Q4 & FY 2017 Results
Accelerating transformation

The Hague, 26 February 2018

Business review Q4 2017

Financial review Q4/FY 2017

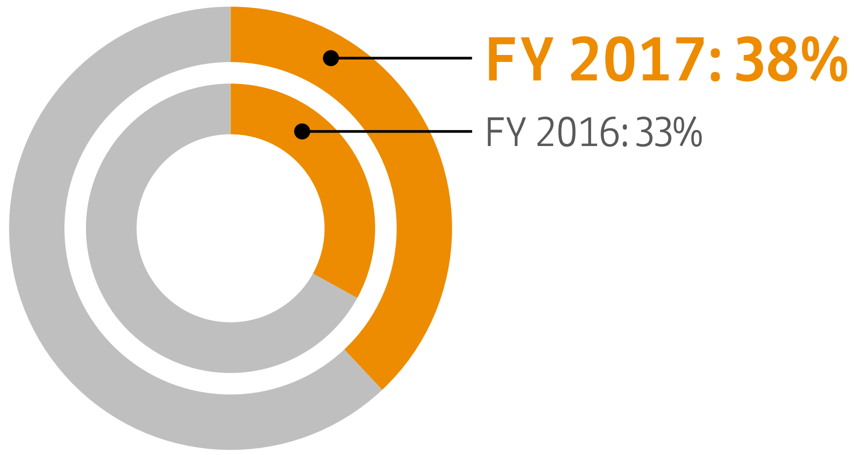
Progress Accelerating transformation strategy & Outlook

Q&A

Strong growth in e-commerce

Business trends continue in Q4

	Revenue	Underlying cash operating income	Consolidated equity	Dividend	Progress accelerating transformation
FY 2017	**€3,495m**	**€225m**	**€34m**	**€0.23** proposed	
FY 2016	€3,413m	€245m	€(79)m	€0.12	



	Customer satisfaction	Employee engagement	CO_2 efficiency index	Quality mail delivery
FY 2017	**88%**	**66%**	**42.9**	**95.4%**
FY 2016	87%	67%	49.2	96.4%

UCOI 2017 €225m, within guided range

Revenue slightly below guidance; disappointing performance International

(in € millions)	Revenue / (growth)			UCOI / (margin)		
	2016	outlook 2017	actual 2017	2016	outlook 2017	actual 2017
Mail in the Netherlands	1,877	- mid single digit	1,783	160	6.5%-8.5%	125 (7.0%)
Parcels	967	+ low teens	1,110	106	10%-12%	120 (10.8%)
International	1,017	+ mid single digit	1,051	14	1%-3%	6 (0.6%)
PostNL Other / eliminations	(448)		(449)	(35)		(26)
Total	**3,413**	**+ mid single digit**	**3,495 (+2.4%)**	**245**	**220 – 260**	**225**

Mail in the Netherlands

Continued volume decline and impact ACM measures not compensated by cost savings

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
Q4 2017	**€504m**	**€73m**	**€9m** of which €4m in Mail in the Netherlands	**10.8%***
Q4 2016	€540m	€88m		
FY 2017	€1,783m (-5.0%)	€125m (margin 7.0%)	€56m	9.9%*

Key takeaways Q4 2017

- Volume decline driven by loss to competition supported by regulation and substitution; continued high decline in single mail
- Supported by earlier ACM measures and SMP larger than expected volume loss to other postal operators
- FY cost savings in low-end guided range, driven by implementation issues with sorting machine coding, related issues in sorting facilities and impact tight labour market
- Negative impact other effects, partly offset by higher sale of buildings, bilaterals and lower amortisation costs
- Mail delivery quality in 2017 at 95.4%

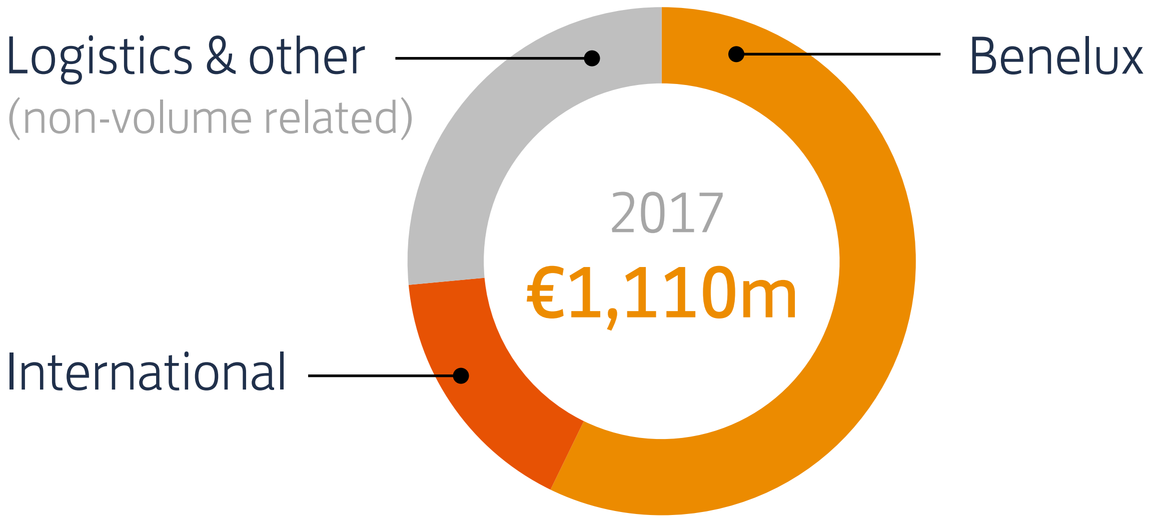
* 10.1% in Q4 2017 respectively 9.7% in full year 2017, both adjusted for one working day

Parcels

Strong performance driven by accelerating volume growth

	Revenue	Underlying cash operating income	Volume growth
Q4 2017	**€321m**	**€33m**	**20%**
Q4 2016	€271m	€29m	
FY 2017	€1,110m (+14.8%)	€120m (margin 10.8%)	17%

Revenue mix



Key takeaways Q4 2017

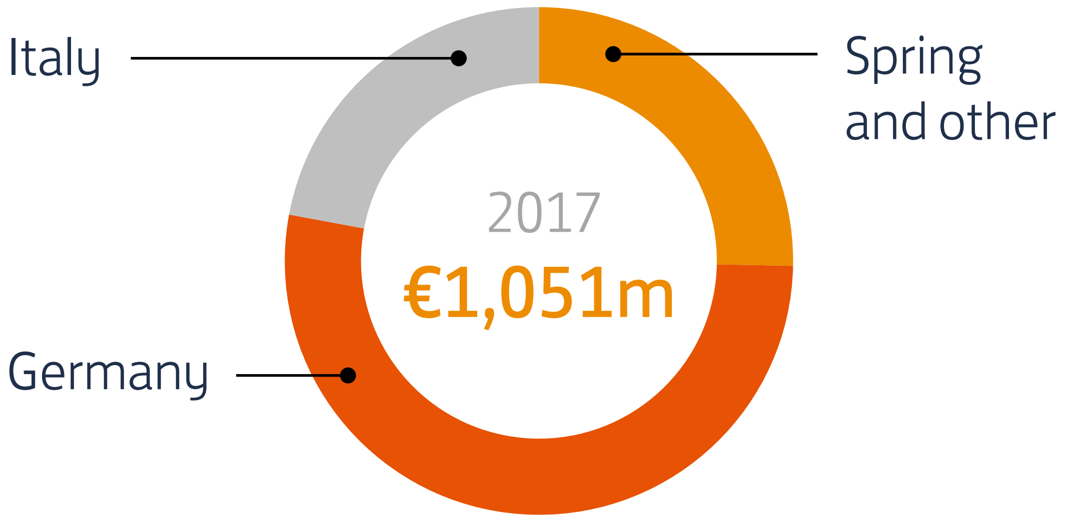
- Record high: 32.9m parcels delivered during peak season
- Strong revenue growth, mainly explained by volume growth slightly offset by a negative price / mix effect
- Continuing strong volume growth Belgium (FY 2017: 36%)
- Growth in logistics and from acquisitions to extend our service proposition to (international) business clients and smaller web shops
- Increasing demand for additional services, for example same day delivery
- Strong operational result despite impact peak season costs for extra capacity to accommodate accelerating volume growth

International

Development in Q4 2017 in line with trend seen so far this year, delay in recovery

	Revenue	Underlying cash operating income
Q4 2017	**€273m** (+3%*)	**€0m**
Q4 2016	€265m	€7m
FY 2017	€1,051m* (+3.3%*)	€6m (margin 0.6%)

Revenue mix



Spring & other

- Lower revenue: growth from global e-commerce clients offset by fierce competition, compliance with stricter rules for dangerous goods and downtrading of traditional mail clients
- Steady progress of transformation towards a global e-commerce player

Germany

- Last year's acquisition of Pin Mail Berlin and Mail Alliance accounted for €24m of revenue and contributed to UCOI
- Revenue in final mile activities improved, but more than offset by results from consolidation activities

Italy

- Expected recovery becomes more tangible step-by-step
- Strong growth in parcels, both from uptrading of existing customers and from new contract wins
- Revenue growth supported by expanding client portfolio in mail where price pressure is fierce

* Corrected for an adjustment in presentation of intercompany charges and FX, revenue increased by 7% in Q4 2017 and 6% in FY 2017

