Results PostNL Q2 & HY 2017

The Hague, 7 August 2017

Strong e-commerce growth continues, accelerated impact earlier ACM measures

Financial highlights Q2 2017

- Revenue increased to €836 million (Q2 2016: €824 million)
- % Revenue related to e-commerce YTD increased to 36% (YTD 2016: 32%)
- Underlying cash operating income stable at €46 million (Q2 2016: €47 million)
- Normalised profit for the period at €29 million (Q2 2016: €21 million)
- Normalised net cash from operating and investing activities at €(68) million (Q2 2016: €25 million), due to acquisitions and capex
- Consolidated equity position improved to €(17) million (Q1 2017: €(32) million)
- Interim dividend set at €0.06 per share

Operational highlights Q2 2017

- Addressed mail volume declined by 8.8% (adjusted for working days: 8.0%)
- €16 million cost savings realised
- Parcels volumes increased by 17%, evidencing our accelerating transformation

Regulation

- Financial impact earlier ACM measures - supporting other postal operators - more front-end loaded than anticipated
- Decision significant market power (SMP): expected financial impact still between €30 million and €50 million, more towards upper part of range, fully visible in 2019; subject to final implementation of SMP decision

Outlook 2017 and Ambition 2020

- Full year underlying cash operating income of between €220 million and €260 million
- Considering faster than anticipated impact from earlier ACM measures and developments in International, we expect to end towards lower end of guidance range
- Ambition for underlying cash operating income in 2020 unchanged at between €310 million and €380 million
- Expectations and ambitions are subject to final implementation of SMP decision
- Aim for progressive dividend

Key figures

Key figures

in € millions, except where noted	Q2 2017	Q2 2016	% Change	HY 2017	HY 2016	% Change
Revenue	**836**	824	*1%*	**1,706**	1,688	*1%*
Operating income	**52**	50	*4%*	**118**	120	*-2%*
Underlying operating income	**61**	63	*-3%*	**129**	142	*-9%*
Underlying operating income margin	**7.3%**	7.6%		**7.6%**	8.4%	
Changes in pension liabilities	**(2)**	(7)		**(5)**	(12)	
Changes in provisions	**(13)**	(9)		**(28)**	(22)	
Underlying cash operating income	**46**	47	*-2%*	**96**	108	*-11%*
Underlying cash operating income margin	**5.5%**	5.7%		**5.6%**	6.4%	
Profit for the period	29	166		70	205	
Normalised profit for the period	***29***	*21*		***70***	*60*	
Net cash from/(used in) operating and investing activities	(68)	668		(88)	642	
Normalised net cash from/(used in) operating and investing activities	***(68)***	*25*		***(88)***	*(1)*	

Note: underlying figures exclude one-offs in Q2 2017 (€8 million for restructuring and €1 million for project costs) and in Q2 2016 (€5 million for restructuring and €8 million for project costs and other); normalised figures do not include the effect from the sale of the stake in TNT Express in Q2 2016.

CEO statement

Herna Verhagen, CEO of PostNL: "Our Q2 results are in line with last year. In Mail in the Netherlands, the faster than anticipated impact of earlier Authority Consumer and Market (ACM) measures have compounded the downward pressure on results, as we see other postal operators collecting more mail items, supported by these measures. This effect will also impact our FY 2017 results to a greater degree than expected. We continued to be able to implement our planned cost savings measures. Performance in Parcels was strong, with volumes continuing to grow in line with the e-commerce trend. The result in International continued to show improvement versus the comparable period last year. However, the progress in the performance improvement is slightly lagging our expectations.

In the first half of 2017, already some 36% of our revenues are deriving from the growth trend of e-commerce, compared to 32% for the comparable period last year. As we continue to make progress and invest in this area as part of our accelerating transformation strategy, we estimate that by 2020 around 45% of our revenue will be e-commerce related.

Recently, ACM published its decision on significant market power (SMP), effective 1 August 2017. ACM requires PostNL to grant postal operators in the 24-hours bulk mail segment access to its network and stipulates the requirements for network access, tariffs and transparency. By 1 November 2017, PostNL must publish its proposed tariffs and related conditions for postal operators using its network, which tariffs will be subject to ACM approval. Subject to the final implementation of the SMP decision, we still expect the financial impact for PostNL to be between €30 million and €50 million on an annual basis, more towards the upper part of the range. The full effect is expected to be visible in FY 2019.

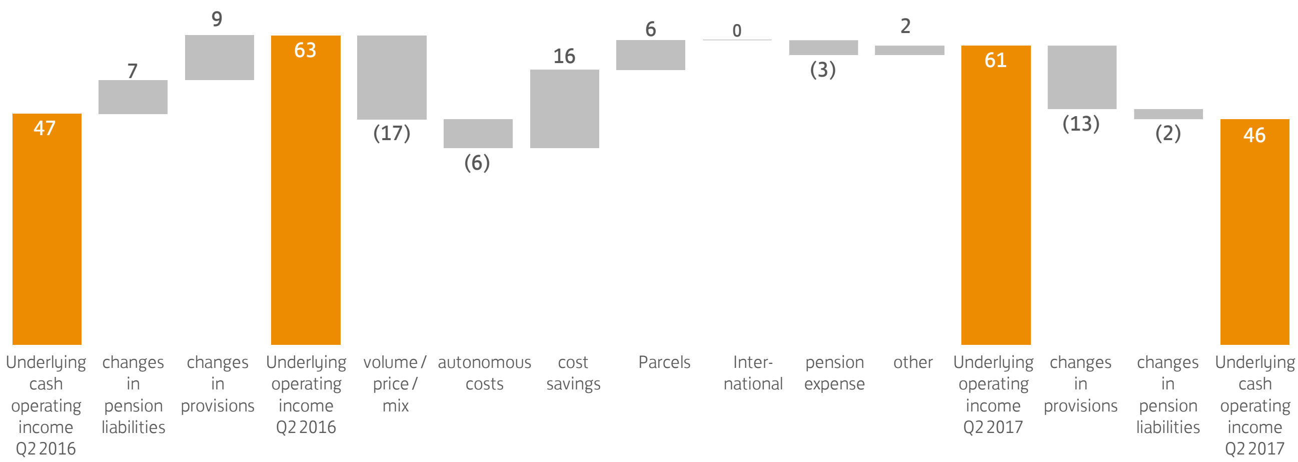
The recent analysis of the future of the Dutch postal market of the Ministry of Economic Affairs rightly demonstrates that the postal market has changed fundamentally. The SMP decision is therefore based on legislation which is not aligned with the realities of today's postal market in decline. Ultimately, we expect this decision to harm the sustainability of the Dutch postal network and result in competition at the expense of labour conditions. Action from politicians and the new minister is required to prevent this.

