Press release

The Hague, the Netherlands, 2 November 2020

PostNL reports strong Q3 2020 performance

Full-year normalised EBIT expected to be at least €175 million

Financial highlights

in € million	Q3 2019	Q3 2020	YTD 2019	YTD 2020
Revenue	636	742	2,001	2,232
Normalised EBIT	26	36	95	105
Free cash flow	40	5	39	103

Highlights Q3 2020 and outlook FY 2020

- Strong operational performance in Parcels continued
- Realisation of anticipated benefits and synergies from combined mail network ahead of schedule
- Mail volume decline slowed compared with Q2
- Good underlying FCF performance, development in Q3 impacted by timing effects in line with expectations
- FY 2020 normalised EBIT expected to be at least €175 million
- Resumption of dividend for FY 2020 expected

CEO statement

Herna Verhagen, CEO of PostNL, said: "Together with all of our people, we have demonstrated the strength of our business model under challenging circumstances. With the pandemic numbers on the rise again, we remain vigilant in respecting all hygiene and safety measures within our operations and offices. The health and safety of our people, customers and consumers remains our key priority.

"Over the third quarter, we again reported a very good set of results. Strong operational performance at Parcels continued and the result at Mail in the Netherlands benefited from the combination of the mail networks. To prepare for our peak season, we are further scaling up capacity in Parcels, renting additional locations and transportation and hiring people for delivery and to staff our sorting centres. These will be also fully operational on Sundays, so as to accommodate the high volumes.

"On the back of our strong performance, supported by the impact of Covid-19 on online shopping, our financial position is improving significantly, buoyed up also by the announced sale-and-lease-back transaction. I am pleased to say that we expect to resume dividend payments over full-year 2020, earlier than expected. We will further accelerate digitalisation to strengthen our competitive position and contribute to customer satisfaction, which underpins our ambition to be the favourite deliverer in the Benelux region.

"Going forward, uncertainties seem to be increasing due to the second wave of the pandemic. Visibility remains limited and also depends on social distancing measures and potentially higher sick leave numbers as a result of the increasing number of infections, as well as macro-economic developments and consumer confidence."

Q3 2020 business performance

	Revenue		Normalised EBIT	
in € million	Q3 2019	Q3 2020	Q3 2019	Q3 2020
Parcels	401	490	27	49
Mail in the Netherlands	342	379	4	4
PostNL Other	19	25	(5)	(17)
Intercompany	(126)	(151)		
PostNL	**636**	**742**	**26**	**36**

Note: Normalised figures exclude one-offs in Q3 2020 (€0 million) and in Q3 2019 (€3 million)

- Normalised EBIT in Q3 2020 includes €(7) million for the extra payments to our people and €(9) million, as indicated before, from new labour regulation (€(2) million, mainly at Parcels) and higher non-cash pension expenses (€(7) million at PostNL Other)

Segment information Q3 2020

Parcels: strong performance continued

E-commerce growth has picked up significantly on the back of the step-up in the transition from offline to online since the outbreak of Covid-19 in mid-March. Part of the growth also related to specific, non-recurring, consumer spending as a result of the pandemic. As a consequence, PostNL expects the overall market growth rate to slow.

Volume growth at Parcels came in at 16.8% in Q3 2020 (YTD: 15.0%). Growth was visible across almost all segments and products, and was particularly strong among small and mid-sized webshops.

Revenue surged to €490 million (Q3 2019: €401 million), mainly driven by volume development and a positive price/mix effect, thanks to yield management measures (including improved pricing), along with favourable mix effects. Logistics and Spring also saw rising revenue, with sharp growth in e-commerce-related revenue at Spring, both in Asia and Europe. At Logistics, revenue increased in all business lines on the back of healthy e-commerce growth in relevant segments such as fulfilment.

Normalised EBIT was up very substantially to €49 million (Q3 2019: €27 million). This reflected the impact of €48 million from volume growth and a positive price/mix effect of €5 million, partly offset by volume-dependent costs which increased by only €34 million thanks to the efficient utilisation of our infrastructure. Organic costs, including higher costs as a result of adjusted labour legislation, increased by €5 million. Other costs were up €9 million as improved efficiency was more than offset by costs for extra cross dock capacity and the additional payments to our people. Other results rose by €16 million, with ongoing good performance at both Spring and Logistics driven by revenue growth and efficiency.