Financial highlights Q4 & FY 2017

Underlying cash operating income in line with expectation

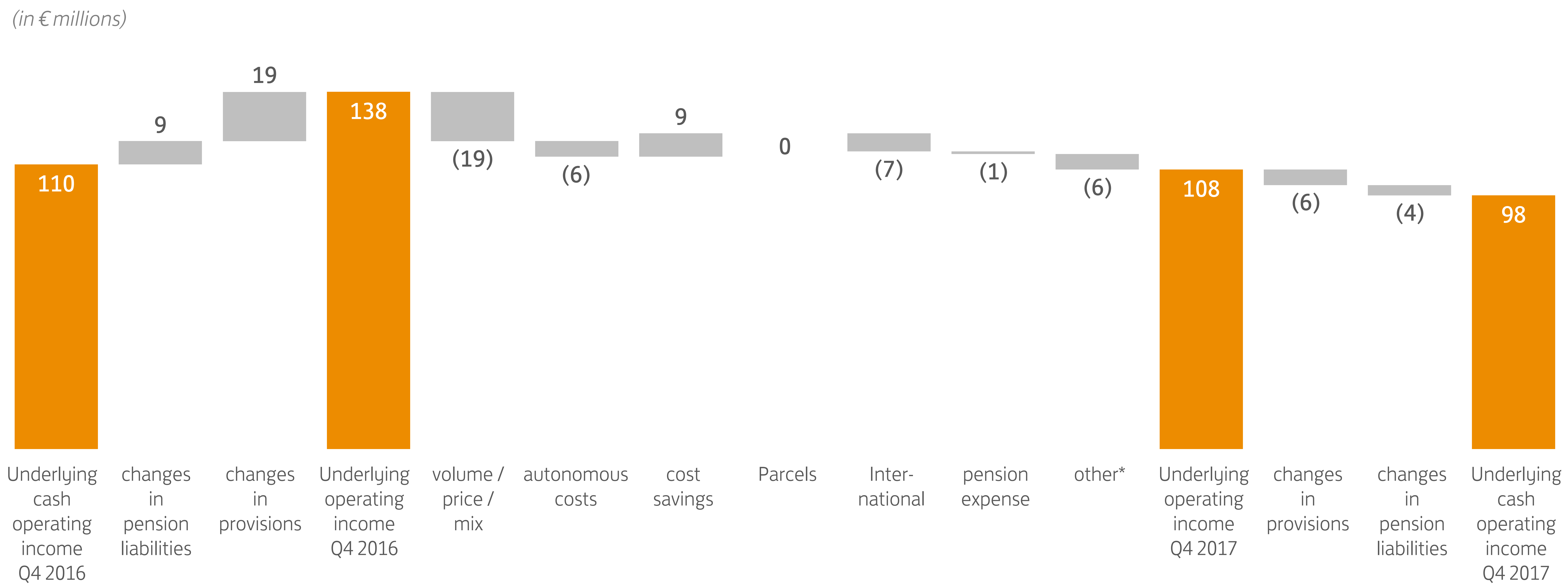
(in € millions)	Q4 2016	Q4 2017	FY 2016	FY 2017
Reported revenue	**955**	**980**	**3,413**	**3,495**
Reported operating income	129	100	291	253
Restructuring related charges	14	9	28	26
Project costs and other	(5)	(1)	5	3
Underlying operating income	138	108	324	282
Underlying cash operating income	**110**	**98**	**245**	**225**
Net cash (used in)/from operating and investing activities	116	84	653	(22)
Normalised net cash, excluding sale of stake in TNT Express	***116***	***84***	***10***	***(22)***

Results by segment Q4 2017

Strong performance parcels

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017
Mail in the Netherlands	540	504	109	84	88	73
Parcels	271	321	33	33	29	33
International	265	273	7	0	7	0
PostNL Other	46	21	(11)	(9)	(14)	(8)
Intercompany	(167)	(139)				
Total PostNL	**955**	**980**	**138**	**108**	**110**	**98**

Underlying (cash) operating income Q4 2017



* Other includes amongst others positive impact from bilaterals, amortisation costs and sale of buildings more than offset by export and other services in Mail in the Netherlands

Statement of income

Lower financial expense contributed to improvement normalised profit for the full year

(in € millions)	Q4 2016	Q4 2017	FY 2016	FY 2017
Revenue	955	980	3,413	3,495
Operating income	**129**	**100**	**291**	**253**
Net financial expenses*	(10)	(11)	45	(42)
Results from investments in associates and joint ventures	(3)	(5)	(1)	(10)
Income taxes	(32)	(25)	(55)	(53)
Profit for the period	**84**	**59**	**280**	**148**
Normalised profit for the period* *(excluding sale of stake in TNT Express)*	***84***	***59***	***135***	***148***

* Impact sale of stake in TNT Express in FY 2016 was €145m

Net cash from operating and investing activities

Seasonal pattern in working capital

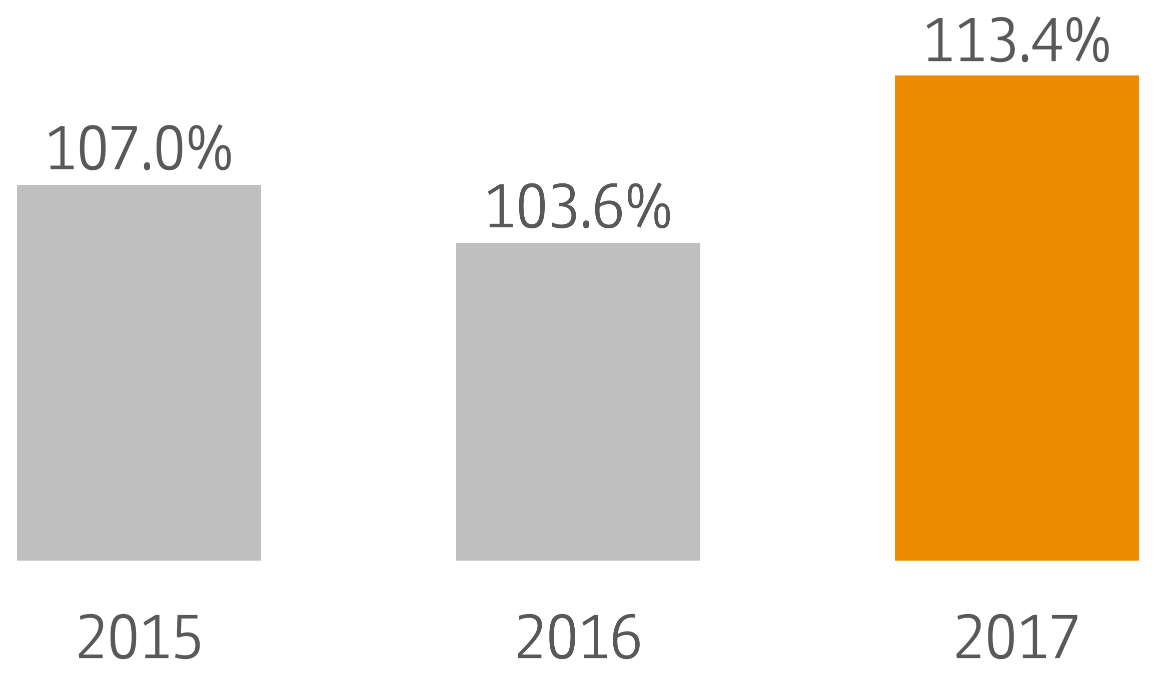
(in € millions)	Q4 2016	Q4 2017	FY 2016	FY 2017
Cash generated from operations	**181**	**130**	**282**	**194**
Interest paid	(19)	(19)	(92)	(39)
Income taxes received / (paid)	(12)	10	(80)	(56)
Net cash (used in)/from operating activities	**150**	**121**	**110**	**99**
Interest / dividends received / acquisitions / other	(9)	(22)	611	(41)
Capex	(38)	(32)	(95)	(112)
Proceeds from sale of assets	13	17	27	32
Net cash (used in)/from operating and investing activities	**116**	**84**	**653**	**(22)**
Normalised net cash, excluding sale of stake in TNT Express	***116***	**84**	**10**	**(22)**

Base capex	24	82 2.3% of revenue
Cost savings initiatives	4	14
New sorting and delivery centres	4	16
Total capex (FY outlook: around 125)	**32**	**112**

Coverage ratio pension fund further improved to 113.4%

Negative impact of pensions on equity €7m

Coverage ratio pension fund



(in € millions)	Q4 2017
Return on plan assets in excess of interest income	175
Defined benefit obligation	(423)
Asset ceiling	188
Minimum funding requirement	50
Total pension	**(10)**
Net effect on equity within OCI	**(7)**

- Coverage ratio 113.4%; actual month-end coverage ratio 115.8%
- Third instalment of €32m unconditional funding obligation paid to pension fund; €65m remaining
- Net effect of €(7)m fully attributable to unfunded pension obligation due to lower discount rate

Recovery to positive consolidated equity position achieved

Consolidated statement of financial position

(in € millions)	31 Dec 2017		31 Dec 2017
Intangible fixed assets	257	*Consolidated equity*	*34*
Property, plant and equipment	510	*Non-controlling interests*	*3*
Financial fixed assets	50	Total equity	37
Other current assets	608	Pension liabilities	359
Cash	645	Long-term debt	400
Assets classified as held for sale	10	Other non-current liabilities	68
		Short-term debt	225
		Other current liabilities	991
Total assets	**2,080**	**Total equity & liabilities**	**2,080**

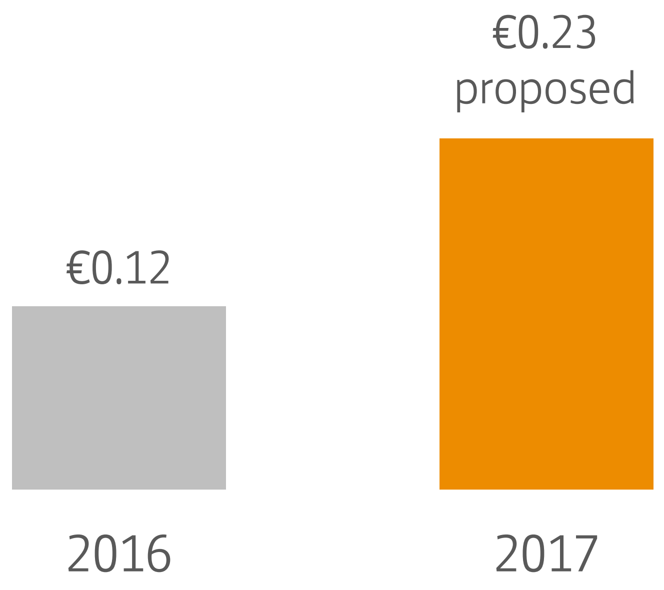
- Net cash position of €27m
- Corporate equity of €2,730m (€6.02 per share), of which €362m distributable