Given the faster than anticipated development of the impact of earlier ACM measures and the developments in International in the first half year, we expect to report full year underlying cash operating income towards the lower end of our previously stated outlook range of €220 million - €260 million. For 2020, our ambition for underlying cash operating income is between €310 million - €380 million, which is underpinned by the progress we are making with our accelerating transformation. As also indicated above, these expectations and ambitions are subject to the final implementation of the SMP decision.

Despite the headwinds we are facing from regulatory measures, we aim to pay progressive dividend. This is supported by the progress we are making in implementing our strategy and the positive development of our consolidated equity. In line with our dividend policy, we announce an interim 2017 dividend of €0.06 per share."

Business performance Q2 2017

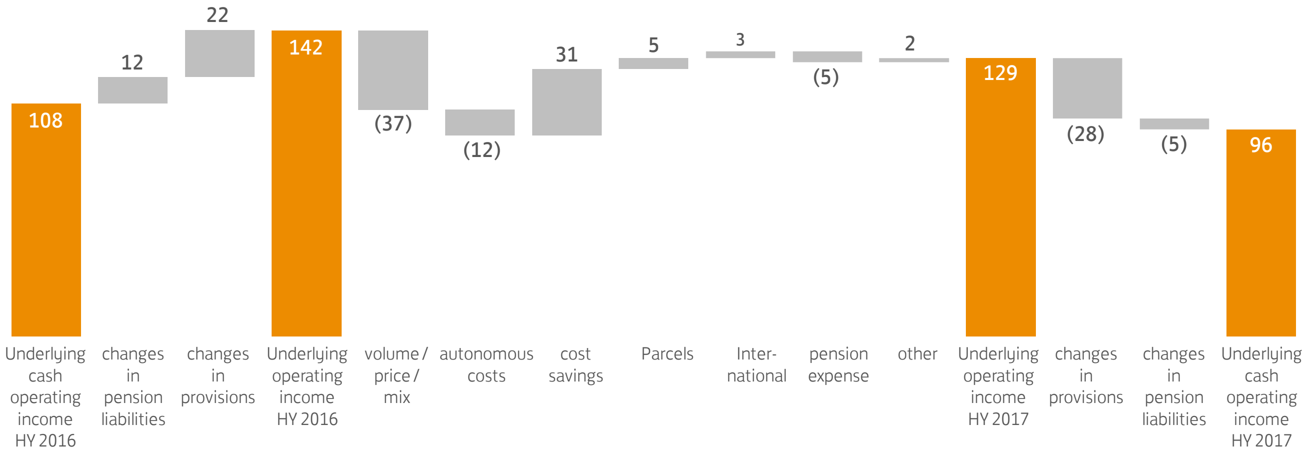
(in € millions)



	Revenue		Underlying operating income		Underlying cash operating income	
in € million	**Q2 2017**	Q2 2016	**Q2 2017**	Q2 2016	**Q2 2017**	Q2 2016
Mail in the Netherlands	434	453	32	41	17	29
Parcels	266	235	33	27	32	27
International	247	247	1	1	1	0
PostNL Other	19	45	(5)	(6)	(4)	(9)
Intercompany	(130)	(156)				
PostNL	**836**	**824**	**61**	**63**	**46**	**47**

Business performance HY 2017

(in € millions)



	Revenue		Underlying operating income		Underlying cash operating income	
in € million	HY 2017	HY 2016	HY 2017	HY 2016	HY 2017	HY 2016
Mail in the Netherlands	884	925	73	92	45	67
Parcels	515	469	61	56	60	55
International	532	513	7	4	6	3
PostNL Other	37	89	(12)	(10)	(15)	(17)
Intercompany	(262)	(308)				
PostNL	**1,706**	**1,688**	**129**	**142**	**96**	**108**

Note: underlying figures exclude one-offs

Regulatory

On 10 July 2017, the Ministry of Economic Affairs published its analysis of the future of the Dutch postal market, including the evaluation of the Universal Service Obligation (USO). The analysis demonstrates that the Dutch postal market has changed fundamentally over the past years and that choices about the future must be made shortly. Dutch mail volumes almost halved since 2005 and the decline will continue: it is expected that between 2016 and 2025 volumes will decline with another 30%, but that mail will remain relevant. This requires a revision of the regulation of the postal market in the short term. The report rightly points out that more network competition does not create additional value. PostNL has underlined regularly that regulation should not artificially support competition: regulation should reflect the reality of the shrinking mail market. Regulation supporting competition results in competition at the expense of labour conditions. One must focus on the reliability and accessibility of the postal service and on decent labour conditions. Action from the new parliament and new minister will be required: it is very important to implement regulation that facilitates an orderly and rational adjustment of the postal market structure, reflecting the reality of ongoing mail volume decline.

