

Q3 2018 Results

The Hague, 5 November 2018



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Nexive and Postcon are classified as discontinued operations, resulting in adjusted segment reporting. All financials are based on continuing operations except where noted.

Key takeaways

Business review

Financial review

Conclusion

Q&A

Confidence in achieving UCOI outlook 2018

Satisfying Q3 results

	Revenue	Underlying cash operating income
Q3 2018	€638m	€23m
Q3 2017	€630m	€35m

Progress acceleration of transformation



Positive adjustment expected impact Significant Market Power

- Expected financial impact related to ACM measures adjusted to €40m - €45m (previously: €50m - €70m), fully visible in 2020
- Going forward, all other things being equal, positive impact on profitability in Mail in the Netherlands
- Based on September judgement by Tribunal and current situation

Divestment process Nexive and Postcon

- On track, signing expected in first half year of 2019

UCOI outlook 2018 confirmed

- Expected full year underlying cash operating income of between €160m and €190m

Dividend

- Aim for progressive dividend confirmed

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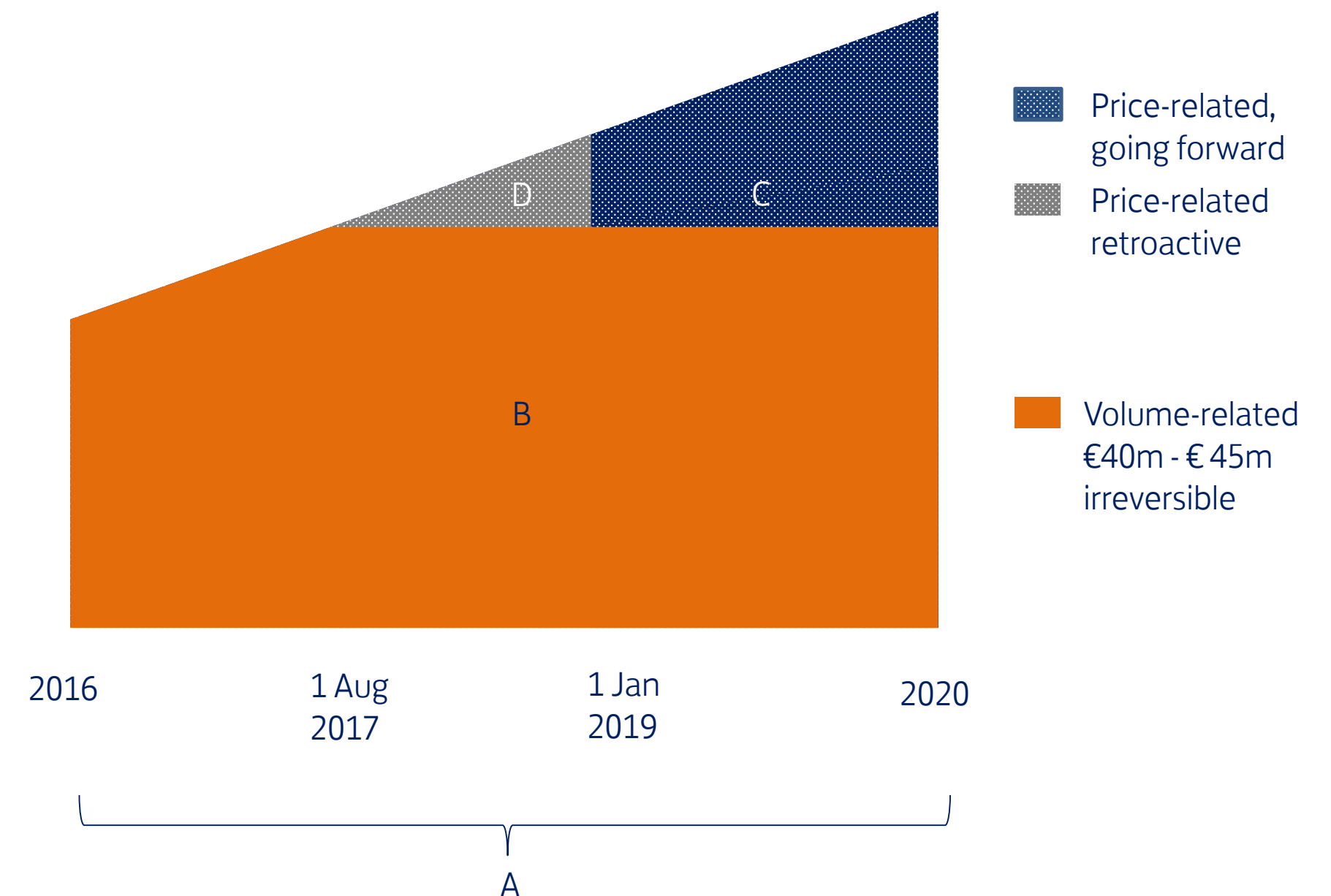
Decision on SMP annulled in September