Mail in the Netherlands: volume decline slowed, result supported by consolidation of networks

Performance at Mail in the Netherlands was marked by volume decline, the positive impact of moderate pricing and the combination of the mail networks. The latter is ahead of schedule in delivering the anticipated benefits and synergies and contributed €8 million to normalised EBIT in the third quarter (YTD: €28 million). This net contribution reflects synergies (€14 million) minus one-off network integration costs (€6 million). For the last quarter of 2020, PostNL will focus on achieving further synergies. At the same time, restructuring charges of €24 million and other integration costs (€6 million) related to Sandd as recognised in Q4 2019 will not recur.

Addressed mail volumes declined by 10.4% in the quarter (YTD: 13.2%*). This includes a negative impact of around 3% related to Covid-19 (compared to 5% in Q2). Covid-19 also had an adverse effect on international mail. Bulk mail volumes declined again in the third quarter, as direct mail campaigns were postponed, however the rate of decline is slowing.

Revenue was up 11% to €379 million (Q3 2019: €342 million) driven by the consolidation of Sandd (€33 million), a volume decline impact of €16 million and price/mix effects of €9 million, the latter being supported by the temporary shift in product/mix due to Covid-19. The decline in Other revenue due to the disposal of non-core activities was fully compensated by international mail activities.

Normalised EBIT came in flat at €4 million (Q3 2019: €4 million). This reflected the total volume and price/mix impact (a combined €26 million) partly offset by a €9 million rise in volume-related costs. The increase in organic costs was €4 million. Other costs were up €17 million, and included integration costs of the mail networks as well as the additional payments to our people, partly compensated by cost savings and efficiency improvements. Other result was up €5 million, mainly as a result of the sale of non-core activities.

PostNL continues to implement cost savings initiatives, such as adjustments to the sorting and delivery process, streamlining of staff and centralising of locations. As indicated earlier, the phasing of some of these projects will be delayed due to the additional measures taken to apply social distancing guidelines in operations and facilities.

* YTD adjusted volume decline was 12.6% (three working days less); volume decline based on 2019 pro forma volume including a full year of Sandd volumes

PostNL Other

Revenue at PostNL Other amounted to €25 million (Q3 2019: €19 million). Normalised EBIT declined to €(17) million (Q3 2019: €(5) million), mainly as a result of higher pension expenses (an accounting impact only) as indicated earlier, together with higher costs related to IT and digitalisation.

Pensions

Pension expense amounted to €36 million (Q3 2019: €30 million) and total cash contributions were €26 million (Q3 2019: €30 million). On 30 September 2020, the pension fund's actual coverage ratio was 104.4%. The fund's 12-month average coverage ratio was 105.2%, above the minimum required funding level of 104.0%. Taking into account the resilience of the fund, no top-up payment obligation is expected.

Key figures

in € million	Q3 2019	Q3 2020	YTD 2019	YTD 2020
Revenue	636	742	2,001	2,232
Operating income	23	36	82	87
Profit for the period	6	24	8	52
Profit from continuing operations	13	24	53	57
Total comprehensive income	4	28	(2)	75
Free cash flow	40	5	39	103
			31 December 2019	26 September 2020
Adjusted net debt			736	618

Development of financial and equity position

Total equity attributable to equity holders of the parent company increased to €57 million as at 26 September 2020. This reflected a net profit of €24 million and a €4 million positive impact from pension, net of tax. Total comprehensive income rose to €28 million (Q3 2019: €4 million).

Free cash flow amounted to €5 million (Q3 2019: €40 million). Working capital is developing favourably thanks to strict working capital management and higher export volumes. The negative development in this quarter was due to expected phasing effects, mainly related to social security and other items related to labour costs, around €80 million in total (mainly phasing with HY1, partly with Q4) and a timing effect resulting from the settlement of terminal dues.

At the end of Q3 2020, the adjusted net debt position was €618 million, compared with €614 million at the end of Q2 2020 and €736 million at the end of 2019.

On 6 October 2020 PostNL announced that it has entered into a sale-and-leaseback transaction relating to four mail sorting centres and the international sorting centre. PostNL will receive proceeds of €150 million from this transaction. The related book gain of around €61 million will be labelled as a one-off result and as such will not impact normalised EBIT and normalised comprehensive income. The net proceeds will improve the free cash flow for 2020. Taking into account the long-term lease arrangements related to this transaction, the impact on the adjusted net debt position will be approximately €97 million, improving the leverage ratio. The transaction is expected to close in November 2020, subject to customary closing conditions.

