Results PostNL Q2 & HY 2018

The Hague, 6 August 2018

In line with focus on Benelux preparations for divestment Nexive and Postcon initiated

Financial highlights Q2 2018

- Revenue increased to €851 million (Q2 2017: €836 million)
- E-commerce related revenue increased to 44% YTD (YTD 2017: 36%)
- Underlying cash operating income of €25 million (Q2 2017: €46 million)
- Profit for the period of €(1) million (Q2 2017: €29 million)
- Net cash from operating and investing activities of €(56) million (Q2 2017: €(68) million)
- Consolidated equity position at €13 million (Q1 2018: €58 million)

Operational highlights Q2 2018

- Parcels volume increased by 22%
- Addressed mail volume declined by 10.8%
- Delivery quality at 95%
- €10 million cost savings realised

Divestment Nexive and Postcon initiated

- Preparations for divestment of Nexive and Postcon initiated
- Nexive and Postcon classified as discontinued operations as of Q3 2018 resulting in adjusted segment reporting: Mail in the Netherlands, Parcels (including Spring) and PostNL Other
- Anticipated impact on consolidated equity position in Q3 2018 of around €(40) million
- Adjustment of around €25 million on ambition 2020 for underlying cash operating income

Outlook 2018, ambition 2020 and dividend

- Expected full year 2018 underlying cash operating income of between €160 million and €190 million
  - based on continuing operations following the decision to divest Nexive and Postcon
  - no changes in revenue and margin outlook for the segments Mail in the Netherlands and Parcels (including Spring)
  - subject to final implementation of SMP decision
- Ambition to maintain solid underlying cash operating income margin with growing revenue towards 2020 reconfirmed for Parcels (including Spring)
- Possible changes in Dutch postal market make it difficult to predict development financial results towards 2020 for Mail in the Netherlands
- Interim dividend 2018 set at €0.07 per share
- Aim for progressive dividend reconfirmed

CEO statement

Herna Verhagen, CEO of PostNL: "In line with our strategy to be the postal and logistic solutions provider and the focus on our core markets in the Benelux, we have decided to divest Nexive and Postcon. We have full confidence that the management teams in both countries will be able to realise their strategic ambitions, develop their activities and strengthen their position in Italy and Germany respectively. The preparations for the divestment processes have been started and we will update the market when appropriate.

Our Q2 results are in line with the development in the first quarter with no material changes in the underlying drivers, as we indicated when publishing our Q1 results. Year-to-date, 44% of our revenue is e-commerce related, evidencing our accelerating transformation. In Parcels, we again saw impressive volume growth translating into double-digit revenue increase. This confirms our solid position in the Benelux e-commerce logistics market. As we guided earlier, the investments in growth continue to impact results. The construction of our new sorting centres is proceeding as planned. Three of these are expected to become operational and to contribute to efficiency improvement towards the end of the year.

Volume decline in Mail in the Netherlands develops in line with expectations, caused by the same drivers as we have seen before: particularly substitution, and increased competition, supported by regulation. We realised €10 million of cost savings, which is lower than anticipated, due to delays in the roll-out of the sorting code and other adjustments in our operational process. We are confident that these developments will improve. However, we expect to end up slightly below our indication of between €50 million and €70 million for 2018. The anticipated step-up in cost savings after 2018 is well supported by several projects, including further savings in overhead and the next phase of efficiency improvements in our sorting and delivery model.

We welcome the conclusions of the state secretary of Economic Affairs, Mrs. Keijzer further to the postal dialogue. The recognition that regulation should reflect the strongly declining postal market, is a crucial step. Adjustment of current regulation is mandatory to safeguard the accessibility and reliability of the postal delivery for everyone in the Netherlands for the years to come. As stated before, we consider consolidation of networks the best solution for an affordable postal delivery and to manage the volume decline in a socially responsible manner. Given the pace of the changes in the postal market, facilitating such consolidation will require swift political action.

Taking into account the decision to divest Nexive and Postcon, our outlook for underlying cash operating income in 2018 is between €160 million and €190 million. Furthermore, all other things being equal for our continuing operations, this will impact our ambition for 2020 by around €25 million. Having said that, we must acknowledge that implementation of the conclusions of the postal dialogue may impact the business drivers of Mail in the Netherlands, as well as the cost saving plans going forward. We remain confident that the run-rate in cost savings will increase based on the robustness of the underlying plans, but the possible changes in the Dutch postal market make it difficult to predict the exact numbers and phasing of the anticipated cost savings and related cash-out in the years towards 2020. More visibility on the possible financial consequences is expected before the summer of 2019, depending on the pace at which adjustment of regulation and other measures will be realised. For Parcels (including Spring) we remain fully focussed on achieving our ambition to maintain a solid underlying cash operating income margin with a growing revenue towards 2020.

We confirm our aim to paying progressive dividend, also over 2018, and expect our consolidated equity position to be positive again per year-end. In line with our dividend policy, we announce a 2018 interim dividend of €0.07 per share."

