E-commerce growth continues in Q1 2017

The Hague, 8 May 2017

Financial highlights Q1 2017

- Revenue at €870 million (Q1 2016: €864 million)
- Revenue from e-commerce increased to 34% (Q1 2016: 31%)
- Underlying cash operating income at €50 million (Q1 2016: €61 million)
- Net cash from operating and investing activities at €(20) million (Q1 2016: €(26) million)
- Consolidated equity position at €(32) million (YE 2016: €(79) million)

Operational highlights Q1 2017

- Addressed mail volume declined by 9.6% (adjusted for working days: 10.3%)
- Delivery quality continued to be high at 96.7%
- €15 million of cost savings realised
- Parcels volumes increased by 8% (underlying 15%)

Outlook 2017 reconfirmed

- Full year underlying cash operating income of between €220 million and €260 million

Key figures

in € millions, except where noted	Q1 2017	Q1 2016	% Change
Revenue	**870**	864	*1%*
Operating income	**66**	70	*-6%*
Underlying operating income	**68**	79	*-14%*
Underlying operating income margin	**7.8%**	9.1%	
Changes in pension liabilities	**(3)**	(5)	
Changes in provisions	**(15)**	(13)	
Underlying cash operating income	**50**	61	*-18%*
Underlying cash operating income margin	**5.7%**	7.1%	
Profit for the period	**41**	39	
Net cash from/(used in) operating and investing activities	**(20)**	(26)	

Note: underlying figures exclude one-offs in Q1 2017 (€2 million for project costs) and in Q1 2016 (€7 million for restructuring and €2 million project costs)

CEO statement

Herna Verhagen, CEO of PostNL: "We indicated previously that our result in the first quarter would be below last year's result. Actual quarterly performance was in line with these expectations, supported by some incidentals. We reconfirm our 2017 outlook of achieving an underlying cash operating income of between €220 million and €260 million.

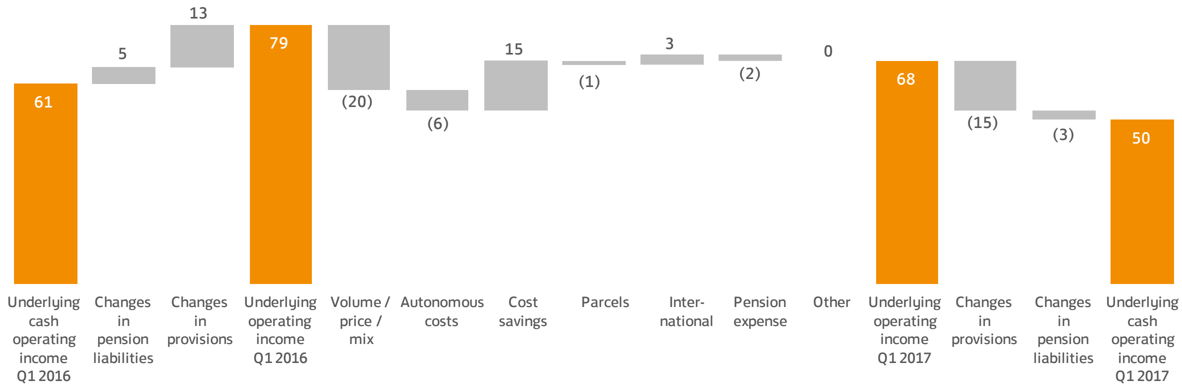
With shareholders approving our dividend proposal, an important milestone has been achieved. On 11 May PostNL will reinitiate dividend payment, delivering on our earlier promise. Going forward we expect to reward our shareholders with a progressive dividend as we continue to transform our business to become a logistics e-commerce company, supported by strong e-commerce growth. For example, we continue to solidify our footprint in food distribution and have the ambition to become the e-food logistics service provider in the Benelux.

Parcels shows 15% underlying volume growth. Strong e-commerce growth continues. Turnover in our logistics services also grew, as did demand for additional services, for example same-day. The results were solid.

In Mail in the Netherlands volume decline continued, mainly driven by substitution. However, we also see consolidators delivering more mail via their own networks, supported by the ACM measures. Volume decline is the primary driver underlying the lower result. Our restructuring initiatives are well on track and are progressing according to plan. The pending regulatory files continue to require a significant amount of management attention. We remain concerned about the expected adverse effects related to the possible outcome of significant market power and related measures.

In the first quarter, the result in International improved and shows a mixed picture. The positive contribution of last year's acquisition in Germany and the first signs of the expected recovery in Italy were partly offset by slightly lower than expected revenue in Spring and lower volumes and revenue in the other German activities."