Environmental, social and governance (ESG)

Employee satisfaction showed a substantial improvement in the percentage of motivated people, to a level that is above the sector benchmark. According to a recently conducted, annual survey, employees are especially proud to be able to contribute to the continuation of our service under unprecedented circumstances. The level of satisfaction of our delivery partners and their employees increased significantly as well, according to an annual, external survey.

As it operates at the heart of communities across the Benelux area, PostNL continues to seek opportunities to contribute to a liveable society. For example, it has joined a pilot to support welfare organisations in fighting loneliness among elderly people in Rotterdam.

As a logistics service provider, PostNL is aware of the impact it has on the environment, which is why it is working with employees, customers, partners and suppliers to make the supply chain more sustainable. This will help to achieve its ambition of becoming an emission-free last-mile delivery service provider in the Benelux by 2030. Currently, PostNL is running a pilot for part of its fleet to use HVO100 (100% hydrotreated vegetable oil) with the aim of contributing to PostNL's sustainability targets.

Outlook FY 2020

in € million	Initial outlook FY 2020 (24 February 2020)	Outlook FY 2020 (3 August 2020)	Outlook FY 2020 since trading update (6 October 2020)
Normalised EBIT	110 - 130	strongly above 110 - 130	> 175
Free cash flow*	(315) - (285)	strong improvement compared to (215) - (185)**	additional positive impact from: - upward adjustments normalised EBIT - sale-and-leaseback transaction - positive working capital development due to more export volumes

* Cash flow before dividend, acquisitions, redemption of bonds/other financing activities; after payment of leases
** Including €100 million improvement following the final agreement on transitional plans (2 June 2020)

As announced on 6 October 2020, PostNL expects FY 2020 normalised EBIT to amount to at least €175 million.

Free cash flow for FY 2020 is expected to show strong improvement compared to €(215) million to €(185) million. The expected improvement in normalised EBIT as compared with the initial outlook will convert into cash. On top of this, PostNL has announced a sale-and-leaseback agreement that is expected to result in around €150 million of proceeds to be visible in the free cash flow for 2020. Working capital investments for FY 2020 should be lower than anticipated due to strict working capital management and higher export volumes more than compensating the effect from higher revenue.

The second wave of the pandemic brings increasing uncertainties going forward. Visibility for Q4, our peak season, and for 2021 remains limited and depends on renewed social distancing measures and, potentially, higher sick leave numbers, as well as macro-economic developments and consumer confidence. This may impact spending during the festive season, but also in 2021.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2019	63	62	65	65	255
2020	62	60	65	68	255

Financial calendar

1 March 2021	Publication of Q4 and FY 2020 results
10 May 2021	Publication of Q1 2021 results
9 August 2021	Publication of Q2 & HY 2021 results
8 November 2021	Publication of Q3 2021 results

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Audio webcast and conference call on Q3 2020 results

On 2 November 2020, at 11.00 am CET, the conference call for analysts and investors will start. It can be followed live via an audio webcast at **www.postnl.nl/en/about-postnl/investors/results-reports-presentations/**.

Additional information

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

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

Caution on forward-looking statements

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

Use of non-GAAP information

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

Basis of preparation

The interim financial statements are reported on a year-to-date basis ending 26 September 2020. The information should be read in conjunction with the consolidated 2019 Annual Report of PostNL N.V. as published on 24 February 2020.

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 2019 Annual Report for the year ended 31 December 2019.

There are no IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2020 that would be expected to have a material impact on the 2020 accounts of the Group.

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

Classification Nexive and Postcon

In line with PostNL's strategy to become *the* logistics and postal solutions provider in the Benelux region, PostNL has decided to divest Nexive and Postcon. On 3 August 2018, the classification criteria of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' were met. Accordingly, as of Q3 2018, Nexive and Postcon have been reported as 'held for sale' and the results and cash flows have been reported as 'discontinued operations'. The sale of Postcon was completed on 31 October 2019 and the sale of Nexive on 1 July 2020.

Covid-19 impact assessment

In Q2 2020, management assessed the impact of Covid-19 on all material assets and liabilities. We performed a review for impairment triggers on goodwill and other intangibles, PP&E and Right-of-Use assets. We also analysed the trade accounts receivable position and customers' payment behaviour. And last we assessed the need to make adjustments to the fair value accounted financial assets and balance sheet positions related to our non-current assets held for sale. The assessment did not reveal any need for significant negative adjustments to the accounts mentioned per HY 2020. In Q3 2020, management's re-assessment of the most critical accounts aligned to the outcome reached in Q2 2020. Given the uncertainties still present, management will reperform their assessment per FY 2020.