Key figures

in € millions, except where noted	Q2 2017	**Q2 2018**	% Change	HY 2017	**HY 2018**	% Change
Revenue	836	**851**	*2%*	1,706	**1,726**	*1%*
Operating income	52	**10**		118	**40**	
Underlying operating income	61	**32**		129	**70**	
Underlying operating income margin	7.3%	**3.8%**		7.6%	**4.1%**	
Changes in pension liabilities	(2)	**3**		(5)	**7**	
Changes in provisions	(13)	**(10)**		(28)	**(23)**	
Underlying cash operating income	46	**25**		96	**54**	
Underlying cash operating income margin	5.5%	**2.9%**		5.6%	**3.1%**	
Profit for the period	29	**(1)**		70	**13**	
Net cash from/(used in) operating and investing activities	(68)	**(56)**		(88)	**(74)**	

Note: underlying figures exclude one-offs in Q2 2018 (€2 million for restructuring and €20 million for project costs, impairment PPE and settlements) and in Q2 2017 (€8 million for restructuring and €1 million for project costs).

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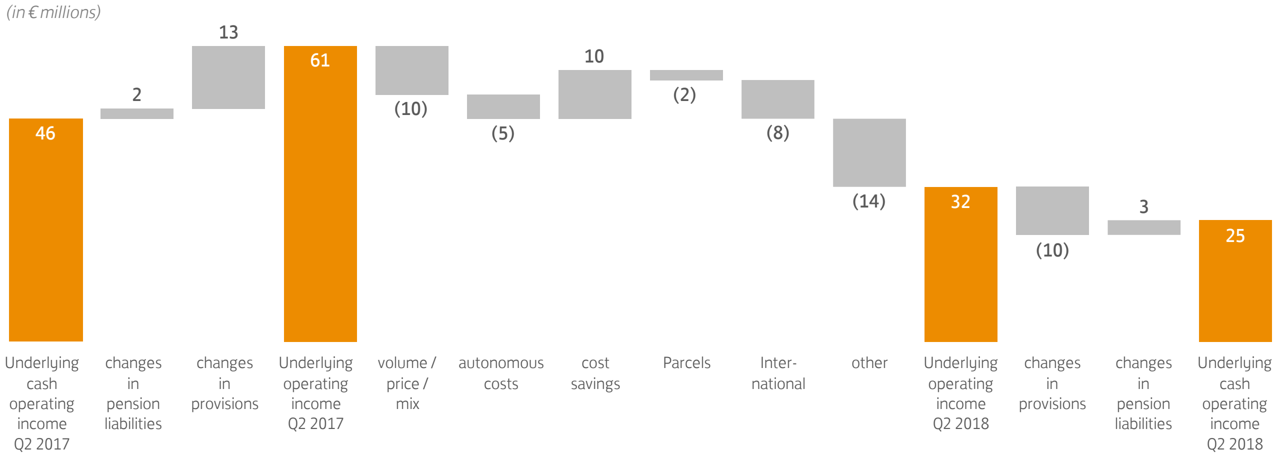
Business performance Q2 2018

(in € millions)

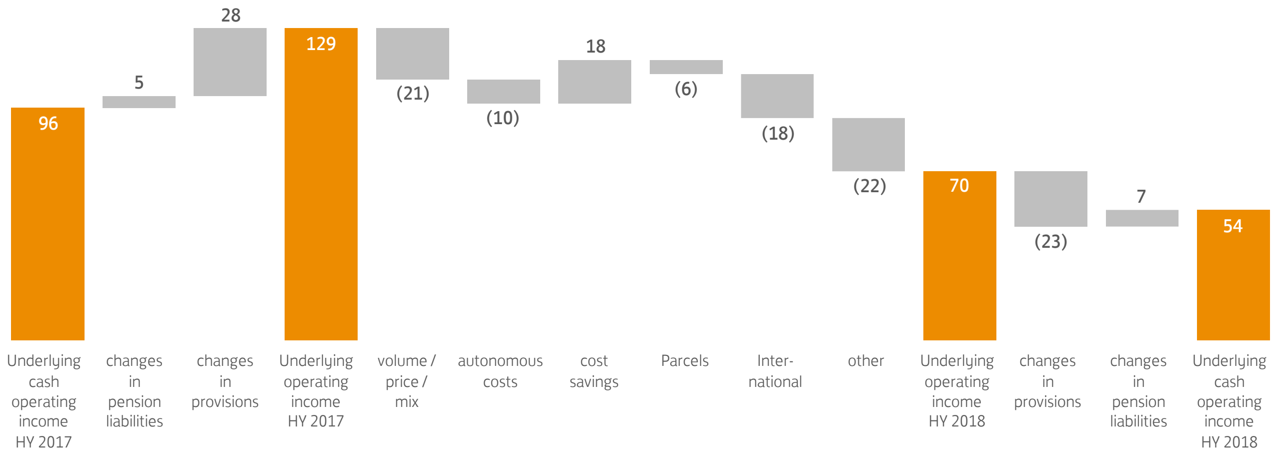


in € million	Revenue		Underlying operating income		Underlying cash operating income	
	Q2 2017	**Q2 2018**	Q2 2017	**Q2 2018**	Q2 2017	**Q2 2018**
Mail in the Netherlands	434	400	32	18	17	6
Parcels	266	322	33	31	32	30
International	247	247	1	(7)	1	(7)
PostNL Other	19	20	(5)	(10)	(4)	(4)
Intercompany	(130)	(138)				
PostNL	**836**	**851**	**61**	**32**	**46**	**25**

Note: underlying figures exclude one-offs

Business performance HY 2018

(in € millions)



in € million	Revenue		Underlying operating income		Underlying cash operating income	
	HY 2017	**HY 2018**	HY 2017	**HY 2018**	HY 2017	**HY 2018**
Mail in the Netherlands	884	824	73	47	45	23
Parcels	515	628	61	55	60	53
International	532	517	7	(11)	6	(11)
PostNL Other	37	39	(12)	(21)	(15)	(11)
Intercompany	(262)	(282)				
PostNL	**1,706**	**1,726**	**129**	**70**	**96**	**54**

Note: underlying figures exclude one-offs

Segment information Q2 2018

Mail in the Netherlands - Volume decline in line with expectations

Addressed mail volumes in Mail in the Netherlands declined by 10.8% in the quarter. The main driver for the decline is ongoing high substitution. Supported by regulation, we also continue to see postal operators collecting more mail items. Part of these volumes return to PostNL via regulated network access, resulting in pressure on our average prices. At the same time, consolidators deliver more mail through their own networks, impacting our bulk mail volumes.

