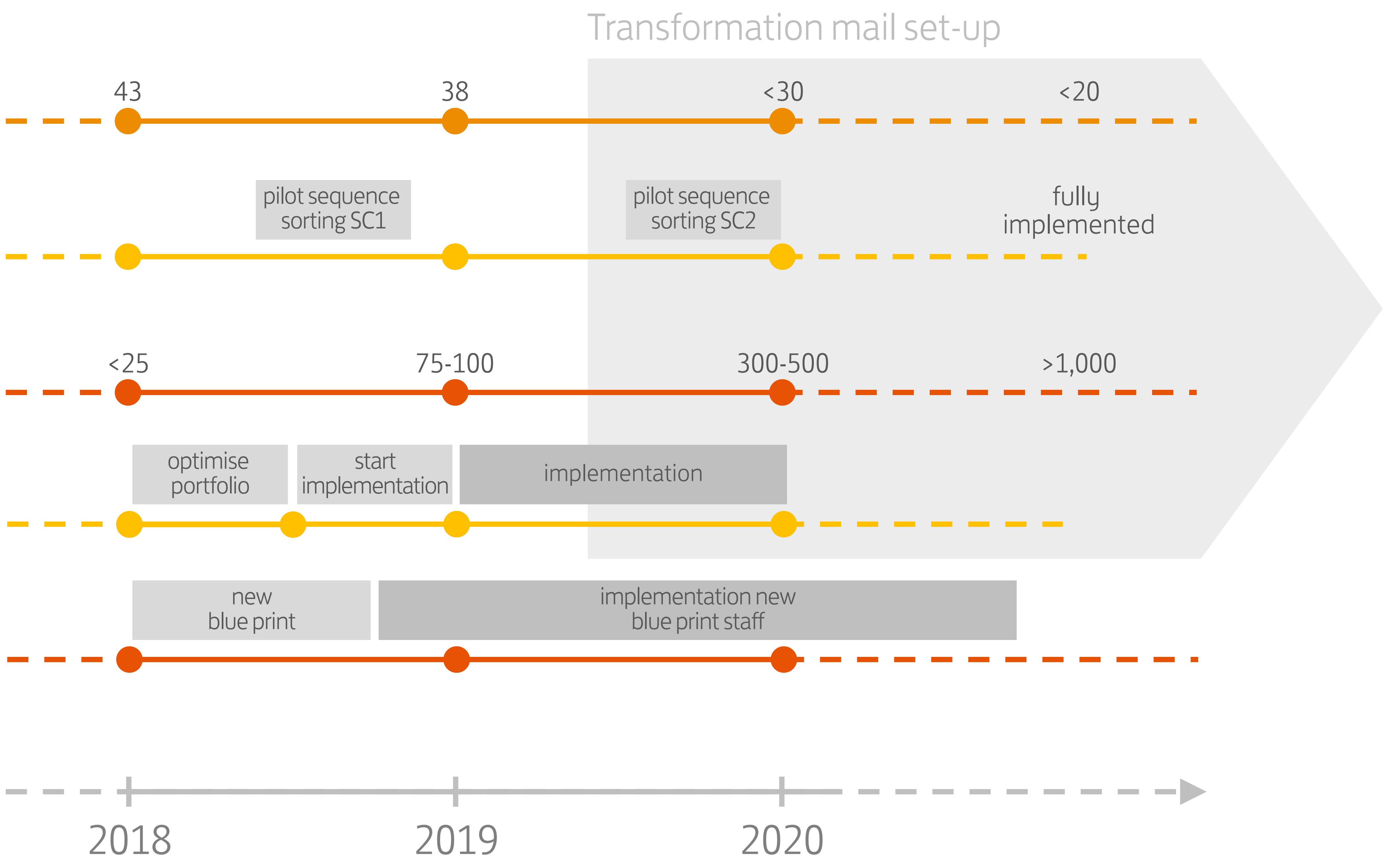
Optimise sorting process & increase automation level

