

Q2 & HY 2017 Results

The Hague, 7 August 2017



Q2 & HY 2017 Results

Key takeaways

Business review

Financial review

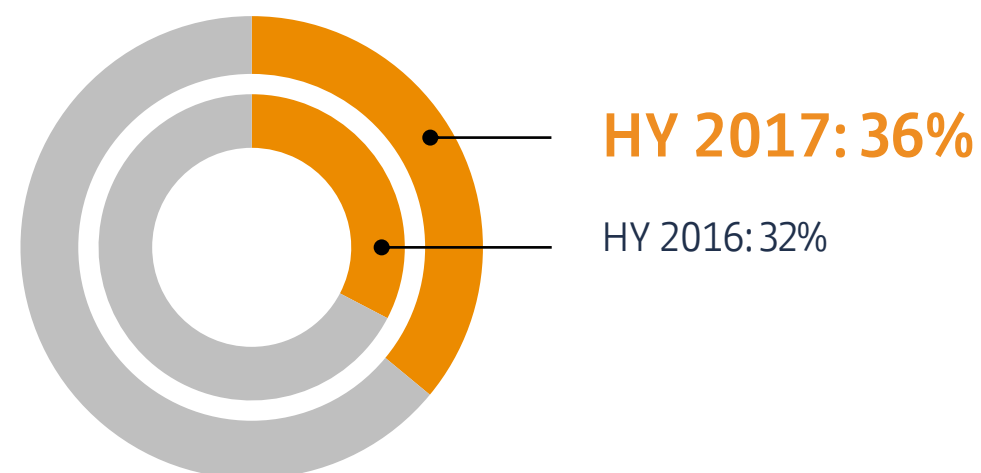
Conclusion

Q&A

Strong e-commerce growth continues, accelerated impact earlier ACM measures

	Revenue	Underlying cash operating income
Q2 2017	€836m	€46m
Q2 2016	€824m	€47m

Progress accelerating transformation towards 45% of revenue related to e-commerce in 2020



Key takeaways

- Q2 results in line with last year
 - Result Mail in the Netherlands impacted by accelerated impact earlier ACM measures (that support other postal operators)
 - Strong result Parcels driven by volume growth
 - Improving result International, progress slightly lagging
- Expected financial impact of final decision SMP between €30m and €50m, towards upper part of range; subject to final implementation
- FY 2017 result expected to end towards lower end of guidance range of €220m - €260m
- UCOI ambition 2020 at €310m - €380m
- Expectations and ambitions subject to final implementation of SMP decision
- Aim for progressive dividend supported by consolidated equity on track to turn positive in 2017 and progress accelerating transformation
- Interim dividend 2017 of €0.06 per share

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Our strategy

2020

one



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

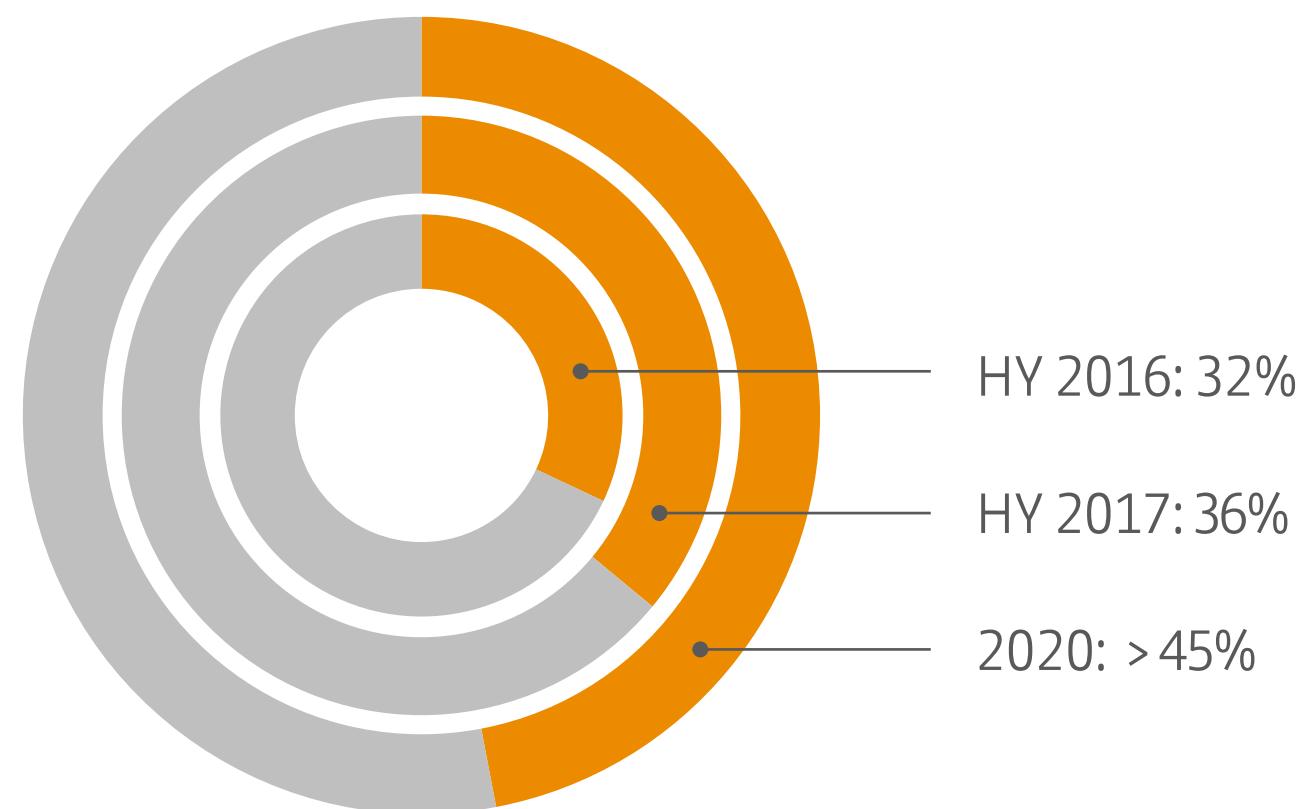
Capturing e-commerce growth

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

Unlock value through accelerating transformation

Capturing 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

Preference for specific supplier and more online interaction



Operational networks

Extending our parcels networks and adjusting our mail network to reality of market decline

Mail in the Netherlands

Volume decline, accelerated impact earlier ACM measures and strong cost savings

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
Q2 2017	€434m	€17m	€16m <small>of which €14m in Mail in the Netherlands</small>	8.8%* <small>YTD: 9.2%</small>
Q2 2016	€453m	€29m		

Key takeaways Q2 2017

- Volume decline driven by ongoing substitution; continued high decline in single mail and partial reversal of phasing effects in bulk mail; full year volume decline expected to be between 7% and 9%
- Accelerated impact earlier ACM measures (article 9 Postal Act): supported by these measures, postal operators collect more mail
 - partly via network access; results in pressure on average price
 - delivering more mail items than anticipated via their own networks
- Higher cash out for provisions and pensions (total €3 million)
- Negative impact from other effects (mainly lower margin cross-border mail partly offset by lower amortisation costs)
- Delivery quality continued to be high at 96.7%

* 8.0% adjusted for one working day less

Regulation (1)

