

Q3 2016 Results



7 November 2016



Business review

Q3 2016 results according to plan



Revenue	Underlying cash operating income	Net cash from operating and investing activities	Consolidated equity
€770m	€27m	€(105)m	€(189)m
Q3 2015: €780m	Q3 2015: €23m	Q3 2015: €18m	Q2 2016: €(177)m

- Addressed mail volume decline 5.9%
- Cost savings of €13 million realised
- Parcels volume grew by 12%
- Improved performance International
- Long term debt reduced to €557 million (Q2 2016: €913 million)
- Equity position declined moderately
 - Net profit of €(9) million, including negative impact from bond buyback of €29 million

FY 2016 outlook: UCOI reconfirmed at €220 million - €260 million

Q3 2016: Mail in the Netherlands

Performed according to plan



Revenue	Underlying cash operating income	Addressed mail volume decline	Total cost savings
€412m	€5m	5.9%	€13m
Q3 2015: €426m	Q3 2015: €14m		

- Volume decline of 5.9%, no working day effect, year-to-date market decline around 10%
- Negative price/mix effect
- Revenue development supported by increase in cross border mail
- Impact ACM measures (tariffs and conditions) and adjusted market approach as anticipated
- Continued solid cost savings of €13 million of which €10 million in Mail in the Netherlands
- Quality remains high at 97.1%, above statutory minimum of 95%
- Acquisition of Yourzine and Searchresult

Acquisition Yourzine and Searchresult

Further expand our capabilities in data-driven marketing services



- Acquisition of Yourzine and Searchresult fits within growth strategy and adds value to our direct mail proposition
 - Strong in data-driven marketing services
 - Client base of around 250 large customers in retail, automotive, telecom, finance, energy & utilities and publishing matches PostNL clients
 - Around 150 employees
- Integration with PostNL marketing services
 - Help clients to get, keep and grow customers and profitability
 - Combine direct mail campaigns with online services: increase online advertising returns, integrated email, social media
 - One-stop shopping for clients
 - Additional revenue through companywide cross-selling and leverage
- Purchase price €22 million, estimated annual net revenue 2016 around €15 million, direct contribution to UCOI
- IRR above 15%





USO

- Price increase effective from 1 January 2017 based on tariff headroom as determined by ACM
- Amended Postal Act effective 1 January 2016
- Reduction of ~300 postal offices during 2016, implementation well underway
- Roll out of new parcel points ahead of schedule
- In accordance with postal regulation: evaluation of USO towards end of 2016 / early 2017

Non-USO

- In June 2016, ACM published new draft decision on Significant Market Power (SMP) and Ministry of Economic Affairs published draft policy guideline about interpretation of SMP in a declining mail market
- PostNL has submitted its view on both documents
- PostNL is concerned about expected adverse effects
 - recent measures of ACM
 - possible outcome of SMP, also taking into account outcome of recent court cases
- As earlier indicated (October 2015), financial impact of ACM measures expected to be between €30 million and €50 million annualised; full effect visible over 3-4 years period (2016-2019)

Cost savings of €13 million realised in Q3, mainly in operational processes

Target €50 million - €70 million for 2016



Q3 2016

Efficiency sorting process

- Four sorting machines with coding capabilities tested and now operational
- Preparation to adjust process started

Efficiency delivery process

- 10 depots migrated and 8 locations optimised
- Implementation of operational processes evaluated; personnel restructuring completed

Optimise retail network

- Reduction in postal offices and growth in parcel points well underway
- Roll-out of reduction in post boxes on schedule, implemented in two provinces during Q3

Other

- Further reduction of staff

(in € millions)

