

Press release

The Hague, the Netherlands, 7 November 2022

PostNL reports normalised EBIT of €(20) million for Q3 2022

Financial highlights Q3 2022

in € million	Q3 2021	Q3 2022	% Change	YTD 2021	YTD 2022	% Change
Revenue	729	709	-3%	2,530	2,261	-11%
Normalised EBIT	23	(20)		216	23	-89%
<i>assumed to be non-recurring and related to Covid-19</i>	5	1		74	2	
Free cash flow	10	(49)		223	(39)	
Normalised comprehensive income	27	(3)		196	50	-75%

Key takeaways Q3 2022

- High inflation and low consumer confidence put pressure on consumer spending and growth expectations for e-commerce, and impact cost levels significantly
- Domestic volume growth at Parcels around 1%; overall volumes -1.1%, driven by decline in cross-border activities
- Volumes at Mail in the Netherlands -9.3% in line with expectations
- Free cash flow performance reflects step-down in normalised EBIT and phasing in working capital
- 23% improvement in carbon efficiency since end of 2021

CEO statement

Herna Verhagen, CEO of PostNL, said: “The macroeconomic environment has deteriorated and is causing further headwinds. The unprecedentedly high level of inflation puts further pressure on labour costs. In combination with low consumer confidence it has clearly impacted consumer spending. Retail shops as well as webshops are now signalling that their stocks are growing. We expect these headwinds to continue in the quarters to come, causing prolonged uncertainty.

“We are continuing to adjust our network capacity to volumes within the limits of the tight labour market, so as to maintain the necessary flexibility for our peak season and to safeguard customer and consumer service levels. As usual, we are prepared for a busy season with volumes at Parcels expected to be more or less in line with last year. On peak days, we are ready to deliver twice as many parcels than on a normal day. And of course we also expect to deliver a large number of seasonal greetings. Q4 will be the strongest quarter of the year and the key driver for our full year performance.

“Securing the company’s robust financial position is key for us in this challenging environment. We are taking all necessary measures to mitigate the impact from cost increases and a softer than anticipated volume development. Moreover, we are adjusting investments to align with volumes and manage working capital strictly.”

Mitigating actions

PostNL is focused on taking all necessary initiatives, while continuing to execute on its longer-term strategy. It is accelerating and intensifying its adaptive measures to improve efficiency and productivity and is applying active yield management with price adjustments. However, the benefits of these initiatives are lagging given the speed at which the operating environment is changing, putting pressure on margins.

These mitigating actions include:

- Active yield management and price adjustments going forward
- Reduction of indirect costs at Parcels
- Routes, staffing and fleet optimisation
- Adjusting investments (capex and leases) to align with volumes and strict working capital management
- Tight control of overhead costs: limiting and postponing project costs and a prudent approach to filling staff vacancies

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Executing on strategy while adhering to its financial policy

The focus of PostNL's strategy at Parcels is to capture e-commerce growth by balancing volume, value and capacity. At Mail in the Netherlands, PostNL is achieving stable results by successfully mitigating volume decline through a moderate pricing policy and cost savings initiatives. The company aims to further strengthen its competitive position by building on its platform, integrating customers, consumers and solutions through simple and smart digital journeys. The impact of its business activities on the environment and society at large are important for PostNL. Clear and ambitious ESG objectives are fully embedded in its strategy.

Further ESG progress

By increasing usage of renewable fuels and further electrification, PostNL improved the carbon efficiency of its own fleet by 23% in the first nine months of 2022. For 2022, PostNL will offset any remaining carbon emissions from own transport and that of delivery partners, cutting its footprint to net zero.

PostNL continues to work with partners, Works Council and social inspection to ensure social labour practices that comply with the relevant legal framework and are in line with common practice, both in the transport sector and the broader economy. In August, it announced that it will be taking thousands of additional parcel deliverers into its own payroll over the next few years, while encouraging delivery partners to grow and facilitating further professionalisation and sustainable development.

Negotiations on the PostNL and Saturday deliverers collective labour agreements are well underway.

Accelerating digital transformation

The acceleration of PostNL's digital transformation is progressing steadily. Consumers and customers are increasingly digitally connected to the company's platform. PostNL now has 7.5 million consumer accounts (Q3 2021: 6.6 million), of which 56% are actively used. Good progress has been made on the cross-border control platform that is being developed to determine the optimum route for an individual parcel by seamless integration of data, hardware and software.