Decision Significant Market Power

- PostNL has significant market power in 24-hours bulk mail segment
- PostNL must grant postal operators in this segment access to its network (Article 9 of the Postal Act, previously requiring PostNL to allowing third parties access to its network, has been withdrawn as per 1 August 2017)
- SMP decision stipulates requirements for network access, tariffs and transparency
- Effective date: 1 August 2017
- PostNL must submit tariff proposal and related conditions per product (cost-based) on 1 November 2017
- ACM must approve tariff proposal – timing uncertain

Financial impact

- Between €30m and €50m on annualised basis, toward the upper part of the range, with effect fully visible in FY 2019
- Impact subject to final implementation of SMP decision

Regulation (2)

Main conclusions Analysis future of Dutch postal market (including evaluation USO) by Ministry of Economic Affairs

- Postal market is in structural decline: market expected to shrink 30% between 2016 and 2025
- Demonstrates that regulation aimed at increasing competition does not acknowledge postal market in ongoing decline
- More network competition does not create additional value

View PostNL

- SMP decision is based on legislation which is not aligned with realities of today's declining postal market
- Results in artificial support of competition at the expense of sustainable Dutch postal network and labour conditions
- Ultimately, SMP decision will harm quality of postal delivery and service in the Netherlands and reliability and accessibility of Dutch postal network

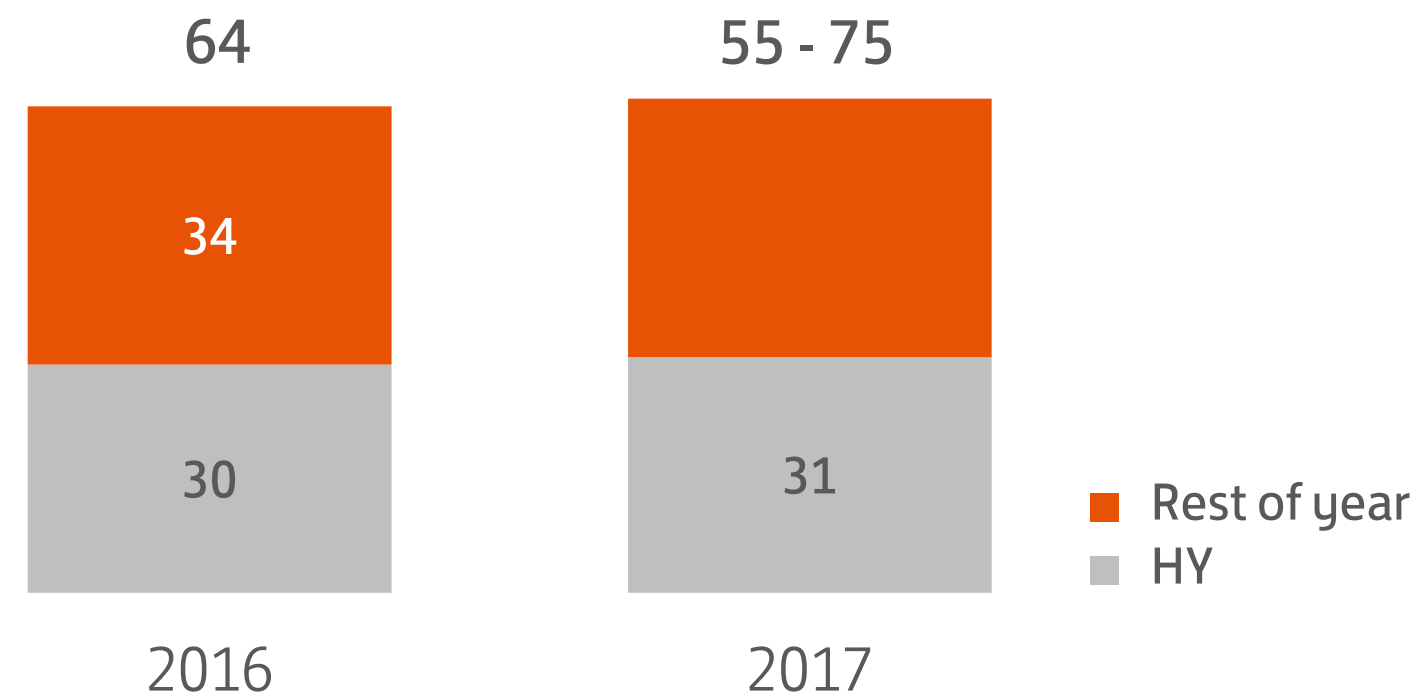
Next steps

- Action Dutch politicians and new minister required to prevent the above: regulation should reflect reality of ongoing mail volume decline
- PostNL to challenge relevant elements of SMP decision in court

