Results PostNL Q3 2017

The Hague, 6 November 2017

Strong growth in e-commerce continues

Financial highlights Q3 2017

- Revenue at €809 million (Q3 2016: €770 million)
- Revenue contribution from e-commerce related activities increased to 37% YTD (2016 YTD: 33%)
- Underlying cash operating income increased to €31 million (Q3 2016: €27 million)
- Normalised profit for the period at €19 million (Q3 2016: €20 million)
- Normalised net cash from operating and investing activities at €(18) million (Q3 2016: €(62) million)
- Consolidated equity position unchanged at €(17) million

Operational highlights Q3 2017

- Addressed mail volume declined by 10.2%
- Delivery quality remained high at 96.5%
- €16 million cost savings realised
- Parcels volumes increased by 23%

Outlook 2017 and Ambition 2020

- Reconfirm full year underlying cash operating income towards lower end of previously communicated guidance range of between €220 million and €260 million
- Ambition for underlying cash operating income in 2020 unchanged at between €310 million and €380 million
- Expectations and ambition are subject to final implementation of SMP decision
- Objective remains to deliver a progressive dividend; monitoring capital markets for refinancing opportunities of up to €400 million, in line with financial strategy

Key figures

in € millions, except where noted	Q3 2017	Q3 2016	% Change	YTD 2017	YTD 2016	% Change
Revenue	**809**	770	*5%*	**2,515**	2,458	*2%*
Operating income	**35**	42	*-17%*	**153**	162	*-6%*
Underlying operating income	**45**	44	*2%*	**174**	186	*-6%*
Underlying operating income margin	**5.6%**	5.7%		**6.9%**	7.6%	
Changes in pension liabilities	**(4)**	(10)		**(9)**	(22)	
Changes in provisions	**(10)**	(7)		**(38)**	(29)	
Underlying cash operating income	**31**	27	*15%*	**127**	135	*-6%*
Underlying cash operating income margin	**3.8%**	3.5%		**5.0%**	5.5%	
Profit for the period	**19**	(9)		**89**	196	
Normalised profit for the period	*19*	*20*		*89*	*80*	
Net cash from/(used in) operating and investing activities	**(18)**	(105)		**(106)**	537	
Normalised net cash from/(used in) operating and investing activities	*(18)*	*(62)*		*(106)*	*(63)*	

Note: underlying figures exclude one-offs in Q3 2017 (€9 million for restructuring and €1 million other) and in Q3 2016 (€2 million for restructuring); normalised figures do not include the effects from the sale of the stake in TNT Express in Q2 2016 and the bond buy-back in Q3 2016.

CEO statement

Herna Verhagen, CEO of PostNL: “Our Q3 performance was ahead of last year as a result of a strong performance in Parcels and some positive incidentals that supported Mail in the Netherlands in particular. This translates into 37% contribution of e-commerce revenues for the first nine months of 2017, proving once more that we are well on track with the acceleration of our transformation to be the postal & logistic solutions provider in the Benelux.

In Parcels, the strong volume growth of 23% reflects our solid position in the Benelux e-commerce logistics market. Revenue improved by almost the same percentage (21%), also helped by growing international volumes and the recent acquisitions in logistics services. Progress in Belgium is gaining momentum, which is reflected in volume growth over 30% in the first nine months of this year. Overall, business performance and operational efficiency were strong.

