Press release

The Hague, the Netherlands, 4 May 2020

Solid Q1 2020 performance and improved free cash flow

in € million, except where noted	Q1 2019	Q1 2020
Revenue	684	701
Normalised EBIT	30	15
Free cash flow	(8)	5

Highlights Q1 2020

- Ensuring safe and healthy environment for our people and clients remains key priority
- Committed to FY 2020 outlook for normalised EBIT of between €110 million and €130 million; uncertainties regarding duration and severity of Covid-19 pandemic may impact ability to achieve this result
- Strong volume development at Parcels since mid-March, supported by positive price/mix effect
- Sandd integration ahead of plan in delivering anticipated benefits and synergies
- More greetings cards contributing to a favourable price/mix development
- Additional mail volume decline due to lower direct mail activity since mid-March
- Measures to protect our people and clients and increased staff absence due to Covid-19 impacted operating costs
- Disciplined working capital management contributed to improved free cash flow

CEO statement

Herna Verhagen, CEO of PostNL, said: “In an unprecedented first quarter, PostNL was able to achieve a solid performance resulting in improved free cash flow. The integration of the postal networks of PostNL and Sandd, completed on 1 February, is ahead of plan in delivering the anticipated benefits and synergies and was already accretive to normalised EBIT in Q1 2020.

“Above all, ensuring a safe and healthy environment for our people, partners, clients and consumers in the midst of the Covid-19 pandemic is and will remain our key priority. We are applying all social distancing guidelines and health regulations to protect our people and consumers as much as possible and have implemented additional measures in our operations and facilities. We are proud of our people, who are fully focused on the ongoing delivery of mail, parcels and other shipments such as medical goods and food, allowing people to stay at home. We are actively monitoring developments and have had a comprehensive business continuity plan in place since early March.

“Our financial position is strong and, building on our solid Q1 performance, we are committed to achieving our FY 2020 outlook for normalised EBIT of between €110 million and €130 million. Going forward, we see both challenges and opportunities, as e-commerce has picked up and consumer mail is becoming more popular. However, visibility is limited and the uncertainties about the duration and severity of the pandemic may impact PostNL’s ability to achieve the projected result.”

Q1 2020 business performance

	Revenue		Normalised EBIT	
in € million	Q1 2019	Q1 2020	Q1 2019	Q1 2020
Parcels	398	414	23	26
Mail in the Netherlands	392	395	16	5
PostNL Other	21	26	(9)	(15)
Intercompany	(127)	(133)		
PostNL	684	701	30	15

Note: Normalised figures exclude one-offs in Q1 2020 (€13 million related to Sandd and €4 million other costs) and in Q1 2019 (€8 million)

- Normalised EBIT in Q1 2020 includes €(8) million impact, as indicated before, from new labour regulation (mainly in Parcels) and higher non-cash pension expenses (PostNL Other)

Segment information Q1 2020

Parcels

In March, the growth rate for volumes was 11.1%, bringing volumes for the quarter up 2.8% on Q1 2019. Since mid-March, when the implementation of the measures related to the Covid-19 crisis started, e-commerce growth has picked up, resulting in a run-rate in volume growth of 13.6% as per the end of March. With many retail stores forced to close, small and mid-sized webshops have showed strong volume growth, contributing to the positive price/mix effect at Parcels. At the same time, international parcel flows were negatively impacted by the global nature of the pandemic. As expected, overall volume growth, specifically in January and February, was impacted by larger webshops opting for multi-vendorship. Also, the trend of lower growth rates in some more mature customer segments such as fashion, continued. This morning, PostNL announced that it will be opening a new depot in Belgium to accommodate further volume growth.

Revenue rose to €414 million (Q1 2019: €398 million), mainly driven by volume development and a positive price/mix effect, due to PostNL's yield management measures along with other favourable mix effects. Logistics and Spring also saw rising revenue.

Normalised EBIT came in at €26 million (Q1 2019: €23 million). This reflected the impact of €6 million in volume growth and a positive price/mix effect of €6 million, partly offset by higher volume-dependent costs of €5 million. The increase in organic costs amounted to €5 million, including higher costs due to new labour legislation. While operational efficiency improved, higher other costs, partly related to the depots that were opened in 2019 and to a much smaller extent to Covid-19, led to additional costs of €5 million. Other results were up €6 million, with improving performance at both Logistics and Spring.