Optimise delivery routes & e-Cargo bikes

Simplify portfolio

Staff reduction Mail in the Netherlands

Acceleration of savings in overhead



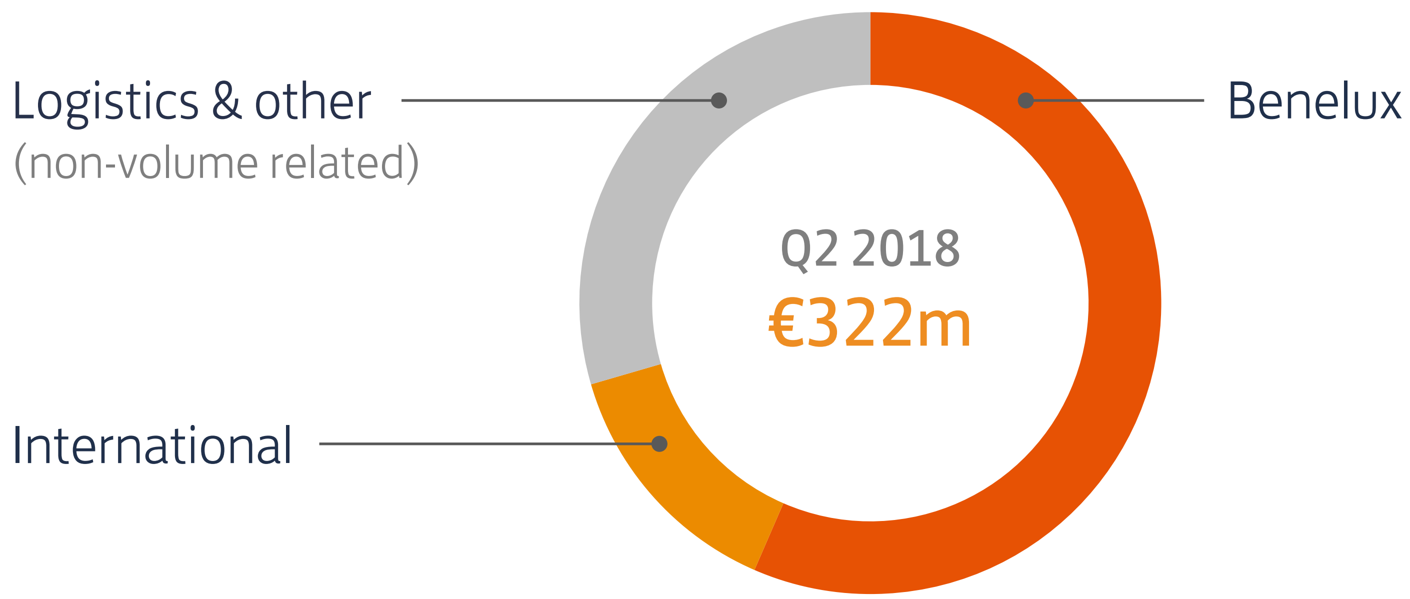
Exact numbers and phasing of anticipated cost savings and related cash-out in years towards 2020 dependent on next steps postal dialogue

Parcels

Continuing strong volume and revenue growth

	Revenue	Underlying cash operating income	Volume growth
Q2 2018	**€322m**	**€30m**	**22%**
Q2 2017	€266m	€32m	

Revenue mix

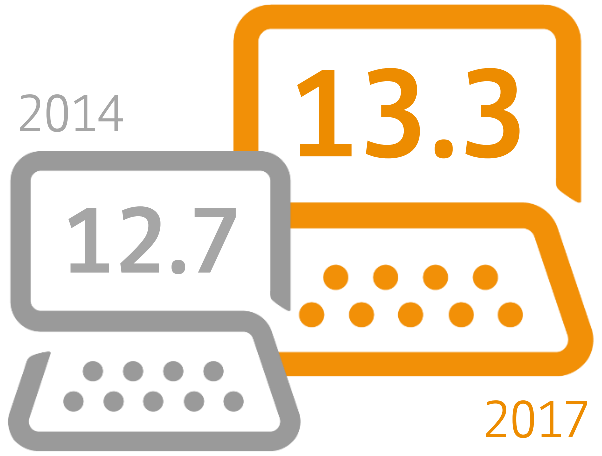


Key takeaways Q2 2018

- Strong revenue increase following volume growth, with growth in Belgium exceeding the number for Parcels in total, slightly offset by a negative price/mix effect
- Accelerating transformation driven by ongoing growth e-commerce, strong development additional services and increase in logistic solutions
- Business performance improved, supported by volume growth. However, impacted by additional capacity costs, impact from planned investments in growth, higher cash out related to pensions, and higher depreciation costs
- Three new sorting centres expected to become operational and to contribute to efficiency improvement towards the end of the year

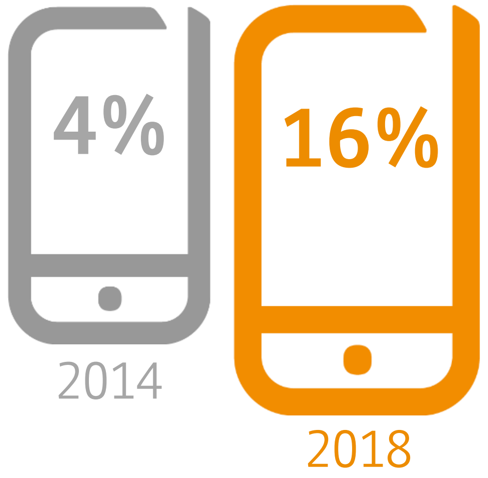
Accelerating growth parcel volumes driven by e-commerce

online buyers
(in million)