On 27 July 2017, ACM published its decision on SMP. ACM states that PostNL has significant market power in amongst others the 24-hours bulk mail segment and requires PostNL to grant postal operators in this segment access to its network. Article 9 of the Postal Act, previously requiring PostNL to allowing third parties access to its network, has been withdrawn as per 1 August 2017. The SMP decision stipulates the requirements for network access, tariffs and transparency. The decision has become effective on 1 August 2017 and must be implemented within a three months period. By that time, PostNL must publish the proposed tariffs and related conditions per product for postal operators using its network. ACM will have to approve these tariffs. PostNL still expects the financial impact of the SMP decision for PostNL to be between €30 million and €50 million on an annual basis, more towards the upper part of the range, with the full effect visible in FY 2019. This impact will be subject to the final implementation of the SMP decision. PostNL will challenge the relevant elements of the SMP decision through due legal process, such as the conclusion that PostNL has significant market power and that the proposed requirements are disproportionate.

Segment information Q2 2017

Mail in the Netherlands - Continued volume decline and faster than anticipated impact earlier ACM measures; strong cost savings

Addressed mail volumes in Mail in the Netherlands declined by 8.8% in the quarter (adjusted for working days: 8.0%). The main driver for the volume decline remains substitution with ongoing high levels of decline in single item mail. The development in bulk mail is supported by a partial reversal, as indicated before, of last quarter's phasing effects.

We are experiencing a faster than anticipated emergence of the financial impact of the earlier ACM measures. Supported by these ACM measures, we see postal operators collecting more mail items. The main part of these volumes return to PostNL via regulated network access, resulting in pressure on our average price. At the same time, consolidators deliver more mail through their own networks, impacting our bulk mail volumes.

Revenue declined by 4% to €434 million. Underlying cash operating income was €17 million (Q2 2016: €29 million). Cost savings of €14 million and lower implementation costs (€1 million) were more than offset by the negative volume/price/mix effect in addressed mail of €17 million, including the accelerated impact from ACM measures, autonomous cost increases (€5 million), higher cash out related to pensions and provisions (€4 million) and other effects (€3 million, mainly lower margin cross-border mail, partly offset by lower amortisation costs).

Delivery quality remained high at 96.7% which is well above the minimum required level.

Cost savings plans: €16 million cost savings achieved in Q2 2017

	Q2 2017
Efficiency delivery process	• 2 depots migrated
Optimise retail network	• Reduction of 50 postal offices and 1,000 post boxes; opening around 100 parcel points
Head office	• Centralisation of HR departments

Parcels - Strong performance driven by volume growth

Volume growth continued to perform strongly, growing at 17%. Our domestic 2B and 2C volumes, including Belgium, showed strong growth, benefiting from the ongoing positive trend in e-commerce.

Revenue increased by 13% to €266 million. PostNL extended its service portfolio by acquiring a night distribution company and a company that delivers and assemblies furniture. The main driver for the increase in revenue was domestic volume growth, partly offset by a slightly negative price/mix effect. Lower milk powder volume still has a negative impact on revenue. Additionally, revenue growth benefited from increasing demand for additional services, like for example Sunday delivery, and growth in logistics.

Business performance and operational efficiency were strong and were supported by lower amortisation costs. Underlying cash operating income increased to €32 million (Q2 2016: €27 million).

International - Step-by-step improvement, with revenue development in 2017 behind expectations

International revenue was stable at €247 million. Corrected for an adjustment in the presentation of intercompany charges (€6 million), revenue increased by 2%. Underlying cash operating income improved to €1 million (Q2 2016: €0 million).

Revenue in Spring and Other declined to €63 million. Revenue continued to be impacted by stricter rules for dangerous goods which has been evident since the second half year of 2016. We expect that Spring will grow its revenue by capturing growth from e-commerce, in part supported by our contract with AliExpress demonstrating positive initial results following its commencement in mid-May.

In Germany, revenue increased to €126 million (Q2 2016: €115 million). The acquisition of Pin Mail Berlin and Mail Alliance accounted for €20 million of the revenue growth and contributed to the result. Other activities in Germany reported less volume and lower revenue. As part of the recovery path in Germany we see a shift towards more own final-mile delivery.

In Italy, the anticipated performance recovery is becoming incrementally more tangible. Revenue increased to €58 million (Q2 2016: €56 million), mainly explained by an improving volume/product/customer mix in our mail activities, supported by the start of new clients, and strong growth in parcels. We continue welcoming new clients to our Italian parcel network and will start delivery for them in Q3. Our focus in the mail activities is on extension of our market share and improving our operational efficiency and quality.

PostNL Other

Revenue in PostNL Other was €19 million (Q2 2016: €45 million), mainly explained by lower internal revenue due to an adjustment in the presentation of intercompany charges. Underlying cash operating income increased to €(4) million (Q2 2016: €(9) million) mainly due to cost savings, lower advisory costs and less cash out for pensions and provisions.

Pensions

Pension expense in Q2 2017 amounted to €28 million (Q2 2016: €25 million) and total cash contributions were €30 million (Q2 2016: €32 million). In Q2 2017, the net actuarial gain on pensions amounted to €9 million. At the end of Q2 2017, the main pension fund's 12 months' average coverage ratio was 108.4%, above the minimum required funding level of 104.0%. A 5-year recovery period, in which top-up payments may apply, started in Q3 2016 but will end after three consecutive quarters where the coverage ratio is above the minimum required level. Based on our projections we do not anticipate top-up payments. On 30 June 2017, the main pension fund's actual coverage ratio was 113.5% (YE 2016: 108.3%).