PostNL intends to spend around €15 million (previously €20 million) on the acceleration of its digital transformation in 2022, of which €2 million was visible in the third quarter of 2022 (€10 million year-to-date).

Business performance Q3 2022

Although market share remained stable during the quarter, volume development at Parcels was below expectations, while at the same time PostNL faced rising labour and fuel costs. Overall, costs are increasingly high relative to volumes. Mail in the Netherlands continues to perform in line with expectations.

in €million, volume in million items	Volume		Revenue		Normalised EBIT	
	Q3 2021	Q3 2022	Q3 2021	Q3 2022	Q3 2021	Q3 2022
Parcels	81	80	505	506	27	(1)
Mail in the Netherlands	430	390	345	328	12	(1)
PostNL Other			52	56	(16)	(18)
Intercompany			(172)	(181)		
PostNL			729	709	23	(20)

Note: Normalised figures exclude one-offs in Q3 2022 (€1 million) and Q3 2021 (€0 million)

- €(4) million impact on normalised EBIT related to Covid-19 (Q3 2022: €1 million at Mail in the Netherlands; Q3 2021: €5 million at Mail in the Netherlands)
- €23 million organic cost increases
- €(1) million FX impact

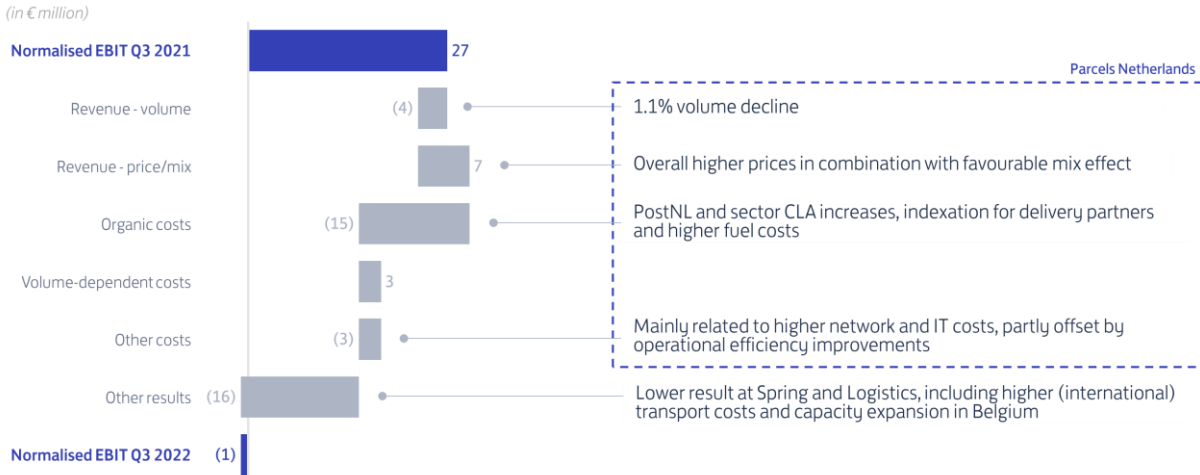
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Segment information

Parcels: Volumes lower than anticipated with rising costs

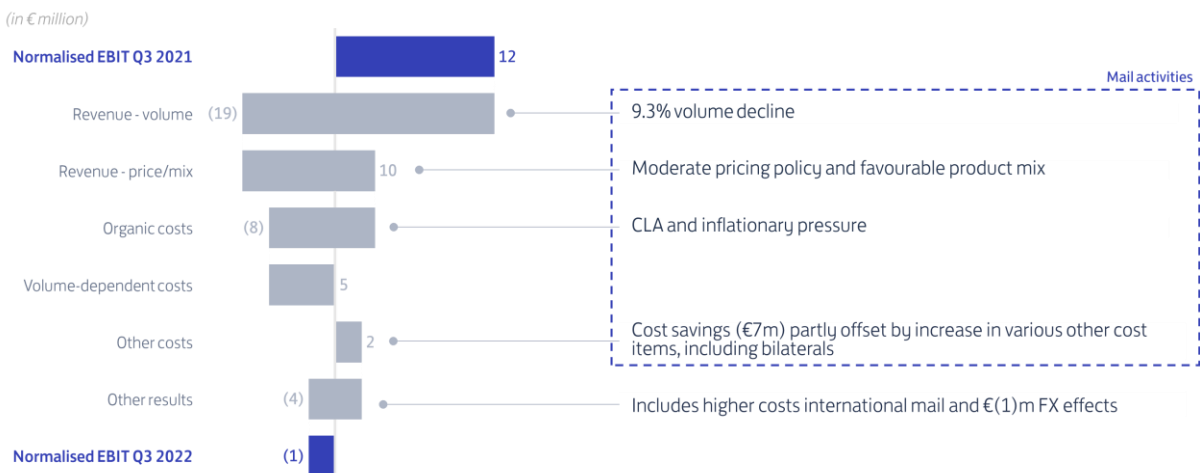
Normalised EBIT at Parcels came in at €(1) million (Q3 2021: €27 million).



