Results PostNL Q1 2018

The Hague, 8 May 2018

Acceleration of transformation continues

Financial highlights Q1 2018

- Revenue at €875 million (Q1 2017: €870 million)
- Revenue contribution from e-commerce related activities increased to 42% (Q1 2017: 34%)
- Underlying cash operating income €29 million (Q1 2017: €50 million)
- Profit for the period at €14 million (Q1 2017: €41 million)
- Net cash from operating and investing activities at €(18) million (Q1 2017: €(20) million)
- Consolidated equity position at €58 million (YE 2017: €34 million)

Operational highlights Q1 2018

- Addressed mail volume declined by 10.3% (adjusted volume decline 9.6%)
- Delivery quality at 95%
- €8 million cost savings realised
- Parcels volumes increased by 25%

Outlook 2018 reconfirmed

- Full year underlying cash operating income of between €160 million and €200 million
- Subject to final implementation of SMP decision

Key figures

in € millions, except where noted	Q1 2017	Q1 2018	% Change
Revenue	870	875	1%
Operating income	66	30	-55%
Underlying operating income	68	38	-44%
Underlying operating income margin	7.8%	4.3%	
Changes in pension liabilities	(3)	4	
Changes in provisions	(15)	(13)	
Underlying cash operating income	50	29	-42%
Underlying cash operating income margin	5.7%	3.3%	
Profit for the period	41	14	
Net cash from/(used in) operating and investing activities	(20)	(18)	

Note: underlying figures exclude one-offs in Q1 2018 (€5 million for restructuring in Mail in the Netherlands and International and €3 million for project costs and other) and in Q1 2017 (€2 million for project costs)

CEO statement

Herna Verhagen, CEO of PostNL: "As anticipated, our Q1 performance was below the comparable quarter last year. However, we continue to make good progress in our transformation to be the postal & logistic solutions provider in the Benelux. 42% of our revenue is now related to e-commerce, showing that we are on track towards our 2020 ambition of more than 50%.

Volume decline in Mail in the Netherlands continued in line with our expectations. Substitution remains the driver, but, again, we see intensifying competition from postal operators, supported by the earlier ACM measures. We achieved €8 million of cost savings and continue to make progress in the preparation and implementation of our cost savings projects.

We are actively participating in the postal dialogue, initiated by Dutch government. Further discussions are scheduled to take place shortly. We repeat that to facilitate an orderly and rational adjustment of the Dutch postal market to declining volumes, regulation must be amended as soon as possible and consolidation of postal market players is inevitable.

In Parcels, strong volume growth reflects our solid position in the Benelux e-commerce logistics market. Revenue improved, also helped by last year's acquisitions in logistics services. The strong volume growth drives the planned investments in growth, impacting results. The construction of three new sorting centres started. We expect these to contribute to efficiency improvements towards the end of the year.

In International, the performance was unsatisfactory. Competition remained fierce, especially in Germany and Italy.

We confirm our outlook for 2018. Our aim to pay progressive dividend remains unchanged. The AGM approved the dividend of €0.23 per share for 2017, the final dividend of €0.17 per share will be payable on 9 May."

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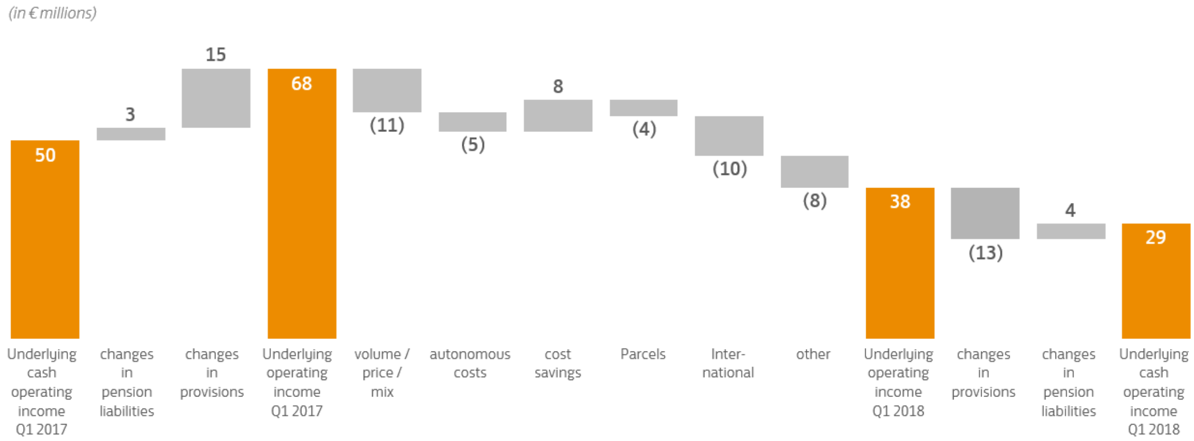
Business performance Q1 2018