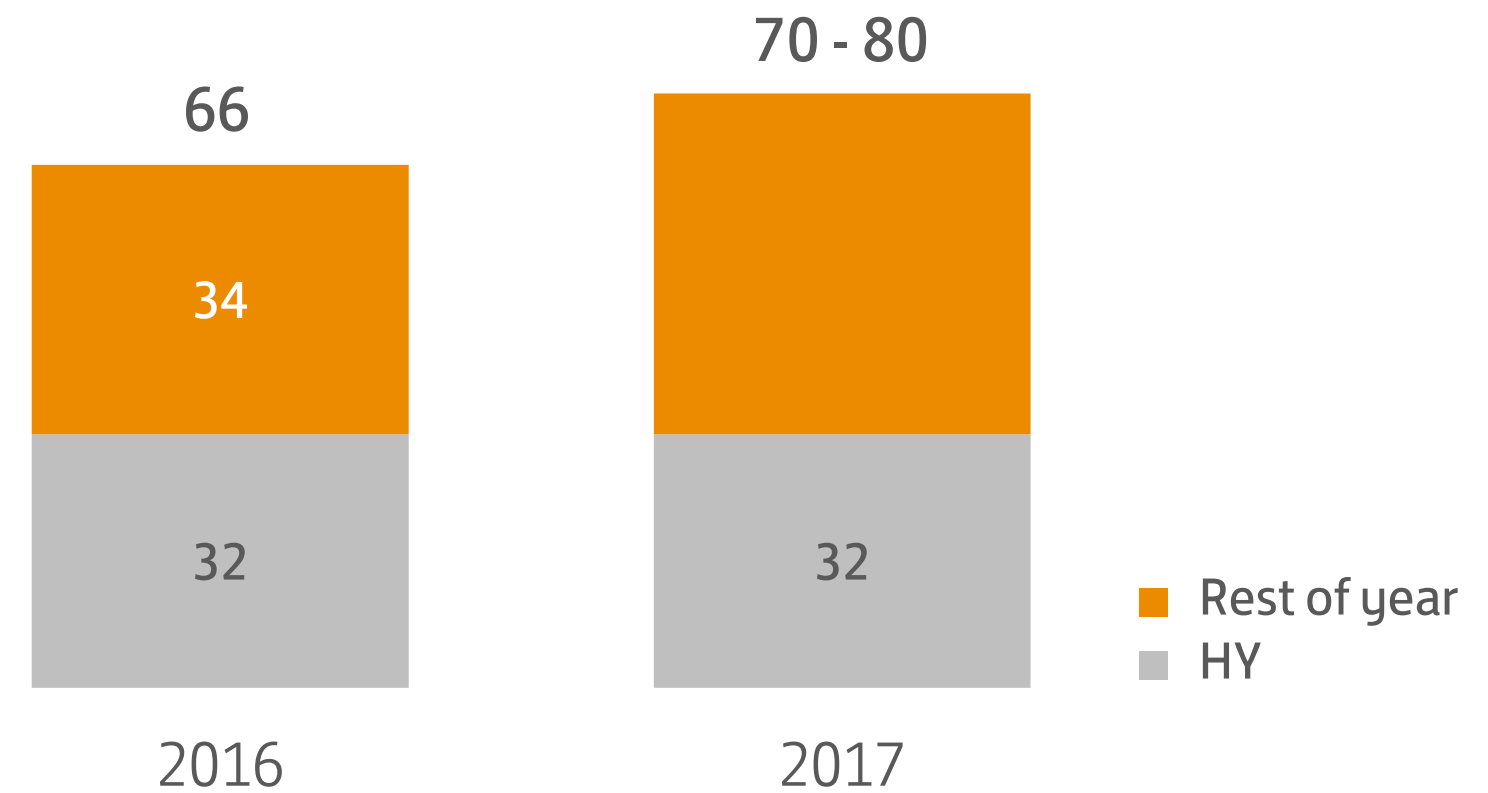
€16m cost savings realised in Q2 2017

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

Cost savings
(in € millions)



Implementation costs and restructuring cash out
expected to be higher in HY2 due to further adjustments
in sorting process
(in € millions)



Accelerating transformation

Connect senders and receivers through our people and innovative postal networks

 Market developments

 Customer interaction

 Operational networks

2013–2016

2017–2020

Progress 2017

Centralise network

Number of depots

260 → 54

→ 20

- Migration of 7 depots

Automatic sequenced sorting

% of total sorting

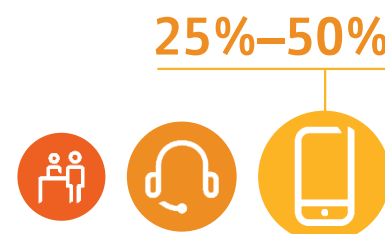
65%

85%

- Sorting machines equipped with improved label-unit
- Preparations for start 'sequencing SMX' pilot in Q4

Customer interaction

% online



- 9.3% reduction in service calls
- New online environment for our business customers; ~100,000 registered users of business portal

Head office

Centralising processes and people



- Centralisation of HR departments

Extension portfolio

Volume letterbox parcels

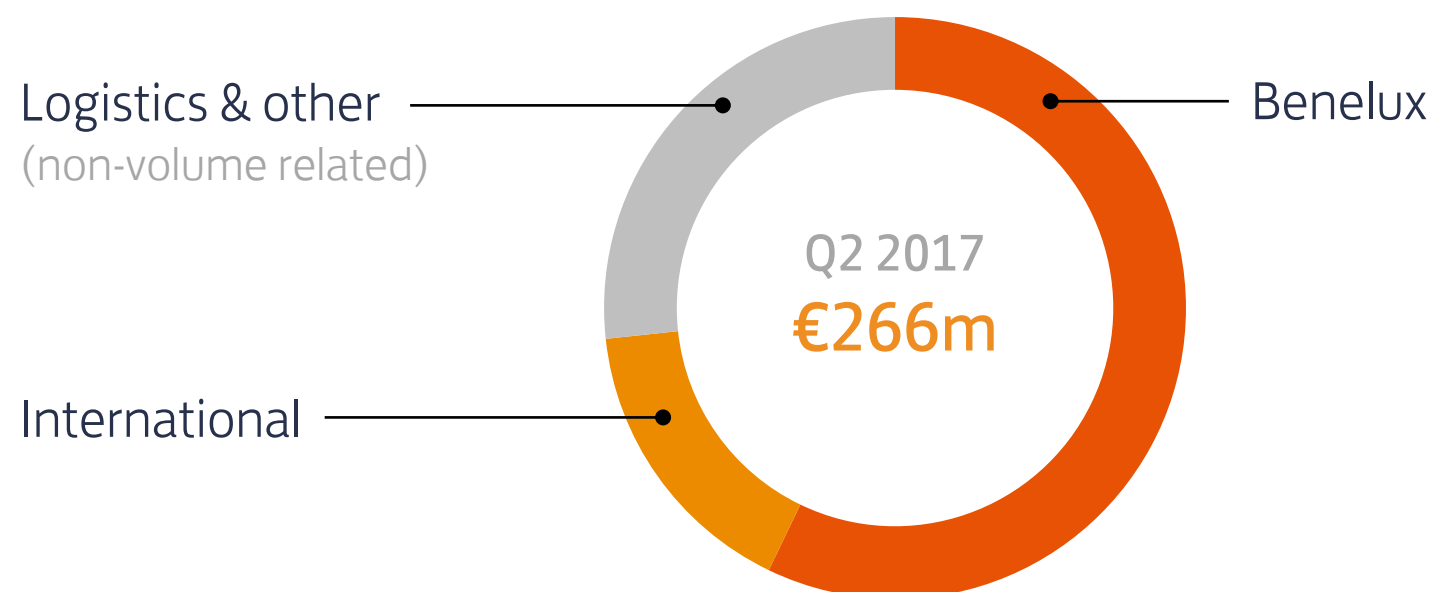
- Growth of 121% compared to HY 2016

Parcels

Strong performance driven by volume growth

	Revenue	Underlying cash operating income	Volume growth
Q2 2017	€266m	€32m	17%
Q2 2016	€235m	€27m	

Revenue mix



Key takeaways Q2 2017

- Strong increase in volume, driven by domestic parcels
- Revenue growth 13%, mainly explained by volume growth, a slightly negative price / mix effect and lower milk powder volume
- Increasing demand for additional services, for example Sunday delivery
- Growth in logistics
- Strong business performance and operational efficiency
- Two acquisitions (night distribution and furniture delivery & assembly) to extend our service proposition

Growth e-commerce driver for parcel volumes

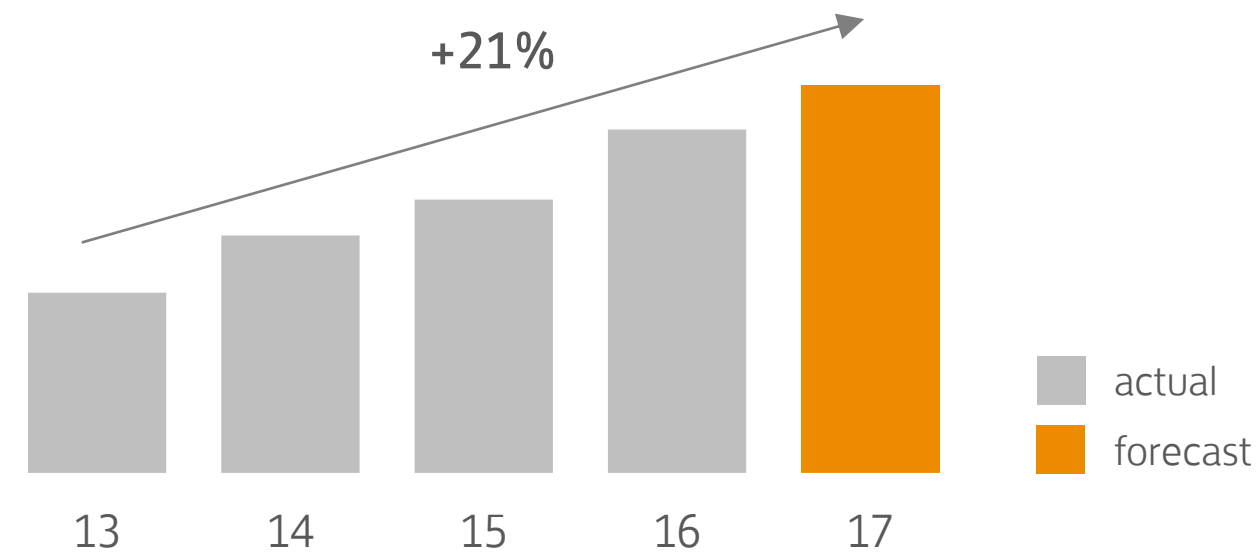
Contributes to accelerating transformation