Mail in the Netherlands

Performance at Mail in the Netherlands was marked by volume decline, price increases and the integration of the networks of PostNL and Sandd, already completed on 1 February 2020. The integration of Sandd is ahead of plan in delivering anticipated benefits and synergies and contributed €5 million to normalised EBIT. The achieved synergies were only partly offset by one-off integration costs of €17 million.

Addressed mail volumes declined by 12.8% in the quarter*. In addition to a substitution rate in line with expectations, this reflected an impact of 1.8% related to elections in 2019. The Covid-19 crisis resulted in an additional volume decline of almost 2%. Although people are sending considerably more greetings cards to family and friends, bulk mail volumes declined significantly in March, as many direct mail campaigns were postponed. The additional volume decline was partially offset by a positive price/mix effect. The Covid-19 pandemic also impacted our international mail activities.

Revenue was up slightly to €395 million (Q1 2019: €392 million) driven by the consolidation of Sandd (€37 million), the volume decline impact of €(24) million, partly offset by a positive price/mix effect of €10 million, and other revenue down by €20 million. The latter is mainly explained by the disposal of non-core activities.

Normalised EBIT decreased to €5 million (Q1 2019: €16 million). This reflected the total volume impact of €13 million, and the price/mix effect of €10 million, partly offset by volume-related costs that were up €9 million. The increase in organic costs amounted to €5 million. Other costs were up €13 million, and included for example the integration costs of Sandd and some costs related to Covid-19, partly offset by cost savings and efficiency improvements. Other result was down €7 million, mainly following the sale of PCS and Spotta and discontinuation of the distribution of unaddressed mail.

The implementation of cost savings initiatives, such as adjusting the sorting and delivery process, streamlining of staff and centralising of locations progressed according to plan.

* Adjusted volume decline was 12.3% (one working day less): volume decline based on 2019 pro forma volume including a full year of Sandd volumes

PostNL Other

Revenue at PostNL Other amounted to €26 million (Q1 2019: €21 million). Normalised EBIT declined to €(15) million (Q1 2019: €(9) million), almost entirely as a result of higher pension expenses (only accounting impact) as indicated earlier.

Pensions

Pension expense amounted to €36 million (Q1 2019: €30 million) and total cash contributions were €29 million (Q1 2019: €26 million). In Q1 2020, the net actuarial gain on pensions was €23 million, of which €14 million related to transitional plans and will be reversed towards the end of the year. On 31 March 2020, the pension fund's actual coverage ratio was 98.9%, as equity markets were severely impacted by the Covid-19 pandemic. The fund's 12 month average coverage ratio was 108.3%, well above the minimum required funding level of 104.0%. Taking into account the resilience of the fund, no top-up payment obligation is expected.

As disclosed in our Annual Report 2019, PostNL has initiated discussions with the pension fund on options for a solution smoothing the impact of the low interest rate in the determination of the final soft pension benefits payment. Recently, we reached an agreement in principle which will lead, should interest rates develop beneficially, to an outcome that the required overall payment can come down. We now expect a maximum final payment of €290 million. A substantial part of the final payment will be deferred and paid in 5 instalments in 2021-2025. The regular contributions related to transitional plans are expected to be €5 million less. The entitlements of the employees will not be affected.

Discontinued operations

Result from discontinued operations came in at €(7) million (Q1 2019: €(9) million) and is mainly explained by an operating loss at Nexive. The sale of 80% of Nexive's business to Mutares is expected to close in Q2 2020.

Key figures

in € million, except where noted	Q1 2019	Q1 2020
Revenue	684	701
Operating income	22	(2)
Profit for the period	6	(12)
Profit from continuing operations	15	(5)
Total comprehensive income	(1)	10
Free cash flow	(8)	5
	31 December 2019	28 March 2020
Adjusted net debt	736	699

Development of financial and equity position

Total equity attributable to equity holders of the parent company increased to €(10) million as at 28 March 2020. This reflected a net loss of €12 million, more than offset by a €23 million positive impact from pension, net of tax, of which €14 million relates to a phasing effect within the year. Total comprehensive income rose to €10 million (Q1 2019: €(1) million).

Free cash flow rose to €5 million (Q1 2019: €(8) million). This favourable development is mainly explained by less taxes paid and only a slight change in working capital. The latter is explained by the continuation of the strong Q4 2019 performance and some phasing effects. Changes in provisions were higher than last year and relate to the integration of Sandd.