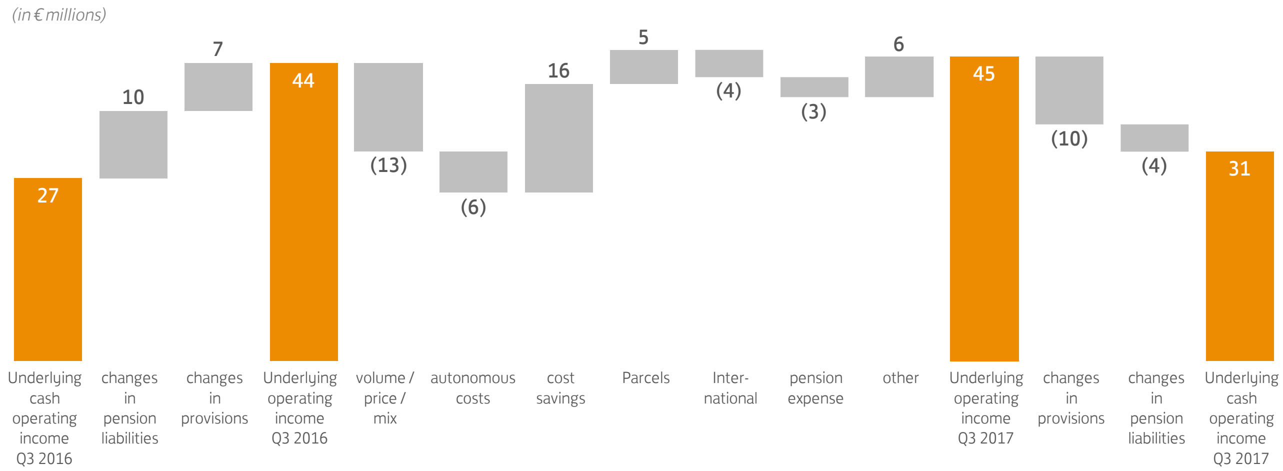
Performance in International did not show the anticipated improvement and this continues to remain a focus for management attention.

We faced strong volume decline in Mail in the Netherlands, partly resulting from the intensifying competition from consolidators, supported by the earlier ACM measures. Apart from the impact from regulation, we were able to absorb part of the negative volume/price/mix effect and other business effects through further cost savings. Helped by positive incidentals, including higher proceeds from the sale of buildings, the result exceeded last year’s performance.

The Dutch postal market has changed fundamentally and volumes are expected to decline further. Regulation must be amended to reflect this reality and to facilitate an orderly and rational adjustment of the postal market structure. To safeguard the reliability and accessibility of the postal service and to preserve decent labour conditions in such a shrinking market, over the long run, we are of the view that consolidation is inevitable. I therefore repeat our call to politicians.

Our outlook for 2017 remains unchanged. We remain on track to report full year underlying cash operating income towards the lower end of our previously stated outlook range of between €220 million and €260 million, given the faster than anticipated development of the impact of earlier ACM measures and the developments in International. Supported by the progress we are making in implementing our strategy our objective remains to pay a progressive dividend."

Business performance Q3 2017



	Revenue		Underlying operating income		Underlying cash operating income	
in € million	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Mail in the Netherlands	395	412	20	16	7	5
Parcels	274	227	28	23	27	22
International	246	239	0	4	0	4
PostNL Other	18	43	(3)	1	(3)	(4)
Intercompany	(124)	(151)				
PostNL	**809**	**770**	**45**	**44**	**31**	**27**

Note: underlying figures exclude one-offs

Segment information Q3 2017

Mail in the Netherlands – Continued volume decline and impact ACM measures urge for considered and timely political decisions

Addressed mail volumes in Mail in the Netherlands declined by 10.2% in the quarter. The main driver for the decline is ongoing high substitution. Supported by earlier ACM measures, we see postal operators collecting more mail items. Part of these volumes return to PostNL via regulated network access, resulting in pressure on our average prices. At the same time, consolidators deliver more mail through their own networks, impacting our bulk mail volumes.

Revenue declined by 4% to €395 million (Q3 2016: €412 million). Underlying cash operating income increased to €7 million (Q3 2016: €5 million). Cost savings, lower cash out related to pensions and provisions and incidentals (including higher sale of buildings and lower amortisation costs) more than compensated for the negative volume/price/mix effect, autonomous cost increases and other business effects.

PostNL and three trade unions have reached agreement in principle regarding the PostNL collective labour agreement (CLA) and the CLA for Saturday deliverers. Parties agreed on salary increases of in total 2.6%, to be implemented in five steps in 2017 and 2018. Additionally, parties agreed on a generation pact and employment opportunities.

Regulatory developments

As indicated before, we expect a financial impact from the significant market power (SMP) decision of ACM of between €30 million and €50 million on an annualised basis, more towards the upper part of the range and subject to final implementation. The full effect is expected to materialise over a 3 to 4 year period (2016-2019).We are currently in discussions with all parties involved (ACM and postal operators) about the implementation of SMP. We will start the implementation ultimately on 1 December 2017.