Revenue was more or less stable at €506 million (Q3 2021: €505 million), following a positive price/mix impact that was partly offset by a volume decline of 1.1% in the quarter. Total volume development includes a decline in international volumes. Domestic parcel volumes rose by around 1%, reflecting a slower volume development despite a continued upward trend in e-commerce. Revenue at Spring and Logistics was more or less stable.

Mail in the Netherlands: Solid performance

Normalised EBIT at Mail in the Netherlands came in at €(1) million (Q3 2021: €12 million). In Q3 2022, the Covid-19 related impact was €1 million (Q3 2021: €5 million). Excluding this non-recurring Covid-19 impact, normalised EBIT declined by €10 million.



Revenue was down to €328 million (Q3 2021: €345 million), mainly explained by the volume decline and less international mail. Mail volumes decreased by 9.3% in the quarter, as a result of ongoing substitution and fewer Covid-19 related items. The price/mix effect was positive, reflecting the moderate pricing policy and a favourable shift in the overall mix.

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PostNL Other

Revenue at PostNL Other amounted to €56 million (Q3 2021: €52 million). Normalised EBIT came in at €(18) million (Q3 2021: €(16) million). Pension expense amounted to €43 million (Q3 2021: €40 million) and total regular pension cash contributions to €24 million (Q3 2021: €22 million).

Cash flow development

Free cash flow came in at €(49) million (Q3 2021: €10 million), reflecting the lower reported normalised EBIT and investments in working capital, mainly a result of phasing within the year and relatively large settlements of terminal dues. Cash-out related to the interim 2022 dividend paid in August was €50 million.

Key figures

in €million	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Revenue	729	709	2,530	2,261
Operating income	23	(21)	234	18
Profit for the period	12	(20)	190	(15)
Profit from continuing operations	13	(20)	168	(1)
Total comprehensive income	26	(4)	231	32
			31 December 2021	1 October 2022
Adjusted net debt			203	594
Consolidated equity			426	131

Outlook FY 2022

On 21 October 2022, PostNL announced that as a consequence of the further deteriorating macroeconomic environment and prolonged uncertainty, it is no longer realistic to assume that the FY 2022 outlook for normalised EBIT and free cash flow, as provided on 8 August, will materialise. PostNL is taking all necessary initiatives to safeguard its service level and the robustness of its financial position.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2021	65	61	65	65	256
2022	65	61	65	64	255

Financial calendar 2023

27 February 2023	Publication of Q4 & FY 2022 results
18 April 2023	Annual General Meeting of shareholders
8 May 2023	Publication of Q1 2023 results
7 August 2023	Publication of Q2 & HY 2023 results
6 November 2023	Publication of Q3 2023 results

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Audio webcast and conference call on Q3 2022 results

On 7 November 2022, at 11.00 am CET, a conference call for analysts and investors will start. It can be followed live via an audio webcast at <https://www.postnl.nl/en/about-postnl/investors/results-reports-trading-updates/>.

Additional information

Additional information is available at www.postnl.nl. Elements of this press release contain or may contain inside information within the meaning of article 7(1) of the EU Market Abuse Regulation.

Note that the numbers presented in this press release (tables and explanations of results) may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Caution on forward-looking statements

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

Use of non-GAAP information

In presenting and discussing the PostNL Group operating results, management uses certain non-GAAP financial measures. These non-GAAP financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used in conjunction with the most directly comparable IFRS measures. Non-GAAP financial measures do not have a standardised meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The main non-GAAP key financial performance indicator is normalised EBIT. Normalised EBIT is derived from the IFRS-based performance measure operating income adjusted for the impact of project costs and incidentals.