Development financial and equity position

Total equity attributable to equity holders of the parent improved to €(17) million as per 1 July 2017 from €(32) million as per 1 April 2017. The improvement is mainly explained by net profit of €29 million and a net actuarial gain on pensions of €9 million, offset by final dividend 2016, resulting in a cash payment of €25 million. Net cash from operating and investing activities was €(68) million, explained by acquisitions, higher capex and the development in working capital, which is mainly explained by a normal seasonal pattern and partially attributable to phasing. At the end of Q2 2017, the net debt position amounted to €30 million, which compares to a net cash position of €68 million at the end of Q1 2017.

Outlook 2017

As previously stated, the outlook for underlying cash operating income in 2017 is €220 million - €260 million. Considering the faster than anticipated emergence of the financial impact of the earlier ACM measures, the developments in International, a lower margin in cross-border mail and some positive incidentals, we expect to end the year towards the lower end of this range. In Parcels, we expect our revenue growth to improve to a low teens' percentage. We adjust our revenue outlook in International from mid-teens to high single digit, mainly explained by the delay in recovery in Germany and the slower than expected development of Spring in the first half of the year. These expectations are subject to the final implementation of the SMP decision.

	Revenue		Underlying cash operating income /		
in € millions	2016	**Outlook 2017**	2016		**Outlook 2017**
Mail in NL	1,877	**- low single digit**	160	*(8.5%)*	**6.5 to 8.5%**
Parcels	967	**+ low teens**	106	*(11.0%)*	**10 to 12%**
International*	1,017	**+ high single digit**	14	*(1.4%)*	**1 to 3%**
PostNL Other / eliminations	(448)		(35)		
Total	**3,413**	**+ mid single digit**	**245**		**220 to 260**

* Note that on 30 December 2016, PostNL acquired the remaining 50% shares of HIM Holtzbrinck 25 GmbH becoming the sole owner of the company. For 2017, the acquisition will result in additional revenues (2016 comparative number for revenue: €80 million) and underlying cash operating income within International. The acquisition is included in our 2017 outlook. The 2017 outlook excludes any acquisition effects in Parcels.

Interim dividend 2017

The interim dividend 2017 will be set at €0.06 per ordinary share, equalling 1/3rd of 75% of the underlying net cash income as final dividend over 2016. The dividend will be paid, at the shareholder's election, either in ordinary PostNL shares or in cash, which remains the default option. The dividend in shares will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

The ex-dividend date is 9 August 2017 and record date is 10 August 2017; the election period will start on 11 August 2017 and will end on 24 August 2017 at 3PM CET. The conversion ratio will be based on the volume-weighted average share price for all PostNL shares traded on Euronext Amsterdam over the three trading day period from 22 August up to and including 24 August 2017. The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not be lower than the cash dividend. There will be no trading in stock dividend rights. The dividend will be payable as of 28 August 2017.

Working days by quarter

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

Financial calendar

9 August 2017	Ex-dividend date
10 August 2017	Record date
11 August 2017	Start election period
24 August 2017	End of election period 15.00 CET
28 august 2017	Payment date interim dividend 2017
6 November 2017	Publication of Q3 2017 results
26 February 2018	Publication of Q4 & FY 2017 results
17 April 2018	AGM
7 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 Q2 2017 results

On 7 August 2017, at 11AM CET, a conference call for analysts and investors will start. The conference call can be followed live via an audio webcast on **postnl.nl**. Dial-in number is +31 (20) 531 5871.

Additional information

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

Warning about forward-looking statements

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

Consolidated income statement

in € millions	note	Q2 2017	Q2 2016	HY 2017	HY 2016
Net sales		832	821	1,699	1,683
Other operating revenue		4	3	7	5
Total operating revenue		**836**	**824**	**1,706**	**1,688**
Other income		3	(1)	6	0
Cost of materials		(15)	(16)	(32)	(33)
Work contracted out and other external expenses		(424)	(418)	(862)	(847)
Salaries, pensions and social security contributions		(294)	(281)	(587)	(569)
Depreciation, amortisation and impairments		(18)	(23)	(37)	(45)
Other operating expenses		(36)	(35)	(76)	(74)
Total operating expenses		**(787)**	**(773)**	**(1,594)**	**(1,568)**
Operating income		**52**	**50**	**118**	**120**
Interest and similar income		1	145	3	146
Interest and similar expenses		(12)	(18)	(24)	(36)
Net financial expenses		**(11)**	**127**	**(21)**	**110**
Results from investments in jv's/associates		(6)	0	(6)	1
Profit/(loss) before income taxes		**35**	**177**	**91**	**231**
Income taxes	(7)	(6)	(11)	(21)	(26)
Profit for the period		**29**	**166**	**70**	**205**
Attributable to:					
Non-controlling interests			1		1
Equity holders of the parent		29	165	70	204
Earnings per ordinary share (in € cents)[1]		6.4	37.4	15.7	46.2

1 Based on an average of 444,854,905 outstanding ordinary shares (2016: 441,932,938).

Consolidated statement of comprehensive income

in € millions		Q2 2017	Q2 2016	HY 2017	HY 2016
Profit for the period		**29**	**166**	**70**	**205**
Other comprehensive income that will not be reclassified to the income statement					
Impact pensions, net of tax	(3)	9	(8)	12	(27)
Other comprehensive income that may be reclassified to the income statement					
Currency translation adjustment, net of tax		(1)	(1)	(1)	(2)
Gains/(losses) on cashflow hedges, net of tax		2	1	4	2
Change in value of available-for-sale financial assets					8
Recycling of change in value of available-for-sale financial assets			(136)		(136)
Total other comprehensive income for the period		**10**	**(144)**	**15**	**(155)**
Total comprehensive income for the period		**39**	**22**	**85**	**50**
Attributable to:					
Non-controlling interests			1		1
Equity holders of the parent		39	21	85	49

In 2016, the line interest and similar income included results related to the stake in TNT Express. In Q2 2016, profit for the period excluding the results from the stake in TNT Express was €21 million. In HY 2016, profit for the period excluding the results from the stake in TNT Express was €60 million.