 Market developments

 Customer interaction

 Operational networks

Growth Dutch online spending expected to continue



Source: Thuismonitor

Volume growth Parcels

2013-2016



CAGR 10.6%

HY 2017



Growth >15%

Growth of heavy use consumers

consumers receiving a parcel every week in NL



Households served by PostNL

total households served in Benelux



Delivery options to stimulate market growth

PostNL's added services remove barriers in e-commerce process

 Market developments

 Customer interaction

 Operational networks

'Convenient delivery is a key priority, alongside flexibility around delivery times'

Source: Morgan Stanley Survey, March 2017



Easy return process

Consumer friendly return solutions stimulate e-commerce growth

- Return-on-demand service now full coverage in the Netherlands
- # parcels received increased by ~20% after using return-on-demand service



Adding flexibility in delivery in Belgium

Accelerate e-commerce growth

- Successful introduction evening delivery
- Pick-up services launched
- Start food delivery network



Control over delivery

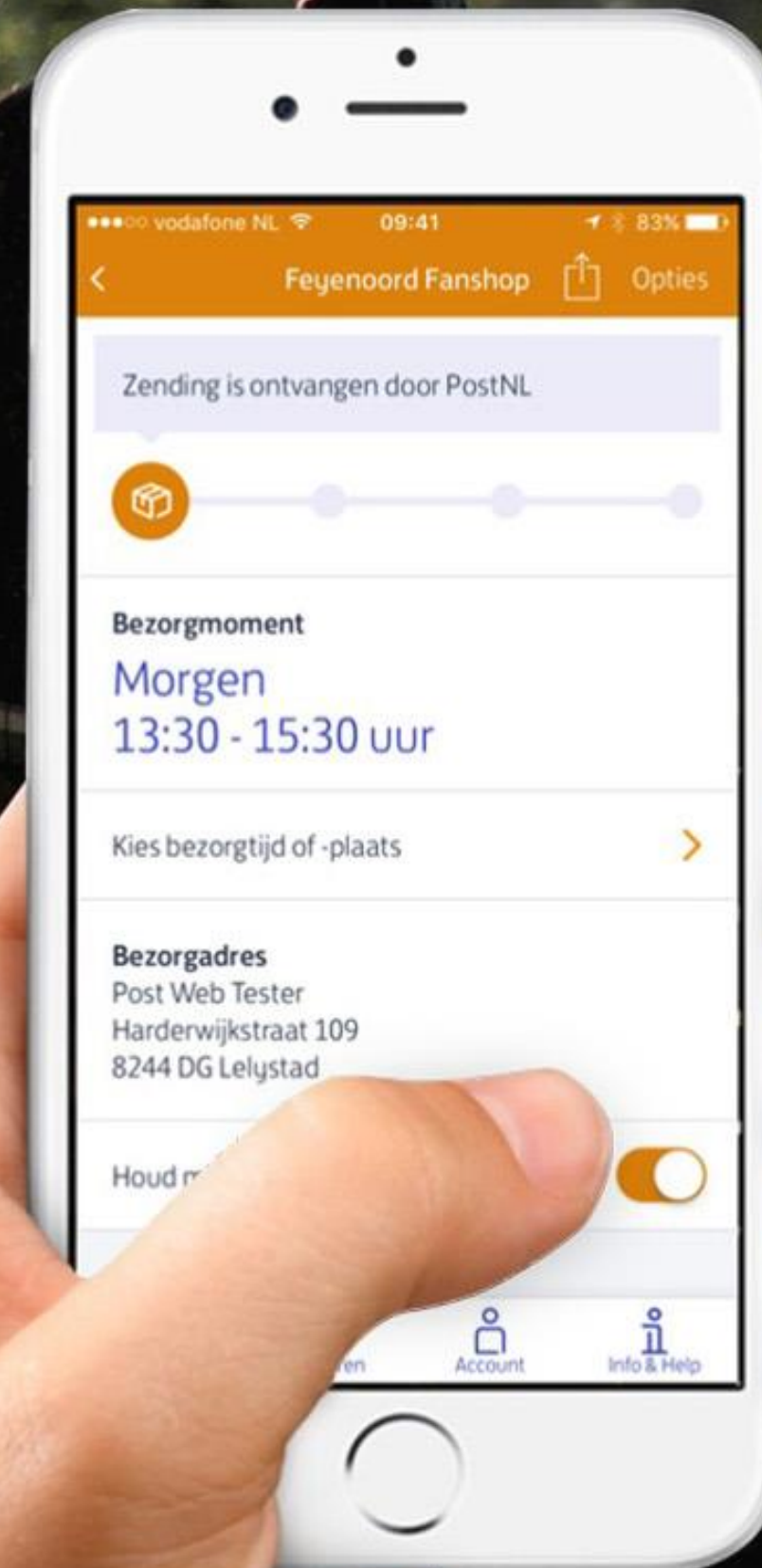
Options to change delivery time and location improve control receivers

Engines for transformation

Expand services to meet consumers' wishes

E-fact #1 Change delivery

- Using PostNL app or track & trace
- Change delivery time and location before first delivery attempt
- Next step in more control for consumers