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Basis of preparation

The interim financial statements are reported on a year-to-date basis ending 1 October 2022. The information should be read in conjunction with the consolidated 2021 Annual Report of PostNL N.V. as published on 28 February 2022.

The measurement of profit and loss and assets and liabilities is based on 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 2021 Annual Report for the year ended 31 December 2021.

There are no IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2022 that would be expected to have a material impact on the Group's 2022 accounts.

Note that the numbers presented in the financial statements and disclosures thereto may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures due to rounding.

Acquisition of Sandd

On 27 September 2019, the State Secretary of Economic Affairs cleared the merger between PostNL and Sandd. Legal appeals have been filed by a number of parties against the approval. On 11 June 2020 the courts (Rechtbank Rotterdam) annulled the approval for consolidation in the Dutch postal market. The government appealed against the court decision. PostNL also decided to appeal. On 9 April 2021, the earlier approval of the merger was confirmed by a new decision taken by the State Secretary. This new decision, which has retroactive effect, has been included in the appeal procedure. On 2 July 2022, the Dutch Trade and Industry Appeals Tribunal ruled that the Minister for Economic Affairs and Climate Policy had been wrong to approve the merger of PostNL and Sandd. Although the approval and corresponding conditions are no longer valid, PostNL will continue to adhere to the conditions imposed in relation to the acquisition. The legality of the transaction is not at stake. As we obtained control as of the acquisition date of 22 October 2019, we have fully consolidated Sandd in our financial statements from that date going forward.

Auditor's involvement

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

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Consolidated interim financial statements

PostNL Consolidated statement of profit or loss in € million

	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Revenue from contracts with customers	723	707	2,513	2,251
Other operating revenue	6	2	16	10
Total operating revenue	729	709	2,530	2,261
Other income	1	1	24	7
Cost of materials	(15)	(20)	(47)	(60)
Work contracted out and other external expenses	(370)	(373)	(1,253)	(1,146)
Salaries, pensions and social security contributions	(266)	(268)	(838)	(837)
Depreciation, amortisation and impairments	(37)	(37)	(108)	(115)
Other operating expenses	(19)	(33)	(73)	(92)
Total operating expenses	(708)	(731)	(2,319)	(2,250)
Operating income	23	(21)	234	18
Interest and similar income	0	0	1	1
Interest and similar expenses	(6)	(5)	(16)	(17)
Net financial expenses	(5)	(4)	(15)	(16)
Results from investments in JVs/ associates	0	(0)	(0)	(0)
Profit/ (loss) before income taxes	18	(25)	219	2
Income taxes	(5)	6	(51)	(3)
Profit/ (loss) from continuing operations	13	(20)	168	(1)
Profit/ (loss) from discontinued operations	(1)	(0)	22	(13)
Profit for the period	12	(20)	190	(15)
Attributable to:				
Non-controlling interests	0	0	0	0
Equity holders of the parent	12	(20)	189	(15)
Earnings per ordinary share (in € cents) ¹	2.1	(4.0)	37.7	(3.0)
Earnings from continuing operations per ordinary share (in € cents) ¹	2.3	(3.9)	33.3	(0.3)
Earnings from discontinued operations per ordinary share (in € cents) ¹	(0.1)	(0.1)	4.4	(2.7)

¹ Based on an average of 494,176,750 outstanding ordinary shares (2021: 502,516,286).

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PostNL Consolidated statement of comprehensive income in €million

	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Profit for the period	12	(20)	190	(15)
Impact pensions, net of tax	13	15	41	44
Change in value of financial assets at fair value through OCI		(1)	1	(3)
Other comprehensive income that will not be reclassified to the income statement	13	13	42	42
Currency translation adjustment, net of tax	0	0	1	1
Gains/(losses) on cashflow hedges, net of tax	0	2	(0)	4
Other comprehensive income that may be reclassified to the income statement	0	2	0	5
Total other comprehensive income for the period	14	16	42	47
Total comprehensive income for the period	26	(4)	231	32
Attributable to:				
Non-controlling interests	0	0	0	0
Equity holders of the parent	26	(4)	231	32
Total comprehensive income attributable to the equity holders of the parent arising from:				
Continuing operations	27	(4)	209	46
Discontinued operations	(1)	(0)	22	(13)

