Press release

The Hague, the Netherlands, 10 May 2021

Strong earnings performance continues with normalised EBIT at €130 million and free cash flow of €159 million in Q1 2021

Outlook FY 2021 normalised EBIT at least €250 million, free cash flow above €225 million

Financial highlights

in € million	Q1 2020	Q1 2021
Revenue	701	962
Normalised EBIT	15	130
assumed to be non-recurring and related to Covid-19		*42**
Free cash flow	5	159
Normalised comprehensive income	30	112

Highlights Q1 2021

- Strong operational performance at Parcels continued with 108 million parcels delivered (+61.6%), partly non-recurring due to lockdown
- Strong result at Mail in the Netherlands partly based on non-recurring mail items relating to Covid-19 and favourable development in price/mix

CEO statement

Herna Verhagen, CEO of PostNL, said: “We had a very good start of the year and continued the momentum that we’ve seen since the second quarter of last year. These results have been achieved thanks to strong teamwork and good cooperation between the businesses. The health and safety of our people, customers and consumers remains our key priority.

“Once again, we proved our collective resilience and flexibility during ongoing unprecedented circumstances. We delivered a record 108 million parcels in one quarter. Performance at Mail in the Netherlands was strong, although the underlying volume decline due to substitution continued. Normalised EBIT came in at €130 million. Taking into account the lockdown situation, and other Covid-19 effects, we assume around €42 million of this result is non-recurring. The acceleration of our digital transformation, aimed at strengthening our competitive position by building on our platform, is progressing well, and we intend to further speed up our investments.

“Based on the strong performance in the first quarter, we raised our outlook for 2021 on 26 April, with normalised EBIT now forecast to be at least €250 million and free cash flow to come in above €225 million. Going forward, visibility remains limited. The exact consequences of changes in the lockdown, such as the reopening of non-essential stores in the Netherlands as of 28 April, are difficult to predict.”

Q1 2021 business performance

	Revenue		Normalised EBIT	
in € million	Q1 2020	Q1 2021	Q1 2020	Q1 2021
Parcels	414	662	26	92
Mail in the Netherlands	395	466	5	59
PostNL Other	26	48	(15)	(21)
Intercompany	(133)	(214)		
PostNL	**701**	**962**	**15**	**130**

Note: Normalised figures exclude one-offs in Q1 2021 (€(18) million) and in Q1 2020 (€17 million)

* €42 million of the normalised EBIT is assumed to be non-recurring:

- €35 million related to Covid-19 driven by volumes and additional costs (€17 million at Parcels and €18 million at Mail in the Netherlands)
- €7 million extra impact related to Covid-19 at Spring and Logistics

Segment information Q1 2021

Parcels: strong performance continued, normalised EBIT up €67m

E-commerce growth has picked up significantly on the back of the step-up in the transition from offline to online since the outbreak of Covid-19 in mid-March 2020. The underlying strong growth trend in e-commerce is here to stay. Part of this growth also related to specific, non-recurring, consumer spending as a result of the pandemic.

PostNL delivered 108 million parcels in Q1 2021 (Q1 2020: 67 million) of which approximately 26 million are assumed to be non-recurring and related to Covid-19. At 61.6%, volume growth was extremely strong and visible across all segments and products. Excluding the non-recurring impact, volume growth was around 23%.

Revenue grew to €662 million (Q1 2020: €414 million), mainly driven by volume development. Spring, both in Asia and Europe, and Logistics saw rising revenues. Revenue growth was partially related to increasing internal revenue. Currently, around 70% of revenue at Spring is e-commerce related. At Logistics, revenue rose across all business lines.

Normalised EBIT was up very substantially to €92 million (Q1 2020: €26 million), of which around €17 million is assumed to be non-recurring and driven by volumes and additional costs. Another €7 million, from Spring and Logistics, is also assumed to be non-recurring and related to Covid-19.