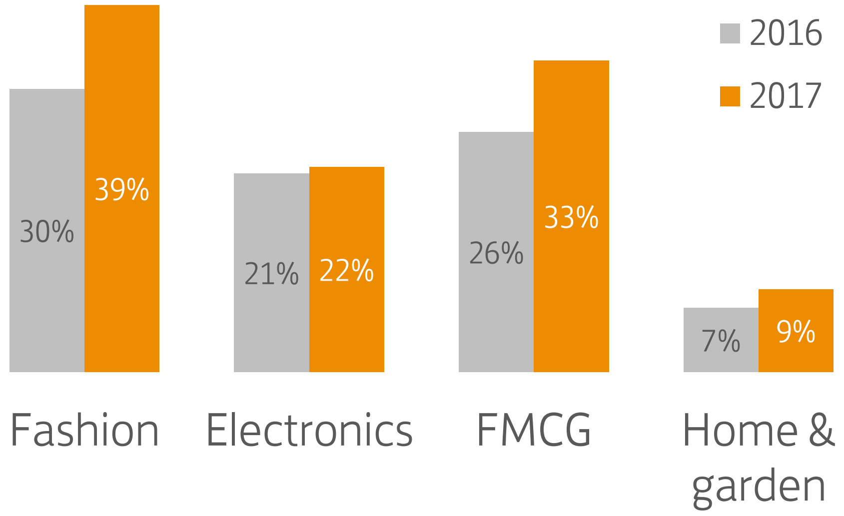


Average # of purchases per online buyer

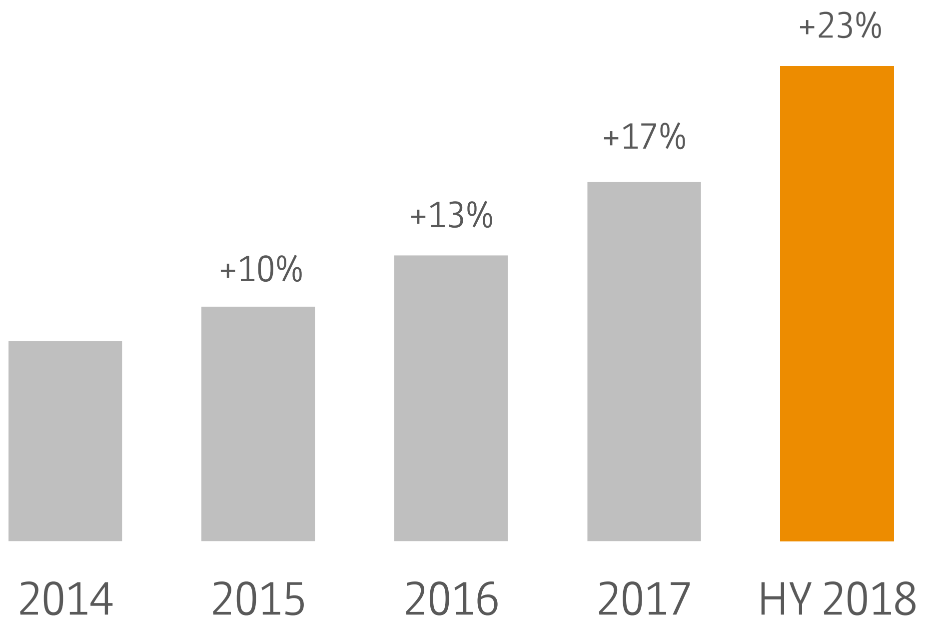
Share of orders per smartphone



Growth online purchases per sector

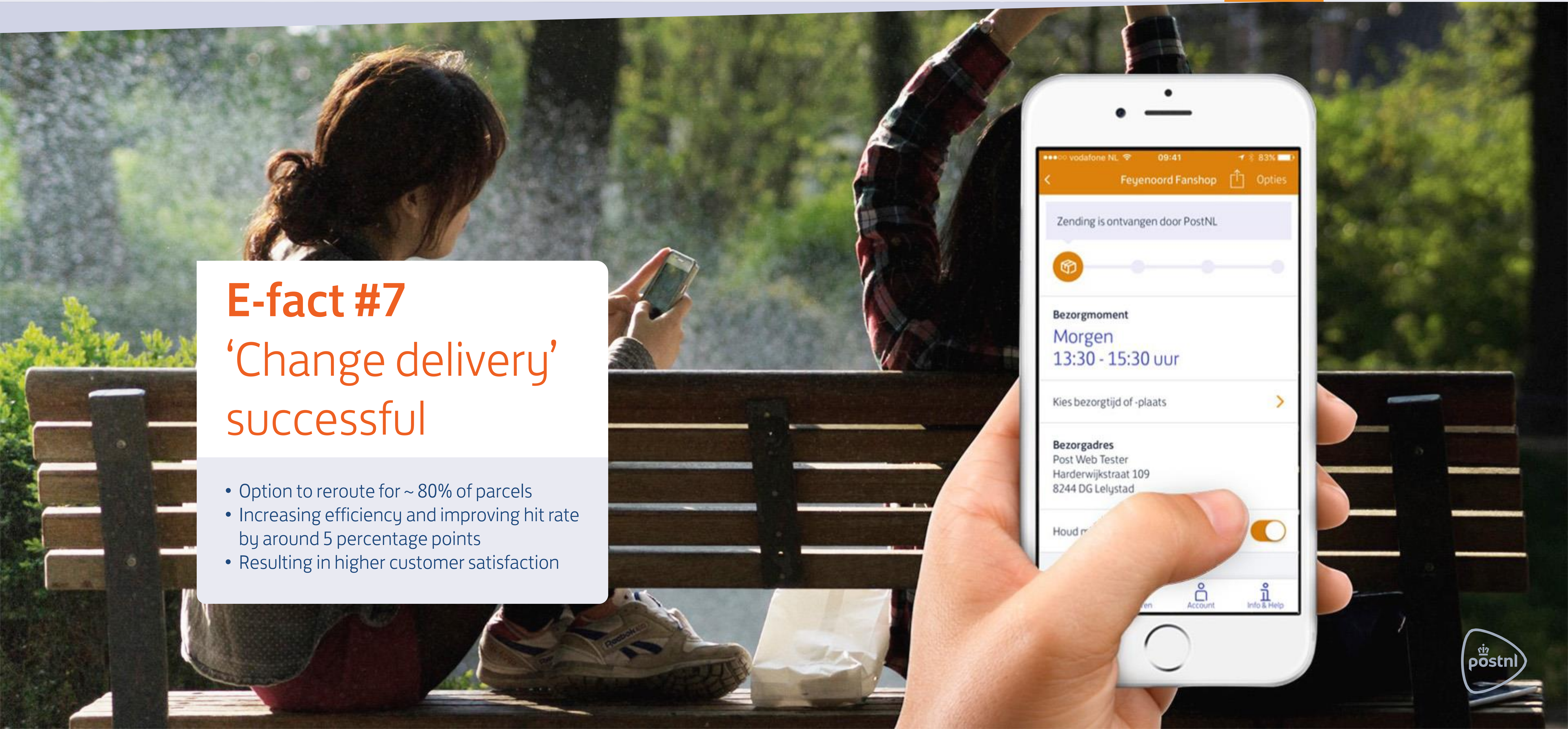


Volume growth Parcels



Engines for transformation

Expand services to meet consumers’ wishes



E-fact #7

‘Change delivery’ successful

- Option to reroute for ~ 80% of parcels
- Increasing efficiency and improving hit rate by around 5 percentage points
- Resulting in higher customer satisfaction

Engines for transformation

Zero emission last mile in 25 Dutch cities in 2025

E-fact #8

Sustainable inner-city logistics

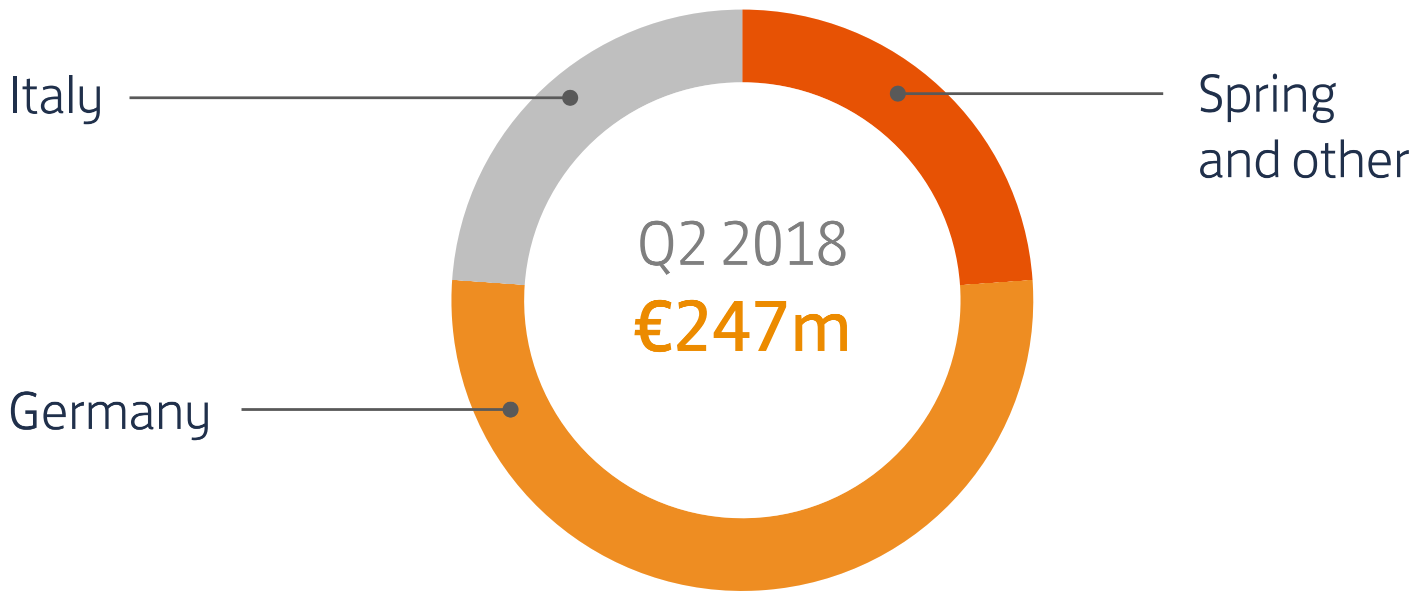
- Creation of city hubs for consolidated and green inner-city logistics
- Cleaner and more efficient inner-city delivery
- Deployment of sustainable fleet comprising e-cargo bikes and zero-emission vehicles
- Rolled-out in Amsterdam, Rotterdam, Utrecht, Leeuwarden and Breda; at least 5 more cities to follow in 2018

International

Fierce competition remains

	Revenue	Underlying cash operating income
Q2 2018	**€247m***	**€(7)m**
Q2 2017	€247m	€1m

Revenue mix



* Corrected for FX, revenue increased by 1%

Spring & other

- Strategic importance for capturing opportunities from growth in global e-commerce
- Infeed for Benelux Parcels network
- Ongoing growth global e-commerce customers, a.o. AliExpress
- Mail volumes continue to decline
- Competition remains strong
- Product/customer mix impacts margin

Germany

- Slight increase in revenue due to start delivery for new client as announced earlier, positive impact on performance
- Higher costs related to more outsourcing of final-mile delivery

Italy

- Strong growth parcels
- Overall mail volumes declined, due to substitution and continuing fierce price competition