Consolidated statement of cash flows

in € millions	note	Q2 2017	Q2 2016	HY 2017	HY 2016
Profit/(loss) before income taxes		**35**	**177**	**91**	**231**
Adjustments for:					
Depreciation, amortisation and impairments		18	23	37	45
Share-based payments		1	1	2	2
(Profit)/loss on assets held for sale		(1)	1	(4)	0
Interest and similar income		(1)	(145)	(3)	(146)
Interest and similar expenses		12	18	24	36
Results from investments in jv's/associates		6		6	(1)
Investment income		**16**	**(126)**	**23**	**(111)**
Pension liabilities		(2)	(7)	(5)	(12)
Other provisions		(6)	(10)	(18)	(19)
Changes in provisions		**(8)**	**(17)**	**(23)**	**(31)**
Inventory		(2)	(2)	(1)	(2)
Trade accounts receivable		(23)	12	16	3
Other accounts receivable		(9)		(31)	4
Other current assets		4	(3)	(27)	(13)
Trade accounts payable		9	44	(10)	25
Other current liabilities excluding short-term financing and taxes		(55)	(72)	(32)	(67)
Changes in working capital		**(76)**	**(21)**	**(85)**	**(50)**
Cash generated from operations		**(14)**	**37**	**45**	**86**
Interest paid		(2)	(1)	(3)	(2)
Income taxes received/(paid)	(7)	(3)	(2)	(63)	(67)
Net cash (used in)/from operating activities	(8)	**(19)**	**34**	**(21)**	**17**
Interest received		2	1	3	2
Acquisition of subsidiairies (net of cash)		(24)		(24)	
Disposal of subsidiaires			(4)		(4)
Capital expenditure on intangible assets		(11)	(8)	(19)	(13)
Capital expenditure on property, plant and equipment		(18)	(6)	(33)	(14)
Proceeds from sale of property, plant and equipment		3	7	7	10
Proceeds from sale of available-for-sale financial assets			643		643
Other changes in (financial) fixed assets		(1)	1	(1)	1
Net cash (used in)/from investing activities	(8)	**(49)**	**634**	**(67)**	**625**
Dividends paid		(25)		(25)	
Changes related to non-controlling interests			(11)		(11)
Repayments of long term borrowings		(2)		(2)	
Proceeds from short term borrowings			2		2
Repayments of finance leases		(1)	(1)	(1)	(1)
Net cash (used in)/from financing activities	(8)	**(28)**	**(10)**	**(28)**	**(10)**
Total change in cash		**(96)**	**658**	**(116)**	**632**
Cash at the beginning of the period		**620**	**329**	**640**	**355**
Total change in cash		(96)	658	(116)	632
Cash at the end of the period		**524**	**987**	**524**	**987**

Consolidated statement of financial position

in € millions	note	1 July 2017	31 December 2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill		148	134
Other intangible assets		90	67
Total	(1)	**238**	**201**
Property, plant and equipment			
Land and buildings		315	321
Plant and equipment		141	142
Other		21	19
Construction in progress		34	23
Total	(2)	**511**	**505**
Financial fixed assets			
Investments in joint ventures/associates		11	17
Other financial fixed assets		0	1
Deferred tax assets		33	38
Available-for-sale financial assets		2	1
Total		**46**	**57**
Total non-current assets		**795**	**763**
Current assets			
Inventory		6	5
Trade accounts receivable		340	357
Accounts receivable		67	31
Income tax receivable		42	2
Prepayments and accrued income		162	134
Cash and cash equivalents	(5)	524	640
Total current assets		**1,141**	**1,169**
Assets classified as held for sale		4	4
Total assets		**1,940**	**1,936**
LIABILITIES AND EQUITY			
Equity			
Equity attributable to the equity holders of the parent	(4)	(17)	(79)
Non-controlling interests		3	3
Total		**(14)**	**(76)**
Non-current liabilities			
Deferred tax liabilities		37	35
Provisions for pension liabilities	(3)	392	410
Other provisions	(6)	28	39
Long-term debt	(5)	226	227
Total		**683**	**711**
Current liabilities			
Trade accounts payable		180	188
Other provisions	(6)	37	44
Short-term debt	(5)	328	328
Other current liabilities		162	141
Income tax payable		6	8
Accrued current liabilities		558	592
Total		**1,271**	**1,301**
Total equity and liabilities		**1,940**	**1,936**

Consolidated statement of changes in equity in € millions	Issued share capital	Additional paid in capital	Currency translation reserve	Hedge reserve	Available-for-sale financial assets	Other reserves	Retained earnings	**Attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
Balance at 31 December 2015	**35**	**153**	**4**	**(7)**	**128**	**(554)**	**18**	**(223)**	**7**	**(216)**
Effect of restatement						10		10		10
Balance at 31 Dec after restatement	**35**	**153**	**4**	**(7)**	**128**	**(544)**	**18**	**(213)**	**7**	**(206)**
Total comprehensive income			(2)	2	(128)	(27)	204	49	1	50
Appropriation of net income						7	(7)	0		0
Share-based compensation	1	4				(3)		2		2
Minority buy-out and other						(5)		(5)	(6)	(11)
Balance at 2 July 2016	**36**	**157**	**2**	**(5)**	**0**	**(572)**	**215**	**(167)**	**2**	**(165)**
Balance at 31 December 2016	**36**	**157**	**3**	**(4)**	**0**	**(561)**	**290**	**(79)**	**3**	**(76)**
Total comprehensive income			(1)	4		12	70	85		85
Final dividend previous year	0	0					(25)	(25)		(25)
Appropriation of net income						633	(633)	0		0
Share-based compensation	0	3				(1)		2		2
Balance at 1 July 2017	**36**	**160**	**2**	**0**	**0**	**83**	**(298)**	**(17)**	**3**	**(14)**

General information and description of our business

The interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting'.