Strategic value of consumer preference

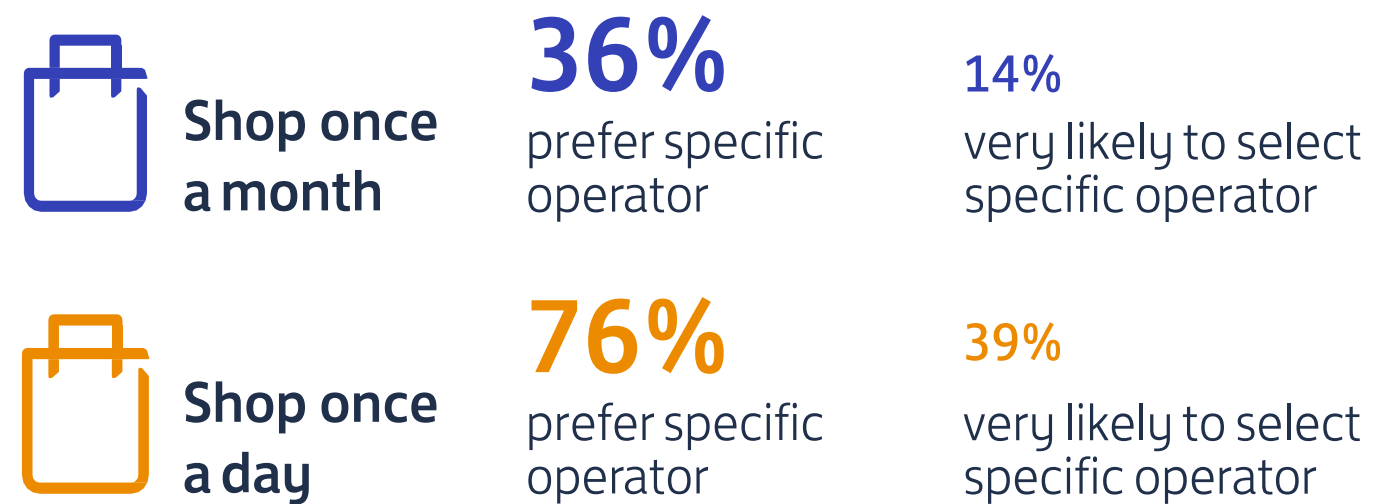
Shift to online customer contact

Marketing developments

Customer interaction

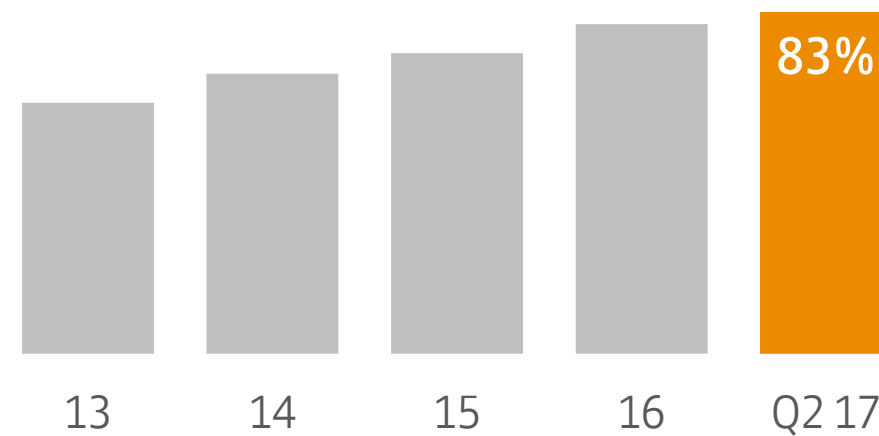
Operational networks

Frequent shoppers prefer specific operator



Source: survey Morgan Stanley, March 2017

83% of Dutch consumers prefers PostNL above other operators



Source: DirectSearch

Online consumer interaction steadily increased



Source: PostNL data

Accelerating transformation

Be the logistic solutions provider that makes our customers' lives easier

 Marketing developments

 Customer interaction

 Operational networks



2013–2016

Services & products

Propositions

- Sunday
- Evening
- PostNL app
- Food
- Extra@Home
- Same day
- New 2B services
- Return on demand
- Flowers
- Installation services

Networks

Expansion of network

- From niche networks to optimised niche networks
- From 3 (2012) to 18 NLI depots

Parcel points

Benelux



~2,100
2013



~3,400
2016

2017–2020

- Rerouting before delivery
- Narrowing delivery window
- Roll-out NL options in BE
- Additional services at home

- Multiple niche networks
- Further investments



~4,000
Longer opening hours

Progress HY 2017

- Change delivery before first attempt
- Evening and food delivery in Belgium

- Night distribution
- Furniture delivery and assembly
- Pilot Autostore Houten

~3,600 parcel points

Engines for transformation

Convenient e-commerce services to support our customers

E-fact #2 Pilot Autostore Houten

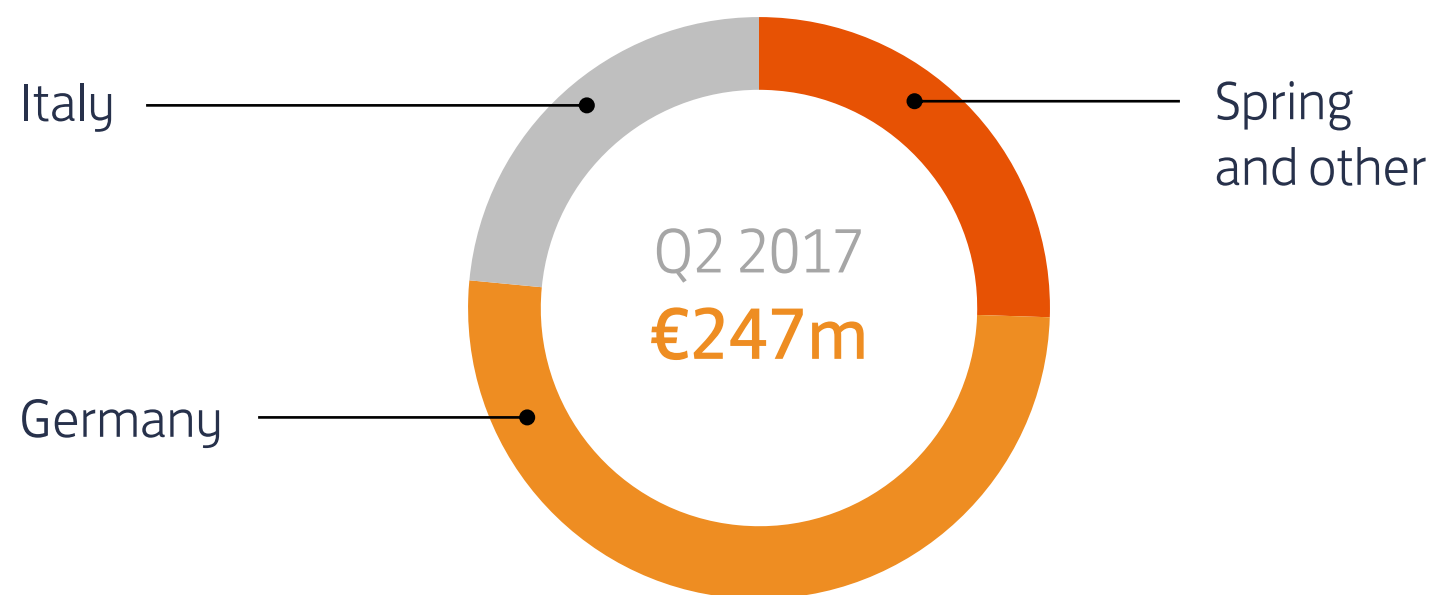
- E-fulfilment accounts for around 10% of logistic services in the Netherlands
- Robotised order picking in our warehouse increases capacity and efficiency
- Supports customers by fast execution and helps them to manage peak periods

International

Step-by-step improvement, with revenue development in 2017 behind expectations

	Revenue	Underlying cash operating income
Q2 2017	€247m +0%*	€1m
Q2 2016	€247m	€0m

Revenue mix



* Corrected for an adjustment in presentation of intercompany charges, revenue increased by 2%

Spring & other

- Lower revenue, mainly due to effect stricter rules for dangerous goods, visible since second half of 2016
- Expected to capturing growth from e-commerce in second half of year, supported by good start of AliExpress as from mid-May

Germany

- Last year's acquisition of Pin Mail Berlin and Mail Alliance accounted for €20m of revenue and contributed to UCOI
- Lower volume and less revenue in other activities
- Part of the recovery path is a shift to more own final-mile delivery