Outlook 2018 and ambition 2020

Outlook 2018

- Adjusted segment reporting: Mail in the Netherlands, Parcels (including Spring) and PostNL Other
- Adjustment of the expected margin in Parcels (including Spring) for outlook 2018 to 7.5% to 9.5%

	Revenue		UCOI / margin	
(in € millions)	2017	outlook 2018	2017	outlook 2018
Mail in the Netherlands	1,783	- mid single digit	125 *(7.0%)*	3%-5%
Parcels	1,382	+ mid teens	140 *(10.1%)*	7.5%-9.5%
PostNL Other / eliminations	(440)		(24)	
Total	**2,725**	**+ mid single digit**	**241**	**160-190**

Ambition 2020

- All things being equal for continuing operations: technical adjustment of €25m on ambition 2020
- Mail in the Netherlands
  - Confident that run-rate in cost savings will increase based on robustness of underlying plans
  - Implementation of conclusions of Postal dialogue may impact business drivers in Mail in the Netherlands, as well as cost saving plans: making it difficult to predict exact numbers and phasing in years towards 2020
  - More visibility on possible financial consequences expected before summer 2019
- Parcels (including Spring)
  - Remain fully focussed on achieving ambition to maintain solid underlying cash operating income margin with growing revenue towards 2020

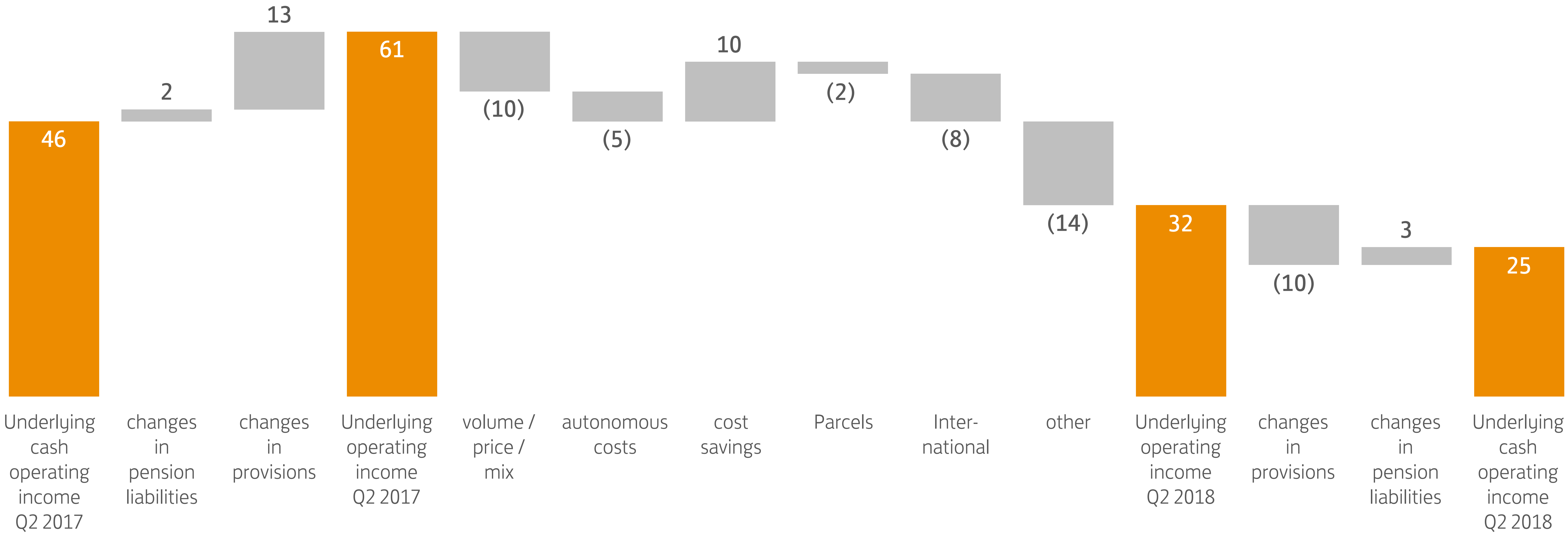
Financial highlights Q2 & HY 2018

Result below last year as indicated

(in € millions)	Q2 2017	Q2 2018	HY 2017	HY 2018
Reported revenue	**836**	**851**	**1,706**	**1,726**
Reported operating income	52	10	118	40
Restructuring related charges	8	2	8	7
Project costs, impairment PPE and settlements	1	20	3	23
Underlying operating income	61	32	129	70
Underlying cash operating income	**46**	**25**	**96**	**54**
Net cash used in operating and investing activities	(68)	(56)	(88)	(74)

Underlying (cash) operating income Q2 2018

(in € millions)



Results by segment Q2 2018

Continuation of trends seen in Q1

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018
Mail in the Netherlands	434	400	32	18	17	6
Parcels	266	322	33	31	32	30
International	247	247	1	(7)	1	(7)
PostNL Other	19	20	(5)	(10)	(4)	(4)
Intercompany	(130)	(138)				
Total PostNL	**836**	**851**	**61**	**32**	**46**	**25**