Financial impact ACM measures adjusted to between €40m and €45m, fully visible in 2020

- Expected financial impact of ACM measures, was €50m - €70m annualised, fully visible in FY 2020 (A)
- Impact since 2016 as postal operators substantially grew market shares, resulting in additional volume loss on top of structural volume decline. Part of financial impact is, therefore, irreversible (B)
- ACM decision on SMP was annulled. All obligations imposed on PostNL regarding network access for postal operators no longer apply. Obligations came into effect on 1 August 2017
- As of 1 January 2019, all postal operators will be granted network access based on PostNL conditions and tariffs (C)
- Adjustment of expected financial impact of ACM measures to €40m - €45m annualised, fully visible in FY 2020, based on September judgement and current situation
- Difference between SMP tariffs and PostNL tariffs between August 2017 and January 2019 invoiced to postal operators. Expected to add approximately €7.5m to UCOI in Q4 2018 (D)
- Going forward, all other things being equal, positive impact on profitability in Mail in the Netherlands,

Financial impact ACM measures

(illustrative only)



Broad political support for conclusions postal dialogue is crucial

Consolidation of networks is best solution to safeguard future of Dutch postal market

Parliament

- Broad support for consolidation
- Attention for postal operators that employ people with a distance to the labour market

ACM (Authority for Consumers and Markets)

- General approval process for mergers and acquisitions takes several months
- Will evaluate any acquisition based on current regulatory framework

Market participants

- Acknowledged in public that consolidation of networks is the best solution for a sustainable postal sector

Road towards consolidation is not straightforward due to anti-trust regulation and involvement of several stakeholders

Preparations are in progress and require time

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Parcels

Continuing strong volume and revenue growth



Parcels (excluding Spring) – accelerating transformation driven by ongoing growth e-commerce

- Revenue increased by 18%
 - strong volume growth continued
 - prices increased above inflation, more than offset by shift in customer mix, resulting in a slightly negative price/mix effect; expected price increases 2019 above inflation
 - strong development additional services and increase in logistic solutions
 - three new sorting centres now operational, will contribute to efficiency improvement towards the end of the year
- Business performance improved supported by increasing volumes, partly offset by additional capacity costs, also due to tight labour and transport market, and increasing IT costs for further development of services
- Higher cash out related to pensions and provisions

Spring – pressure on margin

- Revenue down 11% (12% adjusted for FX effects); competitive environment remains fierce, especially in Asia, putting pressure on margin and resulted in lower performance than last year

Engines for transformation

Direct online connection with 4 million consumers

E-fact #9

- 4 million Dutch people now have a personal PostNL account
- # of accounts increases by approximately 20,000 each week
- PostNL account enables us to create direct relationship with our end customers leading to better interaction and data
- Results in more loyalty and new personalized services



Engines for transformation

Further step in delivery options to support market growth



E-fact #10

- Pilot for delivery within 2 hours for bol.com in Amsterdam
- Next step in convenient shopping combined with sustainable delivery
- Process based on state-of-the-art technology

Mail in the Netherlands

Improving run-rate of cost savings

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
Q3 2018	€371m	€(1)m	€16m <small>of which €11m in Mail in the Netherlands</small>	11.9% <small>(10.8% YTD)</small>
Q3 2017	€395m	€7m		