PostNL N.V. ('PostNL' or the 'Company') is a public limited liability company with its registered seat and head office in The Hague, the Netherlands.

PostNL provides businesses and consumers in the Benelux, Germany and Italy with an extensive range of services. PostNL's services involve collecting, sorting, transporting and delivering of letters and parcels for the Company's customers and consumers. The Company also provides services in the areas of logistic services, data, document management, direct marketing and fulfilment.

Basis of preparation

The interim financial statements are reported on a year-to-date basis ending 1 July 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.

There are no IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2017 that would be expected to have a material impact on the 2017 accounts of the Group.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated 2016 Annual Report of PostNL N.V.

Auditor's involvement

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

Segment information

PostNL operates its businesses through the reportable segments Mail in the Netherlands, Parcels, International and PostNL Other.

The following table presents the segment information relating to the income statement and total assets of the reportable segments for the first six months of 2017 and 2016.

in € millions

HY 2017 ended at 1 July 2017	Mail in NL	Parcels	International	PostNL Other	Eliminations	Total
Net sales	740	432	527			1,699
Inter-company sales	141	79	5	37	(262)	
Other operating revenue	3	4				7
Total operating revenue	**884**	**515**	**532**	**37**	**(262)**	**1,706**
Other income	3			3		6
Depreciation/impairment property, plant and equipment	(14)	(9)	(3)	(4)		(30)
Amortisation/impairment intangibles	(3)	(1)	(1)	(2)		(7)
Total operating income	**71**	**59**	**4**	**(16)**		**118**
Total assets	604	395	380	561		1,940
Total liabilities	852	205	166	731		1,954
HY 2016 ended at 2 July 2016						
Net sales	798	390	495			1,683
Inter-company sales	126	76	18	88	(308)	
Other operating revenue	1	3		1		5
Total operating revenue	**925**	**469**	**513**	**89**	**(308)**	**1,688**
Other income	4		(4)			0
Depreciation/impairment property, plant and equipment	(14)	(7)	(3)	(8)		(32)
Amortisation/impairment intangibles	(6)	(4)	(1)	(2)		(13)
Total operating income	**88**	**56**	**(7)**	**(17)**		**120**
Total assets at 31 December 2016	602	331	378	625		1,936
Total liabilities at 31 December 2016	860	203	178	771		2,012

As at 1 July 2017 the total assets within PostNL Other mainly related to cash. Total operating income does not include the results from investments in joint ventures/associates as these are presented below operating income.

The key financial performance indicator for management of the reportable segments 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. Underlying cash operating income is reported on a monthly basis to the chief operating decision-makers.

Notes to the consolidated interim financial statements

1. Intangible assets

in € millions	HY 2017	HY 2016
Balance at 1 January	**201**	**146**
Additions	33	13
Acquisitions of subsidiaries	11	
Amortisation and impairments	(7)	(13)
Balance at end of period	**238**	**146**

At HY 2017, the intangible assets of €238 million consist of goodwill for an amount of €148 million and other intangible assets for an amount of €90 million. Goodwill resulted from acquisitions in the past in the segments Mail in the Netherlands (€67 million), International (€55 million) and Parcels (€26 million).

The additions to the intangible assets of €33 million consist of €14 million goodwill and €19 million additions to software including prepayments for software. The acquisitions of subsidiaries of €11 million relate to the intangible assets from the acquisition of PS Nachtdistributie. The €6 million decrease in amortisation charges includes a positive effect of €5 million resulting from the extension of the amortisation term of software from 3 to 5 years, starting 1 January 2017.

On 2 May 2017, PostNL acquired 100% of the shares of PS Nachtdistributie, a leading player in overnight distribution in the Benelux region, at a purchase price of €23 million and with net assets of €5 million. The acquisition fits within the strategy to enhance and expand PostNL's networks. The provisional purchase price allocation resulted in intangible assets of €11 million, a relating deferred tax liability of €3 million and goodwill of €10 million.

On 21 June 2017, PostNL acquired 100% of the shares of JP Haarlem Delivery, a full service supplier in the business of furniture delivery and assembly, at a purchase price of €5 million including €2 million that will be paid in future years, depending on operating results in 2017 and 2018, and with net assets of €1 million. The acquisition fits within the strategy to enhance and expand PostNL's networks. As the acquisition was done close to half year-end, only a provisional purchase price allocation was performed which resulted in intangible assets of nil and goodwill of €4 million.

The impact of the acquisitions on the pro forma results of PostNL is not material.

2. Property, plant and equipment

in € millions	HY 2017	HY 2016
Balance at 1 January	**505**	**508**
Capital expenditures	33	14
Acquisitions of subsidiaries	5	
Disposals	(1)	(4)
Depreciation and impairments	(30)	(32)
Transfers to assets held for sale	(1)	
Balance at end of period	**511**	**486**

Capital expenditures of €33 million relate for €10 million to the new sorting and delivery centres within Parcels and for €7 million to new sorting machines in Mail in the Netherlands. The remainder relates to various other investments.