Dividend 2017 proposal: €0.23 per share

Capital return to shareholders

- Proposed dividend 2017 of €0.23 per share, based on 75% of underlying net cash income of €138m, election dividend
- €0.06 per share paid as interim dividend in August 2017; final dividend of €0.17 per share
- To be approved by AGM

Development dividend per share



Dividend calendar 2018

17 April	AGM
19 April	ex-dividend date
20 April	record date
23 April – 7 May, 3PM CET	election period
9 May	payment date final dividend

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	Capture opportunities from accelerating global e-commerce	**Enhance cash profitability**

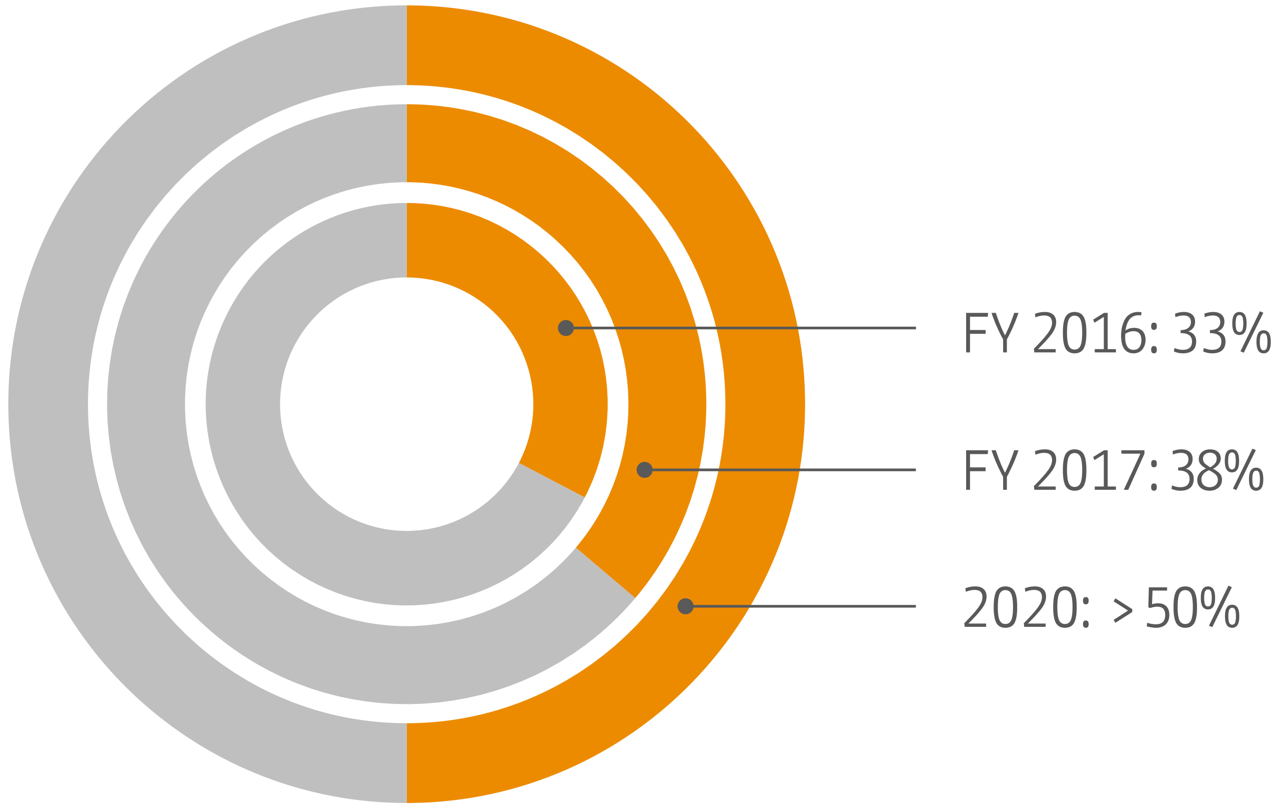
We aim to be the Postal & Logistic solutions provider in chosen markets

Capturing e-commerce growth

Transformation well on track

Capture e-commerce growth

Progress development % of revenue related to e-commerce



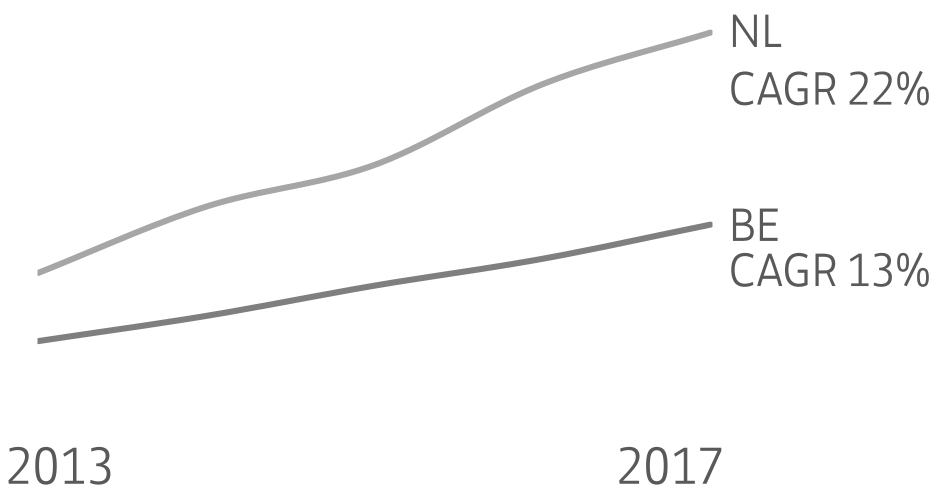
Market developments
Trends in e-commerce markets and changes in consumer behaviour translate into, amongst others, volume growth and extension of services

Customer interaction and satisfaction
More online interaction and customer satisfaction

Operational networks
Extending our parcels networks and adjusting our mail network to reality of markets

Accelerating growth parcel volumes driven by e-commerce

Growth online spending



Source: Thuismonitor, BeCommerce, fashionunited.be, gondola.be

Volume growth Parcels

2013-2016
CAGR 10.6%

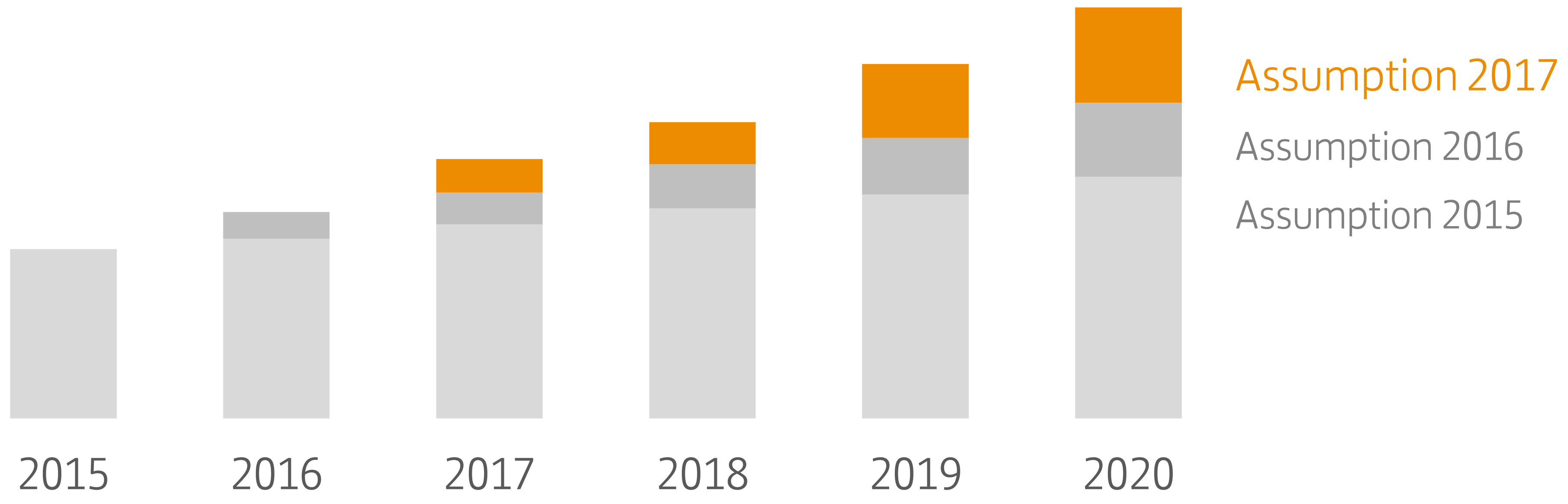
FY 2017
+17%

Volume growth peak season

2016

2017
+ ~22%

Accelerating growth Parcels volume



Remove barriers to make customer interaction easier

Fuels customer satisfaction and volume growth

Online consumer interaction

+63%
€ consumer sales online
2016 2017

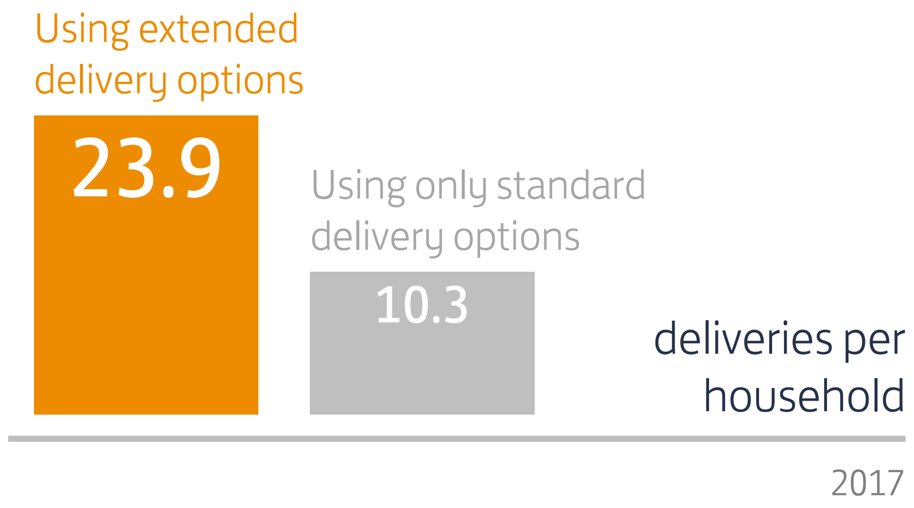
+52%
accounts Postnl.nl / app
2016 2017

Extension service propositions

- Strong growth in same-day and Sunday delivery
- Options to change delivery time and location
- Start food delivery network in Belgium and further roll-out food in the Netherlands
- Introduction evening delivery in Belgium
- Return solutions to stimulate e-commerce growth