The increase in normalised EBIT was mainly driven by the impact of €176 million from volume growth, partly offset by an expected negative price/mix effect of €4 million and volume-dependent costs that only increased by €106 million. Organic costs rose by €3 million. Other costs were up €21 million as improved efficiency was more than offset by the additional fees paid to retailers as an incentive to keep their stores open for parcel pickup. Finally, other results, which include Spring and Logistics, were up €26 million with ongoing strong performance driven by revenue growth and efficiency.

Mail in the Netherlands: positive volume/price/mix development

Addressed mail volumes increased by 5.6% in the quarter, mainly due to the impact from non-recurring items, for example voting by mail and invites for the vaccination programme, which account for a positive impact of 4.5%. Moreover, regular election mail contributed 3.8% and three additional working days had a positive impact of 3.4%. The underlying trend of volume decline continued with a substitution rate at around 6%.

Revenue was up 18% to €466 million (Q1 2020: €395 million) on the back of the volume impact of €12 million. Price/mix effects accounted for a rise of €32 million, supported by a shift towards more single mail and e-commerce items, partly related to Covid-19. PostNL continued its moderate pricing policy. And finally, a small contribution from other revenue was visible.

Performance was strong with normalised EBIT increasing to €59 million (Q1 2020: €5 million), of which around €18 million is assumed to be non-recurring and related to Covid-19.

The increase reflected the price/mix and total volume impact (a combined €44 million) partly offset by a €9 million rise in volume-related costs. Organic costs rose by €4 million. Other costs improved by €22 million, mainly driven by integration costs related to Sandd of €17 million in Q1 2020, cost savings and other, partly incidental, effects. Other results were up by €1 million.

Acceleration of digital transformation

PostNL is accelerating its digital transformation to support business performance and create value for stakeholders. We aim to strengthen our competitive position by further building on our platform and connecting customers, consumers and solutions through simple and smart digital journeys.

PostNL expects to spend around €80 million in the acceleration of its digital transformation in the 2021-24 period, approximately 50% of this in capex and 50% in operating costs. Due to its current strong financial position, PostNL has decided to further speed up this process and now intends to spend around €25 million in 2021 (previous indication for 2021: around €15 million).

PostNL Other

Revenue at PostNL Other amounted to €48 million (Q1 2020: €26 million). Normalised EBIT declined to €(21) million (Q1 2020: €(15) million), mainly as a result of higher pension expenses (an accounting impact only).

Pensions

Pension expense amounted to €40 million (Q1 2020: €36 million) and total cash contributions were €21 million (Q1 2020: €29 million). On 31 March 2021, the pension fund's actual coverage ratio was 119.7%. The fund's 12-month average coverage ratio worked out at 107.3%, above the minimum required funding level of 104.0%.

Discontinued operations

Result from discontinued operations came in at €24 million (Q1 2020: €(7) million). The sale of Nexive, owned by Mutares and PostNL, to Poste Italiane was completed on 29 January 2021. Combined with the termination of the joint venture agreement with Mutares, this resulted in a net result of €24 million and a related cash impact of €29 million, recognised in Q1 2021. As the financial impact relates to discontinued activities, the financial consequences of this transaction are outside the scope of normalised EBIT, normalised comprehensive income and free cash flow projections and performance.

Key figures

in € million	Q1 2020	Q1 2021
Revenue	701	962
Operating income	(2)	148
Profit for the period	(12)	136
Profit from continuing operations	(5)	112
Total comprehensive income	10	149
Free cash flow	5	159
	31 December 2020	3 April 2021
Adjusted net debt	407	224

Development of financial and equity position

Total equity attributable to equity holders of the parent company increased to €369 million as at 3 April 2021. This reflected a net profit of €136 million and a €14 million positive impact from pensions, net of tax. Total comprehensive income amounted to €149 million (Q1 2020: €10 million).