Key takeaways Q3 2018

- Volume decline mainly driven by ongoing substitution
 - continued high decline in single mail
 - bulk mail volume impacted by postal operators delivering more mail through their own networks
- Improvement in run-rate cost savings in Q3; FY 2018 guidance remains slightly below the initial indicated range of €50m - €70m
- Performance also includes autonomous cost increases, less cash out for pensions and provisions, and other effects (for example lower bilaterals)
- New tariffs 2019 announced: stamp price increase 4.8%
- Delivery quality at 95%

€16m cost savings realised in Q3 2018 (€34m YTD)

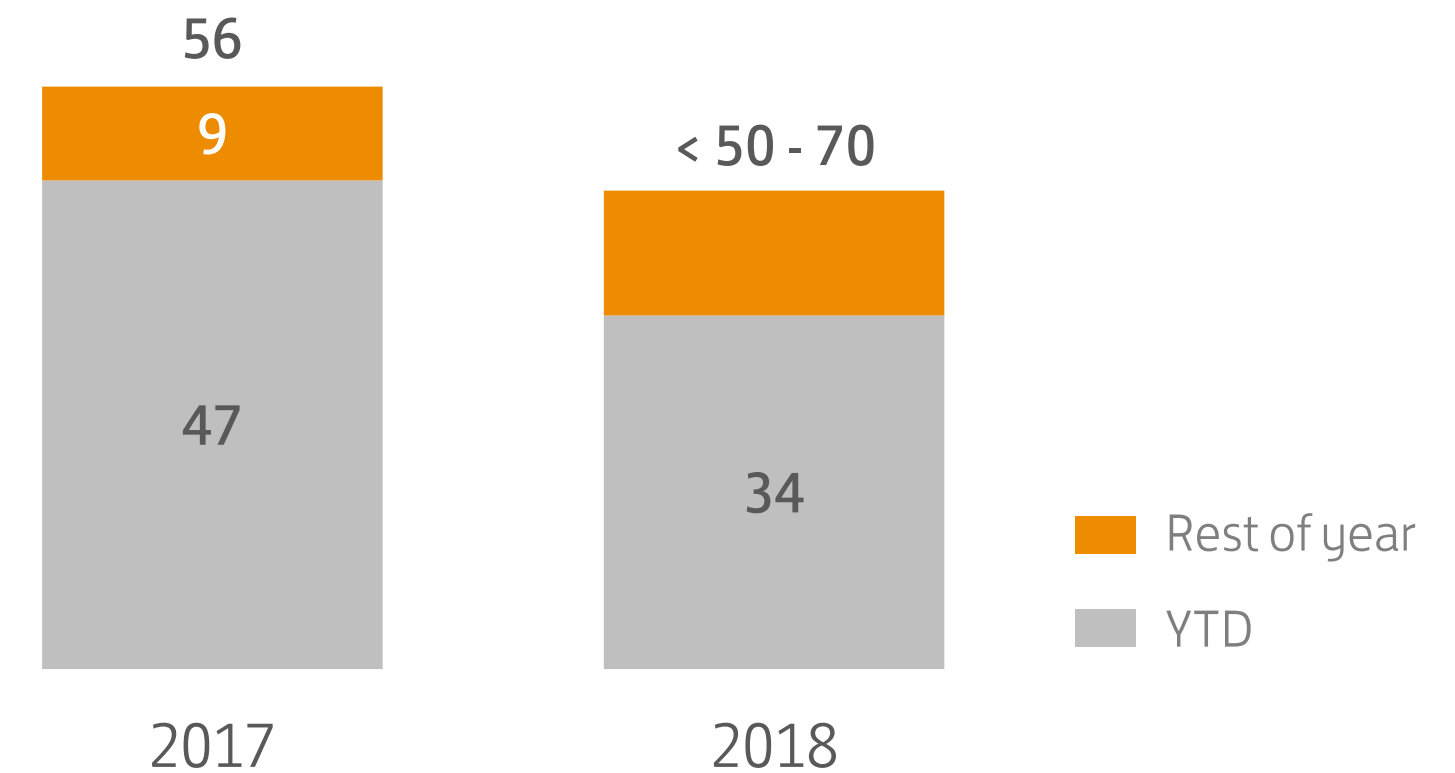
FY 2018 cost savings expected to be slightly below range of €50m - €70m