Cost savings plans: €16 million cost savings achieved in Q3 2017

	Q3 2017
Efficiency delivery process:	2 depots migrated
Optimise retail network:	Reduction of 30 postal offices and 30 letter boxes; opening 70 parcel points
Efficiency sorting process:	New coding process went live

Parcels – strong result driven by volume growth

Volume growth continued to be strong: 23% for the quarter. Our domestic 2B and 2C volumes (including Belgium) showed strong growth, in line with the ongoing positive e-commerce trend.

Revenue increased by 21% to €274 million (Q3 2016: €227 million). The main driver for revenue growth was strong domestic volume, slightly offset by a negative price/mix effect. In Belgium we continue to expand our service levels to strengthen our market position. As a result, we reported strong growth in our Belgian activities, strengthening our position as *the* logistics solutions provider in the Benelux. Demand for additional services continues to increase and also revenue from international volumes improved. Additionally, we experienced growth in logistics solutions, including incremental revenues related to the acquisitions made in the second quarter. Business and operational performance was solid. Underlying cash operating income increased to €27 million (Q3 2016: €22 million).

International – strategic development on track, but fierce competition impacts performance

International revenue increased by 3% to €246 million (Q3 2016: €239 million). On a like-for-like basis, adjusted for FX effects (€3 million) and an adjustment in the presentation of intercompany charges (€6 million), revenue increased by 7%. Underlying cash operating income was €0 million (Q3 2016: €4 million).

Revenue in Spring and other declined to €63 million, nonetheless our transformation towards a global e-commerce player is on track. However, growth from global e-commerce clients was more than offset by fierce competition, the stricter rules for dangerous goods and downtrading of traditional mail clients.

In Germany, revenue increased by 15% to €130 million. The acquisition of Pin Mail Berlin and Mail Alliance accounted for €21 million of revenue growth and contributed immediately to the result. Revenue in our final mile activities improved, but was more than offset by results from consolidation activities, driven by volume decline and price pressure.

In Italy, revenue was up 3% to €53 million, partly explained by strong growth from parcels. In mail, we expanded our customer portfolio, but price competition is fierce.

PostNL Other

Revenue in PostNL Other was €18 million (Q3 2016: €43 million), mainly explained by lower internal revenue due to an adjustment in the presentation of intercompany charges. Underlying cash operating income improved to €(3) million (Q3 2016: €(4) million).

Pensions

Pension expense amounted to €28 million (Q3 2016: €25 million) and total cash contributions were €32 million (Q3 2016: €35 million). In Q3 2017, the net actuarial loss on pensions was €2 million. At the end of Q3 2017, the main pension fund's 12 months average coverage ratio was 111.2%, above the minimum required funding level of 104.0%. The 5-year recovery period that started in Q3 2016, has now ended following three consecutive quarters in which the coverage ratio was above the minimum required level. Based on our projections, we do not anticipate any top-up payments. On 30 September 2017, the main pension fund's actual coverage ratio was 115.4% (YE 2016: 108.3%).

Development financial and equity position

Total equity attributable to equity holders of the parent was stable at €(17) million as per 30 September 2017. Net profit of €19 million was fully offset by the interim 2017 dividend, resulting in a cash payment of €15 million, a net actuarial loss on pensions of €2 million and other of €2 million. Net cash from operating and investing activities improved to €(18) million (Q3 2016: €(62) million), mainly explained by less interest paid, a slight improvement in working capital and the non-recurring cash out related to an acquisition last year. At the end of Q3 2017, the net debt position was €62 million, which compares to €30 million at the end of Q2 2017. In line with our financial strategy, PostNL is monitoring the capital markets for refinancing opportunities up to €400 million. On 14 November 2017 our 5.375% Eurobond (€328 million outstanding) will mature.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2016	64	62	65	64	255
2017	**65**	**61**	**65**	**63**	**254**

Financial calendar

26 February 2018	Publication of Q4 & FY 2017 results
8 May 2018	Publication of Q1 2018 results
6 August 2018	Publication of Q2 & HY 2018 results
5 November 2018	Publication of Q3 2018 results

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Audio webcast and conference call Q3 2017 results

On 6 November 2017, at 11.00 CET, the conference call for analysts and investors will start. The conference call can be followed live via an audio webcast on **www.postnl.nl**. Dial-in number is +31 20 53 15 843.

Additional information

Additional information is available at **www.postnl.nl**.

Warning about 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 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 speak 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 standardized 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 underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for the dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for non-recurring and exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows.