At the end of Q1 2020, the adjusted net debt position was €699 million, compared with €736 million at the end of 2019.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2019	63	62	65	65	255
2020	**62**	**60**	**65**	**68**	**255**

Financial calendar 2020

3 August	Publication of Q2 and HY 2020 results
2 November	Publication of Q3 2020 results

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Audio webcast and conference call on Q1 2020 results

On 4 May, at 11.00 am CET, the conference call for analysts and investors will start. It can be followed live via an audio webcast at **www.postnl.nl/en/about-postnl/investors/results-reports-presentations/**.

Additional information

Additional information is available at **www.postnl.nl**. This press release contains inside information within the meaning of article 7(1) of the EU Market Abuse Regulation.

Note that the numbers presented in this press release (tables and result explanations) may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Caution on forward-looking statements

Some statements in this press release are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict, and that may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only apply as of the date of this press release and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities law.

Use of non-GAAP information

In presenting and discussing the PostNL Group operating results, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have a standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The main non-GAAP key financial performance indicator is normalised EBIT. Normalised EBIT is derived from the IFRS-based performance measure operating income adjusted for the impact of project costs and incidentals.

Basis of preparation

The interim financial statements are reported on a year-to-date basis ending 28 March 2020. The information should be read in conjunction with the consolidated 2019 Annual Report of PostNL N.V. as published on 24 February 2020.

The measure of profit and loss and assets and liabilities is based on the Group Accounting Policies, which, with the exception of the determination of a potential impact on the valuation of assets and liabilities due to the Covid-19 pandemic, are compliant with IFRS as endorsed by the European Union. A reliable assessment of the longer term impact of Covid-19 on our business model and future performance, and the value of all related assets and liabilities, could not be made per Q1 2020 reporting.

There are no IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2020 that would be expected to have a material impact on the 2020 accounts of the Group.

Note that the numbers presented in the financial statements and disclosures thereto may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Classification Nexive and Postcon

In line with PostNL's strategy to become *the* logistics and postal solutions provider in the Benelux, PostNL has decided to divest Nexive and Postcon. On 3 August 2018, the classification criteria of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' were met. Accordingly, as of Q3 2018, Nexive and Postcon have been reported as 'held for sale' and the results and cash flows have been reported as 'discontinued operations'. The sale of Postcon was completed on 31 October 2019. On 24 February 2020, PostNL announced that it has signed an agreement on the sale of 80% of the activities of Nexive, the number-two mail and parcels provider in Italy, to Mutares SE & Co KGaA. PostNL will obtain a minority interest of 20% in the entity acquiring the Nexive business. As part of the transaction, PostNL has agreed to commit to a cash contribution. The transaction is subject to a number of conditions and is expected to close in Q2 2020. The transaction value, including the cash contribution, has been appropriately reflected in the estimated fair value as at 28 March 2020. In Q1 2020, the result from discontinued operations of €(7) million includes a negative business result, a fair value adjustment, increased costs of disposal and a consolidation effect with continuing operations.

Auditor's involvement

The content of this interim financial report has not been audited or reviewed by an external auditor.

PostNL Consolidated income statement in €million

	Q1 2019	Q1 2020
Revenue from contracts with customers	680	697
Other operating revenue	4	4
Total operating revenue	**684**	**701**
Other income	**1**	**1**
Cost of materials	(17)	(15)
Work contracted out and other external expenses	(315)	(318)
Salaries, pensions and social security contributions	(265)	(293)
Depreciation, amortisation and impairments	(35)	(48)
Other operating expenses	(31)	(29)
Total operating expenses	**(663)**	**(703)**
Operating income	**22**	**(2)**
Interest and similar income	1	1
Interest and similar expenses	(4)	(4)
Net financial expenses	**(3)**	**(4)**
Results from investments in JVs/associates	**0**	**(0)**
Profit/(loss) before income taxes	**19**	**(5)**
Income taxes	**(4)**	**0**
Profit/(loss) from continuing operations	**15**	**(5)**
Profit/(loss) from discontinued operations	**(9)**	**(7)**
Profit for the period	**6**	**(12)**

The results are impacted by a consolidation effect of eliminated intercompany income/charges between continuing operations and discontinued operations. Excluding this effect, operating income in Q1 2020 amounted to €(1) million (Q1 2019: €21 million). Likewise, excluding this effect, profit/(loss) from discontinued operations in Q1 2020 amounted to €(8) million (Q1 2019: €(8) million).