+90%
volume growth added services
2016 2017

Users of added services order more than twice as much online



88%
customer satisfaction
2017

Expansion of our network

To deliver high quality

Extra sorting and delivery capacity

- New sorting centre in bol.com facilities
- Autostore Houten: robotised order picking to support customers in fast execution
- New sorting centre Nieuwegein

New networks

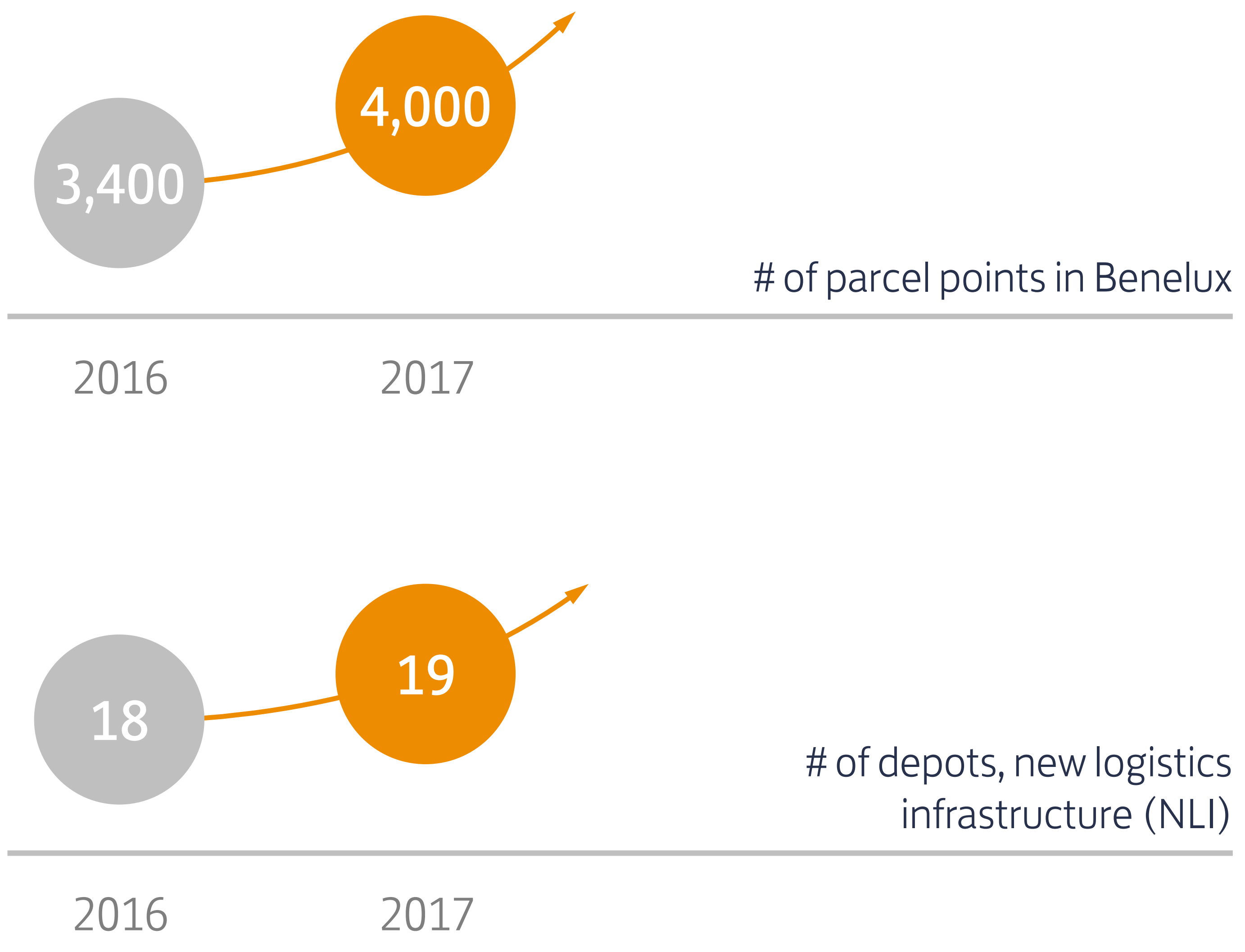
Two acquisitions to expand our network

- Night distribution
- Furniture delivery & assembly

Smart logistics and digitisation

- Implementation smart software that better predicts occupation of retail points to improve efficiency

Parcel infrastructure



Engines for transformation

Expansion of our network

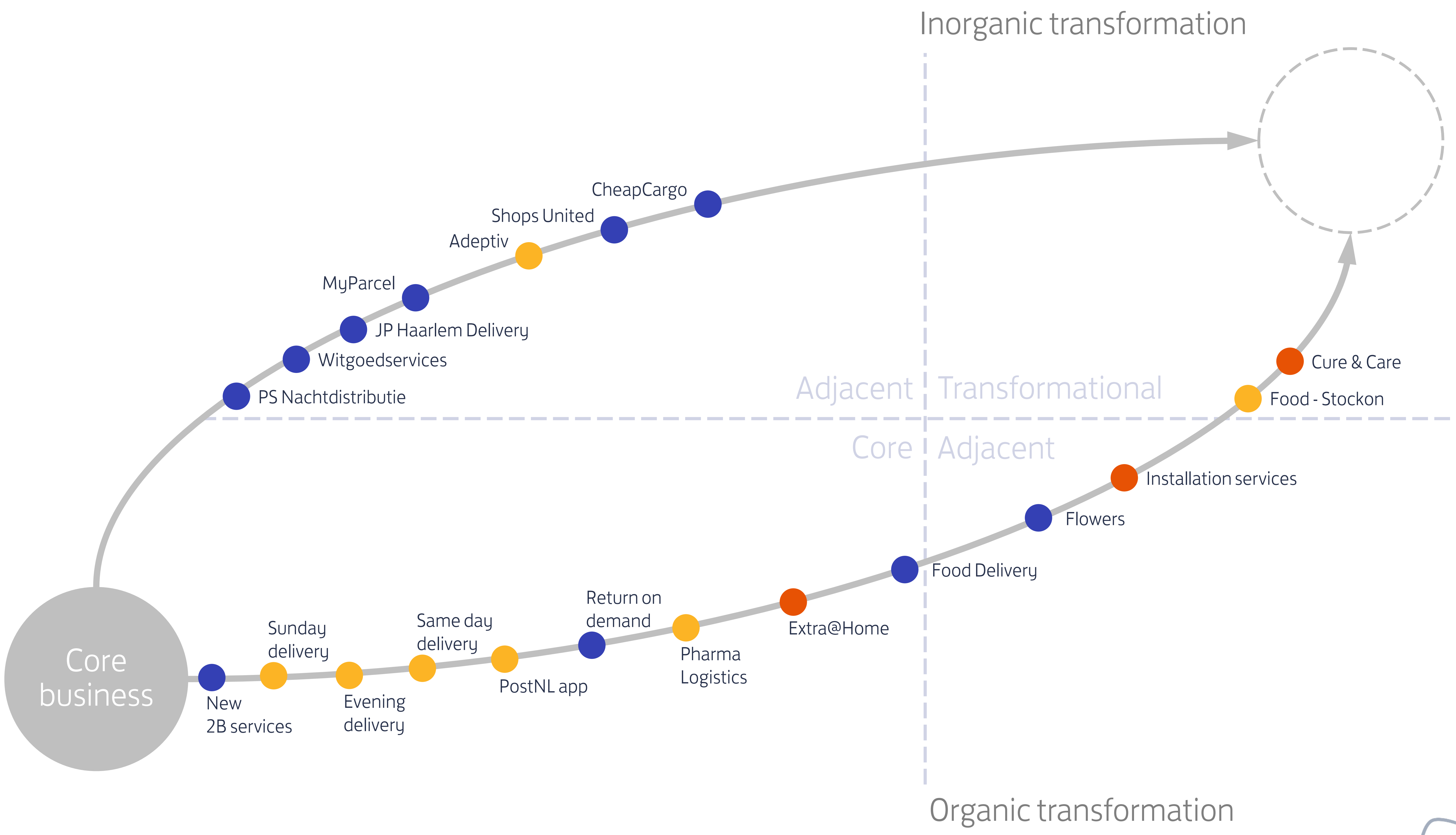
E-fact #6
Quality investments

- NLI Nieuwegein opened in September 2017
- 15% larger than other locations
- 8 additional distribution docks
- Climate-controlled facilities

Promising progress additional growth

Leverage on core competences

- Convenient shopping
- Connected community
- Network logistics



Changed assumptions are important drivers

	Revenue	Underlying cash operating income
Outlook 2018	+ mid single digit	€160m - €200m
Ambition 2020	+ mid single digit	€230m - €300m

Mail
in the Netherlands

- Adjusted impact regulation
- Stronger volume decline
- Short term mismatch cost savings and impact volume decline

International

- Improving cash profitability, but impact delay in recovery in 2017

Parcels

- Accelerated volume growth
- Investments to accommodate growth

Adjusted impact regulation

Expected financial impact ACM measures and SMP increased to between €50m and €70m

Regulatory developments are increasingly impacting Mail in the Netherlands

- Access regulation enables postal operators to use PostNL's network at regulated tariffs and conditions not available to customers
- Postal operators won more volume than anticipated:
  - most volume delivered via own networks, resulting in higher volume decline PostNL
  - remaining volume delivered via network PostNL against lower prices, resulting in pressure on average price
- Operational requirements increase complexity of organisation, frustrating cost saving plans and increase costs
- Impact remains subject to final implementation SMP decision

Based on experience first months of implementation SMP decision, expected financial impact increased to €50m - €70m on annualised basis, with effect fully visible in FY 2020