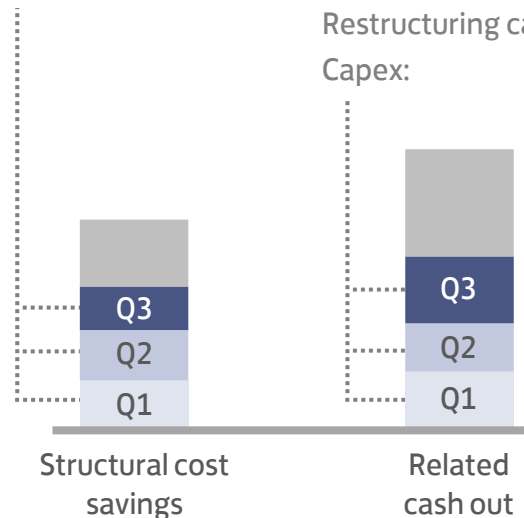
YTD 2016

Cost savings: 43

Implementation costs: 20

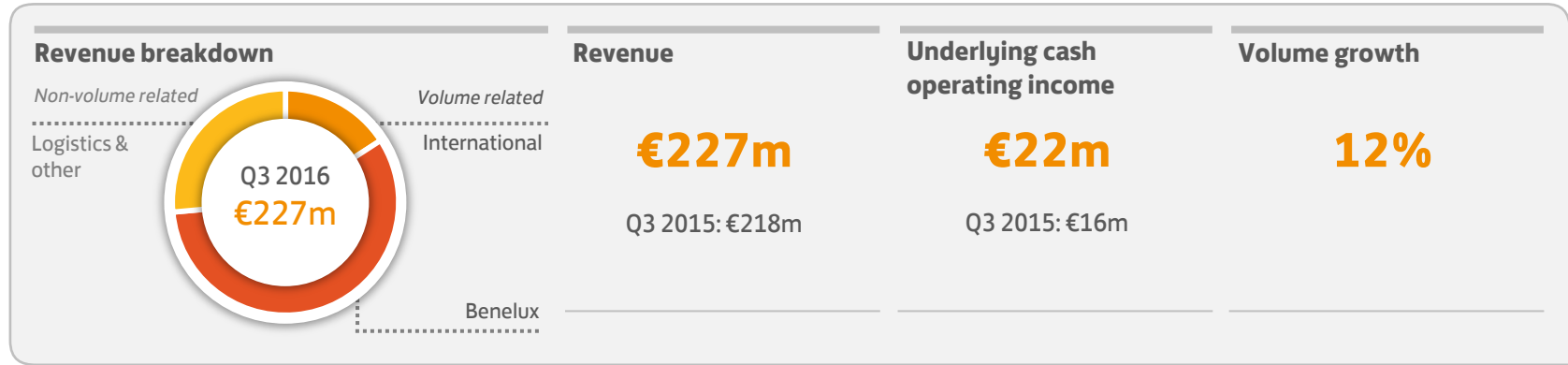
Restructuring cash out: 27

Capex: 18



Pilot innovative parcel and letter machines





- Volume growth underpinned by continuing strong growth in e-commerce
- Translated into revenue growth
 - Small negative product/customer mix effect in volume-related business; less revenue from International (mainly explained by decline in milk powder volumes)
 - Lower revenue in non-volume related business
- Improved business performance also explained by operational efficiency and effect of subcontractor actions in Q3 2015
- On track with implementation of sustainable delivery model to reach targeted goal of more own personnel
- Continued innovation to deliver more value-added services (such as Return on Demand)

Nationwide Return on Demand service

Growing demand for same day delivery



Return on Demand service

- Collection of returns at home at customer request
- Strong demand in fashion
- Implemented with large customer



bol.com

Kies de bezorgoptie die bij jou past
zoals vandaag bezorgd

nieuw!



Enhanced services

- Sunday delivery
- Same-day delivery
- Evening delivery



Germany

- Revenue slightly lower
- Good progress in restructuring
- Improvement in underlying cash operating income, supported by positive incidental effect

Italy

- Strong revenue increase in parcels more than offset by lower revenue in Formula Certa
- Improved performance due to declining start-up losses in parcels network
- Improvement supported by incidental in Q3 2015

Spring

- Continued growth in Asia and within Europe driven by e-commerce
- Higher revenues and improved profitability