3. Pensions

In HY 2017, the provision for pension liabilities decreased by €18 million.

in € millions	HY 2017	HY 2016
Balance at 1 January	**410**	**449**
Operating expenses	49	46
Interest expenses	4	6
Employer contributions and early retirement payments	(55)	(58)
Actuarial losses/(gains)	(16)	36
Balance at end of period	**392**	**479**

Under IAS 19, the pension provision is updated quarterly for changes in discount rate, long term expected benefit increases and actual return on plan assets. Compared to year-end 2016, the IAS 19 discount rate increased to 2.2% (31 December 2016: 1.8%), which also triggered an increase of the long term expected benefit increases assumption to 1.3% (31 December 2016: 1.1%). The change in these financial assumptions resulted in a decrease in plan liabilities. The return on plan assets was slightly higher than assumed. The total effect in HY 2017 on the net pension position was a gain of €16 million (HY 2016: loss of €36 million). Within equity, the pension impact net of tax in HY 2017 amounted to €12 million (HY 2016: €(27) million).

During the first half year of 2017 the 12-month average coverage ratio of the main fund, including the outstanding unconditional funding obligation of €97 million, increased to 108.4% from 103.6% as per 31 December 2016.

The expenses for defined contribution plans in HY 2017 were €6 million (HY 2016: €4 million).

4. Equity

During HY 2017, consolidated equity attributable to the equity holders of the parent increased from €(79) million per 31 December 2016 to €(17) million on 1 July 2017. The increase of €62 million in HY 2017 is primarily explained by the profit of €70 million and the positive impact of pensions within OCI of €12 million, partly offset by the dividend payment of €25 million.

Corporate equity

During HY 2017, corporate equity decreased from €2,742 million per 31 December 2016 to €2,710 million on 1 July 2017. Distributable corporate equity amounted to €263 million on 1 July 2017 (31 December 2016: €295 million). The decrease mainly related to the dividend payment of €25 million.

We refer to the 2016 Annual Report of PostNL N.V., as published on 27 February 2017, for detailed information on the main differences between consolidated and corporate equity.

in millions	HY 2017	FY 2016	HY 2016
Number of issued and outstanding shares	**449.9**	**442.8**	**442.8**
of which held by the company	0.0	0.0	0.0
Year-to-date average number of ordinary shares	**444.9**	**442.4**	**441.9**
Year-to-date diluted number of ordinary shares		0.9	
Year-to-date average number of ordinary shares on a fully diluted basis	**444.9**	**443.3**	**441.9**

In May 2017, PostNL issued 6,364,897 ordinary shares following the pay-out of the 2016 stock dividend and 779,512 ordinary shares for the settlement of its incentive schemes, increasing the issued share capital and additional paid-in capital by €3 million in total. As a result, the number of issued and outstanding shares increased from 442.8 million at 31 December 2016 to 449.9 million at 1 July 2017.

5. Net debt

in € millions	1 Jul 2017	31 Dec 2016
Short term debt	328	328
Long term debt	226	227
Total interest bearing debt	**554**	**555**
Long term interest bearing assets	0	(1)
Cash and cash equivalents	(524)	(640)
Net debt	**30**	**(86)**

As at 1 July 2017, the net debt position amounted to €30 million. Compared to 31 December 2016, the decrease of €116 million was mainly explained by the negative cash flow during HY 2017. Refer to note 8.

6. Provisions

Provisions consist of long term and short term provisions for restructuring, claims and indemnities and other employee benefits. In HY 2017, the balance of the long term and short term provisions decreased by €18 million, from €83 million to €65 million.

in € millions	HY 2017	HY 2016
Balance at 1 January	**83**	**111**
Additions	11	19
Withdrawals	(22)	(33)
Releases	(7)	(6)
Balance at end of period	**65**	**91**

The additions of €11 million in HY 2017 mainly relate to the cost savings initiatives within operations (€2 million) and within head office departments (€7 million).

The withdrawals of €22 million in HY 2017 related mainly to settlement agreements following the execution of the cost savings initiatives (€18 million) and settlements for other smaller restructuring programmes (€2 million).

The releases of €7 million in HY 2017 mainly related to claims and indemnities (€4 million).

7. Taxes

Effective Tax Rate	HY 2017	HY 2016
Dutch statutory tax rate	25.0%	25.0%
Other statutory tax rates	0.1%	-0.6%
Average statutory tax rate	**25.1%**	**24.4%**
Non/partly deductible costs	1.8%	1.4%
Exempt income	1.6%	-0.2%
Other	-5.4%	4.6%
Effective tax rate - like-for-like	**23.1%**	**30.2%**
Impact stake TNT Express		-18.9%
Effective tax rate - reported	**23.1%**	**11.3%**

The tax expense in PostNL's statement of income in HY 2017 amounted to €21 million (HY 2016: €26 million), or 23.1% (HY 2016: 11.3%) of the profit/(loss) before income taxes of €91 million (HY 2016: €231 million). Excluding the profit on the sale of the stake in TNT Express of €145 million in HY 2016 the effective tax rate and profit/(loss) before income taxes amounted to 30.2% and €86 million respectively.

In HY 2017, the line Other (-5.4%) mainly related to the recognition of a deferred tax asset following the liquidation of dormant entities within segment International. In HY 2016, the line Other (4.6%) mainly related to irrecoverable losses for which no deferred tax assets have been recognised.

Income taxes paid in HY 2017 amounted to €63 million (HY 2016: €67 million) and includes predominantly Dutch payments for the full year 2017.