Revenue decreased by 7.8% to €400 million. Underlying cash operating income was €6 million (Q2 2017: €17 million). Cost savings of €6 million and less cash out for pensions and provision (€2 million) were more than offset by the negative volume/price/mix effect in addressed mail of €10 million, including the impact from ACM measures, autonomous cost increases (€4 million) and other effects, totalling €5 million.

Delivery quality remained high at 95%.

Cost saving plans: €10 million cost savings achieved in Q2 2018

We realised €10 million of cost savings, which is lower than anticipated, due to delays in the implementation of the sorting code and other adjustments in our operational process. Also, the labour market remains tight in specific regions.

	Q2 2018
Efficiency sorting and delivery process	• continued implementation sorting code in five locations; calendar for remaining locations determined • next step in further improvement operational process in agreement with works' council, to start in Q3 • further integration of international mail activities
Optimise retail network	• reduction of 1,000 post boxes
Staff reduction	• reduction in line management, supported by our mobility program • plans for further reduction overhead and in head office developed
Other projects	• satisfactory progress in achieving cost savings in IT, finance, HR centralisation

We expect that this year's total cost savings will be slightly below our indication of between €50 million and €70 million. Implementation costs for the full year are also expected to be slightly below our indication of between €20 million and €30 million.

Regulation in the Dutch postal market

State secretary of Economic Affairs, Mrs. Keijzer published the recommendations of the postal dialogue and her conclusions vis-à-vis these recommendations in a letter to Parliament, dated 15 June 2018[1]. PostNL welcomes this letter: the recognition that regulation should reflect the strongly declining postal market is an essential step.

Next steps will depend on the pace with which adjustment of regulation and other measures will be realised. PostNL considers consolidation of networks the best solution for an affordable postal delivery and to manage the volume decline in a socially responsible manner. However, this will require swift political action, as the postal market is changing rapidly and irreversibly. PostNL will cooperate with all relevant stakeholders in taking the necessary next steps, carefully balancing the interests of customers, employees, shareholders and other stakeholders. More visibility on the legislative process is expected before the summer of 2019. The first step will be a parliamentary discussion, which is expected after summer.

In May, ACM published its preliminary tariff decision related to the earlier Significant Market Power (SMP) decision for consultation by the market. PostNL submitted its views. Furthermore, in July the hearings in the appeal against the SMP decision took place. The court's ruling is expected by the end of September 2018 at the earliest.

[1] The letter and an unofficial English translation thereof are available on our corporate website

The conclusions of the state secretary of Economic Affairs nor the preliminary tariff decision by ACM do currently trigger an adjustment of the expected financial impact of the ACM measures. The financial impact of the ACM measures is expected to be between €50 million and €70 million on an annualised basis, with the full effect visible in FY 2020.

Parcels – continuing strong volume and revenue growth

Volumes continued to grow strongly with 22%. Our domestic 2B and 2C volumes, including Belgium where our volumes grew even stronger than in Parcels in total, increased significantly, benefiting from the ongoing positive trend in e-commerce.

Revenue increased by 21% to €322 million (Q2 2017: €266 million). The main driver for revenue growth was the strong volume development, slightly offset by a negative price/mix effect. The demand for additional services continued to increase. Additionally, we experienced growth in logistic solutions, including incremental revenues related to last year's acquisitions.

Business performance improved and was supported by increasing volumes. However, this same volume growth led to additional capacity costs. We also continued to incur the expected impact from planned investments in growth. Furthermore, cash out related to pensions and deprecation costs were higher. This resulted in underlying cash operating income of €30 million (Q2 2017: €32 million).

International – competitive environment remains fierce

International revenue was stable at €247 million. Adjusted for FX effects, revenue increased by 1%. Underlying cash operating income was €(7) million (Q2 2017: €1 million).

Revenue in Spring and Other decreased to €59 million. Adjusted for FX, revenue amounted to €61 million (Q2 2017: €63 million). Growth from global e-commerce customers continued, however, mail volumes in Spring continue to decline. The shift in product/customer mix put pressure on margin. Also, competition remains strong.

In Germany, revenue increased to €129 million (Q2 2017: €126 million) following the step-by-step implementation of some large contracts with a positive impact on performance. However, this was offset by higher costs related to more outsourcing of final-mile delivery.

In Italy, revenue was slightly up to €59 million (Q2 2017: €58 million). Growth from parcels was strong. In mail, overall volume declined, due to substitution and competition, and price pressure continued to be fierce.

PostNL Other

Revenue in PostNL Other was €20 million (Q2 2017: €19 million). Underlying cash operating income was stable at €(4) million mainly due to cost savings, offset by autonomous cost increases and higher cash out related to pensions and provisions.

