Q1 2019 Results

The Hague, 7 May 2019

Key takeaways and business review

Financial review

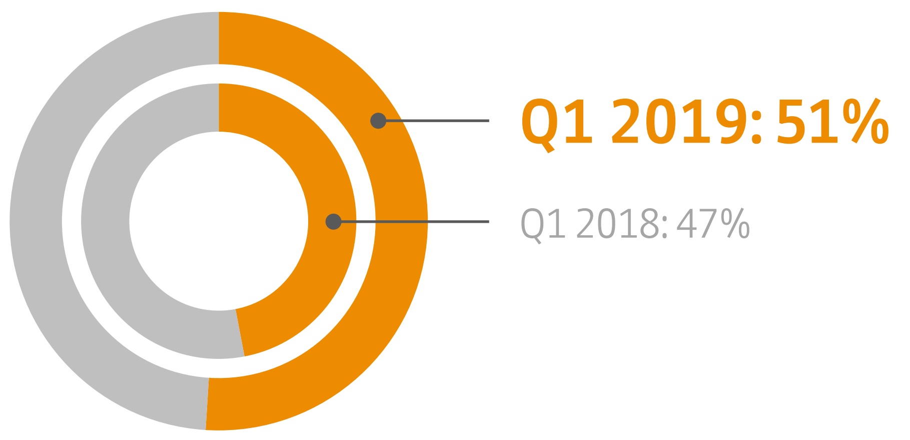
Q&A

Over 50% of PostNL revenue now relates to e-commerce

Outlook 2019 UCOI confirmed

	Revenue	Underlying cash operating income
Q1 2019	**€684m**	**€31m**
Q1 2018	€674m	€32m

Progress acceleration of transformation



Key takeaways

- Volume growth at Parcels continued, focus on improving operational leverage
- Ongoing attention for achieving cost savings in Mail in the Netherlands to offset volume decline

Process intended consolidation progressing as expected

- First step in formal process ended, PostNL and Sandd filed request for licence

Draft consultation Postal Act

- When presenting the conclusions of the postal dialogue in 2018, the State Secretary underpinned the need for new legislation reflecting the structural decline in the postal market.
- Following these conclusions, a consultation document with proposed amendments on the Postal Act was recently published

Final collective labour agreements reached

- New CLAs for PostNL and Saturday deliverers from 1 January 2019
- Increase in salary of 3% in total, in three steps

Divestment process Nexive and Postcon

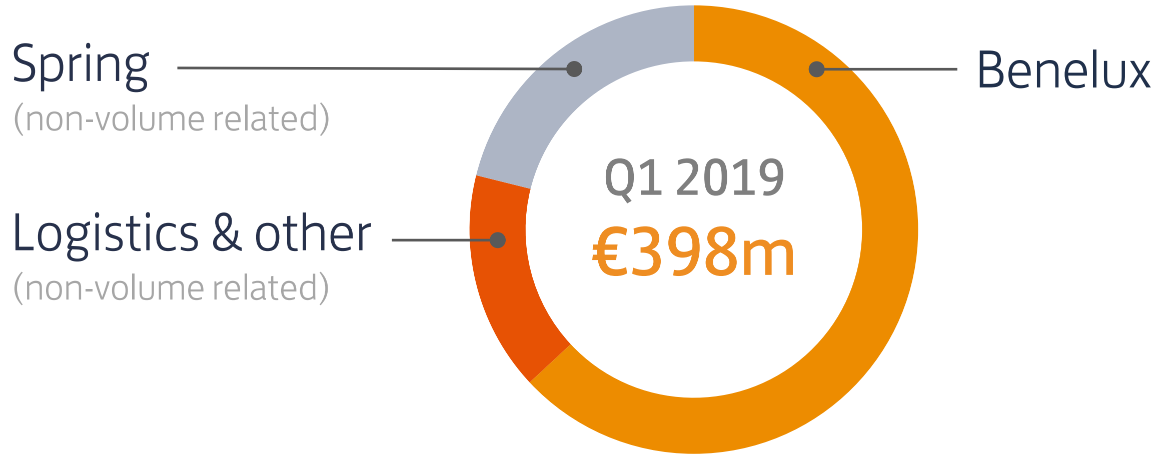
- Disposal processes progressing in accordance with communicated timelines

Parcels

Focus on improving operational leverage

	Revenue	Underlying cash operating income	Volume growth
Q1 2019	€398m	€22m	16%
Q1 2018	€368m	€22m	

Revenue mix



Parcels (excluding Spring)