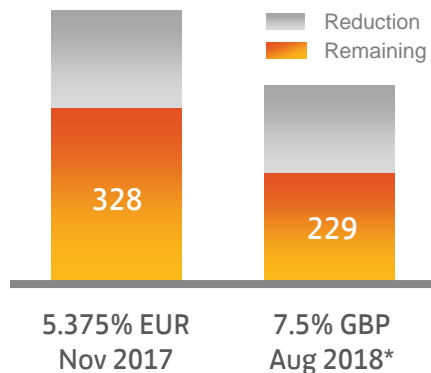
Financials

Part of proceeds sale of TNT Express used to strengthen financial position

Savings on interest expense achieved from bond buyback

Debt reduction

(in € millions, EUR equivalent of GBP bond*)



(in € millions)	Reduction face value	Premium	Accrued interest	Cash out
5.375% EUR Nov 2017	180	12	8	200
7.5% GBP Aug 2018*	177	21	1	199
Total	357	33	9	399

Lower interest expense (before tax) 2016: €6 million, 2017: €21 million, 2018: €7 million

Financial highlights Q3 2016, results according to plan

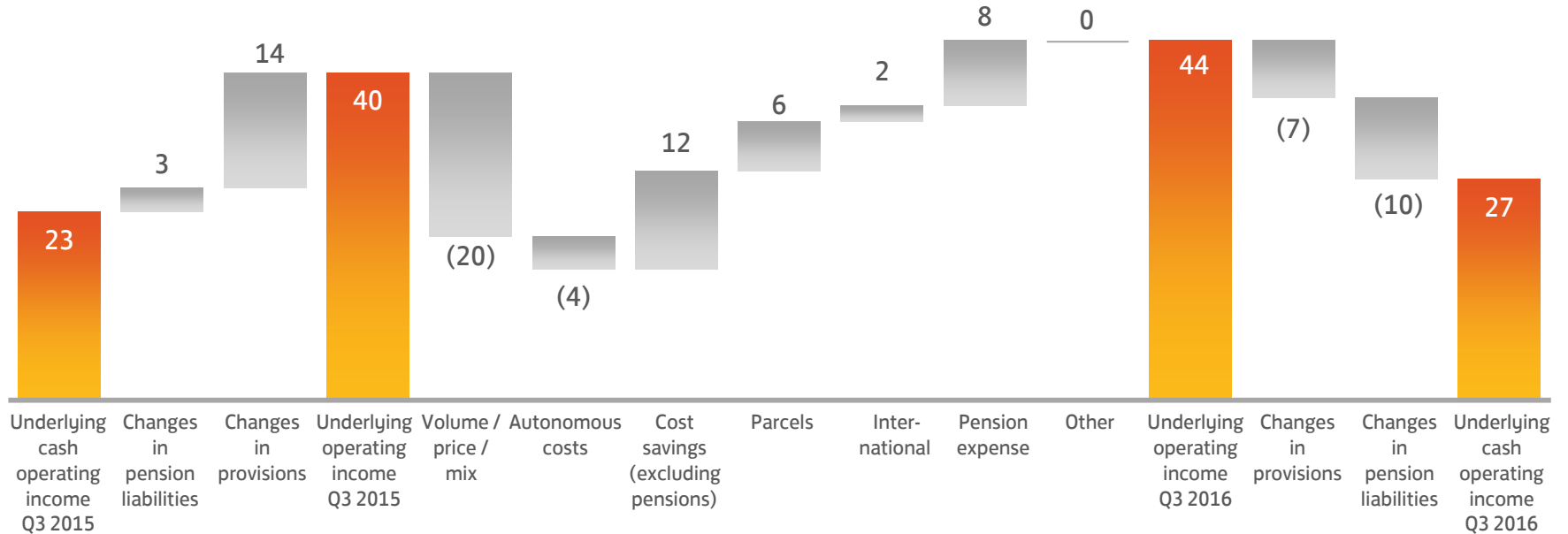
Underlying cash operating income increased