Business performance Q1 2017



	Revenue		Underlying operating income		Underlying cash operating income	
in € million	**Q1 2017**	Q1 2016	**Q1 2017**	Q1 2016	**Q1 2017**	Q1 2016
Mail in the Netherlands	450	472	41	51	28	38
Parcels	249	234	28	29	28	28
International	285	266	6	3	5	3
PostNL Other	18	44	(7)	(4)	(11)	(8)
Intercompany	(132)	(152)				
PostNL	**870**	**864**	**68**	**79**	**50**	**61**

Note: underlying figures exclude one-offs

Segment information Q1 2017

Mail in the Netherlands

Addressed mail volumes in Mail in the Netherlands declined by 9.6% in the quarter (adjusted for working days: 10.3%). The main driver for the decline is ongoing high substitution, especially in single mail. The development in bulk mail includes some negative phasing effects. Our bulk mail volumes were also impacted by a change in market behaviour of consolidators, who are now delivering more volume via their own networks, supported by the ACM measures.

Revenue declined by 5% to €450 million. Underlying cash operating income was €28 million (Q1 2016: €38 million). Cost savings and incidentals (for example bilaterals) have partly offset the negative volume/price/mix effect and autonomous cost increases. The earlier announced ACM measures continue to affect our results in line with expectations.

Regulatory developments

We remain concerned about the expected adverse effects related to the possible outcome of significant market power (SMP) and related measures. The Ministry of Economic Affairs published a policy guideline concerning the interpretation of SMP in December 2016. The ACM published a new draft decision on SMP on 6 April 2017. PostNL will submit its view on the consultation document in due course.

Indicated in October 2015, we expect the financial impact of the ACM measures to be between €30 million and €50 million annualised, with the full effect expected to materialise over a 3 to 4 year period (2016-2019).

Cost savings plans: €15 million cost savings achieved in Q1 2017

	Q1 2017
Efficiency delivery process	• 5 depots migrated
Optimise retail network	• Reduction of 50 postal offices and 500 letter boxes
Efficiency sorting process	• Roll-out of the last four machines; equip all machines with improved label-unit

Parcels

Reported volume growth was 8%. Adjusted for internal transfers of part of the international volumes, volume growth amounted to 15%. Our domestic 2B and 2C volumes, including Belgium, showed strong growth, following the ongoing positive e-commerce trend.

Revenue increased by 6% to €249 million. Adjusted for internal transfers, growth was 9%. The main driver for revenue growth was domestic volume growth. We benefited from increasing demand for additional services and revenue growth in logistics. This was partly offset by lower revenue from milk powder volumes and a slightly negative price/mix effect. The solid business performance was offset by internal transfers and phasing of costs. Underlying cash operating income amounted to €28 million (Q1 2016: €28 million).

International

International revenue increased by 7% to €285 million. On a like-for-like basis, adjusted for FX (€(1) million), internal transfers (€(5) million) and an adjustment in the presentation of intercompany charges (€7 million), revenue increased by 8%. Underlying cash operating income improved to €5 million (Q1 2016: €3 million).

In Germany, revenue increased by 12% to €154 million (Q1 2016: €137 million). The acquisition of Pin Mail Berlin and Mail Alliance accounted for €25 million of the revenue growth and contributed directly to the result. Other activities in Germany showed lower revenue, driven by volume decline.

In Italy the expected recovery started to become more tangible. Revenue was up 9% to €62 million (Q1 2016: €57 million), explained in part by the start of some new clients and strong growth from parcels. Our focus is on improving operational quality and acquiring new clients.

Revenue in Spring and other declined by 4% to €69 million. Revenue was impacted by stricter rules for dangerous goods. We expect that Spring will further grow its revenue by capturing growth from e-commerce. We recently announced that Chinese AliExpress, part of the Alibaba Group, selected PostNL for the delivery of part of its packages to the Netherlands.

PostNL Other

Revenue in PostNL Other was €18 million (Q1 2016: €44 million), mainly explained by lower internal revenue due to an adjustment in the presentation of intercompany charges. Underlying cash operating income decreased to €(11) million (Q1 2016: €(8) million) due to higher advisory costs.

Pensions

Pension expense in Q1 2017 amounted to €27 million (Q1 2016: €25 million) and total cash contributions were €30 million (Q1 2016: €30 million). In Q1 2017, the net actuarial gain on pensions amounted to €3 million. At the end of Q1 2017, the main pension fund's 12 months average coverage ratio was 106.0%, 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 31 March 2017, the main pension fund's actual coverage ratio was 111.4% (YE 2016: 108.3%).

Development financial and equity position

Total equity attributable to equity holders of the parent improved to €(32) million as per 1 April 2017 from €(79) million as per 31 December 2016. The improvement is explained by net profit of €41 million, a net actuarial gain on pensions of €3 million and other gains of €3 million. Net cash from operating and investing activities was €(20) million, supported by a favourable development in working capital. At the end of Q1 2017, the net cash position was €68 million, which compares to €86 million at the end of 2016.

Working days by quarter

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

Financial calendar

11 May 2017	Dividend payment
7 August 2017	Publication of Q2 & HY 2017 results
6 November 2017	Publication of Q3 2017 results
26 February 2018	Publication of Q4 & FY 2017 results
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 Q1 2017 results

On 8 May 2017, at 11.00 CET, the conference call for analysts and investors will start. The conference call can be followed live via an audio webcast on **postnl.nl**.

Additional information

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

Warning about 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.