- Revenue increased 13%
  - volume growth, slightly offset by negative price/mix effect
  - growing demand of additional services and increase of revenue in logistic solutions
  - strong growth in our Belgium activities
- UCOI in line with last year
  - operational efficiency improved
  - higher labour costs due to tight labour market (training and retention costs), organic cost increases (CLA and agreements with distribution partners) and higher IT costs
  - additional costs for optimisation of transportation network after expansion by three new depots in 2018
  - slight improvement other performance (mainly logistics solutions)

Spring

- Revenue down 9% (12% adjusted for FX effects); competitive environment remained fierce
- Bottom-line performance slightly improved due to tight cost control

Mail in the Netherlands

Progress in cost savings in line with expectations

	Revenue	Underlying cash operating income	Total cost savings	Addressed mail volume decline
Q1 2019	**€392m**	**€15m**	**€12m** of which €8m in Mail in the Netherlands	**9.8%***
Q1 2018	€424m	€17m		

Key takeaways Q1 2019

- Volume declined by 9.8%
  - driven by ongoing substitution
  - continued high decline in single mail
  - loss to competition due to less network access and loss of volumes to competition
- Performance includes autonomous cost increases, cost savings, significantly lower cash out for pensions and provisions, and other effects (for example lower result export)
- Delivery quality remained stable at 95%

* Adjusted volume decline 9.1%, corrected for one working day

€12m cost savings achieved in Q1 2019, continuing run-rate Q4 2018

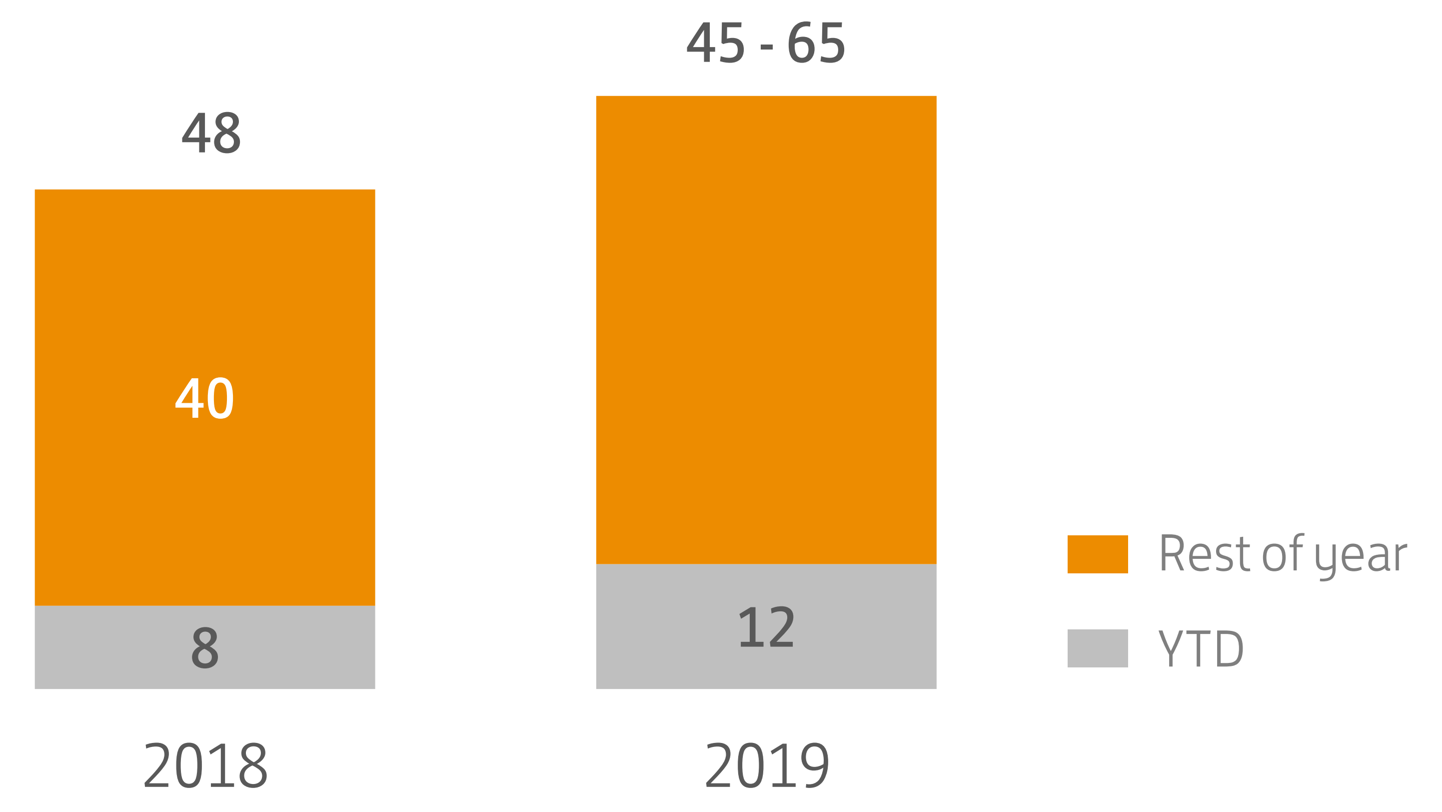
FY 2019 cost savings expected to be in range €45m - €65m