<i>(in € millions)</i>	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Reported revenue	770	780	2,458	2,454
Reported operating income	42	44	162	190
Restructuring related charges	2	(6)	14	8
Project costs and other		2	10	4
Underlying operating income	44	40	186	202
Underlying cash operating income	27	23	135	156
Net cash from operating and investing activities	(105)	18	537	(14)

- Net cash from operating and investing activities according to expectations, impacted by
 - bond buyback
 - acquisition of Yourzine and Searchresult
 - working capital, expected to improve in Q4 due to phasing and seasonal pattern

Q3 2016: underlying (cash) operating income

(in € millions)



Q3 2016: results per segment

Strong performance in Parcels and improvement International

(in € millions)

	Revenue		Underlying operating income		Underlying cash operating income	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Mail in the Netherlands	412	426	16	30	5	14
Parcels	227	218	23	17	22	16
International	239	229	4	2	4	(1)
PostNL Other	43	45	1	(9)	(4)	(6)
Intercompany	(151)	(138)				
Total PostNL	770	780	44	40	27	23

Statement of income

Profit Q3 2016 adjusted for impact bond buyback €20 million

<i>(in € millions)</i>	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Revenue	770	780	2,458	2,454
Operating income	42	44	162	190
Net financial expenses	(55)	(18)	55	(58)
Results from investments in associates and joint ventures	1		2	(1)
Income taxes	3	(7)	(23)	(38)
Profit/(loss) from continuing activities	(9)	19	196	93
Profit/(loss) from discontinued activities		(1)		(45)
Profit for the period	(9)	18	196	48
<i>Excluding bond buyback and TNT Express*</i>	<i>20</i>	<i>18</i>	<i>80</i>	<i>46</i>

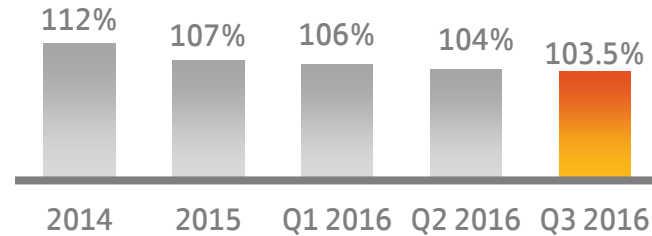
Net cash from operating and investing activities

<i>(in € millions)</i>		Q3 2016	Q3 2015	YTD 2016	YTD 2015
Cash generated from operations		15	60	101	188
Interest paid		(71)	(29)	(73)	(44)
Income taxes received / (paid)		(1)	(1)	(68)	(107)
Net cash (used in) / from operating activities		(57)	30	(40)	37
Interest/dividends received/other			1	(1)	5
Acquisition of subsidiaries (net of cash)		(22)		(22)	(5)
Capex		(30)	(16)	(57)	(57)
Proceeds from sale of assets		4	3	14	6
Proceeds from available-for-sale financial assets				643	
Net cash (used in) / from operating and investing activities		(105)	18	537	(14)
<i>Excluding bond buyback and sale TNT Express*</i>		(62)	18	(63)	(14)
		Q3 2016		YTD 2016	2016 outlook
Capex	Base capex	13		32	
	Cost savings initiatives	10		18	
	New sorting and delivery centres	7		7	
Total		30		57	Around 100

Impact pensions on equity limited to €5 million

Per Q3 2016 projections show no estimated top-up payment obligation

Coverage ratio pension fund



(in € millions)

Q3 2016

Return on plan assets in excess of interest income	161
Defined benefit obligation	(135)
Minimum funding requirement	(33)
Total pension	(7)
Net effect on equity within OCI	(5)

- Cash exposure to pension fund maximised; application of liability ceiling aligns accounting obligation with funding arrangements
- Pension liability main fund expected to be capped at unconditional funding obligation of €129 million plus estimated top-up payments
- Coverage ratio per Q3 2016: 103.5%, below minimum required funding level of 104.0%
- Trigger for start of 5-year recovery period, in which top-up payments might apply
- Per Q3 2016 projections show no estimated top-up payment obligation

Consolidated statement of financial position

Long term debt decreased to €557 million (Q2 2016: €913 million)