Pensions

Pension expense (excluding interest costs) in Q2 2018 amounted to €33 million (Q2 2017: €28 million) and total cash contributions were €30 million (Q2 2017: €30 million). The increase in pension expense is mainly explained by a higher rate of expected benefit increases, reflecting the development of the coverage ratio of the pension fund. This is expected to be visible in the second half year as well. As the net liability related to the pension fund is limited at the outstanding unconditional funding obligation, the increase in expense is compensated by an actuarial gain recorded in other comprehensive income. In Q2 2018, the net actuarial gain on pensions was €2 million. At the end of Q2 2018, the main pension fund's 12 months average coverage ratio was 115.6%, well above the minimum required funding level of 104.0%. On 30 June 2018, the main pension fund's actual coverage ratio was 116.1%.

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Development financial and equity position

Total equity attributable to equity holders of the parent decreased to €13 million as per 30 June 2018 from €58 million as per 31 March 2018. The main drivers for the decrease are the pay-out of final dividend over 2017, which resulted in a cash payment of €47 million, and a net loss of €1 million, only slightly compensated by a net actuarial gain on pensions of €2 million.

Net cash from operating and investing activities in Q2 2018 was €(56) million. Higher capex was compensated by less cash for acquisitions and the development in working capital. The latter development is mainly explained by a normal seasonal pattern. At the end of Q2 2018, the net debt position amounted to €99 million, which compares to a net cash position of €5 million at the end of Q1 2018.

Outlook 2018 and ambition 2020

Following the announcement to divest Nexive and Postcon, the business lines Nexive and Postcon will be classified as discontinued operations as of Q3 2018, resulting in:

- adjusted segment reporting: Mail in the Netherlands, Parcels (including Spring) and PostNL Other
- 2018 outlook for underlying cash operating income of between €160 million and €190 million
- expected margin in Parcels (including Spring) for 2018 of 7.5% to 9.5%

	Revenue		Underlying cash operating income / margin		
in € millions	2017	**Outlook 2018**	2017		**Outlook 2018**
Mail in the Netherlands	1,783	**- mid single digit**	125	*(7.0%)*	**3%-5%**
Parcels	1,382	**+ mid teens**	140	*(10.1%)*	**7.5%-9.5%**
PostNL Other / eliminations	(440)		(24)		
Total	**2,725**	**+ mid single digit**	**241**		**160-190**

- adjustment of the 2020 ambition for underlying cash operating income of around €25 million

We must acknowledge that implementation of the conclusions of the postal dialogue may impact the business drivers in Mail in the Netherlands, as well as the cost saving plans. We remain confident that the run-rate in cost savings will increase based on the robustness of the underlying plans, but the possible changes in the Dutch postal market make it difficult to predict the exact numbers and phasing of the anticipated cost savings in the years towards 2020. More visibility on the possible financial consequences is expected before the summer 2019, depending on the pace at which adjustment of regulation and other measures will be realised. For Parcels (including Spring) we remain fully focussed on achieving our ambition to maintain a solid underlying cash operating income margin with a growing revenue towards 2020.

For full reconciliation of the historical numbers of the reported segment results and the restated segment results, please refer to the Appendix to Q2 HY 2018 Reporting, available on our corporate website.

Interim dividend 2018

The interim dividend 2018 will be set at €0.07 per ordinary share, equalling 1/3rd of the dividend over 2017. 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 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 21 August up to and including 23 August 2018. 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.

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Dividend calendar

8 August 2018	Ex-dividend date interim dividend 2018
9 August 2018	Record date interim dividend 2018
10 - 23 August 2018 (3.00 PM CET)	Election period interim dividend 2018
24 August 2018	Announcement conversion rate
27 August 2018	Payment date interim dividend 2018

Financial calendar

5 November 2018	Publication of Q3 2018 results
25 February 2019	Publication of Q4 & FY 2018 results
16 April 2019	Annual General Meeting of Shareholders 2019
7 May 2019	Publication of Q1 2019 results
5 August 2019	Publication of Q2 & HY 2019 results
4 November 2019	Publication of Q3 2019 results

Working days by quarter

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

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Audio webcast and conference call Q2 2018 results

On 6 August 2018, at 11.00 CET, a conference call for analysts and investors will start. The conference call can be followed live via an audio webcast at **www.postnl.nl**.

Additional information

Additional information is available at **www.postnl.nl**. This press release contains inside information within the meaning of article 7(1) of the EU Market Abuse Regulation.

Forward-looking statements

Some statements in this press release are ’forward-looking statements‘. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this press release and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities law.

Use of non-GAAP information

In presenting and discussing the PostNL Group operating results, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The main non-GAAP key financial performance indicator is underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for the dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for non-recurring and exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows.