in € million	Revenue Q1 2017	Revenue Q1 2018	Underlying operating income Q1 2017	Underlying operating income Q1 2018	Underlying cash operating income Q1 2017	Underlying cash operating income Q1 2018
Mail in the Netherlands	450	424	41	29	28	17
Parcels	249	306	28	24	28	23
International	285	270	6	(4)	5	(4)
PostNL Other	18	19	(7)	(11)	(11)	(7)
Intercompany	(132)	(144)				
PostNL	**870**	**875**	**68**	**38**	**50**	**29**

Mail in the Netherlands – Continued volume decline; cost savings 2018 back-end loaded

Addressed mail volumes in Mail in the Netherlands declined by 10.3% in the quarter (9.6% adjusted for one working day). The main driver for the decline is ongoing high substitution. Supported by earlier ACM measures, we continue seeing 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 6% to €424 million (Q1 2017: €450 million). Underlying cash operating income decreased to €17 million (Q1 2017: €28 million). The negative volume/price/mix effect (again including an effect from ACM measures) and autonomous cost increases were only partly compensated by cost savings and lower cash out related to pensions and provisions.

Cost savings plans: €8 million cost savings achieved in Q1 2018

The cost savings projects require a careful planning process, to speed up realisation of savings in a controlled way, but also to secure quality.

	Q1 2018
Centralisation locations	• Migration of three locations • Preparation for further migration of depots later in 2018 • Successful integration of sorting locations for international mails
Efficiency sorting process	• Further implementation new coding process delayed to HY2 as indicated before
Optimise retail network	• Reduction of 750 post boxes
Simplify portfolio	• Collection of data completed, next step is design of simplified portfolio
Reduce staff	• Announcement of staff reduction in line management • Development new blue print for further reduction in overhead
Other	• IT savings and centralisation of HR departments

We expect to achieve €50 million - €70 million of cost savings in 2018. As indicated previously, delays in the implementation of the new coding process have meant that phasing of expected cost savings will be weighted towards the second half of the year.

PostNL and the four trade unions have reached agreement regarding the collective labour agreement (CLA) for mail deliverers, valid from 1 October 2017 till 30 September 2019. Parties agreed on a salary increase, implemented in five steps of one percent, and a one-time bonus of one percent.

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Regulatory developments

As indicated before, we expect a financial of the ACM measures of between €50 million and €70 million on an annualised basis. The full effect is expected to be fully visible in 2020. The indication is subject to final implementation of the SMP decision. The SMP prices and obligations were implemented by PostNL by the end of 2017, but still have to be approved by ACM.

Parcels – continuing strong volume and revenue growth

Volume growth continued to be strong: 25% for the quarter. Revenue increased by 23% to €306 million (Q1 2017: €249 million). The main driver for revenue growth was the strong volume development, slightly offset by a negative price/mix effect. Demand for additional services continued to increase. Additionally, we experienced growth in logistics solutions, including incremental revenues related to the last year's acquisitions.

On the cost side, we faced additional capacity costs as volume growth was strong and the expected impact from planned investments in growth. Also, cash out related to pensions and provisions was higher. This resulted in a decrease of underlying cash operating income to €23 million (Q1 2017: €28 million).

International – fierce competition remains

International revenue decreased by 5% to €270 million (Q1 2017: €285 million). Adjusted for FX effects (€6 million, fully attributable to Spring), revenue decreased by 3%. Underlying cash operating income was €(4) million (Q1 2017: €5 million).

Revenue in Spring and other decreased to €66 million. Adjusted for FX, we saw an increase to €72 million. Growth from global e-commerce customers continued. Mail volumes in Spring continue to decline. Given the competitive landscape, it was decided to postpone the implementation of rate increases to March. At the same time, the margin was negatively impacted by cost increases from other national postal operators.

In Germany, revenue decreased by 8% to €142 million. Revenue in our final mile activities improved, but this was more than offset by developments in consolidation activities, driven by volume decline and price pressure. We secured some large contracts that will be implemented step-by-step as of the first quarter.

In Italy, revenue was stable at €62 million. Growth from parcels was strong. In mail, we expanded our customer portfolio, but we also saw overall volume decline and price pressure remained fierce.

PostNL Other

Revenue in PostNL Other was €19 million (Q1 2017: €18 million). Underlying cash operating income improved to €(7) million (Q1 2017: €(11) million), mainly explained by cost savings.