Free cash flow amounted to €159 million (Q1 2020: €5 million). Working capital continues to develop favourably thanks to strict working capital management and higher export volumes, but also includes some timing effects. The proceeds of €44 million from the sale of Cendris are included in the free cash flow.

At the end of Q1 2021, the adjusted net debt position was €224 million, compared with €407 million at the end of 2020.

Good progress on non-financial key performance indicators

PostNL ambition is to be the favourite deliverer in, to and from the Benelux region. It focuses on a number of non-financial metrics regarding client satisfaction, employee engagement, operational performance and impact on the environment and society at large.

During Q1 2021, PostNL continued to implement its strategy to combat climate change. It is working towards the long-term objective of emission-free last-mile delivery in the Benelux region by 2030, for example through greater use of renewable fuels and further electrification of light freight vehicles. This resulted in an improvement of 7% in the CO_2 efficiency of PostNL's own fleet, when compared to full year 2020. The progress made was partly offset by higher than expected parcel volumes.

Outlook FY 2021

As announced on 26 April 2021, PostNL now expects FY 2021 normalised EBIT to amount to at least €250 million with free cash flow for FY 2021 expected to come in at a minimum of €225 million. The improved outlook is based on the strong performance in Q1, which was around €50 million better than expected. This overperformance is mainly explained by a better result due to lockdown lasting longer than expected as well as by better results at Spring and Logistics. Also, we have seen some incidentals in the quarter. Normal business performance is expected to increase in 2021.

Due to the continuing unprecedented circumstances, visibility going forward remains limited. The exact consequences of changes in the lockdown remain uncertain. We assume that around €60 million to €70 million of the expected normalised EBIT of at least €250 million will be non-recurring and related to Covid-19. This non-recurring part of the result will mainly be visible in Q1 (€42 million) and Q2 2021.

The additional normalised EBIT does not fully translate into free cash flow due to tax effects and an adjustment in the trade-off between capex and leases resulting in higher capex in 2021. Capex will also increase slightly following the decision to further speed up the digitalisation process.

Normalised comprehensive income will develop in line with normalised EBIT and is expected to be at least €225 million in 2021.

in € million	2020	2020 corrected for assumed non-recurring impact Covid-19	2021 outlook	2021 revised outlook (26 April 2021)	remarks
Outlook					
Normalised EBIT	245	190	205 - 225	>250	including ~(30)-(35) for Digital NEXT and increase in non-cash pension expenses
Free cash flow*	186		200 - 230	>225	including ~(20)-(25) for Digital NEXT
Other main financial indicators			2021 indicative		
Capex	(78)		(140) - (160)		
Changes in pension liabilities**	(166)		~55		Δ pension expense and pension cash contribution
Normalised comprehensive income	197		~200	>225	developing in line with normalised EBIT

* Cash flow before dividend, acquisitions, redemption of bonds/other financing activities; after payment of leases
** Including settlement payment for transitional plans of €200 million in 2020 and €16 million in 2021

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2020	62	60	65	68	255
2021	65	61	65	65	256

Financial calendar

9 August 2021	Publication of Q2 & HY 2021 results
8 November 2021	Publication of Q3 2021 results

Dividend calendar

Final dividend over 2020	
11 May 2021	End of election period and determination conversion rate
14 May 2021	Payment date
Interim dividend 2021	
11 August	Ex-dividend date
12 August	Record date
13 August	Start election period
27 August	End of election period and determination conversion rate
31 August	Payment date

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Audio webcast and conference call on Q1 2021 results

On 10 May 2021, 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**. Elements of this press release contain or may contain 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 explanations of results) 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 3 April 2021. The information should be read in conjunction with the consolidated 2020 Annual Report of PostNL N.V. as published on 1 March 2021.

The measurement 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 2020 Annual Report for the year ended 31 December 2020.

There are no IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2021 that would be expected to have a material impact on the 2021 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.