Consolidated interim financial statements

Basis of preparation

The interim financial statements are reported on a year-to-date basis ending 30 September 2017. The information should be read in conjunction with the consolidated 2016 Annual Report of PostNL N.V. as published on 27 February 2017.

The measure of profit and loss and assets and liabilities is based on the Group Accounting Policies, which are compliant with IFRS as endorsed by the European Union. All significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in PostNL's consolidated 2016 Annual Report for the year ended 31 December 2016.

Restatement – Purchase price allocation acquisition HIM Holtzbrinck 25 GmbH

On 30 December 2016, PostNL acquired the remaining 50% of the shares of HIM Holtzbrinck 25 GmbH resulting in 100% ownership of the shares of the company. As disclosed per FY 2016 only a provisional purchase price allocation was performed which resulted in intangible assets of nil and goodwill of €21 million.

In Q3 2017, management finalised the purchase price allocation, resulting in intangible assets of €15 million, a relating deferred tax liability of €5 million and goodwill of €10 million. The finalisation of the net assets of HIM Holtzbrinck 25 GmbH per 31 December 2016 resulted in an increase of trade accounts receivable of €1 million and a corresponding decrease in goodwill.

The statement of financial position of 31 December 2016 has been restated reflecting a reduction in goodwill of €11 million, an increase in other intangible assets of €15 million, an increase in trade accounts receivable of €1 million and an increase in deferred tax liabilities of €5 million.

Purchase price allocation acquisition JP Haarlem Delivery

On 23 June 2017, PostNL acquired 100% of the shares of JP Haarlem Delivery. As disclosed per HY 2017 only a provisional purchase price allocation was performed which resulted in intangible assets of nil and goodwill of €4 million. In Q3 2017, supported by a reduction in the amount expected to be paid in future years depending on operating results in 2017 and 2018, management finalised the purchase price allocation resulting in €2 million lower goodwill.

Receivable on Deutsche Post AG

At Q3 2017, the total accounts receivable position of €50 million includes an amount of €11 million related to Deutsche Post AG. Although payment is behind schedule, management expects the receivable to be fully recoverable.

Auditor's involvement

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

Consolidated income statement

in € millions	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Net sales	804	768	2,503	2,451
Other operating revenue	5	2	12	7
Total operating revenue	**809**	**770**	**2,515**	**2,458**
Other income	7	2	13	2
Cost of materials	(16)	(14)	(48)	(47)
Work contracted out and other external expenses	(429)	(393)	(1,291)	(1,240)
Salaries, pensions and social security contributions	(277)	(260)	(864)	(829)
Depreciation, amortisation and impairments	(21)	(23)	(58)	(68)
Other operating expenses	(38)	(40)	(114)	(114)
Total operating expenses	**(781)**	**(730)**	**(2,375)**	**(2,298)**
Operating income	**35**	**42**	**153**	**162**
Interest and similar income	0	1	3	147
Interest and similar expenses	(10)	(56)	(34)	(92)
Net financial expenses	**(10)**	**(55)**	**(31)**	**55**
Results from investments in jv's/associates	1	1	(5)	2
Profit/(loss) before income taxes	**26**	**(12)**	**117**	**219**
Income taxes	(7)	3	(28)	(23)
Profit for the period	**19**	**(9)**	**89**	**196**
Attributable to:				
Non-controlling interests				1
Equity holders of the parent	19	(9)	89	195
Earnings per ordinary share (in € cents)[1]	4.2	(2.1)	19.9	44.1

1 Based on an average of 446,999,048 outstanding ordinary shares (2016: 442,221,537).

Consolidated statement of comprehensive income

in € millions	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Profit for the period	**19**	**(9)**	**89**	**196**
Other comprehensive income that will not be reclassified to the income statement				
Impact pensions, net of tax	(2)	(5)	10	(32)
Other comprehensive income that may be reclassified to the income statement				
Currency translation adjustment, net of tax	(2)	0	(3)	(2)
Gains/(losses) on cashflow hedges, net of tax	0	2	4	4
Change in value of available-for-sale financial assets				8
Recycling of change in value of available-for-sale financial assets				(136)
Total other comprehensive income for the period	**(4)**	**(3)**	**11**	**(158)**
Total comprehensive income for the period	**15**	**(12)**	**100**	**38**
Attributable to:				
Non-controlling interests				1
Equity holders of the parent	15	(12)	100	37