Intervention required to safeguard sustainable postal market

Consolidation of networks is inevitable

Impact changing Dutch postal market on PostNL

- Dutch postal market has changed fundamentally: mail volumes almost halved since 2005 and decline will continue
- Volumes and profitability Mail in the Netherlands deteriorated significantly over years
- Combined with increasing impact ACM measures (SMP) this endangers not only Mail in the Netherlands, but also quality of postal delivery, and reliability and accessibility of postal network

Postal dialogue

- Stakeholder process to develop shared view on future of Dutch postal market, including evaluation USO
- PostNL welcomes this dialogue and is actively participating

To safeguard reliability and accessibility of postal service and preserve decent labour conditions in shrinking market consolidation of networks is inevitable

Stronger volume decline, supported by regulation

Volume decline stronger than expected

- Substitution remains main explanation volume decline: continued strong digitisation in all segments and all customers
- Increased pressure from postal operators supported by regulation results in more volume loss to competition
- In 2018, expected decline addressed mail volume PostNL between 10% and 12%

Pricing

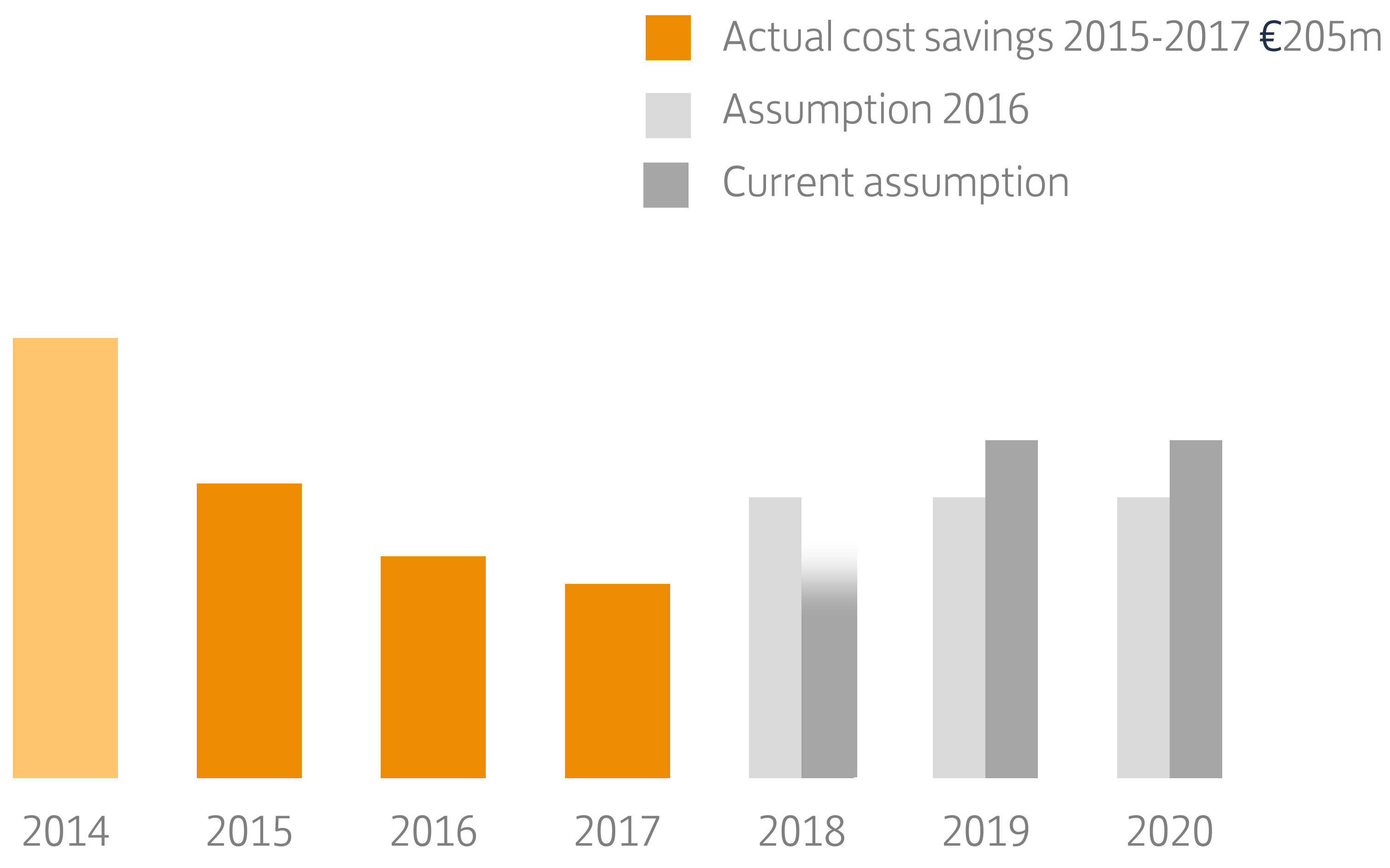
- Bulk mail:
  - pricing in general well above inflation with targeted discounts in defined segments
  - wholesale pricing 24 hr segment based on tariff regulation SMP
- Single mail:
  - pricing within tariff headroom Postal Regulation, price increase 6.4% per 1 January 2018
- Shift in product mix due to higher decline in single mail and 24 hr bulk mail

Cost savings target increased to €500m

Short term mismatch with impact volume decline

Cost savings more back-end loaded

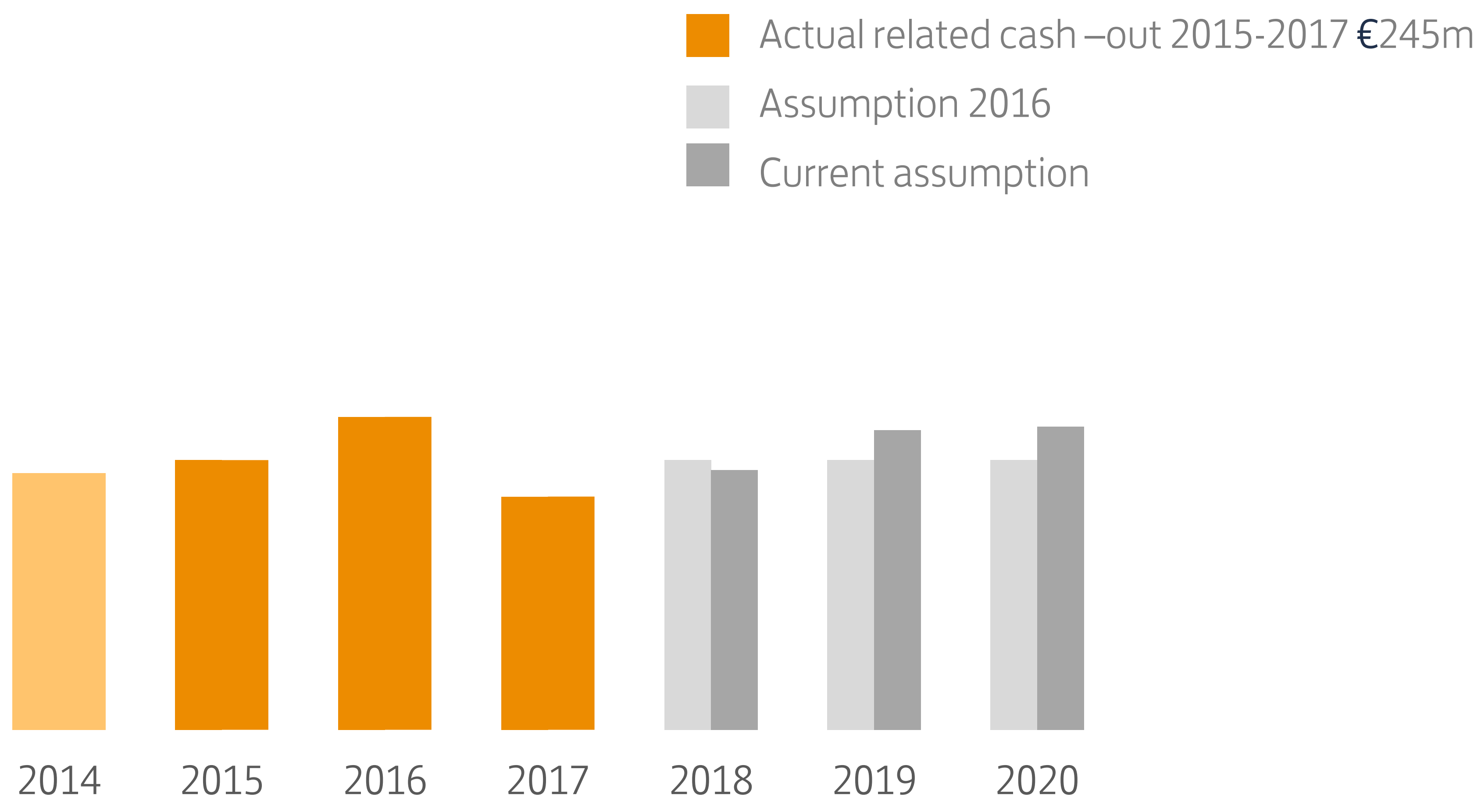
(in € millions)



- Strong track record in realising cost savings
- €40m additional cost savings identified to be achieved towards 2021
- Outlook 2018 €50m - €70m

Related cash-out

(in € millions)



- One-off related cash-out in 2018-2020 roughly equal to expected cost savings
- Total related cash-out 2015-2020 remains 2018 €475m - €535m