Sale of Nexive

On 1 July 2020, PostNL completed the sale of 80% of the activities of Nexive to Mutares. On 29 January 2021, PostNL and Mutares closed the sale of Nexive to Poste Italiane, whereby PostNL divested its retained minority interest of 20% in the entity acquiring the Nexive business. PostNL also terminated the joint venture agreement with Mutares, which resulted in the release of the remaining part of the related committed cash contributions. The transaction resulted in a net result of around €24 million (including final settlement) and cash proceeds of €29 million in Q1 2021.

Sale of Cendris

On 23 February 2021, PostNL completed the sale of Cendris, a specialist in customer contact services in the Netherlands and part of the segment Mail in the Netherlands, to Yource, market leader in customer contact within the Benelux region. The transaction resulted in a book profit of €16 million and net cash proceeds of €44 million.

Covid-19 impact assessment

In Q1 2021, management updated its assessment of the impact of Covid-19 on all material assets and liabilities. The assessment did not reveal any need for significant negative adjustments to the accounts mentioned per Q1 2021. Given the current uncertainties, management will reperform its assessment in Q2 2021.

Acquisition of Sandd

On 27 September 2019, the State Secretary of Economic Affairs cleared the merger between PostNL and Sandd. Legal appeals have been filed by a number of parties against the approval. On 11 June 2020 the court (Rechtbank Rotterdam) annulled the approval for consolidation in the Dutch postal market. The government has appealed against the court decision. PostNL has also decided to appeal. On 9 April 2021, the earlier approval of the merger was confirmed by a new decision taken by the State Secretary. This new decision, which has retroactive effect, will be included in the appeal procedure. Awaiting next steps, PostNL will continue to adhere to the conditions imposed in relation to the acquisition. As we have obtained control as of the acquisition date of 22 October 2019, we have fully consolidated Sandd in our financial statements as of that date going forward.

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 2020	Q1 2021
Revenue from contracts with customers	697	957
Other operating revenue	4	5
Total operating revenue	**701**	**962**
Other income	**1**	**21**
Cost of materials	(15)	(16)
Work contracted out and other external expenses	(318)	(466)
Salaries, pensions and social security contributions	(293)	(289)
Depreciation, amortisation and impairments	(48)	(35)
Other operating expenses	(29)	(29)
Total operating expenses	**(703)**	**(835)**
Operating income	**(2)**	**148**
Interest and similar income	1	0
Interest and similar expenses	(4)	(5)
Net financial expenses	**(4)**	**(5)**
Results from investments in JVs/associates	**(0)**	**0**
Profit/(loss) before income taxes	**(5)**	**143**
Income taxes	**0**	**(31)**
Profit/(loss) from continuing operations	**(5)**	**112**
Profit/(loss) from discontinued operations	**(7)**	**24**
Profit for the period	**(12)**	**136**
Attributable to:		
Non-controlling interests	(0)	0
Equity holders of the parent	(12)	136
Earnings per ordinary share (in € cents) [1]	(2.5)	27.5
Earnings per diluted ordinary share (in € cents) [2]	(2.5)	27.4
Earnings from continuing operations per ordinary share (in € cents) [1]	(1.1)	22.7
Earnings from continuing operations per diluted ordinary share (in € cents) [2]	(1.1)	22.7
Earnings from discontinued operations per ordinary share (in € cents) [1]	(1.5)	4.8
Earnings from discontinued operations per diluted ordinary share (in € cents) [2]	(1.5)	4.8

1 Based on an average of 494,991,389 outstanding ordinary shares (2020: 493,952,586).
2 Based on an average of 495,805,178 outstanding diluted ordinary shares (2020: 495,469,728).