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Consolidated interim financial statements

Consolidated income statement

in € millions	note	Q2 2017	Q2 2018	HY 2017	HY 2018
Net sales		832	848	1,699	1,719
Other operating revenue		4	3	7	7
Total operating revenue		**836**	**851**	**1,706**	**1,726**
Other income		3	3	6	7
Cost of materials		(15)	(18)	(32)	(38)
Work contracted out and other external expenses		(424)	(451)	(862)	(915)
Salaries, pensions and social security contributions		(294)	(294)	(587)	(593)
Depreciation, amortisation and impairments		(18)	(25)	(37)	(46)
Other operating expenses		(36)	(56)	(76)	(101)
Total operating expenses		**(787)**	**(844)**	**(1,594)**	**(1,693)**
Operating income		**52**	**10**	**118**	**40**
Interest and similar income		1	1	3	2
Interest and similar expenses		(12)	(9)	(24)	(18)
Net financial expenses		**(11)**	**(8)**	**(21)**	**(16)**
Results from investments in jv's/associates		(6)	0	(6)	0
Profit/(loss) before income taxes		**35**	**2**	**91**	**24**
Income taxes	(7)	(6)	(3)	(21)	(11)
Profit for the period		**29**	**(1)**	**70**	**13**
Attributable to:					
Non-controlling interests					
Equity holders of the parent		29	(1)	70	13
Earnings per ordinary share (in €cents) [1]		6.4	(0.3)	15.7	2.8

1 Based on an average of 456,477,627 outstanding ordinary shares (2017: 444,854,905).

Consolidated statement of comprehensive income

in € millions	note	Q2 2017	Q2 2018	HY 2017	HY 2018
Profit for the period		**29**	**(1)**	**70**	**13**
Other comprehensive income that will not be reclassified to the income statement					
Impact pensions, net of tax	(3)	9	2	12	11
Other comprehensive income that may be reclassified to the income statement					
Currency translation adjustment, net of tax		(1)	0	(1)	0
Gains/(losses) on cashflow hedges, net of tax		2	0	4	1
Total other comprehensive income for the period		**10**	**2**	**15**	**12**
Total comprehensive income for the period		**39**	**1**	**85**	**25**
Attributable to:					
Non-controlling interests					
Equity holders of the parent		39	1	85	25

Results PostNL Q2 & HY 2018

Consolidated statement of cash flows

in € millions	note	Q2 2017	Q2 2018	HY 2017	HY 2018
Profit/(loss) before income taxes		**35**	**2**	**91**	**24**
Adjustments for:					
Depreciation, amortisation and impairments		18	25	37	46
Share-based payments		1		2	1
(Profit)/loss on disposal of assets		(1)	(2)	(4)	(6)
Interest and similar income		(1)	(1)	(3)	(2)
Interest and similar expenses		12	9	24	18
Results from investments in jv's/associates		6	0	6	0
Investment income		**16**	**6**	**23**	**10**
Pension liabilities		(2)	3	(5)	7
Other provisions		(6)	(4)	(18)	(17)
Changes in provisions		**(8)**	**(1)**	**(23)**	**(10)**
Inventory		(2)	1	(1)	
Trade accounts receivable		(23)	17	16	27
Other accounts receivable		(9)	(5)	(31)	13
Other current assets		4	12	(27)	7
Trade accounts payable		9	(20)	(10)	(29)
Other current liabilities excluding short-term financing and taxes		(55)	(73)	(32)	(79)
Changes in working capital		**(76)**	**(68)**	**(85)**	**(61)**
Cash generated from operations		**(14)**	**(36)**	**45**	**10**
Interest paid		(2)	(2)	(3)	(4)
Income taxes received/(paid)	(7)	(3)	7	(63)	(40)
Net cash (used in)/from operating activities	(8)	**(19)**	**(31)**	**(21)**	**(34)**
Interest received		2	1	3	2
Acquisition of subsidiairies (net of cash)		(24)		(24)	
Investments in jv's/associates			(1)		(1)
Capital expenditure on intangible assets		(11)	(9)	(19)	(16)
Capital expenditure on property, plant and equipment		(18)	(23)	(33)	(36)
Proceeds from sale of property, plant and equipment		3	7	7	11
Other changes in (financial) fixed assets		(1)		(1)	
Net cash (used in)/from investing activities	(8)	**(49)**	**(25)**	**(67)**	**(40)**
Dividends paid		(25)	(47)	(25)	(47)
Repayments of long term borrowings		(2)		(2)	
Repayments of finance leases		(1)		(1)	
Net cash (used in)/from financing activities	(8)	**(28)**	**(47)**	**(28)**	**(47)**
Total change in cash		**(96)**	**(103)**	**(116)**	**(121)**
Cash at the beginning of the period		**620**	**627**	**640**	**645**
Total change in cash		(96)	(103)	(116)	(121)
Cash at the end of the period		**524**	**524**	**524**	**524**

Consolidated statement of financial position

in € millions	note	31 December 2017	30 June 2018
ASSETS			
Non-current assets			
Intangible fixed assets			
Goodwill		141	141
Other intangible assets		116	119
Total	(1)	**257**	**260**
Property, plant and equipment			
Land and buildings		318	305
Plant and equipment		154	149
Other		21	18
Construction in progress		17	48
Total	(2)	**510**	**520**
Financial fixed assets			
Investments in joint ventures/associates		9	9
Other loans receivable		7	7
Deferred tax assets		29	28
Financial assets at fair value through OCI		5	6
Total		**50**	**50**
Total non-current assets		**817**	**830**
Current assets			
Inventory		6	7
Trade accounts receivable		386	359
Accounts receivable		50	37
Income tax receivable		9	32
Prepayments and accrued income		157	151
Cash and cash equivalents	(5)	645	524
Total current assets		**1,253**	**1,110**
Assets classified as held for sale		10	9
Total assets		**2,080**	**1,949**
LIABILITIES AND EQUITY			
Equity			
Equity attributable to the equity holders of the parent	(4)	34	13
Non-controlling interests		3	3
Total		**37**	**16**
Non-current liabilities			
Deferred tax liabilities		43	41
Provisions for pension liabilities	(3)	359	355
Other provisions	(6)	23	22
Long-term debt	(5)	400	406
Accrued liabilities		2	2
Total		**827**	**826**
Current liabilities			
Trade accounts payable		220	192
Other provisions	(6)	40	24
Short-term debt	(5)	225	224
Other current liabilities		150	148
Income tax payable		4	4
Accrued current liabilities		577	515
Total		**1,216**	**1,107**
Total equity and liabilities		**2,080**	**1,949**