Cost savings Q1 2019

Reduce staff	• Implementation reduction of staff according to plan
Efficiency sorting and delivery process	• Continuation roll-out adjusted coding process • Roll-out adjustments in delivery process • Migration of 1 location
Other	• IT savings
Good progress preparations for implementation New mail route	• Switch to equal-flow model with non-time critical mail delivered on five days instead of three days mid 2019

Cost savings YTD

(in € million)



UCOI outlook 2019 confirmed

(in € million)	Revenue 2018	Revenue outlook 2019	UCOI / margin 2018	UCOI / margin outlook 2019
Parcels	1,555	+ low teens	117 *(7.5%)*	7.5%-9.5%
Mail in the Netherlands	1,678	- mid single digit	93 *(5.5%)*	3%-5%
PostNL Other / eliminations	(461)		(22)	
Total	**2,772**	**+ low single digit**	**188**	**170-200**

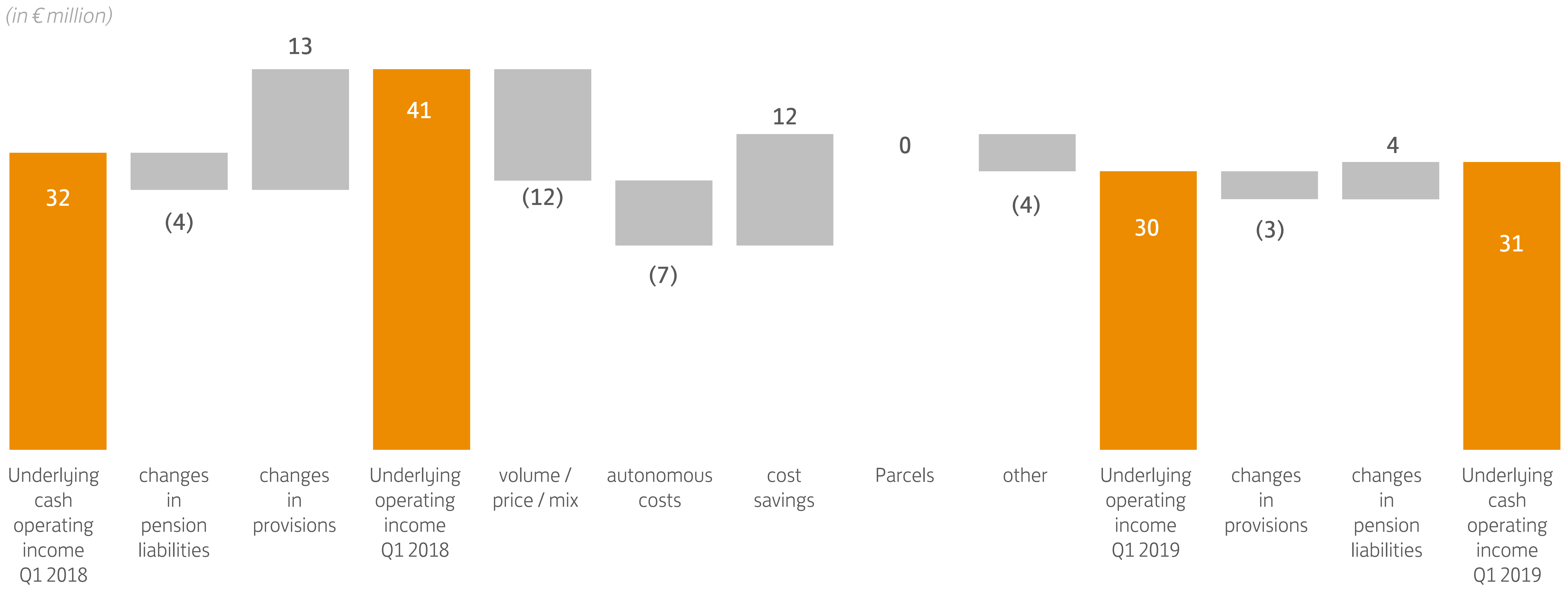
Following the announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook for 2019 might change