PostNL Consolidated statement of comprehensive income in € million

	Q1 2020	Q1 2021
Profit for the period	**(12)**	**136**
Impact pensions, net of tax	23	14
Other comprehensive income that will not be reclassified to the income statement	**23**	**14**
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	**23**	**13**
Total comprehensive income for the period	**10**	**149**
Attributable to:		
Non-controlling interests	(0)	0
Equity holders of the parent	10	149
Total comprehensive income attributable to the equity holders of the parent arising from:		
Continuing operations	18	126
Discontinued operations	(7)	24

PostNL Consolidated statement of cash flows in € million

	Q1 2020	Q1 2021
Profit/(loss) before income taxes	**(5)**	**143**
Adjustments for:		
Depreciation, amortisation and impairments	48	35
Share-based payments	1	1
(Profit)/loss on disposal of assets	(1)	(1)
(Profit)/loss on sale of Group companies		(16)
Interest and similar income	(1)	(0)
Interest and similar expenses	4	5
Results from investments in JVs/associates	0	(0)
Investment income	**3**	**(12)**
Pension liabilities	7	19
Other provisions	(24)	(1)
Changes in provisions	**(17)**	**17**
Inventory	(0)	0
Trade accounts receivable	(3)	(59)
Other accounts receivable	8	3
Other current assets excluding taxes	1	21
Trade accounts payable	(56)	(3)
Other current liabilities excluding short-term financing and taxes	43	31
Changes in working capital	**(6)**	**(7)**
Cash generated from operations	**23**	**177**
Interest paid	(2)	(3)
Income taxes received/(paid)	1	(20)
Net cash (used in)/from operating activities	**22**	**154**
Interest received	1	0
Disposal of subsidiaires	7	44
Investments in JVs/associates	0	(1)
Capital expenditure on intangible assets	(5)	(12)
Capital expenditure on property, plant and equipment	(3)	(12)
Proceeds from sale of property, plant and equipment	1	3
Other changes in (financial) fixed assets	1	0
Net cash (used in)/from investing activities	**1**	**23**
Proceeds from short-term borrowings	(0)	4
Repayments of short-term borrowings	(1)	(0)
Repayments of lease liabilities	(18)	(18)
Net cash (used in)/from financing activities	**(18)**	**(14)**
Total change in cash from continuing operations	**4**	**163**
Cash at the beginning of the period	**480**	**651**
Cash transfers related to discontinued operations	1	29
Total change in cash from continuing operations	4	163
Cash at the end of the period	**485**	**843**
Total change in cash from discontinued operations	**(6)**	**0**

PostNL Consolidated statement of financial position in € million

	31 December 2020	3 April 2021
Assets		
Goodwill	208	208
Other intangible assets	132	134
Intangible fixed assets	**339**	**342**
Land and buildings	210	209
Plant and equipment	106	103
Other	10	11
Construction in progress	44	48
Property, plant and equipment	**370**	**370**
Right-of-use assets	**243**	**237**
Investments in joint ventures/associates	3	4
Loans receivable	27	16
Deferred tax assets	10	9
Financial assets at fair value through OCI	15	15
Financial fixed assets	**54**	**44**
Total non-current assets	**1,007**	**993**
Inventory	3	3
Trade accounts receivable	336	387
Accounts receivable	18	13
Income tax receivable	28	13
Prepayments and accrued income	111	91
Cash and cash equivalents	651	843
Total current assets	**1,148**	**1,350**
Assets classified as held for sale	**55**	**12**
Total assets	**2,210**	**2,355**
Equity and Liabilities		
Equity attributable to the equity holders of the parent	219	369
Non-controlling interests	2	2
Total equity	**222**	**372**
Deferred tax liabilities	23	30
Provisions for pension liabilities	86	86
Other provisions	30	30
Long-term debt	696	696
Long-term lease liabilities	231	224
Total non-current liabilities	**1,065**	**1,066**
Trade accounts payable	141	134
Other provisions	21	20
Short-term debt	12	18
Short-term lease liabilities	63	61
Other current liabilities	145	147
Income tax payable	2	3
Contract liabilities	69	58
Accrued current liabilities	445	477
Total current liabilities	**898**	**917**
Liabilities related to assets classified as held for sale	**25**	**0**
Total equity and liabilities	**2,210**	**2,355**