Italy

- Expected recovery becomes more tangible
- Improving volume/product/customer mix in mail activities, supported by start of new clients
- Strong growth in parcels, further contract wins, delivery to start in Q3
- Ongoing focus on quality and acquisition of new clients

Engines for transformation

Fuelling revenue growth in Spring

E-fact #3 Tag & trace

- Innovation based on RFID technology
- Adding RFID tags to labels provides tracking events to customers
- Value added service on top of other solutions
- Strengthens our 'Gateway to Europe' proposition



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Financial highlights Q2 & HY 2017

Underlying cash operating income in line with last year

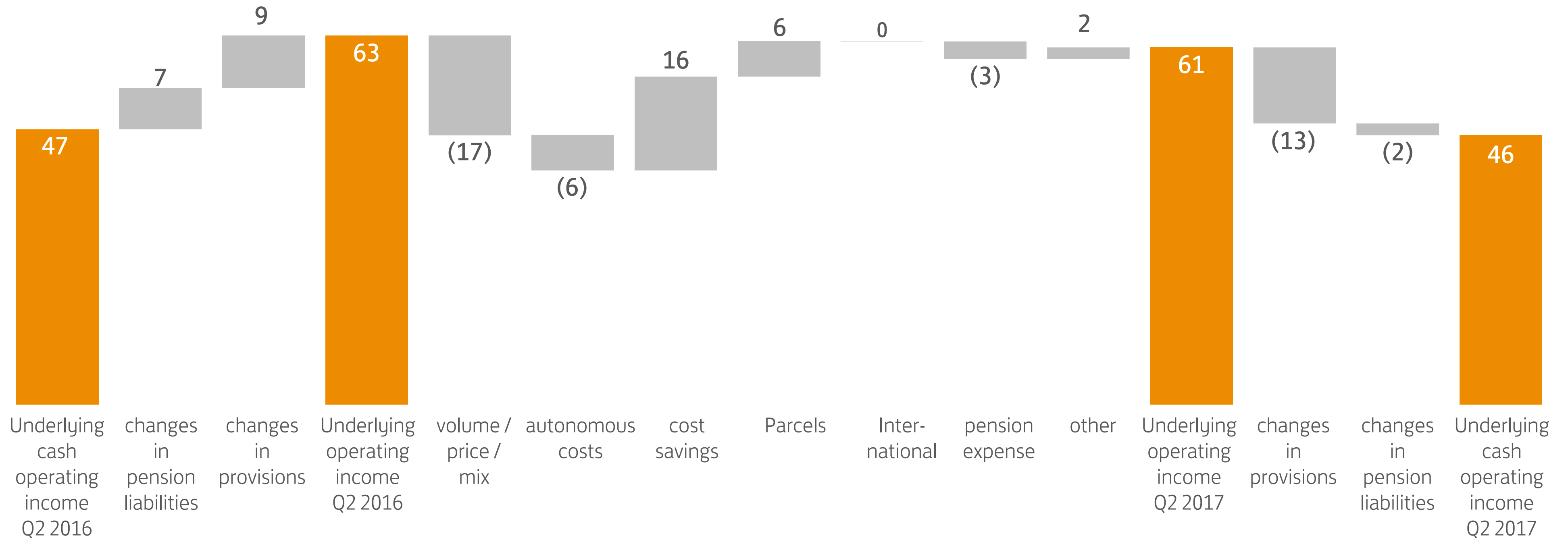
(in € millions)

	Q2 2017	Q2 2016	HY 2017	HY 2016
Reported revenue	836	824	1,706	1,688
Reported operating income	52	50	118	120
Restructuring related charges	8	5	8	12
Project costs and other	1	8	3	10
Underlying operating income	61	63	129	142
Underlying cash operating income	46	47	96	108
Net cash (used in)/from operating and investing activities	(68)	668	(88)	642
Normalised net cash, excluding sale of stake in TNT Express	(68)	25	(88)	(1)

Underlying (cash) operating income

In line with last year, supported by some incidentals

(in € millions)



Results by segment

Strong growth in Parcels

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Mail in the Netherlands	434	453	32	41	17	29
Parcels	266	235	33	27	32	27
International	247	247	1	1	1	0
PostNL Other	19	45	(5)	(6)	(4)	(9)
Intercompany	(130)	(156)				
Total PostNL	836	824	61	63	46	47

Statement of income

Lower financial expense contributed to improvement normalised profit for the period

<i>(in € millions)</i>	Q2 2017	Q2 2016	HY 2017	HY 2016
Revenue	836	824	1,706	1,688
Operating income	52	50	118	120
Net financial expenses*	(11)	127	(21)	110
Results from investments in associates and joint ventures	(6)	0	(6)	1
Income taxes	(6)	(11)	(21)	(26)
Profit for the period	29	166	70	205
<i>Normalised profit for the period</i> <i>(excluding sale of stake in TNT Express)</i>	29	21	70	60

* Impact sale of stake in TNT Express in Q2/HY 2016 was €145m

Net cash from operating and investing activities

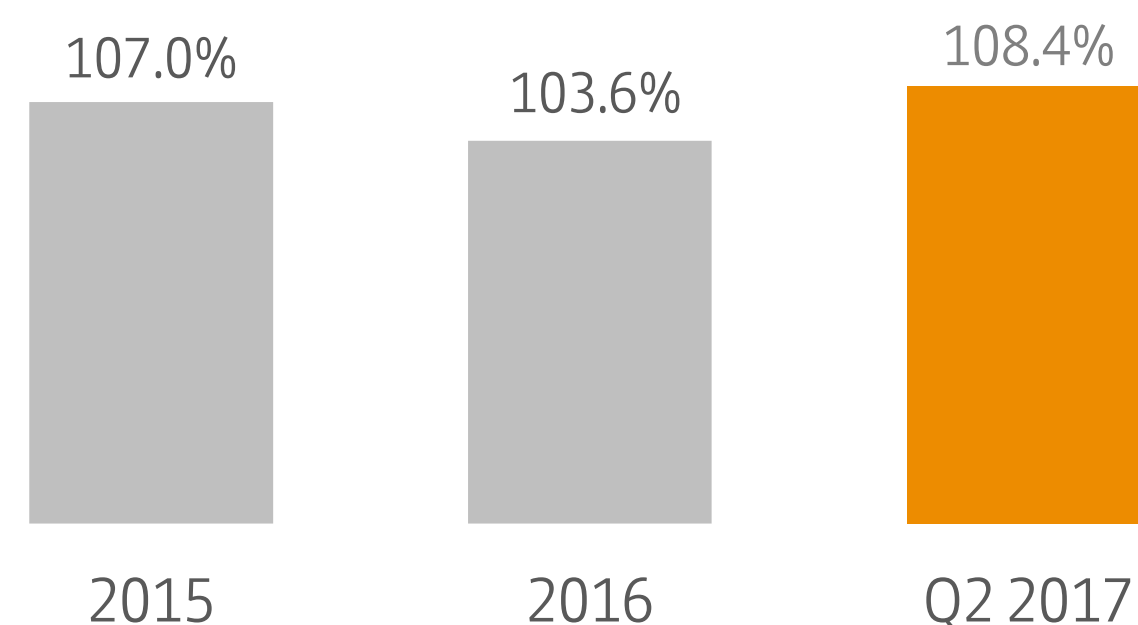
Higher capex and acquisitions; seasonal pattern and phasing in working capital