Acquisition of Sandd

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

Sale-and-leaseback agreement

On 6 October 2020 PostNL announced that it has entered into a sale-and-leaseback agreement relating to five sorting centres in the Netherlands. PostNL will receive proceeds of €150 million from the sale-and-leaseback transaction. The related book gain is expected to be around €61 million. Taking into account the long-term lease arrangements related to this transaction, the impact on the adjusted net debt position will be approximately €97 million, improving the leverage ratio. The transaction is expected to close in November 2020, subject to customary closing conditions, and will be recorded in our Q4/FY 2020 financial statements.

Auditor's involvement

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

PostNL Consolidated income statement in € million

	Q3 2019	Q3 2020	YTD 2019	YTD 2020
Revenue from contracts with customers	633	738	1,990	2,220
Other operating revenue	3	4	11	12
Total operating revenue	**636**	**742**	**2,001**	**2,232**
Other income	**2**	**1**	**4**	**2**
Cost of materials	(15)	(14)	(48)	(43)
Work contracted out and other external expenses	(307)	(362)	(932)	(1,054)
Salaries, pensions and social security contributions	(230)	(268)	(750)	(843)
Depreciation, amortisation and impairments	(36)	(36)	(107)	(125)
Other operating expenses	(27)	(27)	(86)	(82)
Total operating expenses	**(615)**	**(708)**	**(1,923)**	**(2,147)**
Operating income	**23**	**36**	**82**	**87**
Interest and similar income	0	0	2	1
Interest and similar expenses	(4)	(4)	(13)	(13)
Net financial expenses	**(4)**	**(4)**	**(11)**	**(11)**
Results from investments in JVs/associates	**0**	**(0)**	**0**	**(0)**
Profit/(loss) before income taxes	**19**	**31**	**71**	**75**
Income taxes	**(6)**	**(8)**	**(18)**	**(19)**
Profit/(loss) from continuing operations	**13**	**24**	**53**	**57**
Profit/(loss) from discontinued operations	**(7)**	**0**	**(45)**	**(4)**
Profit for the period	**6**	**24**	**8**	**52**
Attributable to:				
Non-controlling interests		(0)		(0)
Equity holders of the parent	6	24	8	52
Earnings per ordinary share (in € cents) [1]	1.3	4.9	1.7	10.6
Earnings from continuing operations per ordinary share (in € cents) [1]	2.7	4.9	11.1	11.5
Earnings from discontinued operations per ordinary share (in € cents) [1]	(1.4)	0.0	(9.4)	(0.9)

1 Based on an average of 494,506,614 outstanding ordinary shares (2019: 478,632,460).

The results are impacted by a consolidation effect of eliminated intercompany income/charges between continuing operations and discontinued operations. Excluding this effect, operating income in Q3 2020 amounted to €36 million (Q3 2019: €24 million) and in YTD 2020 to €88 million (YTD 2019: €82 million). Likewise, excluding this effect, profit/(loss) from discontinued operations in Q3 2020 amounted to €0 million (Q3 2019: €(8) million) and in YTD 2020 €(5) million (YTD 2019: €(45) million).

PostNL Consolidated statement of comprehensive income in € million

	Q3 2019	Q3 2020	YTD 2019	YTD 2020
Profit for the period	**6**	**24**	**8**	**52**
Impact pensions, net of tax	(1)	4	(10)	23
Change in value of financial assets at fair value through OCI		0	3	(1)
Other comprehensive income that will not be reclassified to the income statement	**(1)**	**4**	**(7)**	**23**
Currency translation adjustment, net of tax	0	(0)	0	(0)
Gains/(losses) on cashflow hedges, net of tax	(1)	0	(3)	0
Other comprehensive income that may be reclassified to the income statement	**(1)**	**0**	**(3)**	**(0)**
Total other comprehensive income for the period	**(2)**	**4**	**(10)**	**23**
Total comprehensive income for the period	**4**	**28**	**(2)**	**75**
Attributable to:				
Non-controlling interests	0	(0)	0	(0)
Equity holders of the parent	4	28	(2)	75
Total comprehensive income attributable to the equity holders of the parent arising from:				
Continuing operations	11	28	43	79
Discontinued operations	(7)	0	(45)	(4)