PostNL Consolidated statement of comprehensive income in €million

	Q1 2019	Q1 2020
Profit for the period	**6**	**(12)**
Impact pensions, net of tax	(6)	23
Other comprehensive income that will not be reclassified to the income statement	**(6)**	**23**
Currency translation adjustment, net of tax	0	0
Gains/(losses) on cashflow hedges, net of tax	(1)	(1)
Other comprehensive income that may be reclassified to the income statement	**(1)**	**(1)**
Total other comprehensive income for the period	**(7)**	**23**
Total comprehensive income for the period	**(1)**	**10**
Attributable to:		
Non-controlling interests	0	(0)
Equity holders of the parent	(1)	10
Total comprehensive income attributable to the equity holders of the parent arising from:		
Continuing operations	8	18
Discontinued operations	(9)	(7)

PostNL Consolidated statement of cash flows in €million

	Q1 2019	Q1 2020
Profit/(loss) before income taxes	**19**	**(5)**
Adjustments for:		
Depreciation, amortisation and impairments	35	48
Share-based payments	1	1
(Profit)/loss on disposal of assets	(1)	(1)
Interest and similar income	(1)	(1)
Interest and similar expenses	4	4
Results from investments in JVs/associates	0	0
Investment income	**2**	**3**
Pension liabilities	4	7
Other provisions	(5)	(24)
Changes in provisions	**(1)**	**(17)**
Inventory	1	0
Trade accounts receivable	44	(3)
Other accounts receivable	(1)	8
Other current assets excluding taxes	(25)	1
Trade accounts payable	(3)	(56)
Other current liabilities excluding short-term financing and taxes	(16)	43
Changes in working capital	**0**	**(6)**
Cash generated from operations	**56**	**23**
Interest paid	(2)	(2)
Income taxes received/(paid)	(43)	1
Net cash (used in)/from operating activities	**11**	**22**
Interest received	1	1
Acquisition of subsidiairies (net of cash)	(1)	
Disposal of subsidiaires		7
Capital expenditure on intangible assets	(6)	(5)
Capital expenditure on property, plant and equipment	(4)	(3)
Proceeds from sale of property, plant and equipment	3	1
Other changes in (financial) fixed assets		1
Net cash (used in)/from investing activities	**(7)**	**1**
Repayments of short-term borrowings		(1)
Repayments of lease liabilities	(13)	(18)
Net cash (used in)/from financing activities	**(13)**	**(18)**
Total change in cash from continuing operations	**(9)**	**4**
Cash at the beginning of the period	**269**	**480**
Cash transfers to discontinued operations	(7)	1
Total change in cash from continuing operations	(9)	4
Cash at the end of the period	**253**	**485**
Total change in cash from discontinued operations	**(13)**	**(6)**

PostNL Consolidated statement of financial position in €million

	31 December 2019	28 March 2020
Assets		
Goodwill	224	224
Other intangible assets	140	135
Intangible fixed assets	**364**	**359**
Land and buildings	272	266
Plant and equipment	119	114
Other	13	12
Construction in progress	10	10
Property, plant and equipment	**414**	**402**
Right-of-use assets	**259**	**239**
Investments in joint ventures/associates	3	3
Other loans receivable	6	5
Deferred tax assets	65	65
Financial assets at fair value through OCI	15	15
Financial fixed assets	**89**	**88**
Total non-current assets	**1,126**	**1,089**
Inventory	4	5
Trade accounts receivable	271	275
Accounts receivable	51	40
Income tax receivable	1	1
Prepayments and accrued income	114	113
Cash and cash equivalents	480	485
Total current assets	**921**	**919**
Assets classified as held for sale	**91**	**68**
Total assets	**2,138**	**2,076**
Equity and Liabilities		
Equity attributable to the equity holders of the parent	(21)	(10)
Non-controlling interests	3	3
Total equity	**(18)**	**(7)**
Deferred tax liabilities	0	0
Provisions for pension liabilities	283	259
Other provisions	26	31
Long-term debt	695	695
Long-term lease liabilities	201	191
Total non-current liabilities	**1,205**	**1,176**
Trade accounts payable	197	141
Other provisions	53	25
Short-term debt	1	0
Short-term lease liabilities	63	59
Other current liabilities	110	151
Income tax payable	9	15
Contract liabilities	67	55
Accrued current liabilities	351	375
Total current liabilities	**851**	**821**
Liabilities related to assets classified as held for sale	**100**	**85**
Total equity and liabilities	**2,138**	**2,076**