Q1 2019 Results

Financial highlights Q1 2019

(in € million)	Q1 2018	Q1 2019
Reported revenue	**674**	**684**
Reported operating income	40	22
Restructuring related charges	1	
Project costs and other	2	9
Consolidation effect with discontinued operations	(2)	(1)
Underlying operating income	41	30
Underlying cash operating income	**32**	**31**
Net cash (used in) / from in operating and investing activities	**11**	**4**

Underlying (cash) operating income Q1 2019



Statement of income

(in € million)	Q1 2018	Q1 2019
Revenue	674	684
Operating income	**40**	**22**
Net financial expenses	(8)	(3)
Income taxes	(9)	(4)
Profit from continuing operations	**23**	**15**
Loss from discontinued operations	(9)	(9)
Profit for the period	**14**	**6**

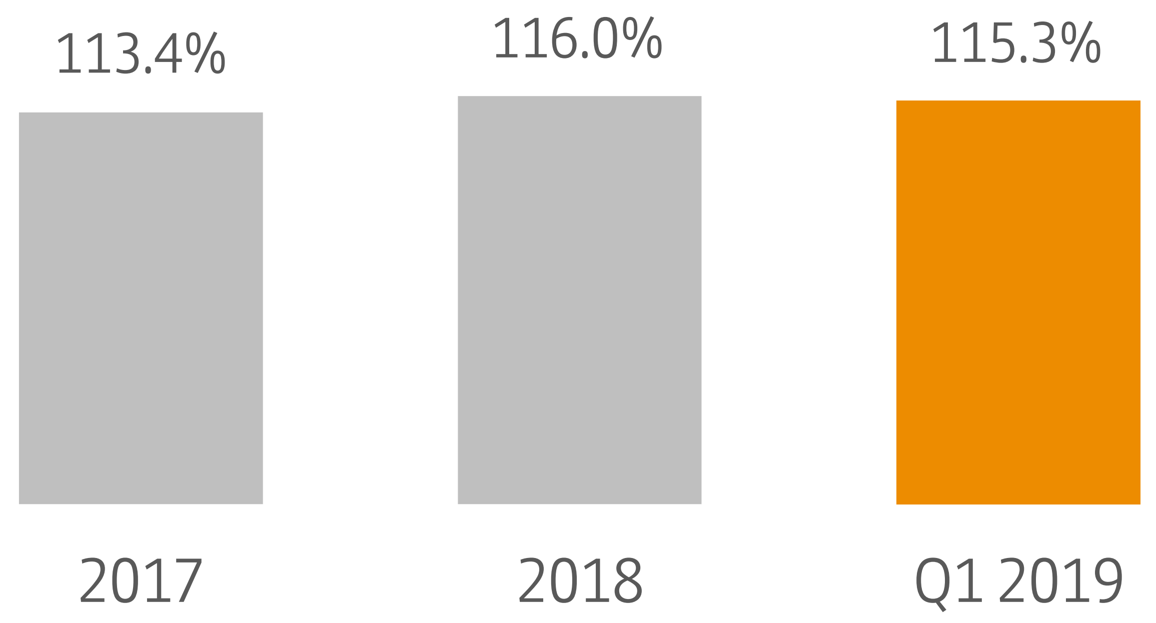
Net cash from operating and investing activities

(in € million)	Q1 2018	Q1 2019
Cash generated from operations	**72**	**56**
Interest paid	(2)	(2)
Income taxes received / (paid)	(47)	(43)
Net cash (used in)/from operating activities	**23**	**11**
Interest / dividends received / acquisitions / other	1	0
Capex	(17)	(10)
Proceeds from sale of assets	4	3
Net cash (used in)/from operating and investing activities	**11**	**4**

Base capex	8
Cost savings initiatives	2
New sorting and delivery centres	
Total capex (FY 2019: max €100m)	**10**

Coverage ratio pension fund at 115.3%, well above minimum required level

(in € million)	Q1 2019
Return on plan assets in excess of interest income	497
Defined benefit obligation	(471)
Asset ceiling	(34)
Total pension	**(8)**
Net effect on equity within OCI	**(6)**



Consolidated statement of financial position

(in € million)