Pensions

Pension expense amounted to €32 million (Q1 2017: €27 million) and total cash contributions were €28 million (Q1 2017: €30 million). The increase in pension expense is mainly explained by a higher rate of expected benefit increases, reflecting the development of the coverage ratio of the pension fund and will be visible in the next quarters as well. As the net liability related to the pension fund is limited at the outstanding unconditional funding obligation, the increase in expense is compensated by an actuarial gain recorded in other comprehensive income. In Q1 2018, the net actuarial gain on pensions was €9 million. At the end of Q1 2018, the main pension fund's 12 months average coverage ratio was 114.8%, well above the minimum required funding level of 104.0%. On 31 March 2018, the main pension fund's actual coverage ratio was 114.7%.

Development financial and equity position

Total equity attributable to equity holders of the parent increased to €58 million as per 31 March 2018, almost fully explained by net profit of €14 million and a net actuarial gain on pensions of €9 million. Net cash from operating and investing activities slightly improved to €(18) million (Q1 2017: €(20) million). Lower underlying cash operating income was more than compensated by an improvement in working capital and less taxes paid. At the end of Q1 2018, the net cash position was €5 million, which compares to €27 million at year end 2017.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2017	65	61	65	63	254
2018	**64**	**61**	**65**	**64**	**254**

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Financial calendar

6 August 2018	Publication of Q2 & HY 2018 results
5 November 2018	Publication of Q3 2018 results
25 February 2019	Publication of Q4 & FY 2018 results
16 April 2019	Annual General Meeting of Shareholders 2019

Dividend calendar

9 May 2018	Payment date final dividend 2017
8 August 2018	Ex-dividend date interim dividend 2018
9 August 2018	Record date interim dividend 2018
10 -23 August 2018 (3.00 PM CET)	Election period interim dividend 2018
27 August 2018	Payment date interim dividend 2018

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Audio webcast and conference call Q1 2018 results

On 8 May 2018, at 9.00 CET, a conference call for analysts and investors will start. The conference call can be followed live via an audio webcast at **www.postnl.nl**.

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 31 March 2018. The information should be read in conjunction with the consolidated 2017 Annual Report of PostNL N.V. as published on 26 February 2018.

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. Apart from the changes from the adoption of IFRS 9 'Financial instruments' and IFRS 15 'Revenues from contracts with customers' per 1 January 2018, all other significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in PostNL's consolidated 2017 Annual Report for the year ended 31 December 2017.

IFRS 9 'Financial instruments'

The impact of the adoption of IFRS 9 is as follows:

- On hedge accounting, the company determined that all existing hedge relationships previously designated as effective hedge relationships continue to qualify for hedge accounting under IFRS 9.
- On impairment, IFRS 9 requires the company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The company applies the simplified approach and records lifetime expected losses on all trade receivables. The impact of adoption was limited to €0.3 million and has been recorded in 2018's opening equity.
- On classification, the equity shares in non-listed companies that were previously held as 'available-for-sale with gains and losses recorded in other comprehensive income (OCI)' are under IFRS 9 classified as 'financial assets at fair value through OCI'.

The company has aligned its policies to reflect the changes resulting from IFRS 9. Comparative information of 2017 has not been restated.

IFRS 15 'Revenue from contracts with customers'

The company's business involves the logistical service of delivering mail, parcels and other consignments. Nearly all of the company's revenues are represented by a single performance obligation being 'logistic services'. Adoption of IFRS 15 does not impact the company's revenue and profit or loss resulting from these services. Revenue will remain being recognised at a point in time when control is transferred to the customer, generally on delivery of the mail, parcels or other consignments.

Other performance obligations within the company's business comprise the rental of post-boxes (revenue recognition over time), print services (revenue recognition at a point in time) and stamp collection services (revenue recognition at a point in time). Adoption of IFRS 15 also does not impact the company's revenue and profit or loss resulting from these services.

Where contracts entitle customers to a volume discount, the company recognises revenue measured at the fair value of the consideration received or receivable, net of volume rebates.

The company adopted the new standard using the modified retrospective method.

Receivable on Deutsche Post AG

At Q1 2018, the accounts receivable position of €32 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.