Consolidated statement of changes in equity

in € millions	Issued share capital	Additional paid in capital	Currency translation reserve	Hedge reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2016	**36**	**157**	**3**	**(4)**	**(561)**	**290**	**(79)**	**3**	**(76)**
Total comprehensive income			(1)	4	12	70	85		85
Appropriation of net income					633	(633)	0		0
Final dividend previous year	0	0				(25)	(25)		(25)
Share-based compensation	0	3			(1)		2		2
Balance at 1 July 2017	**36**	**160**	**2**	**0**	**83**	**(298)**	**(17)**	**3**	**(14)**
Balance at 31 December 2017	**36**	**160**	**0**	**(1)**	**74**	**(235)**	**34**	**3**	**37**
Total comprehensive income				1	11	13	25		25
Appropriation of net income					(48)	48	0		0
Final dividend previous year	1	(1)				(47)	(47)		(47)
Share-based compensation	0	2			(1)		1		1
Balance at 30 June 2018	**37**	**161**	**0**	**0**	**36**	**(221)**	**13**	**3**	**16**

Results PostNL Q2 & HY 2018

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. Through our international sales network Spring, we connect local businesses around the world to consumers globally. PostNL's services involve collecting, sorting, transporting and delivering of letters and parcels for the company's customers within specific timeframes. 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 30 June 2018. The information should be read in conjunction with the consolidated 2017 Annual Report of PostNL N.V. as published on 26 February 2018.

The 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 2017 Annual Report of PostNL N.V.

The measure of profit and loss and assets and liabilities is based on the Group Accounting Policies, which are compliant with IFRS as endorsed by the European Union. Apart from the changes from the adoption of IFRS 9 'Financial instruments' and IFRS 15 'Revenues from contracts with customers' per 1 January 2018, all other significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in PostNL's consolidated 2017 Annual Report for the year ended 31 December 2017.

IFRS 9 'Financial instruments'

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

- On hedge accounting, the company determined that all existing hedge relationships previously designated as effective hedge relationships continue to qualify for hedge accounting under IFRS 9.
- On impairment, IFRS 9 requires the company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The company applies the simplified approach and records lifetime expected losses on all trade receivables. The impact of adoption was limited to €0.2 million net of tax and has been recorded in 2018's opening equity.
- On classification, the equity shares in non-listed companies that were previously held as 'available-for-sale with gains and losses recorded in other comprehensive income (OCI)' are under IFRS 9 classified as 'financial assets at fair value through OCI'.

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

IFRS 15 'Revenue from contracts with customers'

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

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

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

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

There are no other IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2018 that would be expected to have a material impact on the 2018 accounts of the Group. For the financial year beginning 1 January 2019, the new IFRS 16 standard on 'Leases' will impact PostNL's financial statements.

IFRS 16 'Leases'

IFRS 16 establishes the principles that entities would apply to report useful information to investors and analysts about the amount, timing and uncertainty of cash flows arising from a lease. To meet that objective, a lessee should recognise assets and liabilities arising from a lease. PostNL will adopt the new standard per 1 January 2019, using the modified retrospective method with the lease assets set equal to the lease liabilities. The standard will impact the accounting of the Group's operating leases, mainly related to rent and lease of buildings and transport fleet. We have performed an initial assessment based on Q1 2018 data. The expected impact on the balance sheet per 1 January 2019 is an increase in lease assets and liabilities of between €130 million to €160 million. The impact on operating income and net profit is expected to be non-material, although straight line lease expenses will be replaced by depreciation and interest expenses. The cash flow statement will show a shift from net cash from operating activities to net cash used in financing activities.

Auditor's involvement

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

Results PostNL Q2 & HY 2018

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 2018 and 2017.

in € millions

HY 2018 ended at 30 June 2018	Mail in NL	Parcels	International	PostNL Other	Eliminations	Total
Net sales	694	512	513			1,719
Intercompany sales	127	112	4	39	(282)	
Other operating revenue	3	4				7
Total operating revenue	**824**	**628**	**517**	**39**	**(282)**	**1,726**
Other income	6			1		7
Depreciation/impairment property, plant and equipment	(17)	(10)	(3)	(3)		(33)
Amortisation/impairment intangibles	(5)	(3)	(2)	(3)		(13)
Total operating income	**41**	**55**	**(19)**	**(37)**		**40**
Underlying cash operating income	**23**	**53**	**(11)**	**(11)**		**54**
Total assets	529	460	369	591		1,949
Total liabilities	767	239	171	756		1,933
HY 2017 ended at 1 July 2017						
Net sales	740	432	527			1,699
Intercompany 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**
Underlying cash operating income	**45**	**60**	**6**	**(15)**		**96**
Total assets at 31 December 2017	587	415	391	687		2,080
Total liabilities at 31 December 2017	842	228	195	778		2,043

As at 30 June 2018 the total assets within PostNL Other mainly related to cash. The HY 2018 operating income of PostNL Other was impacted by settlement costs. 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 2018
Balance at 1 January	**205**	**257**
Additions	33	16
Acquisitions of subsidiaries	11	
Amortisation and impairments	(7)	(13)
Balance at end of period	**242**	**260**

At HY 2018, the intangible assets of €260 million consist of goodwill for an amount of €141 million and other intangible assets for an amount of €119 million. Goodwill resulted from acquisitions in the past in the segments Mail in the Netherlands (€65 million), International (€44 million) and Parcels (€32 million).