Cost savings Q3 2018

- | | |
|---|---|
| Reduce staff | <ul style="list-style-type: none">• Implementation reduction of staff according to plan |
| Efficiency sorting and delivery process | <ul style="list-style-type: none">• Continuation roll-out adjusted coding process in five locations, full implementation expected Q1 2019• Roll-out adjustments in delivery process started in six areas• Increase in % automatic coding reduced video-coding costs |
| Centralisation location | <ul style="list-style-type: none">• Migration of one location; three more to follow in Q4 |
| Optimise retail network | <ul style="list-style-type: none">• Reduction of 850 mail boxes |

Cost savings YTD

(in € millions)



UCOI outlook 2018 confirmed

Outlook 2018

- Adjusted segment reporting: Parcels (including Spring), Mail in the Netherlands and PostNL Other
- Confident to achieve our outlook for FY 2018 underlying cash operating income
- Revenue 2018 guidance PostNL adjusted to + low single digit (was: + mid single digit), fully explained by lower revenue growth in Spring

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

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Progress divestment Nexive and Postcon

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
- Processes on track, signing expected in HY 2019

Reporting and financial impact in Q3 2018

- Nexive and Postcon classified as discontinued operations
- Result from discontinued operations €(49)m (Q3 2017: €(6)m) includes a fair value adjustment, a consolidation effect and a negative business result



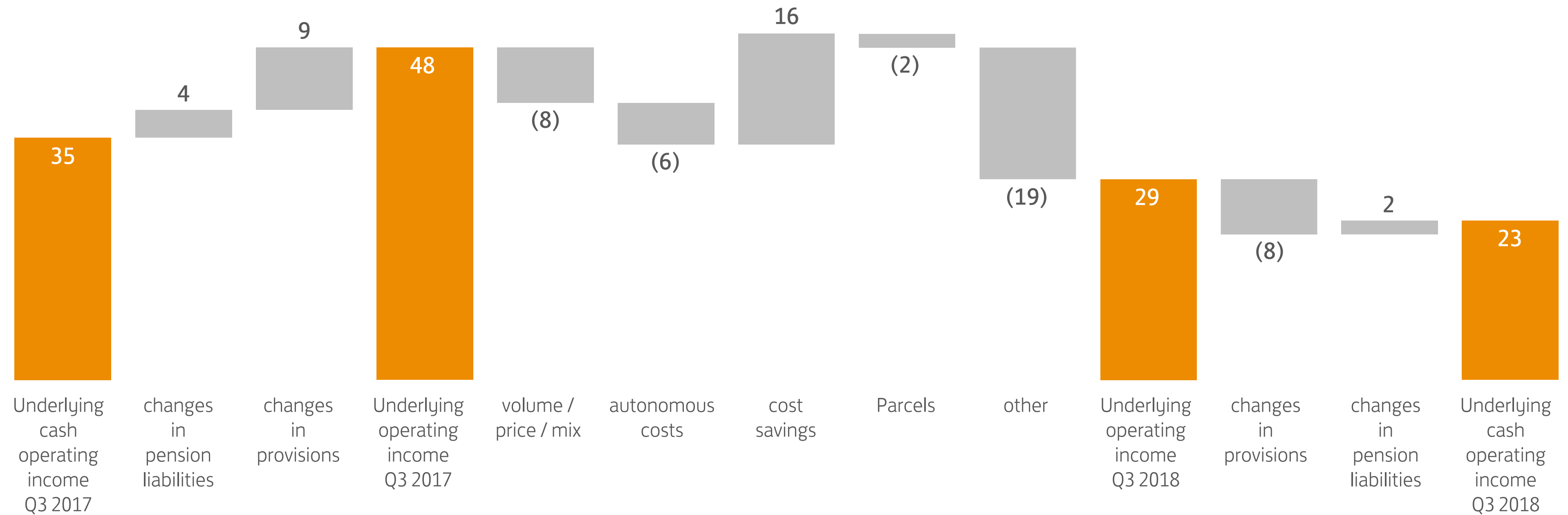
Financial highlights Q3 2018

(in € millions)