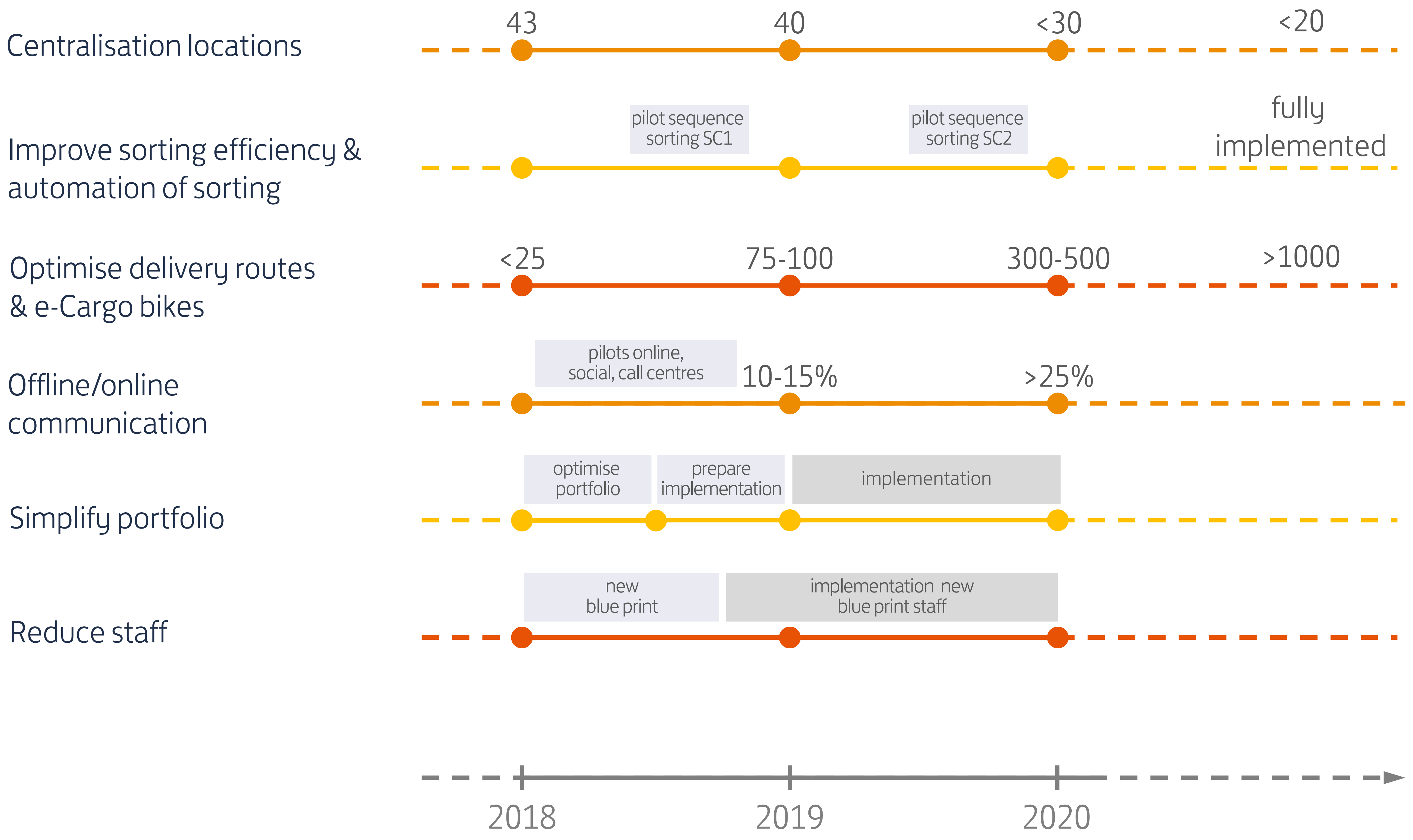
Cost savings plans

New plans added

	Existing plans	Additional plans
Networks	• Reduction locations by centralising activities in sorting centres • Improved sorting efficiency and further automation of sorting process • Optimise delivery routes and further implementation of e-cargo bikes • Reduction of post boxes and postal offices	• Redesign delivery model to optimise use of capacity • Reduction of transportation/delivery costs • Reduction of depots • Digitisation & self service administration processes
Overhead	• Adjust operational and management to reduced number of locations • Adjust commercial staff and management in line with the switch in customer channels • Digitisation of support processes (resource planning, HR activities) • Implementation IT platforms to increase efficiency of back office processes • Simplify service portfolio	• Further reduction of production and commercial staff and management in line with revenue decline • Significant (demand) reduction head office • Optimise sales channels; shift to online customer contact

Milestones cost saving plans

Balancing sequence projects to secure quality levels



International

Improvement cash profitability

Spring

Capturing opportunities from e-commerce growth

- Excellent position to benefit from further acceleration global e-commerce
- Offering cross-border mail and e-commerce solutions
  - Roll-out new service proposition for SMEs in 4 countries
  - Grow volumes from recent contract wins (AliExpress)
- Leveraging on PostNL's networks, customer base and competences

nexive

Further roll out parcels activities and strengthen position in mail activities

- Parcels activities are fast-growing, Italian market offers attractive growth potential
- Favorable development regulatory environment

postcon
Die Post für Profis.

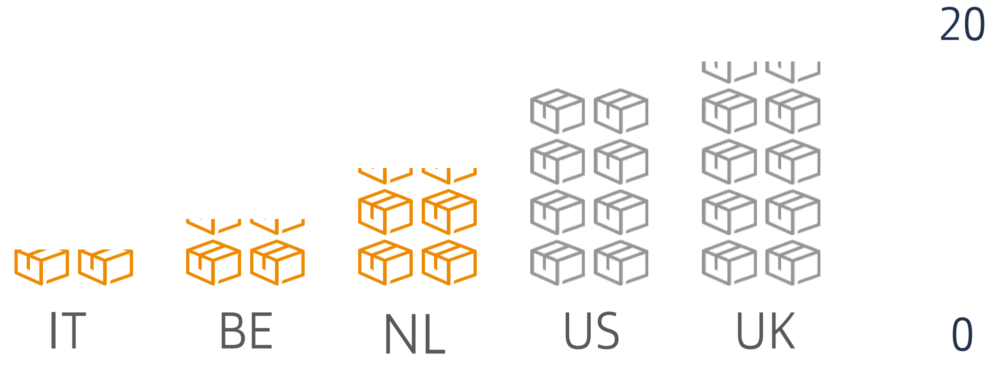
Add volume and business improvement initiatives

- Important contract wins in 2017 – start in Q2 2018
- Improving pricing environment
- Implementation restructuring plans
- Favorable development regulatory environment

E-commerce drives further volume growth

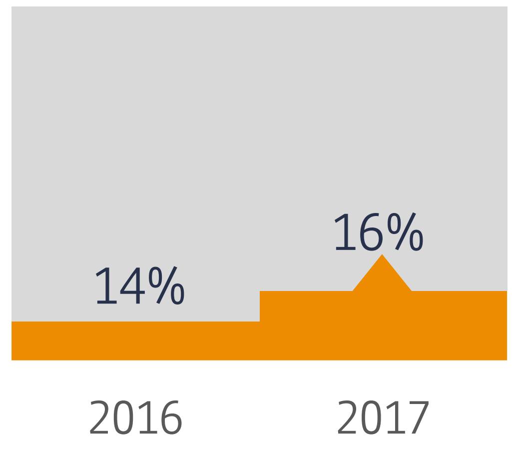
Higher than anticipated volume growth in Parcels

Growth potential parcels per capita per year



Growth potential online share retail

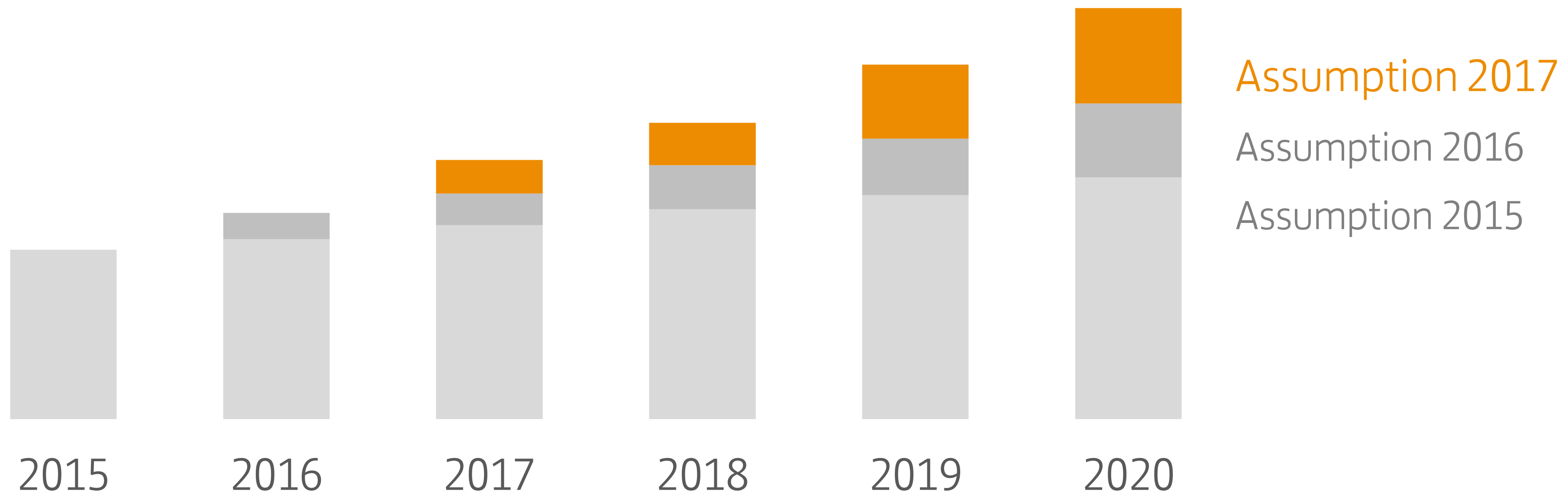
(only products)



Broader adoption online shopping

	2017	2017-2027	2027-2035
Top 25% spenders online	€€	€€€€	€€€€ €€€€
Other	€	€€	€€€€ €€