Statement of income

(in € millions)	Q2 2017	Q2 2018	HY 2017	HY 2018
Revenue	836	851	1,706	1,726
Operating income	**52**	**10**	**118**	**40**
Net financial expenses	(11)	(8)	(21)	(16)
Results from investments in associates and joint ventures	(6)	0	(6)	0
Income taxes	(6)	(3)	(21)	(11)
Profit for the period	**29**	**(1)**	**70**	**13**

Net cash from operating and investing activities

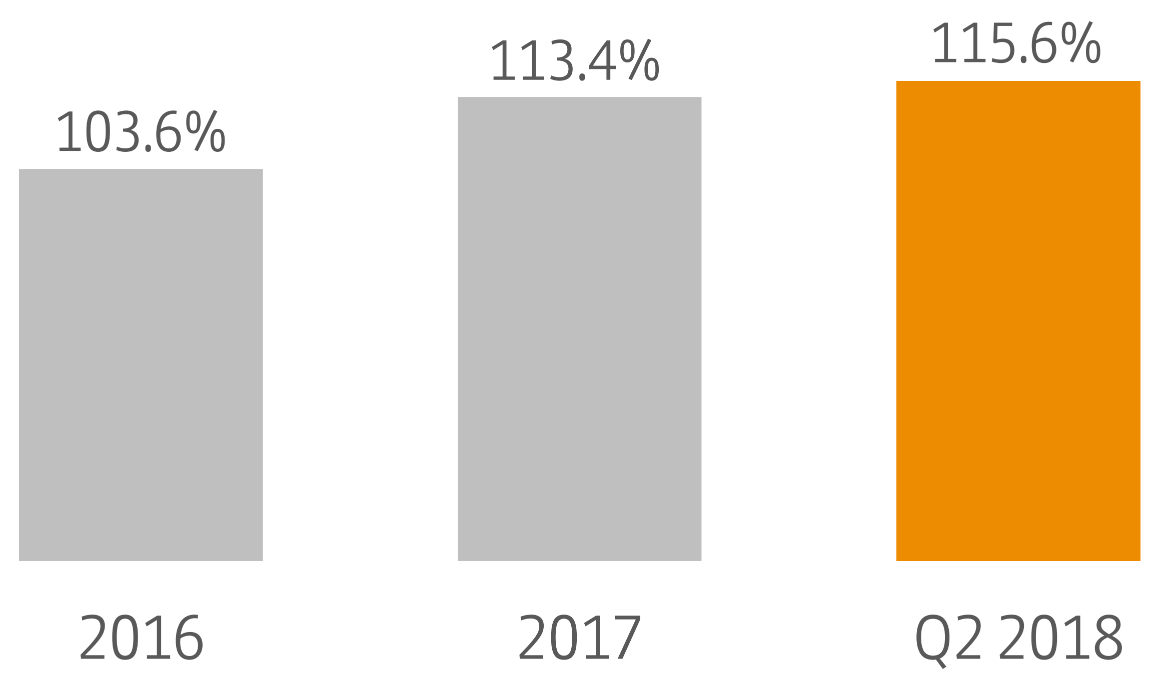
(in € millions)	Q2 2017	Q2 2018	HY 2017	HY 2018
Cash generated from operations	**(14)**	**(36)**	**45**	**10**
Interest paid	(2)	(2)	(3)	(4)
Income received / (paid)	(3)	7	(63)	(40)
Net cash (used in)/from operating activities	**(19)**	**(31)**	**(21)**	**(34)**
Interest / dividends received / acquisitions / other	(23)	0	(22)	1
Capex	(29)	(32)	(52)	(52)
Proceeds from sale of assets	3	7	7	11
Net cash (used in)/from operating and investing activities	**(68)**	**(56)**	**(88)**	**(74)**

Base capex		14		23
Cost savings initiatives		2		3
New sorting and delivery centres		16		26
Total capex		**32**		**52**

Coverage ratio pension fund further improved to 115.6%

Higher pension expense balanced in Other Comprehensive Income

(in € millions)	Q2 2018
Return on plan assets in excess of interest income	137
Defined benefit obligation	(139)
Minimum funding requirement	5
Total pension	**3**
Net effect on equity within OCI	**2**



- Increase in pension expense in Q2 2018 (visible in operating income) mainly explained by higher rate of expected benefit increases, reflecting development of coverage ratio pension fund
- Compensated by actuarial gain recorded in other comprehensive income (OCI) as net pension liability related to pension fund is limited at outstanding unconditional funding obligation
- Will be also visible in second half of 2018

Consolidated statement of financial position

Solid financial position

(in € millions)	30 Jun 2018		30 Jun 2018
Intangible fixed assets	260	*Consolidated equity*	$\boxed{13}$
Property, plant and equipment	520	*Non-controlling interests*	*3*
Financial fixed assets	50	Total equity	16
Other current assets	586	Pension liabilities	355
Cash	524	Long-term debt	406
Assets classified as held for sale	9	Other non-current liabilities	65
		Short-term debt	224
		Other current liabilities	883
Total assets	**1,949**	**Total equity & liabilities**	**1,949**

- Net debt position of €99m
- Corporate equity of €2,679m, of which €310m distributable

IFRS 16 *Leases* to replace IAS 17

Initial assessment of implications for PostNL*

Scope	Mainly related to rent/lease of buildings and transport fleet
Expected impact on 2019 numbers	
Balance sheet (per 1 January 2019)	Right-of-use assets: between €130m and €160m Lease liabilities: between +€130m and +€160m
Income statement	Operating income/UCOI: around +€1m EBITDA: around +€50m Net financial expenses: around +€2m Net profit/UNCI: around -€1m
Cash flow statement	Net cash from operating and investing activities: around +€50m Net cash used in financing activities: around -€50m
(Targeted) credit rating	No impact