(in € millions)	Q2 2017	Q2 2016	HY 2017	HY 2016
Cash generated from operations	(14)	37	45	86
Interest paid	(2)	(1)	(3)	(2)
Income taxes paid	(3)	(2)	(63)	(67)
Net cash (used in)/from operating activities	(19)	34	(21)	17
Interest / dividends received / acquisitions / other	(23)	(2)	(22)	(1)
Capex	(29)	(14)	(52)	(27)
Proceeds from sale of assets	3	650	7	653
Net cash (used in)/from operating and investing activities	(68)	668	(88)	642
<i>Normalised net cash, excluding sale of stake in TNT Express</i>	(68)	25	(88)	(1)
	Q2 2017	HY 2017		
Base capex	19	33		
Cost savings initiatives	2	9		
New sorting and delivery centres	8	10		
Total capex	29	52	around 125 (FY outlook)	

Coverage ratio pension fund further improved to 108.4%

Positive impact of pensions on equity €9m

Coverage ratio pension fund



(in € millions)

Q2 2017

Return on plan assets in excess of interest income	(38)
Defined benefit obligation	293
Asset ceiling	(243)
Minimum funding requirement	0
Total pension	12
Net effect on equity within OCI	9

- Coverage ratio 108.4%; actual month-end coverage ratio 113.5%
- Projections per Q2 2017 show no anticipated top-up payment obligation
- Trigger for start of 5-year recovery period, in which top-up payments might apply, started in Q3 2016 and is expected to end next quarter

Consolidated statement of financial position

Consolidated equity position improved and is on track to turn positive in 2017

<i>(in € millions)</i>	1 Jul 2017		1 Jul 2017
Intangible fixed assets	238	Consolidated equity	(17)
Property, plant and equipment	511	Non-controlling interests	3
Financial fixed assets	46	Total equity	(14)
Other current assets	617	Pension liabilities	392
Cash	524	Long-term debt	226
Assets classified as held for sale	4	Other non-current liabilities	65
		Short-term debt	328
		Other current liabilities	943
Total assets	1,940	Total equity & liabilities	1,940

- Net debt position of €30m
- Corporate equity of €2,710m, of which €263m distributable

Outlook 2017: UCOI between €220m and €260m

FY 2017 result expected to end towards lower end of range

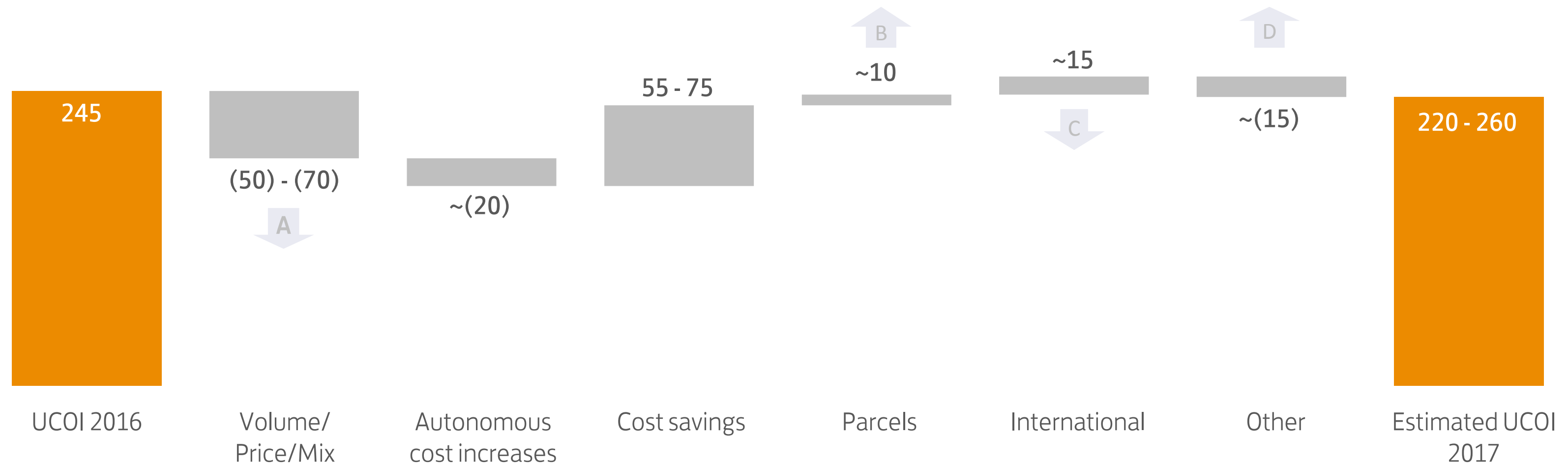
(in € millions)	Revenue		UCOI / margin	
	2016	outlook 2017	2016	outlook 2017
Mail in the Netherlands	1,877	- low single digit	160 (8.5%)	6.5%-8.5%
Parcels	967	+ low teens from + high single digit	106 (11.0%)	10%-12%
International*	1,017	+ high single digit from + mid teens	14 (1.4%)	1%-3%
PostNL Other / eliminations	(448)		(35)	
Total*	3,413	+ mid single digit	245	220 - 260

* Note that on 30 December 2016, PostNL acquired the remaining 50% shares of HIM Holtzbrinck 25 GmbH resulting in 100% ownership of the shares in the company. For 2017, the acquisition will result in additional revenues (2016 comparative number for revenue: €80m) and underlying cash operating income within International. The acquisition is included in our outlook 2017 numbers. The outlook 2017 excludes acquisition effects in Parcels.

Outlook 2017

Drivers development underlying cash operating income

(in € millions)



- A. Taking into account accelerated impact earlier ACM measures
- B. Higher revenue growth driven by increase in volumes in Parcels
- C. Developments International: revenue outlook high single digit growth
- D. Supported by incidentals (mainly bilaterals and less amortisation costs), partly offset by other effects (mainly lower margin cross-border mail)