Consolidated interim financial statements

Basis of preparation

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

Auditor's involvement

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

Consolidated income statement

in € millions	Q1 2017	Q1 2016
Net sales	867	862
Other operating revenue	3	2
Total operating revenue	**870**	**864**
Other income	3	1
Cost of materials	(17)	(17)
Work contracted out and other external expenses	(438)	(429)
Salaries, pensions and social security contributions	(293)	(288)
Depreciation, amortisation and impairments	(19)	(22)
Other operating expenses	(40)	(39)
Total operating expenses	**(807)**	**(795)**
Operating income	**66**	**70**
Interest and similar income	2	1
Interest and similar expenses	(12)	(18)
Net financial expenses	**(10)**	**(17)**
Results from investments in jv's/associates	0	1
Profit/(loss) before income taxes	**56**	**54**
Income taxes	(15)	(15)
Profit for the period	**41**	**39**
Attributable to:		
Non-controlling interests		
Equity holders of the parent	41	39
Earnings per ordinary share (in €cents) [1]	9.3	8.8
Earnings per diluted ordinary share (in €cents) [2]	9.2	8.8

1 Based on an average of 442,805,079 outstanding ordinary shares (2016: 441,570,664).
2 Based on an average of 443,689,924 outstanding diluted ordinary shares (2016: 442,753,289).

Consolidated statement of comprehensive income

in € millions	Q1 2017	Q1 2016
Profit for the period	**41**	**39**
Other comprehensive income that will not be reclassified to the income statement		
Impact pensions, net of tax	3	(19)
Other comprehensive income that may be reclassified to the income statement		
Currency translation adjustment, net of tax	0	(1)
Gains/(losses) on cashflow hedges, net of tax	2	1
Change in value of available-for-sale financial assets		8
Total other comprehensive income for the period	**5**	**(11)**
Total comprehensive income for the period	**46**	**28**
Attributable to:		
Non-controlling interests		
Equity holders of the parent	46	28

Consolidated statement of cash flows

in € millions	Q1 2017	Q1 2016
Profit/(loss) before income taxes	56	54
Adjustments for:		
Depreciation, amortisation and impairments	19	22
Share-based payments	1	1
(Profit)/loss on assets held for sale	(3)	(1)
Interest and similar income	(2)	(1)
Interest and similar expenses	12	18
Results from investments in jv's/associates		(1)
Investment income	**7**	**15**
Pension liabilities	(3)	(5)
Other provisions	(12)	(9)
Changes in provisions	**(15)**	**(14)**
Inventory	1	
Trade accounts receivable	39	(9)
Other accounts receivable	(22)	4
Other current assets	(31)	(10)
Trade accounts payable	(19)	(19)
Other current liabilities excluding short-term financing and taxes	23	5
Changes in working capital	**(9)**	**(29)**
Cash generated from operations	**59**	**49**
Interest paid	(1)	(1)
Income taxes received/(paid)	(60)	(65)
Net cash (used in)/from operating activities	**(2)**	**(17)**
Interest received	1	1
Capital expenditure on intangible assets	(8)	(5)
Capital expenditure on property, plant and equipment	(15)	(8)
Proceeds from sale of property, plant and equipment	4	3
Net cash (used in)/from investing activities	**(18)**	**(9)**
Net cash (used in)/from financing activities	**0**	**0**
Total change in cash from continuing operations	**(20)**	**(26)**
Cash at the beginning of the period	**640**	**355**
Total change in cash from continuing operations	(20)	(26)
Cash at the end of the period	**620**	**329**

Consolidated statement of financial position

in € millions	1 April 2017	31 December 2016
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	133	134
Other intangible assets	72	67
Total	**205**	**201**
Property, plant and equipment		
Land and buildings	315	321
Plant and equipment	143	142
Other	20	19
Construction in progress	24	23
Total	**502**	**505**
Financial fixed assets		
Investments in joint ventures/associates	17	17
Other financial fixed assets	1	1
Deferred tax assets	37	38
Available-for-sale financial assets	1	1
Total	**56**	**57**
Total non-current assets	**763**	**763**
Current assets		
Inventory	5	5
Trade accounts receivable	318	357
Accounts receivable	53	31
Income tax receivable	51	2
Prepayments and accrued income	164	134
Cash and cash equivalents	620	640
Total current assets	**1,211**	**1,169**
Assets classified as held for sale	5	4
Total assets	**1,979**	**1,936**
LIABILITIES AND EQUITY		
Equity		
Equity attributable to the equity holders of the parent	(32)	(79)
Non-controlling interests	3	3
Total	**(29)**	**(76)**
Non-current liabilities		
Deferred tax liabilities	36	35
Provisions for pension liabilities	406	410
Other provisions	31	39
Long-term debt	225	227
Total	**698**	**711**
Current liabilities		
Trade accounts payable	169	188
Other provisions	39	44
Short-term debt	328	328
Other current liabilities	157	141
Income tax payable	11	8
Accrued current liabilities	606	592
Total	**1,310**	**1,301**
Total equity and liabilities	**1,979**	**1,936**