The additions to the intangible assets of €16 million relate to software including prepayments for software. The €6 million increase in amortisation charges mainly relate to amortisation of intangible assets from acquisitions of subsidiaries in 2017 and higher investments in software.

At HY 2017, additions to intangible assets included goodwill related to the acquisitions of PS Nachtdistributie (€10 million) and JP Haarlem Delivery (€4 million) and the acquisitions of subsidiaries of €11 million related to the intangible assets from the acquisition of PS Nachtdistributie.

2. Property, plant and equipment

in € millions	HY 2017	HY 2018
Balance at 1 January	**505**	**510**
Capital expenditures	33	40
Additions related to financial leases		6
Acquisitions of subsidiaries	5	
Disposals	(1)	(3)
Depreciation and impairments	(30)	(33)
Transfers to assets held for sale	(1)	
Balance at end of period	**511**	**520**

The additions of €46 million in HY 2018 related for €33 million to the new sorting and delivery centres within Parcels. The remainder relates to various other investments. In HY 2018, an impairment of €3.5 million has been recorded related to a building within Mail in the Netherlands.

3. Pensions

In HY 2018, the provision for pension liabilities decreased by €4 million.

in € millions	HY 2017	HY 2018
Balance at 1 January	**410**	**359**
Operating expenses	49	58
Interest expenses	4	4
Employer contributions and early retirement payments	(55)	(51)
Actuarial losses/(gains)	(16)	(15)
Balance at end of period	**392**	**355**

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 2017, the IAS 19 discount rate remained unchanged at 2.0% and the long term expected benefit increases assumption remained unchanged at 1.5%. The unchanged financial assumptions resulted in no actuarial result on the defined benefit obligation. The return on plan assets was slightly higher than assumed. The total effect in HY 2018 on the net pension position was a gain of €15 million (HY 2017: gain of €16 million). Within equity, the pension impact net of tax in HY 2018 amounted to €11 million (HY 2017: €12 million).

During the first half year of 2018 the 12-month average coverage ratio of the main fund, including the outstanding unconditional funding obligation of €65 million, increased to 115.6% from 113.4% as per 31 December 2017.

The expenses for defined contribution plans in HY 2018 were €7 million (HY 2017: €6 million).

4. Equity

During HY 2018, consolidated equity attributable to the equity holders of the parent decreased from €34 million per 31 December 2017 to €13 million on 30 June 2018. The decrease of €21 million in HY 2018 is primarily explained by the profit for the period of €13 million and the positive impact of pensions within OCI of €11 million, more than offset by the dividend payment of €47 million.

<u>Corporate equity</u>

During HY 2018, corporate equity decreased from €2,730 million per 31 December 2017 to €2,679 million on 30 June 2018. Distributable corporate equity amounted to €310 million on 30 June 2018 (31 December 2017: €362 million). The decrease mainly related to the dividend payment of €47 million.

We refer to the 2017 Annual Report of PostNL N.V., as published on 26 February 2018, for detailed information on the main differences between consolidated and corporate equity.

in millions	HY 2017	FY 2017	HY 2018
Number of issued and outstanding shares	**449.9**	**453.5**	**463.6**
of which held by the company	0.0	0.0	0.0
Year-to-date average number of ordinary shares	**444.9**	**448.6**	**456.5**
Year-to-date diluted number of ordinary shares		0.5	
Year-to-date average number of ordinary shares on a fully diluted basis	**444.9**	**449.1**	**456.5**

In May 2018, PostNL issued 9,561,711 ordinary shares following the pay-out of the 2017 stock dividend and 504,046 ordinary shares for the settlement of its incentive schemes, increasing the issued share capital and additional paid-in capital by €2 million in total. As a result, the number of issued and outstanding shares increased from 453.5 million at 31 December 2017 to 463.6 million at 30 June 2018.

5. Net debt

in € millions	31 Dec 2017	30 Jun 2018
Short term debt	225	224
Long term debt	400	406
Total interest bearing debt	**625**	**630**
Long term interest bearing assets	(7)	(7)
Cash and cash equivalents	(645)	(524)
Net debt	**(27)**	**99**

At 30 June 2018, the net debt position amounted to €99 million. Compared to 31 December 2017, the decrease of €126 million was mainly explained by the negative cash flow during HY 2018. 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 2018, the provisions decreased by €17 million, from €63 million to €46 million.

in € millions	HY 2017	HY 2018
Balance at 1 January	**83**	**63**
Additions	11	14
Withdrawals	(22)	(26)
Releases	(7)	(5)
Balance at end of period	**65**	**46**

The additions of €14 million in HY 2018 mainly related to the cost savings initiatives (€5 million), restructuring programmes within International (€5 million) and other employee benefit obligations (€2 million).