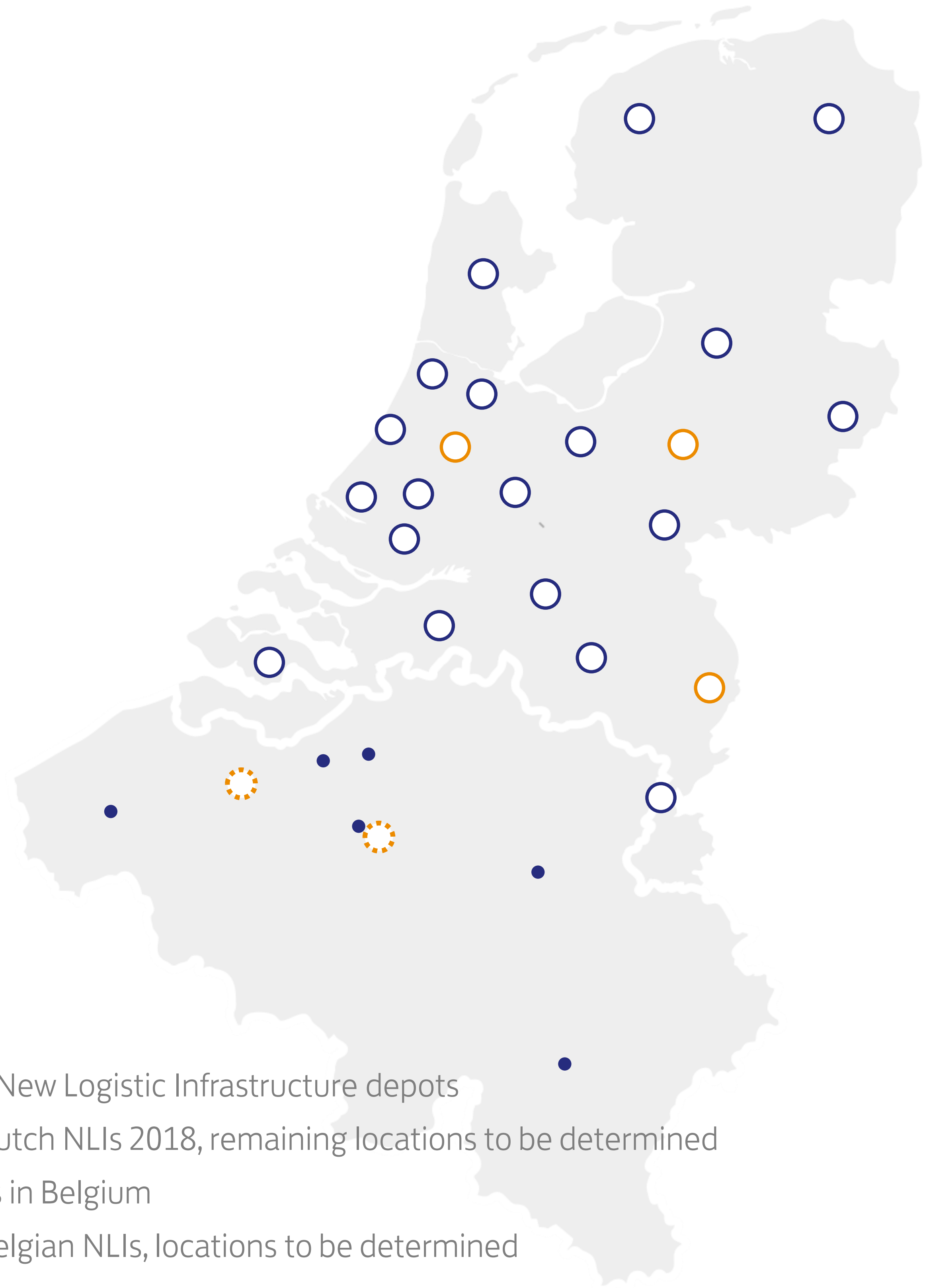
Accelerating growth Parcels volume



Sources: Forrester 2017-2022, Euromonitor 2017-2022, MoMa research 2015 – 2020, GfK expert groups 2015-2020, Thuismonitor

Investments to accommodate volume growth

Solidify our position as leading e-commerce logistics solutions provider in Benelux



- NLIs – New Logistic Infrastructure depots
- New Dutch NLIs 2018, remaining locations to be determined
- Depots in Belgium
- New Belgian NLIs, locations to be determined

Investments to expand networks and services in Benelux

- Increase number of parcel points
- 9 new sorting and delivery centres in the Netherlands
  - 3 in 2018, 3 in 2019 and 3 in 2020 - more and faster roll-out than earlier anticipated
- Attention for sustainable delivery model, taking into account tight labour market

One-time step up in implementation costs in 2018 ~ €10m

Improvement performance after 2018

- Accelerating volume and revenue growth
- No additional implementation costs after 2018
- Increase operational efficiency, via increased use of data analytics, robotising and improvement performance logistic solutions

Confidence in accelerating transformation strategy

Regulation remains concern

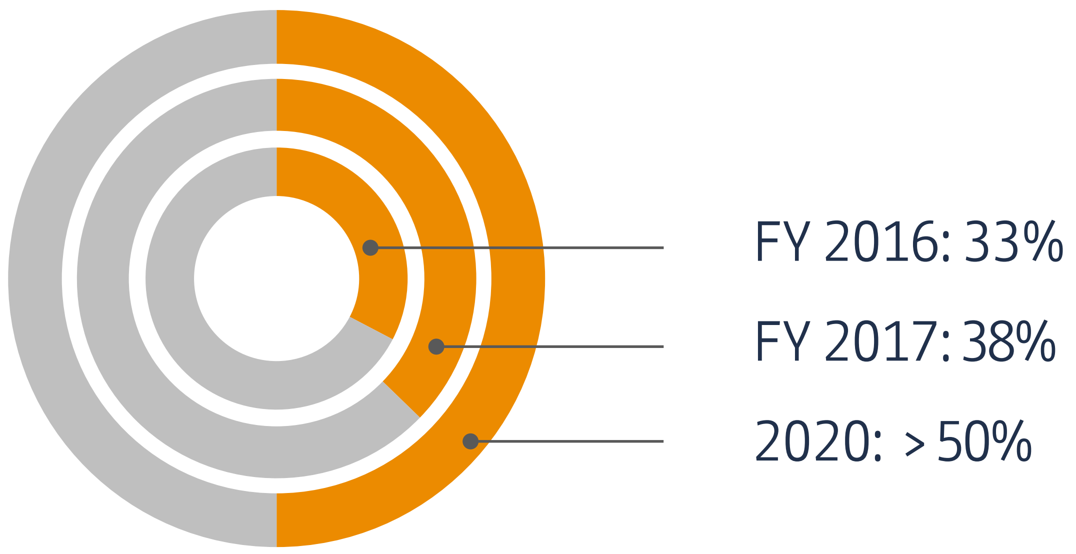
Key drivers improvement performance after 2018

- Volume/price/mix effect to become less negative due to slowdown impact regulation
- Improvement run-rate cost savings

- Improving contribution due to strengthening e-commerce position Spring and recovery Nexive and Postcon

- Harvesting from investments to capture further volume growth

Towards e-commerce logistics player



Outlook 2018 and ambition 2020

- UCOI outlook 2018 is €160m - €200m
- UCOI ambition 2020 is €230m - €300m
- Outlook and ambition subject to final implementation SMP
- Committed to progressive dividend

Outlook 2018 UCOI between €160m and €200m

Ambition 2020 adjusted to between €230m and €300m

(in € millions)	Revenue 2017	Revenue outlook 2018	Revenue CAGR 2018-2020	UCOI / margin 2017	UCOI / margin outlook 2018	UCOI / margin ambition 2020
Mail in the Netherlands	1,783	- mid single digit	- low single digit	125 (7.0%)	3%-5%	↗
Parcels	1,110	+ mid teens	+ low teens	120 (10.8%)	9%-11%	→
International	1,051	+ high single digit	+ high single digit	6 (0.6%)	0%-2%	↗
PostNL Other / eliminations	(449)			(26)		
Total	**3,495**	**+ mid single digit**	**+ mid single digit**	**225**	**160-200**	**230-300**

Outlook 2018

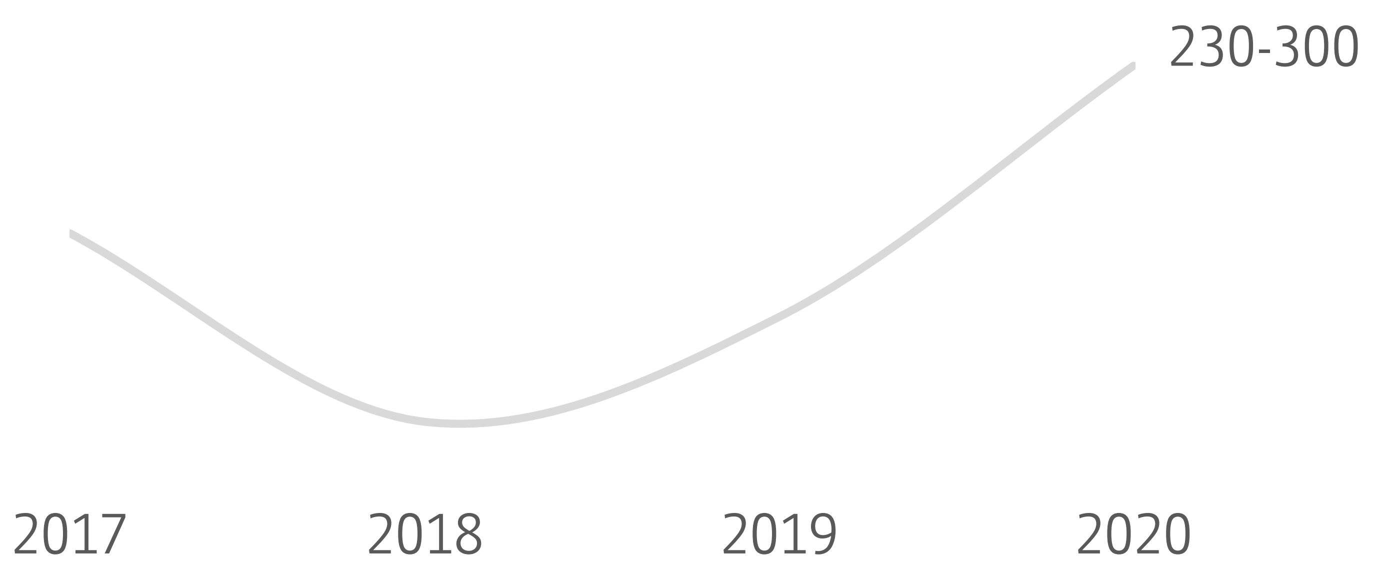
Drivers development underlying cash operating income

(in € millions)

Improvement performance after 2018

UCOI ambition 2020: €230m-€300m

Expected UCOI development 2017-2020
(in € millions)