	Q3 2017	Q3 2018	YTD 2017	YTD 2018
Reported revenue	630	638	1,943	1,978
Reported operating income	41	31	170	92
Restructuring related charges	9	(3)	17	0
Project costs, impairment PPE and settlements		2	3	24
Consolidation effect with discontinued operations	(2)	(1)	(7)	(6)
Underlying operating income	48	29	183	110
Underlying cash operating income	35	23	137	88
Net cash used in operating and investing activities	(9)	(42)	(63)	(76)

Underlying (cash) operating income Q3 2018

(in € millions)



Results by segment Q3 2018 based on continuing operations

(in € millions)

	Revenue		Underlying operating income		Underlying cash operating income	
	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018
Parcels	339	375	32	30	31	28
Mail in the Netherlands	395	371	20	7	7	(1)
PostNL Other	18	17	(4)	(8)	(3)	(4)
Intercompany	(122)	(125)				
Total PostNL	630	638	48	29	35	23

Statement of income

<i>(in € millions)</i>	Q3 2017	Q3 2018	YTD 2017	YTD 2018
Revenue	630	638	1,943	1,978
Operating income	41	31	170	92
Net financial expenses	(10)	(5)	(31)	(21)
Results from investments in associates and joint ventures			(5)	
Income taxes	(6)	(7)	(27)	(20)
Profit from continuing operations	25	19	107	51
Loss from discontinued operations	(6)	(49)	(18)	(68)
Profit for the period	19	(30)	89	(17)

Net cash from operating and investing activities

<i>(in € millions)</i>	Q3 2017	Q3 2018	YTD 2017	YTD 2018
Cash generated from operations	27	(14)	100	31
Interest paid	(17)	(17)	(20)	(21)
Income taxes received / (paid)	(3)	5	(65)	(34)
Net cash (used in)/from operating activities	7	(26)	15	(24)
Interest / dividends received / acquisitions / other	2	(2)	(20)	(1)
Capex	(26)	(27)	(73)	(75)
Proceeds from sale of assets	8	13	15	24
Net cash (used in)/from operating and investing activities	(9)	(42)	(63)	(76)
Base capex		13		32
Cost savings initiatives		3		6
New sorting and delivery centres		11		37
Total capex (FY 2018: max €100m)		27		75

Coverage ratio pension fund further improved to 116.4%

Higher pension expense balanced in Other Comprehensive Income

(in € millions)

Q3 2018

Return on plan assets in excess of interest income

9

Defined benefit obligation

0

Minimum funding requirement

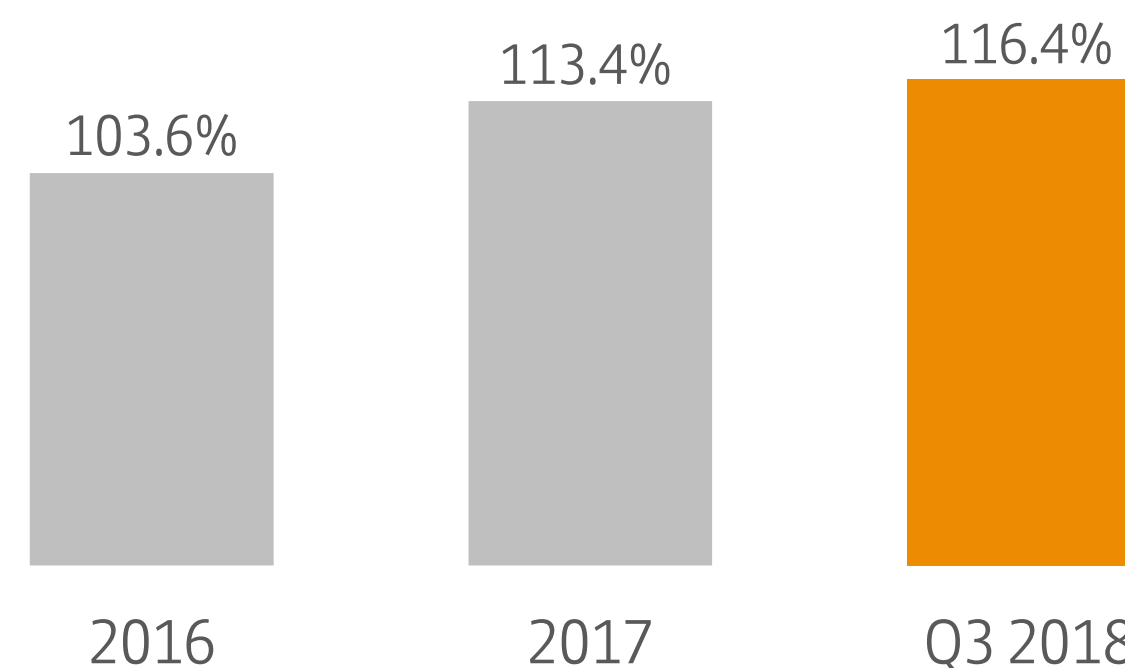
(1)