Aim for progressive dividend

Interim dividend 2017 set at €0.06 per share

Progressive dividend 2017 and onwards

Solid business performance will generate sufficient profit and cash flow

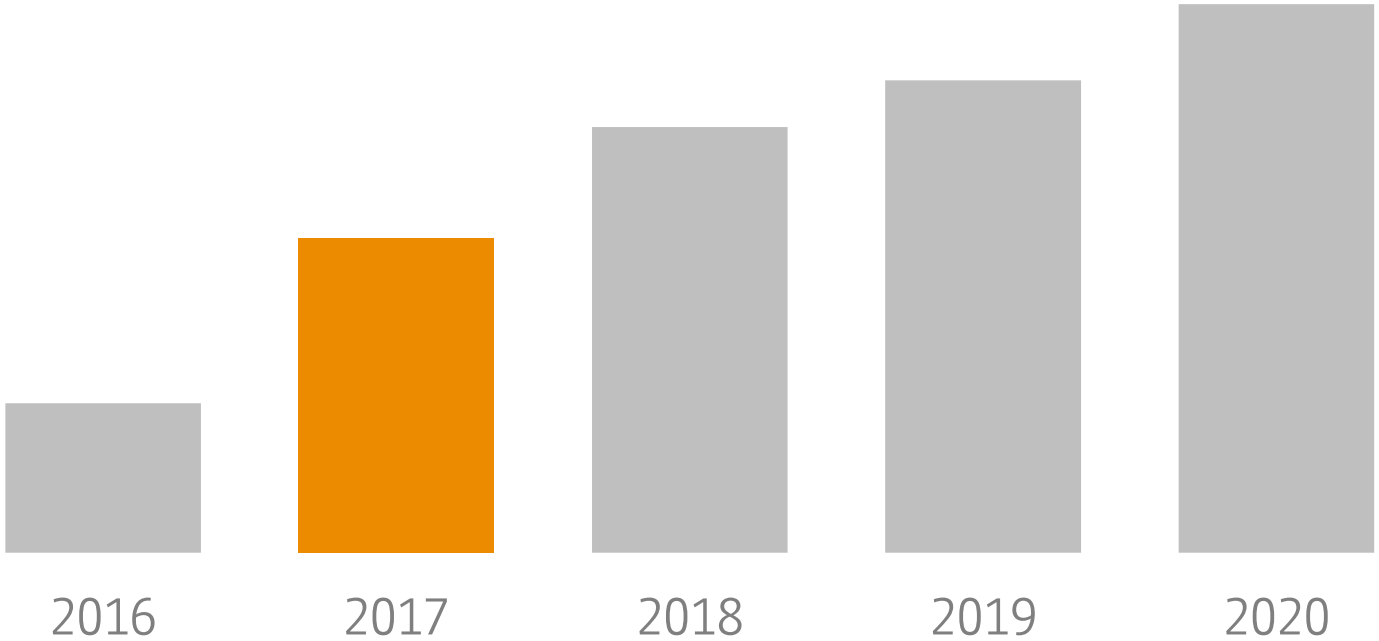
Interim 2017 dividend: €0.06 per share

To be paid in cash or in shares, at the election of the shareholder

Calendar interim dividend 2017

9 August 2017	ex-dividend date
10 August 2017	record date
11 August 2017	start election period
24 August 2017	end election period, 3PM CET
28 August 2017	payment date

Dividend estimate: 75% of UNCI



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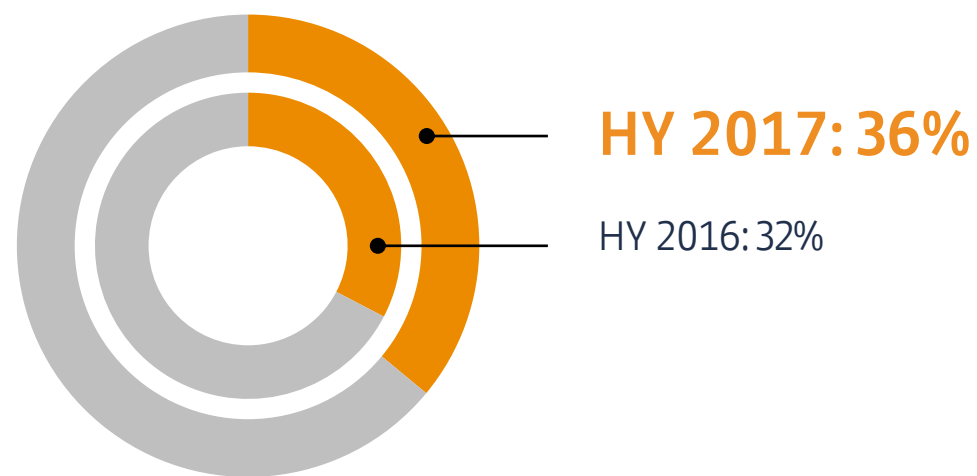
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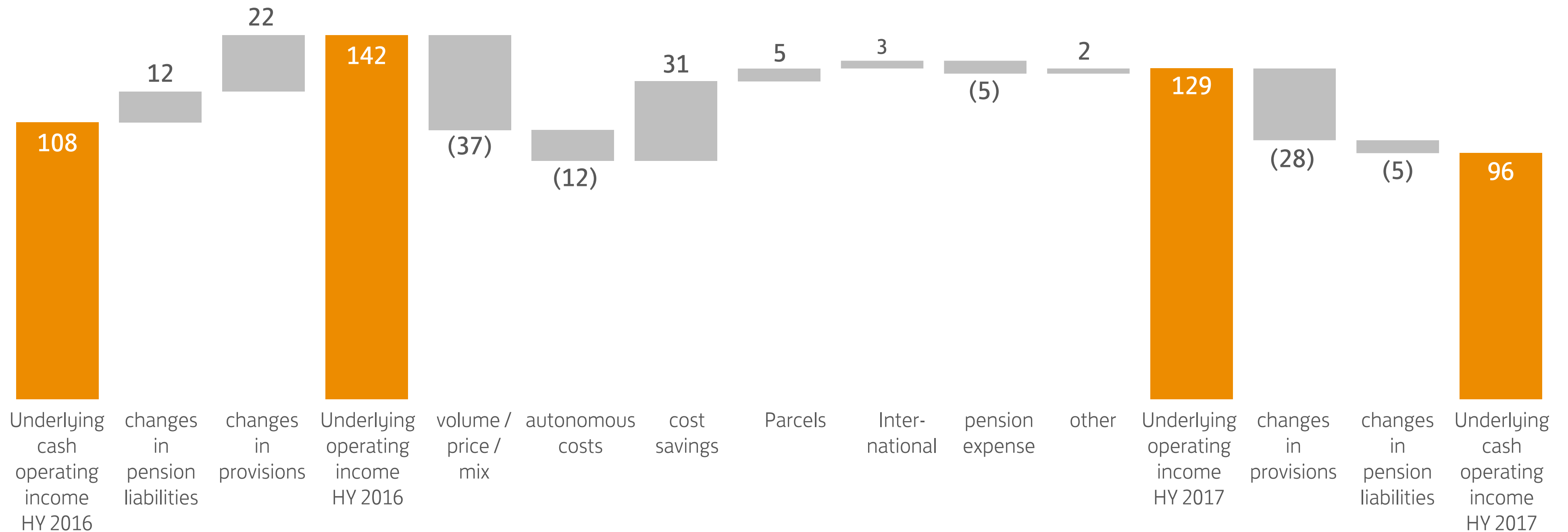
- Results by segment YTD
- Underlying (cash) operating income YTD 2017
- Breakdown pension cash contribution and expenses

Results by segment YTD

	Revenue		Underlying operating income		Underlying cash operating income	
	HY 2017	HY 2016	HY 2017	HY 2016	HY 2017	HY 2016
Mail in the Netherlands	884	925	73	92	45	67
Parcels	515	469	61	56	60	55
International	532	513	7	4	6	3
PostNL Other	37	89	(12)	(10)	(15)	(17)
Intercompany	(262)	(308)				
Total PostNL	1,706	1,688	129	142	96	108

Underlying (cash) operating income YTD 2017

(in € millions)



Breakdown pension cash contribution and expenses

(in € millions)	Q2 2017		Q2 2016	
	Expenses	Cash	Expenses	Cash
Business segments	26	30	26	32
IFRS difference	2		(1)	
PostNL	28	30	25	32
Interest	2		3	
Total	30		28	

Published by:

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Additional information is available at postnl.nl

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