PostNL Consolidated statement of cash flows in € million

	Q3 2019	Q3 2020	YTD 2019	YTD 2020
Profit/(loss) before income taxes	**19**	**31**	**71**	**75**
Adjustments for:				
Depreciation, amortisation and impairments	36	36	107	125
Share-based payments		1	1	2
(Profit)/loss on disposal of assets	(2)	(1)	(4)	(2)
Interest and similar income	0	(0)	(2)	(1)
Interest and similar expenses	4	4	13	13
Results from investments in JVs/associates	0	0	0	0
Investment income	**2**	**3**	**7**	**10**
Pension liabilities	0	10	7	30
Other provisions	(1)	(7)	(8)	(35)
Changes in provisions	**(1)**	**3**	**(1)**	**(5)**
Inventory	1	0		0
Trade accounts receivable	16	11	51	(4)
Other accounts receivable	(5)	6	(6)	17
Other current assets excluding taxes	(9)	31	1	27
Trade accounts payable	11	(21)	(3)	(74)
Other current liabilities excluding short-term financing and taxes	(5)	(58)	(77)	25
Changes in working capital	**9**	**(31)**	**(34)**	**(9)**
Cash generated from operations	**65**	**43**	**151**	**199**
Interest paid	(1)	(4)	(5)	(7)
Income taxes received/(paid)	0	(3)	(43)	(11)
Net cash (used in)/from operating activities	**64**	**37**	**103**	**181**
Interest received	1	0	3	1
Acquisition of subsidiairies (net of cash)		0	(1)	0
Disposal of subsidiaires		(0)		6
Investments in JVs/associates	(1)	(1)	(1)	(1)
Capital expenditure on intangible assets	(7)	(9)	(21)	(21)
Capital expenditure on property, plant and equipment	(6)	(9)	(17)	(16)
Proceeds from sale of property, plant and equipment	3	2	8	4
Other changes in (financial) fixed assets		0	5	1
Net cash (used in)/from investing activities	**(10)**	**(15)**	**(24)**	**(26)**
Dividends paid	(23)	0	(71)	0
Changes related to non-controlling interests		0		(1)
Proceeds from long-term borrowings	297	0	297	(0)
Repayments of short-term borrowings		0	(1)	(1)
Repayments of lease liabilities	(14)	(16)	(41)	(51)
Net cash (used in)/from financing activities	**260**	**(16)**	**184**	**(53)**
Total change in cash from continuing operations	**314**	**5**	**263**	**102**
Cash at the beginning of the period	**214**	**573**	**269**	**480**
Cash transfers related to discontinued operations	(3)	(10)	(7)	(13)
Total change in cash from continuing operations	314	5	263	102
Cash at the end of the period	**525**	**569**	**525**	**569**
Total change in cash from discontinued operations	**(23)**	**(0)**	**(16)**	**(11)**

PostNL Consolidated statement of financial position in € million

	31 December 2019	26 September 2020
Assets		
Goodwill	224	225
Other intangible assets	140	128
Intangible fixed assets	**364**	**353**
Land and buildings	272	259
Plant and equipment	119	104
Other	13	12
Construction in progress	10	21
Property, plant and equipment	**414**	**396**
Right-of-use assets	**259**	**229**
Investments in joint ventures/associates	3	2
Loans receivable	6	12
Deferred tax assets	65	77
Financial assets at fair value through OCI	15	15
Financial fixed assets	**89**	**106**
Total non-current assets	**1,126**	**1,084**
Inventory	4	4
Trade accounts receivable	271	275
Accounts receivable	51	28
Income tax receivable	1	2
Prepayments and accrued income	114	89
Cash and cash equivalents	480	569
Total current assets	**921**	**968**
Assets classified as held for sale	**91**	**8**
Total assets	**2,138**	**2,060**
Equity and Liabilities		
Equity attributable to the equity holders of the parent	(21)	57
Non-controlling interests	3	2
Total equity	**(18)**	**59**
Deferred tax liabilities	0	0
Provisions for pension liabilities	283	283
Other provisions	26	28
Long-term debt	695	696
Long-term lease liabilities	201	183
Total non-current liabilities	**1,205**	**1,190**
Trade accounts payable	197	123
Other provisions	53	16
Short-term debt	1	6
Short-term lease liabilities	63	55
Other current liabilities	110	144
Income tax payable	9	30
Contract liabilities	67	44
Accrued current liabilities	351	392
Total current liabilities	**851**	**811**
Liabilities related to assets classified as held for sale	**100**	0
Total equity and liabilities	**2,138**	**2,060**