Total pension

8

Net effect on equity within OCI

6



- Increase in pension expense in Q3 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 Q4 2018

Consolidated statement of financial position

Redemption of GBP Eurobond of €223m in August

<i>(in € millions)</i>	29 Sep 2018		29 Sep 2018
Intangible fixed assets	198	Consolidated equity	(26)
Property, plant and equipment	504	Non-controlling interests	3
Financial fixed assets	29	Total equity	(23)
Other current assets	376	Pension liabilities	342
Cash	222	Long-term debt	409
Assets classified as held for sale	278	Other non-current liabilities	62
		Short-term debt	2
		Other current liabilities	687
		Liabilities related to assets classified as held for sale	128
Total assets	1,607	Total equity & liabilities	1,607

- Net debt position of €183m

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Confidence in achieving UCOI outlook 2018

Satisfying Q3 2018 results

Progress accelerating transformation



Performance Q3 2018

- Satisfying Q3 2018 results in line with expectations

Positive adjustment expected impact Significant Market Power

- Expected financial impact related to ACM measures adjusted to €40m - €45m (previously: €50m - €70m), fully visible in 2020
- Going forward, all other things being equal, positive impact on profitability in Mail in the Netherlands
- Based on September judgement by Tribunal and current situation

UCOI outlook 2018 confirmed

- Expected full year underlying cash operating income of between €160m and €190m

Dividend

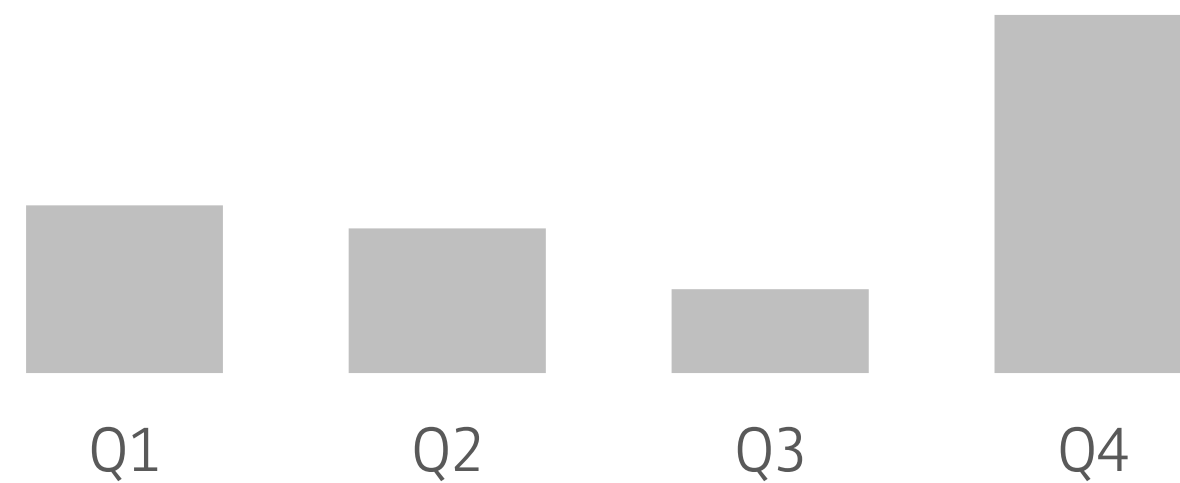
- Aim for progressive dividend confirmed, also for 2018

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Expected development Q4 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 Q4 2018