The withdrawals of €26 million in HY 2018 related mainly to settlement agreements following the execution of the cost savings initiatives (€15 million), settlements for other smaller restructuring programmes (€2 million) and the payment in advance of a tax related risk within International (€6 million).

The releases of €5 million in HY 2018 mainly related to changes in the cost savings initiatives (€3 million).

7. Taxes

Effective Tax Rate	HY 2017	HY 2018
Dutch statutory tax rate	25.0%	25.0%
Other statutory tax rates	0.1%	-0.3%
Average statutory tax rate	**25.1%**	**24.7%**
Non/partly deductible costs	1.8%	7.1%
Exempt income	1.6%	-0.1%
Other	-5.4%	14.1%
Effective tax rate	**23.1%**	**45.8%**

The tax expense in PostNL's statement of income in HY 2018 amounted to €11 million (HY 2017: €21 million), or 45.8% (HY 2017: 23.1%) of the profit/(loss) before income taxes of €24 million (HY 2017: €91 million).

In HY 2018, the line Other (14.1%) mainly related to irrecoverable losses for which no deferred tax assets have been recognised. 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.

Income taxes paid in HY 2018 amounted to €40 million (HY 2017: €63 million) and included predominantly Dutch payments for the full year 2018.

8. Cash flow statement

Net cash from operating activities decreased by €13 million from €(21) million in HY 2017 to €(34) million in HY 2018. Cash generated from operations decreased by €35 million from €45 million in HY 2017 to €10 million in HY 2018 and was partly offset by a decrease in income taxes paid of €23 million. The decrease in cash generated from operations of €35 million was mainly due to lower operational results, partly offset by lower cash out from working capital (€24 million).

Net cash used in investing activities decreased by €27 million to €(40) million in HY 2018 from €(67) million in HY 2017, mainly caused by the cash out from acquisitions of subsidiaries of €24 million in HY 2017. In HY 2017, the net cash out from acquisitions of subsidiaries related for €22 million to the acquisition of PS Nachtdistributie and for €2 million to the acquisition of JP Haarlem.

Net cash used in financing activities increased to €(47) million in HY 2018 from €(28) million in HY 2017 and related to the payment of the 2017 final dividend of €47 million in HY 2018 (HY 2017: €25 million).

9. Labour force

Headcount	31 Dec 2017	30 Jun 2018
Mail in the Netherlands	33,305	31,318
Parcels	4,136	4,945
International	5,782	5,638
PostNL Other	1,040	1,278
Total	**44,263**	**43,179**

The number of employees working at PostNL at 30 June 2018 was 43,179, which is a decrease of 1,084 employees compared to 31 December 2017. This decrease is mainly the result of extra temporary employees that were hired in December 2017 within Mail in the Netherlands to handle Christmas mail and outflow relating to cost savings initiatives. In HY 2018, around 890 employees from PostNL's internal transport network were transferred from Mail in the Netherlands to Parcels. The increase in employees within PostNL Other mainly resulted from the centralisation of HR departments.

Average FTE's	HY 2017	HY 2018
Mail in the Netherlands	15,704	14,525
Parcels	3,196	4,115
International	5,052	4,988
PostNL Other	1,037	1,141
Total	**24,989**	**24,769**

The average number of full time equivalents (FTE) working at PostNL during the first six months of 2018 was 24,769. The decrease of 220 FTE compared to the same period last year is mainly related to reductions within operations in Mail in the Netherlands, partly offset by business growth within Parcels. In HY 2018, around 540 FTE from PostNL's internal transport network were transferred from Mail in the Netherlands to Parcels.

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 €597 million per 30 June 2018 (31 December 2017: €597 million). The fair value of the outstanding Eurobonds amounted to €602 million per 30 June 2018 (31 December 2017: €607 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 €(24) million per 30 June 2018 (31 December 2017: €(26) million) and is recorded as a liability in 'short-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 2018, purchases of PostNL from and sales to joint ventures and associated companies amounted to €0 million (HY 2017: €0 million). The net amounts due to the joint ventures and associated companies amounted to €0 million (HY 2017: €0 million).

12. Subsequent events

In line with PostNL's strategy to be the postal and logistic solutions provider and the focus on PostNL's core markets, PostNL has decided to divest Nexive and Postcon, currently reported in segment International. On 3 August 2018, the classification criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations were met. In relation hereto, as of Q3 2018, Nexive and Postcon will be reported as discontinued operations. The fair value less costs to sell is anticipated to be €40 million lower than the carrying amount.

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 30 June 2018 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 true and 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, 6 August 2018

Pim Berendsen – 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 risks regularly throughout the first half year of 2018 and will continue to do so during 2018. 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 13 of the 2017 PostNL N.V. Annual Report (pages 92 – 99) have been updated and will continue to require focused and decisive management attention in the second half of 2018. With reference to the disclosure in the Annual Report 2017, the risks which have the highest risk level are: competition, substitution, legal and regulatory requirements, USO regulation, and execution of cost savings initiatives.

Additionally, the Board of Management is of the view that considering the annually updated strategic plan and forecasts, in the current situation, it is justified that PostNL's financial reporting has been prepared on a going concern basis and that the Annual Report 2017 states those material risks and uncertainties that are relevant for the expectation of PostNL's continuity for the period of twelve months after the preparation of the Annual Report. This, however, does not imply that PostNL can provide certainty as to the realisation of strategic business and financial objectives.

More details on how PostNL deals with risk management can be found in our Annual Report 2017, Chapter 13 Risk management.