Key drivers performance improvement

- Impact volume / price / mix less negative
  - slow down effect regulation
- Improvement run-rate cost savings plans
- Accelerating volume growth Parcels contributing to higher operational results
- Increased contribution from recovery International

Financial strategy

Solid financial position with commitment to progressive dividend

Strong financial position

- Solid balance sheet
  - positive consolidated equity (2017: €34m)
  - issuance of €400m Eurobond with coupon of 1.0% and maturity date Nov-2024 in 2017
- Aim for leverage ratio of adjusted net debt/EBITDA not exceeding 2.0 (2017: 1.2)

Priorities for capital allocation

- Sustainable dividend
- Invest in growth: close to core, adjacent and transformational

Convenient shopping

Network logistics

Connected community

Additional investments in network and working capital

Capex

(in € millions)	previous	2015-2020
Base capex as % of revenue	< 1.8%	< 1.8%
Related to cost savings and parcels' network	190-210	200-220

- Additional investments to expand infrastructure in Parcels; mix of capex (€10m) and lease (~€100m)
- Excluding investments in small acquisitions

Working capital

(in € millions)	% of revenue (2017)	investment in working capital, after 2017
Mail in the Netherlands	-23%	
Parcels	-5%	
International	8%	
PostNL	**-10%**	

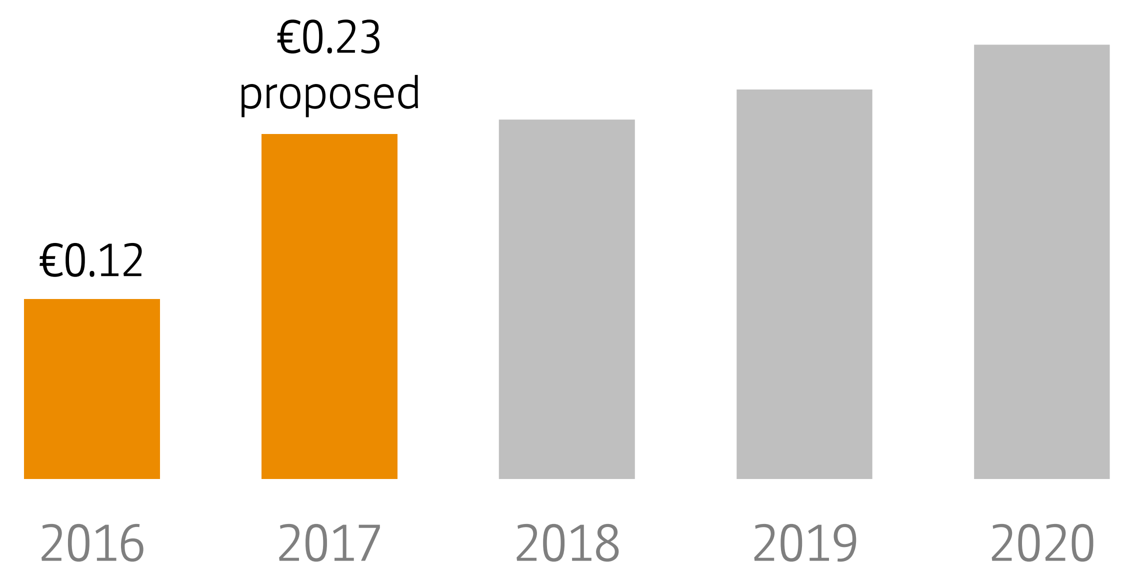
- Change in revenue mix going forward results in investments in working capital
- Shift to relatively more import in import-export mix requires additional investments in working capital

Committed to progressive dividend

Progressive dividend 2017 and onwards

- Based on 75% of underlying net cash income (2017: €138m)
- One-time increase in pay-out ratio considered

Estimated development dividend



Confidence in accelerating transformation strategy

Regulation remains concern

Key drivers improvement performance after 2018

- Volume/price/mix effect to become less negative due to slowdown impact regulation
- Improvement run-rate cost savings

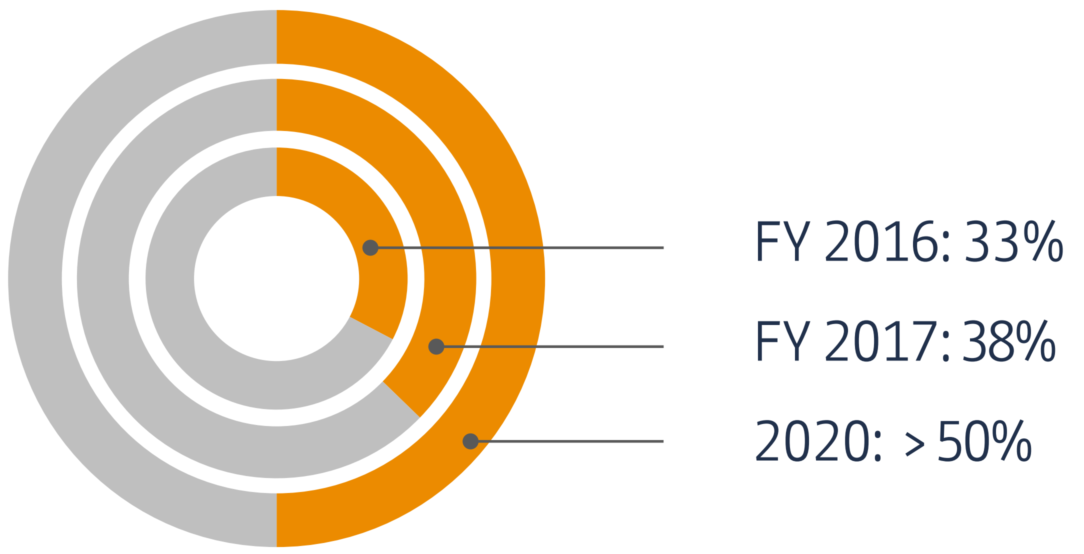
- Improving contribution due to strengthening e-commerce position Spring and recovery Nexive and Postcon

- Harvesting from investments to capture further volume growth

Outlook 2018 and ambition 2020

- UCOI outlook 2018 is €160m - €200m
- UCOI ambition 2020 is €230m - €300m
- Outlook and ambition subject to final implementation SMP
- Committed to progressive dividend

Towards e-commerce logistics player



Q4 & FY 2017 Results

Business review Q4 2017

Financial review Q4/FY 2017

Progress Accelerating transformation strategy & Outlook

Q&A

Appendix

- Results by segment YTD
- Breakdown pension cash contribution and expenses

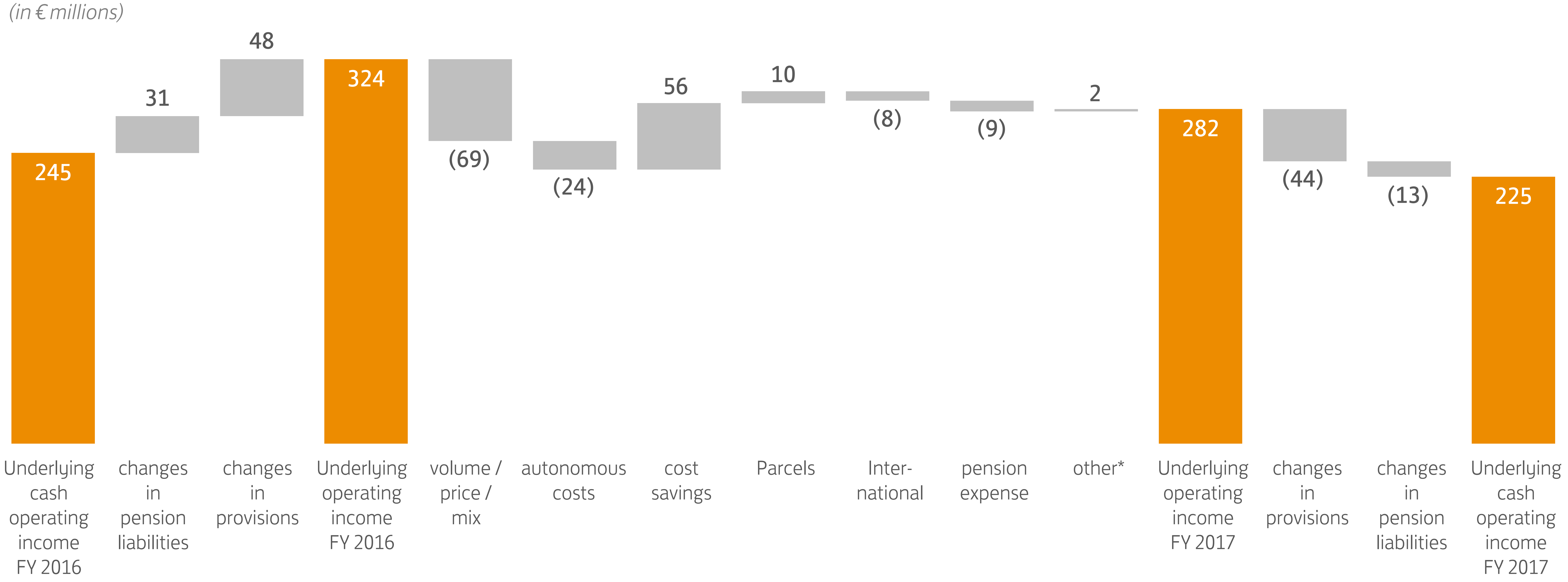
Results by segment FY 2017

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
Mail in the Netherlands	1,877	1,783	217	177	160	125
Parcels	967	1,110	112	122	106	120
International	1,017	1,051	15	7	14	6
PostNL Other	178	76	(20)	(24)	(35)	(26)
Intercompany	(626)	(525)				
Total PostNL	**3,413**	**3,495**	**324**	**282**	**245**	**225**

Breakdown pension cash contribution and expenses

(in € millions)	Q4 2016		Q4 2017	
	Expenses	Cash	Expenses	Cash
Business segments	27	35	24	31
IFRS difference	(1)		3	
PostNL	**26**	**35**	**27**	**31**
Interest	2		2	
Total	**28**		**29**	

Underlying (cash) operating income FY 2017



* Other includes amongst others positive impact from bilaterals, amortisation costs and sale of buildings more than offset by export and other services in Mail in the Netherlands

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