Consolidated statement of cash flows

in € millions	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Profit/(loss) before income taxes	**26**	**(12)**	**117**	**219**
Adjustments for:				
Depreciation, amortisation and impairments	21	23	58	68
Share-based payments		1	2	3
(Profit)/loss on assets held for sale	(7)	(2)	(11)	(2)
Interest and similar income		(1)	(3)	(147)
Interest and similar expenses	10	56	34	92
Results from investments in jv's/associates	(1)	(1)	5	(2)
Investment income	**2**	**52**	**25**	**(59)**
Pension liabilities	(4)	(10)	(9)	(22)
Other provisions	(1)	(8)	(19)	(27)
Changes in provisions	**(5)**	**(18)**	**(28)**	**(49)**
Inventory		1	(1)	(1)
Trade accounts receivable	6	20	22	23
Other accounts receivable	17	3	(14)	7
Other current assets	(2)	8	(29)	(5)
Trade accounts payable	(4)	(37)	(14)	(12)
Other current liabilities excluding short-term financing and taxes	(42)	(26)	(74)	(93)
Changes in working capital	**(25)**	**(31)**	**(110)**	**(81)**
Cash generated from operations	**19**	**15**	**64**	**101**
Interest paid	(17)	(71)	(20)	(73)
Income taxes received/(paid)	(3)	(1)	(66)	(68)
Net cash (used in)/from operating activities	**(1)**	**(57)**	**(22)**	**(40)**
Interest received	1		4	2
Dividends received	1		1	
Acquisition of subsidiairies (net of cash)		(22)	(24)	(22)
Disposal of subsidiaires				(4)
Capital expenditure on intangible assets	(8)	(7)	(27)	(20)
Capital expenditure on property, plant and equipment	(20)	(23)	(53)	(37)
Proceeds from sale of property, plant and equipment	8	4	15	14
Proceeds from sale of available-for-sale financial assets				643
Other changes in (financial) fixed assets	1			1
Net cash (used in)/from investing activities	**(17)**	**(48)**	**(84)**	**577**
Dividends paid	(15)		(40)	
Changes related to non-controlling interests		1		(10)
Repayments of long term borrowings		(357)	(2)	(357)
Proceeds from short term borrowings		(2)		
Repayments of short term borrowings		(1)		(1)
Repayments of finance leases			(1)	(1)
Net cash (used in)/from financing activities	**(15)**	**(359)**	**(43)**	**(369)**
Total change in cash	**(33)**	**(464)**	**(149)**	**168**
Cash at the beginning of the period	**524**	**987**	**640**	**355**
Total change in cash	(33)	(464)	(149)	168
Cash at the end of the period	**491**	**523**	**491**	**523**

Consolidated statement of financial position

in € millions	30 September 2017	31 December 2016 restated
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	135	123
Other intangible assets	106	82
Total	**241**	**205**
Property, plant and equipment		
Land and buildings	327	321
Plant and equipment	140	142
Other	20	19
Construction in progress	23	23
Total	**510**	**505**
Financial fixed assets		
Investments in joint ventures/associates	10	17
Other financial fixed assets	1	1
Deferred tax assets	34	38
Available-for-sale financial assets	1	1
Total	**46**	**57**
Total non-current assets	**797**	**767**
Current assets		
Inventory	6	5
Trade accounts receivable	336	358
Accounts receivable	50	31
Income tax receivable	37	2
Prepayments and accrued income	164	134
Cash and cash equivalents	491	640
Total current assets	**1,084**	**1,170**
Assets classified as held for sale	8	4
Total assets	**1,889**	**1,941**
LIABILITIES AND EQUITY		
Equity		
Equity attributable to the equity holders of the parent	(17)	(79)
Non-controlling interests	3	3
Total	**(14)**	**(76)**
Non-current liabilities		
Deferred tax liabilities	41	40
Provisions for pension liabilities	393	410
Other provisions	27	39
Long-term debt	1	227
Total	**462**	**716**
Current liabilities		
Trade accounts payable	175	188
Other provisions	38	44
Short-term debt	553	328
Other current liabilities	156	141
Income tax payable	5	8
Accrued current liabilities	514	592
Total	**1,441**	**1,301**
Total equity and liabilities	**1,889**	**1,941**