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PostNL Consolidated statement of cash flows in € million

	Q3 2021	Q3 2022	YTD 2021	YTD 2022
Profit/ (loss) before income taxes	18	(25)	219	2
Adjustments for:				
Depreciation, amortisation and impairments	37	37	108	115
Share-based payments	1	1	2	2
(Profit)/loss on disposal of assets	(0)	(0)	(3)	(5)
(Profit)/loss on sale of Group companies			(16)	
Interest and similar income	(0)	(0)	(1)	(1)
Interest and similar expenses	6	5	16	17
Results from investments in JVs/ associates	(0)	0	0	0
Investment income	5	5	(3)	11
Pension liabilities	18	19	38	58
Other provisions	(5)	1	(5)	(5)
Changes in provisions	12	20	33	53
Inventory	(5)	1	(5)	(1)
Trade accounts receivable	22	26	15	62
Other accounts receivable	(1)	3	4	0
Other current assets excluding taxes	4	(6)	34	3
Trade accounts payable	42	35	7	6
Other current liabilities excluding short-term financing and taxes	(67)	(96)	(73)	(130)
Changes in working capital	(6)	(37)	(18)	(61)
Cash generated from operations	67	(0)	340	122
Interest paid	(5)	(5)	(12)	(12)
Income taxes received/ (paid)	3	9	(18)	(12)
Net cash (used in)/ from operating activities	64	4	310	98
Interest received	0	0	1	1
Disposal of subsidiaries	0		44	
Investments in JVs/ associates	(0)	(1)	(1)	(2)
Capital expenditure on intangible assets	(16)	(20)	(40)	(59)
Capital expenditure on property, plant and equipment	(25)	(16)	(51)	(41)
Proceeds from sale of property, plant and equipment	0	0	8	11
Changes in other loans receivable	(2)	1	(2)	2
Other changes in (financial) fixed assets	(1)	(0)	(0)	1
Net cash (used in)/ from investing activities	(43)	(36)	(41)	(87)
Dividends paid	(29)	(50)	(113)	(165)
Share buyback				(164)
Proceeds from short-term borrowings	1	0	1	0
Repayments of short-term borrowings	0	0	(1)	0
Repayments of lease liabilities/ incentives	(12)	(18)	(46)	(52)
Net cash (used in)/ from financing activities	(40)	(68)	(158)	(381)
Total change in cash from continuing operations	(19)	(100)	110	(370)
Cash at the beginning of the period	806	577	651	848
Cash transfers related to discontinued operations	(1)	(0)	25	(1)
Total change in cash from continuing operations	(19)	(100)	110	(370)
Cash at the end of the period	786	477	786	477

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PostNL Consolidated statement of financial position in € million

	31 December 2021	1 October 2022
Assets		
Goodwill	207	207
Other intangible assets	147	173
Intangible fixed assets	354	380
Land and buildings	254	251
Plant and equipment	141	145
Other equipment	13	13
Construction in progress	25	36
Property, plant and equipment	433	446
Right-of-use assets	289	277
Investments in joint ventures/associates	6	8
Loans receivable	20	18
Deferred tax assets	11	13
Financial assets at fair value through OCI	28	25
Financial fixed assets	65	64
Total non-current assets	1,141	1,166
Inventory	5	6
Trade accounts receivable	353	293
Accounts receivable	11	10
Income tax receivable	25	23
Prepayments and accrued income	90	111
Cash and cash equivalents	848	477
Total current assets	1,332	920
Assets classified as held for sale	11	5
Total assets	2,484	2,091
Equity and liabilities		
Equity attributable to the equity holders of the parent	426	131
Non-controlling interests	3	3
Total equity	429	134
Deferred tax liabilities	37	40
Provisions for pension liabilities	67	67
Other provisions	29	33
Long-term debt	697	697
Long-term lease liabilities	269	254
Other long-term liabilities	31	31
Total non-current liabilities	1,129	1,123
Trade accounts payable	168	169
Other provisions	21	11
Short-term debt	4	15
Short-term lease liabilities	65	63
Other current liabilities	111	145
Income tax payable	1	1
Contract liabilities	70	43
Accrued current liabilities	487	387
Total current liabilities	927	834
Total equity and liabilities	2,484	2,091