- Outlook underlying cash operating income 2018: between €160m and €190m (FY 2017 restated: €241m)
- Underlying cash operating income Q4 2017 restated: €104m
- One additional working day
- FY 2018 cost savings expected to be slightly below earlier indication of between €50m and €70m, of which €34m realised in first nine months
- Efficiency improvements Parcels visible towards end of year

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Appendix

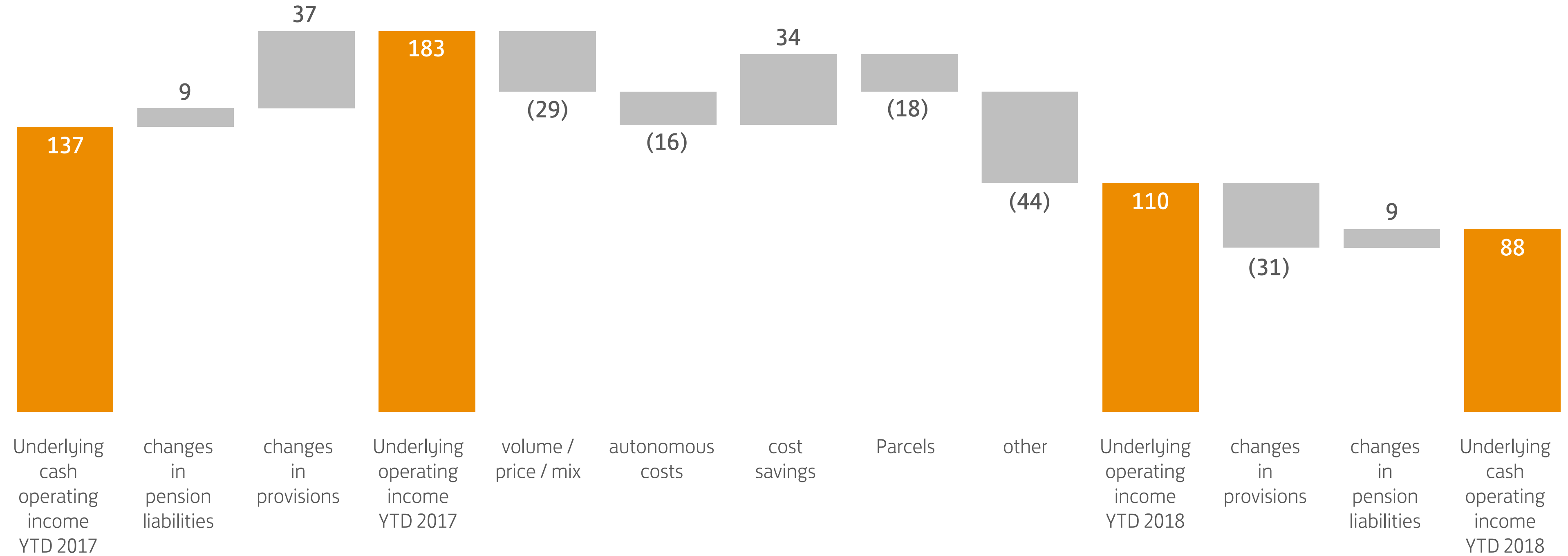
- Results by segment YTD
- Underlying cash operating income YTD
- Breakdown pension cash contribution and expenses

Results by segment YTD 2018

(in € millions)	Revenue		Underlying operating income		Underlying cash operating income	
	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018
Parcels	989	1,116	103	85	101	81
Mail in the Netherlands	1,279	1,195	93	54	52	22
PostNL Other	55	54	(13)	(29)	(16)	(15)
Intercompany	(380)	(387)				
Total PostNL	1,943	1,978	183	110	137	88

Underlying (cash) operating income YTD 2018

(in € millions)



Breakdown pension cash contribution and expenses

(in € millions)	Q3 2017		Q3 2018	
	Expenses	Cash	Expenses	Cash
Business segments	24	31	25	30
IFRS difference	3		7	
PostNL	27	31	32	30
Interest	2		2	
Total	29		34	

Published by:

PostNL NV

Prinses Beatrixlaan 23

2595 AK The Hague

The Netherlands

Additional information is available at postnl.nl

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