8. Cash flow statement

The net cash from operating activities decreased by €38 million from €17 million in HY 2016 to €(21) million in HY 2017. For €41 million this was caused by the decrease in cash generated from operations from €86 million in HY 2016 to €45 million in HY 2017, which was mainly due to higher cash out from working capital (€35 million).

The net cash from investing activities decreased by €692 million to €(67) million in HY 2017 from €625 million in HY 2016. Excluding the proceeds from the sale of the 14.6% stake in TNT Express of €643 million in HY 2016, the decrease was €49 million. This decrease was mainly caused by higher capital expenditures of €25 million and higher cash out from acquisitions of subsidiaries of €24 million. The net cash out from acquisitions of subsidiaries relates for €22 million to the acquisition of PS Nachtdistributie and for €2 million to the acquisition of JP Haarlem. In HY 2016 the net cash from investing activities included the cash out from the sale of the last mile operations in Frankfurt of €4 million.

The net cash used in financing activities increased to €(28) million in HY 2017 from €(10) million in HY 2016. This increase mainly related to the payment of the 2016 final dividend of €25 million in HY 2017. In HY 2016, the net cash used in financing activities included the buy-out of the minority shareholder of Postcon National of €(11) million.

9. Labour force

Headcount	**1 Jul 2017**	31 Dec 2016
Mail in NL	34,132	36,411
Parcels	3,741	3,588
International	5,742	5,467
PostNL Other	1,079	990
Total	**44,694**	**46,456**

The number of employees working at PostNL at 1 July 2017 was 44,694, which is a decrease of 1,762 employees compared to 31 December 2016. This decrease is mainly the result of extra temporary employees that were hired in December 2016 within Mail in the Netherlands to handle Christmas mail and outflow relating to cost savings initiatives.

Average FTE's	**HY 2017**	HY 2016
Mail in NL	15,704	15,914
Parcels	3,196	2,900
International	5,052	3,776
PostNL Other	1,037	948
Total	**24,989**	**23,538**

The average number of full time equivalents (FTE) working at PostNL during the first six months of 2017 was 24,989. The increase of 1,451 FTE compared to the same period last year is mainly related to the acquisition of HIM Holtzbrinck 25 GmbH at the end of 2016 and the business growth within Parcels, partly offset by reductions within operations in Mail in the Netherlands.

10. Financial instruments

The fair value of financial instruments is based on foreign exchange and interest rate market prices, if applicable. PostNL uses derivative financial instruments solely for the purpose of hedging currency and interest exposure. PostNL uses commonly practised fair value valuation methods for its derivatives. The valuations represent a best approximation of the trading value of these derivatives at their valuation moment. The derivatives within the financial instruments are grouped within level 2 of the fair value measurement hierarchy.

The carrying value of PostNL's outstanding Eurobonds is measured at amortised cost and amounted to €528 million per 1 July 2017 (31 December 2016: €533 million). The fair value of the outstanding Eurobonds amounted to €549 million per 1 July 2017 (31 December 2016: €571 million). The outstanding Eurobonds are all at fixed interest rates.

The foreign exchange exposure on the £177 million Eurobond is hedged via cross-currency swaps. The fair value of the cross-currency swaps amounted to €(25) million per 1 July 2017 (31 December 2016: €(20) million) and is recorded as a liability in 'long-term debt'. The value of the sterling/euro cross-currency swaps mainly relates to movements in the sterling/euro exchange rate and offsets the movement in the carrying value of the £177 million Eurobond.

The fair value of the other financial instruments approximates the carrying amount of these assets and liabilities.

11. Related parties

During HY 2017, purchases of PostNL from and sales to joint ventures and associated companies amounted to €0 million (HY 2016: €0 million). The net amounts due to the joint ventures and associated companies amounted to €0 million (HY 2016: €6 million).

12. Subsequent events

There were no subsequent events to report.

Reporting responsibilities and risks

Board of Management compliance statement

In conjunction with the EU Transparency Directive as incorporated in the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht) the Board of Management confirms to the best of its knowledge that:

- The consolidated interim financial statements for the six months ended 1 July 2017 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL N.V. and its consolidated companies, and
- The interim report of the Board of Management gives a fair view of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht).

Herna Verhagen – Chief Executive Officer

The Hague, 7 August 2017

Jan Bos – Chief Financial Officer

Risks

Understanding strategic, operational, legal and regulatory, and financial risks, including risks relating to corporate responsibility, is a vital element of our management's decision-making process. Management reviewed the risk profile regularly throughout the first half year of 2017 and will continue to do so during 2017. PostNL's risk management and control programme is to be considered as a process to further support management. No matter how comprehensive a risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments from occurring in its business and business environment or that risk responses will be fully effective.

It is important to note that new, unknown and/or unforeseen risks may be identified and/or occur. PostNL will react to changes in our risk profile and/or risk responses with due care and we will continuously analyse possible alternatives that may be included in our risk management and control framework.

Notwithstanding the above, any of the disclosed risks both individually and/or in aggregate, could have a material adverse effect on PostNL's financial position, results of operations, liquidity, solvency and the actual outcome of matters referred to in the forward-looking statements contained in this half year report.

The Board of Management has reviewed PostNL's risk profile and confirms that the key risks originally disclosed in Chapter 11 of the 2016 PostNL N.V. Annual Report (pages 82 – 87) have been updated and will continue to require focused and decisive management attention in the second half of 2017. In line with the disclosure in the Annual Report 2016, the risks which have the highest risk level remain: competition, substitution, USO regulation, and legal and regulatory requirements.

More details on how PostNL deals with risk management can be found in our Annual Report 2016, Chapter 11 Risk management.