* Initial assessment based on Q1 2018 data

Outlook 2018 for continuing operations between €160m and €190m following decision to divest Nexive and Postcon

Outlook 2018

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- Adjustment of the expected margin in Parcels (including Spring) for outlook 2018 to 7.5% to 9.5%

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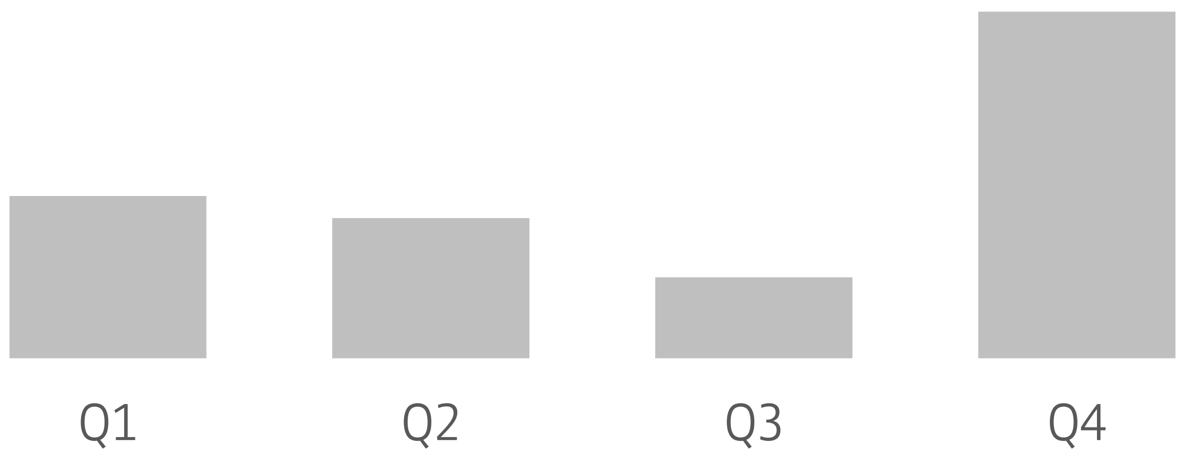
Expected development Q3 2018

Average UCOI split 2013 - 2017
(in %)



Working days	2017	2018
Q1	65	64
Q2	61	61
Q3	65	65
Q4	63	64
Total	**254**	**254**

Attention points for Q3 2018 (based on continuing operations)

- Outlook underlying cash operating income 2018: between €160m and €190m (FY 2017 restated: €241m)
- Underlying cash operating income Q3 2017 restated: €35m
- No working day effect
- Cost savings 2018 back-end loaded; FY 2018 now expected to be slightly below earlier indication of between €50m and €70m
- Efficiency improvements Parcels visible towards end of year
- Dividend distribution will impact cash and equity in Q3 2018; impact decision to divest Nexive and Postcon will impact equity in Q3 2018

Aim for progressive dividend

After 2018, dividend expected to be fully funded by cash flow generation

Capital return to shareholders

- Sustainable cash flow performance is basis for shareholder returns
- Leverage ratio (adjusted net debt / EBITDA) not exceeding ~ 2
- Aim to pay progressive dividend

- Interim dividend 2018 in line with dividend policy set at €0.07 per share (1/3rd of dividend 2017)

Interim dividend 2018 calendar

8 August	ex-dividend date
9 August	record date
10 - 23 August, 3PM CET	election period
24 August	announcement conversion rate
27 August	payment date interim dividend

Preparations for divestment Nexive and Postcon initiated

Confirm aim for progressive dividend

Key takeaways

Results Q2 2018

- Q2 results as expected below last year and in line with development as seen in Q1

Preparations for divestment Nexive and Postcon initiated

Outlook 2018 and ambition 2020 based on continuing operations

- Full year underlying cash operating income of between €160m and €190m
- All things being equal for continuing operations, technical adjustment of around €25m on ambition 2020
- Mail in the Netherlands
  - Implementation of conclusions of postal dialogue may impact business drivers in Mail in the Netherlands, as well as cost saving plans: difficult to predict exact numbers and phasing in years towards 2020
  - Confident that run-rate in cost savings will increase based on robustness of underlying plans
- Parcels (including Spring)
  - Remain fully focussed on achieving ambition to maintain solid underlying cash operating income margin with growing revenue towards 2020