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Consolidated income statement

in € millions	Q1 2017	**Q1 2018**
Net sales	867	871
Other operating revenue	3	4
Total operating revenue	**870**	**875**
Other income	3	4
Cost of materials	(17)	(20)
Work contracted out and other external expenses	(438)	(464)
Salaries, pensions and social security contributions	(293)	(299)
Depreciation, amortisation and impairments	(19)	(21)
Other operating expenses	(40)	(45)
Total operating expenses	**(807)**	**(849)**
Operating income	**66**	**30**
Interest and similar income	2	1
Interest and similar expenses	(12)	(9)
Net financial expenses	**(10)**	**(8)**
Results from investments in jv's/associates	0	0
Profit/(loss) before income taxes	**56**	**22**
Income taxes	(15)	(8)
Profit for the period	**41**	**14**
Attributable to:		
Non-controlling interests		
Equity holders of the parent	41	14
Earnings per ordinary share (in €cents) [1]	9.3	3.1
Earnings per diluted ordinary share (in €cents) [2]	9.2	3.1

1 Based on an average of 453,530,195 outstanding ordinary shares (2017: 442,805,079).
2 Based on an average of 454,070,420 outstanding diluted ordinary shares (2017: 443,689,924).

Consolidated statement of comprehensive income

in € millions	Q1 2017	**Q1 2018**
Profit for the period	**41**	**14**
Other comprehensive income that will not be reclassified to the income statement		
Impact pensions, net of tax	3	9
Other comprehensive income that may be reclassified to the income statement		
Currency translation adjustment, net of tax	0	0
Gains/(losses) on cashflow hedges, net of tax	2	1
Total other comprehensive income for the period	**5**	**10**
Total comprehensive income for the period	**46**	**24**
Attributable to:		
Non-controlling interests		
Equity holders of the parent	46	24

Results PostNL Q1 2018

Consolidated statement of cash flows

in € millions	Q1 2017	**Q1 2018**
Profit/(loss) before income taxes	**56**	**22**
Adjustments for:		
Depreciation, amortisation and impairments	19	21
Share-based payments	1	1
(Profit)/loss on disposal of assets	(3)	(4)
Interest and similar income	(2)	(1)
Interest and similar expenses	12	9
Results from investments in jv's/associates	0	0
Investment income	**7**	**4**
Pension liabilities	(3)	4
Other provisions	(12)	(13)
Changes in provisions	**(15)**	**(9)**
Inventory	1	(1)
Trade accounts receivable	39	10
Other accounts receivable	(22)	18
Other current assets	(31)	(5)
Trade accounts payable	(19)	(9)
Other current liabilities excluding short-term financing and taxes	23	(6)
Changes in working capital	**(9)**	**7**
Cash generated from operations	**59**	**46**
Interest paid	(1)	(2)
Income taxes received/(paid)	(60)	(47)
Net cash (used in)/from operating activities	**(2)**	**(3)**
Interest received	1	1
Capital expenditure on intangible assets	(8)	(7)
Capital expenditure on property, plant and equipment	(15)	(13)
Proceeds from sale of property, plant and equipment	4	4
Net cash (used in)/from investing activities	**(18)**	**(15)**
Net cash (used in)/from financing activities	**0**	**0**
Total change in cash	**(20)**	**(18)**
Cash at the beginning of the period	**640**	**645**
Total change in cash	(20)	(18)
Cash at the end of the period	**620**	**627**

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Consolidated statement of financial position

in € millions	31 December 2017	31 March 2018
ASSETS		
Non-current assets		
Intangible fixed assets		
Goodwill	141	141
Other intangible assets	116	116
Total	**257**	**257**
Property, plant and equipment		
Land and buildings	318	316
Plant and equipment	154	153
Other	21	20
Construction in progress	17	28
Total	**510**	**517**
Financial fixed assets		
Investments in joint ventures/associates	9	9
Other loans receivable	7	7
Deferred tax assets	29	25
Financial assets at fair value through OCI	5	5
Total	**50**	**46**
Total non-current assets	**817**	**820**
Current assets		
Inventory	6	8
Trade accounts receivable	386	376
Accounts receivable	50	32
Income tax receivable	9	47
Prepayments and accrued income	157	162
Cash and cash equivalents	645	627
Total current assets	**1,253**	**1,252**
Assets classified as held for sale	10	9
Total assets	**2,080**	**2,081**
LIABILITIES AND EQUITY		
Equity		
Equity attributable to the equity holders of the parent	34	58
Non-controlling interests	3	3
Total	**37**	**61**
Non-current liabilities		
Deferred tax liabilities	43	42
Provisions for pension liabilities	359	353
Other provisions	23	23
Long-term debt	400	403
Accrued liabilities	2	2
Total	**827**	**823**
Current liabilities		
Trade accounts payable	220	216
Other provisions	40	26
Short-term debt	225	226
Other current liabilities	150	146
Income tax payable	4	4
Accrued current liabilities	577	579
Total	**1,216**	**1,197**
Total equity and liabilities	**2,080**	**2,081**