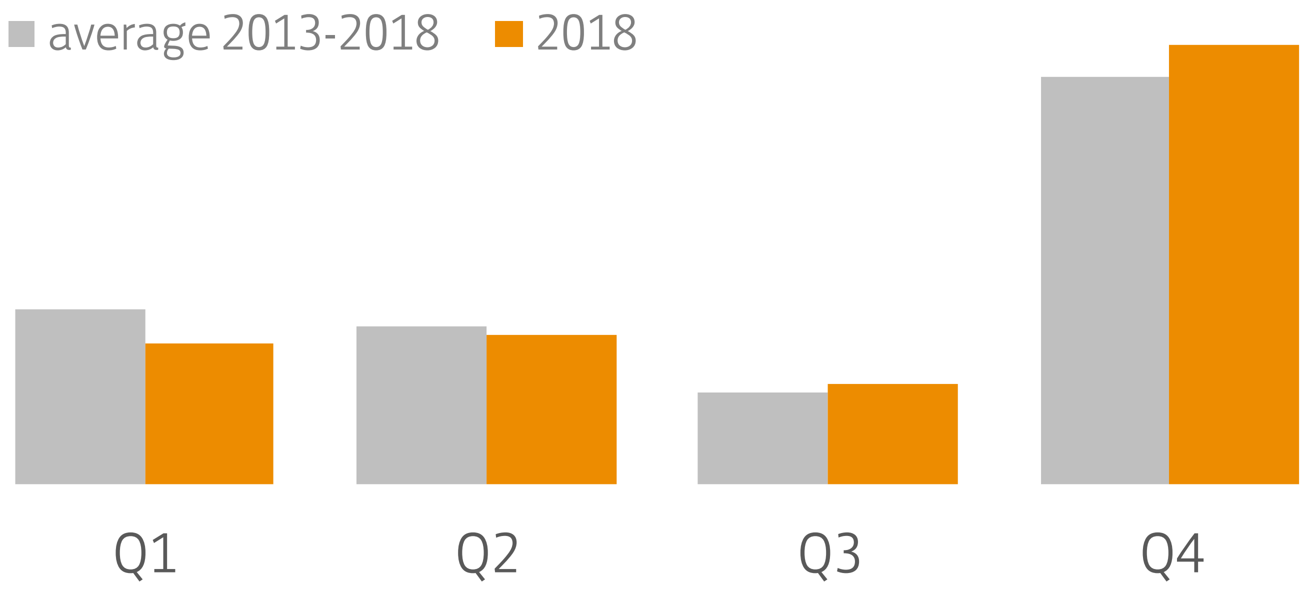
Intangible fixed assets	209	*Consolidated equity*	46
Property, plant and equipment	451	*Non-controlling interests*	3
Right-of-use assets	160	Total equity	49
Other non-current assets	102	Pension liabilities	309
Other current assets	443	Long-term debt	398
Cash	253	Long-term lease liabilities	102
Assets classified as held for sale	236	Other non-current liabilities	57
		Short-term lease liabilities	47
		Other current liabilities	738
		Liabilities related to assets classified as held for sale	154
Total assets	**1,854**	**Total equity & liabilities**	**1,854**

- Adjusted net debt position is €621m; gross debt (Eurobond, other debt/receivables), pension liabilities (adjusted for tax impact), lease liabilities (on-balance sheet and off-balance sheet commitments, adjusted for tax impact) and cash position
- Adoption of IFRS 16 Leases per 1 January 2019
  - Recording of right-of-use assets and increased lease liabilities for operating leases, mainly related to rent and lease of buildings and transport fleet
  - Right-of-use assets include transferred finance leases and capitalised leasehold rights and ground rent contracts (from PP&E)

Expected development Q2 2019

Average UCOI split 2013 - 2018

(in %)



Working days	2018	2019
Q1	64	63
Q2	61	62
Q3	65	65
Q4	64	65
Total	**254**	**255**

Attention points for Q2 2019

- UCOI Q2 2018: €33m
- One additional working day in Q2 2019
- FY 2019 cost savings expected to be between €45m and €65m, of which €12m realised in Q1
- Impact lower cash-out for restructuring also visible in Q2

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Appendix

- Breakdown pension cash contribution and expenses

Breakdown pension cash contribution and expenses

(in € million)	Q1 2018		Q1 2019	
	Expenses	Cash	Expenses	Cash
Business segments	24	27	24	26
IFRS difference	7		6	
PostNL	**31**	**27**	**30**	**26**
Interest	2		1	
Total	**33**		**31**	

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