<i>(in € millions)</i>	1 Oct 2016		1 Oct 2016
Intangible fixed assets	170	Consolidated equity	(189)
Property, plant and equipment	490	Non-controlling interests	3
Financial fixed assets	88	Total equity	(186)
Other current assets	501	Pension liabilities	478
Cash	523	Long-term debt	557
Assets held for sale	11	Other non-current liabilities	82
		Short-term debt	1
		Other current liabilities	851
Total assets	1,783	Total equity & liabilities	1,783

- Q2 2016 net cash position switched to net debt of €29 million at end of Q3 2016
- Consolidated equity declined by €12 million to €(189) million compared to end Q2 2016
- Corporate equity of €2,263 million, of which €185 million distributable

Outlook FY 2016: UCOI reconfirmed at €220 million - €260 million

Adjusted revenue outlook

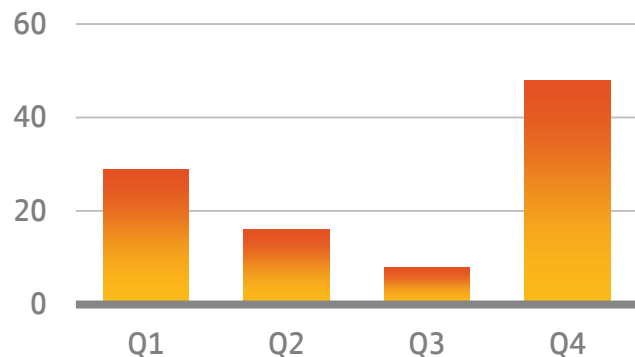
<i>(in € millions)</i>	Revenue		UCOI / margin	
	2015	2016 outlook	2015	2016 outlook
Mail in the Netherlands	1,961	- mid single digit	204 (10.4%)	8% to 10%
Parcels	917	+ mid single digit	101 (11.0%)	9% to 11%
International	983	+ mid single digit	19 (1.9%)	2% to 4%
PostNL Other / eliminations	(400)		(21)	
Total	3,461	stable	303	220 to 260

UCOI Q4 2016 expected to be below full year trend

Seasonally strongest quarter has four less working days

Average UCOI split 2010 - 2015

(%)



Working days

	2016	2015
Q1	64	61
Q2	62	60
Q3	65	65
Q4	64	68
Total year	255	254

Q4 2016

- Impact due to four less working days
- Revenue Parcels also impacted by expected continuation of declining international volumes
- Impact from 'Other' (such as bilaterals)
- Net cash: improvement of working capital (seasonal) and phasing Q3

Q3 2016: according to plan

Remain committed towards resuming dividend in 2017



Q3 2016	2016	2017
<p>Underlying cash operating income €27m</p> <p>Consolidated equity €(189)m</p> <p>Net debt €29m</p>	<ul style="list-style-type: none">• Significant management attention on regulation• Create further profitable growth in Parcels and International, driven by e-commerce and innovation• Maintain focus on successful implementation of restructuring plans• Continuously improve our employees' engagement and customer satisfaction; maintain high quality <p>Outlook underlying cash operating income: €220m - €260m</p>	<ul style="list-style-type: none">• Comfortable headroom in equity would interest rates further reduce <p>Expectation of and commitment to resuming dividend in 2017</p> <p>Outlook underlying cash operating income: €230m - €270m</p>

Q&A

Appendix

- Breakdown pension cash contribution and expenses

Breakdown pension cash contribution and expenses

Pensions <i>(in € millions)</i>	Q3 2016		Q3 2015	
	Expenses	Cash	Expenses	Cash
Business segments	27	35	28	36
IFRS difference	(2)		5	
PostNL	25	35	33	36
Interest	3		3	
Total	28		36	

Published by:

PostNL NV

Prinses Beatrixlaan 23

2595 AK The Hague

The Netherlands

T: +31 88 86 86 161

Additional information is available at postnl.nl

Warning about forward-looking statements:

Some statements in this presentation 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 presentation 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 presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.