Dividend

- Aim for progressive dividend confirmed

Q2 & HY 2018 Results

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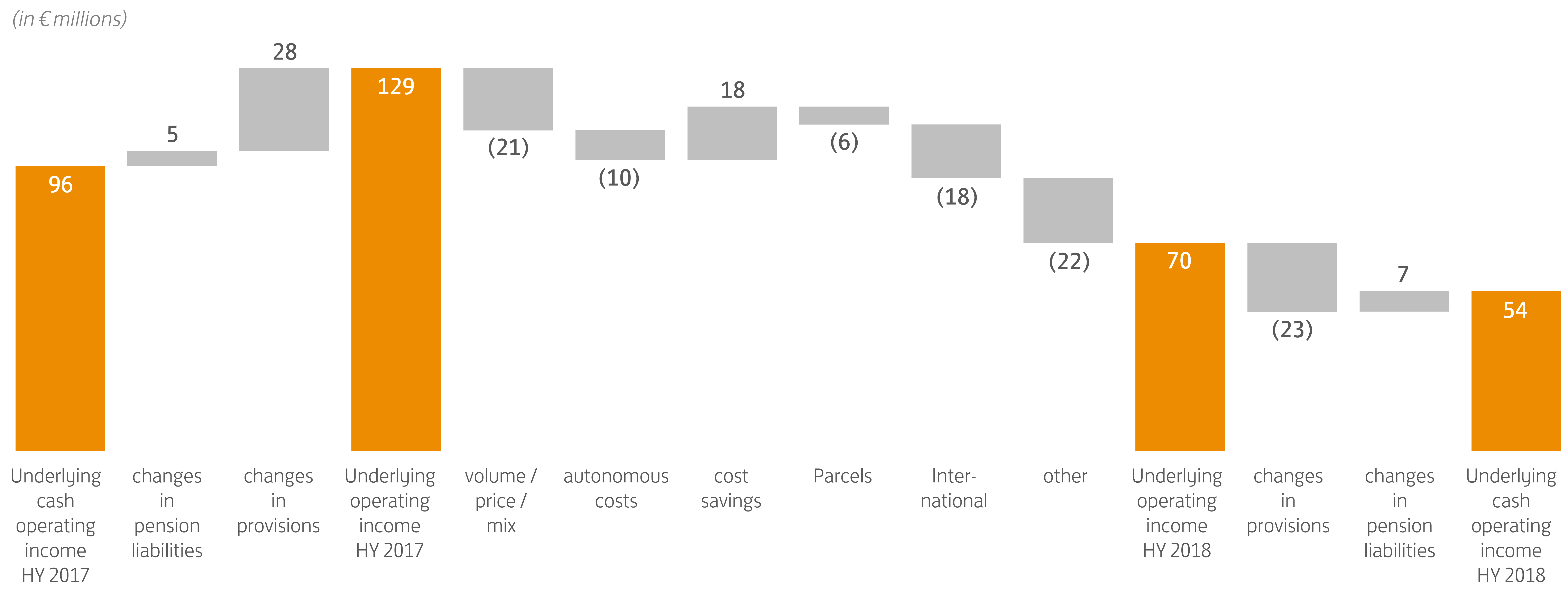
Appendix

- Results by segment YTD
- Breakdown pension cash contribution and expenses
- Upcoming accounting changes – IFRS 16 *Leases* to replace IAS 17

Results by segment HY 2018

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	HY 2017	HY 2018	HY 2017	HY 2018	HY 2017	HY 2018
Mail in the Netherlands	884	824	73	47	45	23
Parcels	515	628	61	55	60	53
International	532	517	7	(11)	6	(11)
PostNL Other	37	39	(12)	(21)	(15)	(11)
Intercompany	(262)	(282)				
Total PostNL	**1,706**	**1,726**	**129**	**70**	**96**	**54**

Underlying (cash) operating income HY 2018



Breakdown pension cash contribution and expenses

(in € millions)	Q2 2017		Q2 2018	
	Expenses	Cash	Expenses	Cash
Business segments	26	30	26	30
IFRS difference	2		7	
PostNL	**28**	**30**	**33**	**30**
Interest	2		2	
Total	**30**		**35**	

Upcoming accounting changes

IFRS 16 *Leases* to replace IAS 17

	Balance sheet	Income statement	Notes in Annual Report	
IAS 17 (current)				
Finance leases	Asset Liability	Depreciation Finance cost	- Maturities	• Operating leases not reflected on balance sheet • Operating leases accounted for as straight line expense • Rating agencies take off balance sheet commitments and P&L charge operating lease into account
Operating leases	N/A	Rent and lease expenses	Maturities / Total amounts	
IFRS 16 per 1 January 2019				
Leases	Asset Liability	Depreciation Finance cost	Maturities	• Vast majority of leases to be accounted for on balance sheet • Recognize assets and liabilities • Exemption for short-term leases and low-value assets possible • No change in treatment rating agencies

Implications income statement

IFRS 16 *Leases* to replace IAS 17

Revenue	No impact
Work contracted out	Decrease: lease expenses replaced by depreciation and interest expenses
Depreciation, amortisation and impairments	Increase: additional depreciation of lease assets
Operating income/ underlying cash operating income (UCOI)	Increase: interest leases to financial expenses
Net financial expenses	Increase: interest expense component recorded in financial expenses
Income taxes	No material changes
Profit for the period/ underlying net cash income (UNCI)	Neutral over time, but timing effect due to higher interest during first years

Increase in operating income / UCOI, long term neutral effect to net profit / UNCI

Implications cash flow statement

IFRS 16 *Leases* to replace IAS 17

Profit before tax	No material changes
Depreciation, amortisation and impairments	Increase: additional depreciation of lease assets
Net cash from operating activities	Increase: depreciation costs
Repayment of leases	Increase: lease payments
Net cash from financing activities	Decrease: lease payments
Total change in cash and cash equivalents	No changes

Increase in net cash (used in)/from operating and investing activities
No effect on full cash flow statement

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