Results PostNL Q3 2016

The Hague, 7 November 2016

Q3 2016 results according to plan

Financial highlights Q3 2016

- Revenue stable at €770 million (Q3 2015: €780 million)
- Underlying cash operating income increased to €27 million (Q3 2015: €23 million)
- Long term debt reduced to €557 million (Q2 2016: €913 million)
- Net cash from operating and investing activities of €(105) million, includes bond buyback, acquisition of Yourzine and Searchresult and development in working capital (Q3 2015: €18 million)
- Profit for the period €20 million, adjusted for the impact from bond buyback of €(29) million (Q3 2015: €18 million)

Operational highlights Q3 2016

- Addressed mail volume declined by 5.9%
- Quality well above minimum statutory level
- €13 million cost savings realised
- Parcels volume grew by 12%
- Improved performance International

Outlook 2016 and 2017

- Full year underlying cash operating income
  - 2016 outlook: €220 million - €260 million
  - 2017 outlook: reconfirmed to be in the range of €230 million - €270 million
- Expectation of and commitment to resuming our dividend in 2017

in € millions, except where noted	**Q3 2016**	Q3 2015	% Change	**YTD 2016**	YTD 2015	% Change
Revenue	**770**	780	*-1%*	**2,458**	2,454	*0%*
Operating income	**42**	44	*-5%*	**162**	190	*-15%*
Underlying operating income	**44**	40	*10%*	**186**	202	*-8%*
Changes in pension liabilities	**(10)**	(3)		**(22)**	(12)	
Changes in provisions	**(7)**	(14)		**(29)**	(34)	
Underlying cash operating income	**27**	23	*17%*	**135**	156	*-13%*
Profit for the period	**(9)**	18		**196**	48	
*Excluding bond buyback and TNT Express**	*20*	*18*		*80*	*46*	
Net cash from/(used in) operating and investing activities	**(105)**	18		**537**	(14)	
*Excluding bond buyback and sale TNT Express**	*(62)*	*18*		*(63)*	*(14)*	

Note: underlying figures exclude €2 million one-offs in Q3 2016 (€2 million restructuring related charges) and €(4) million in Q3 2015.
* Only in YTD figures

CEO statement

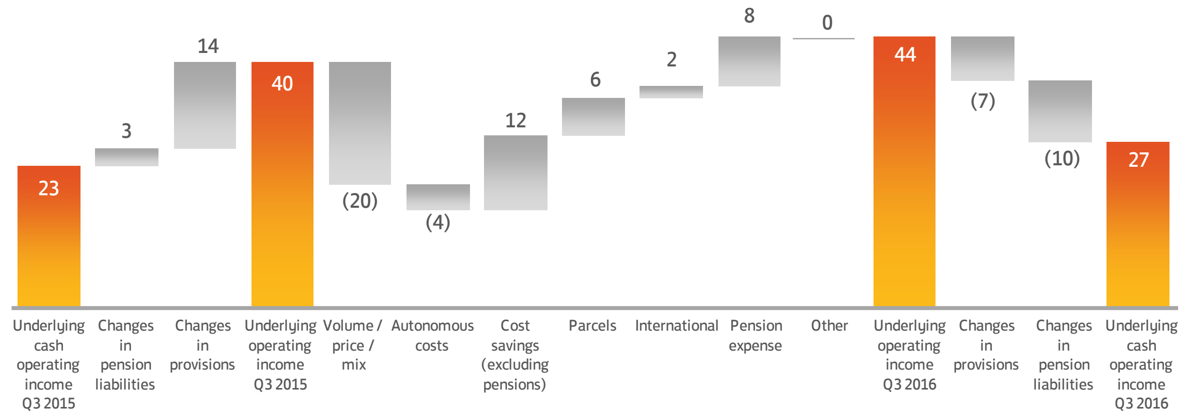
Herna Verhagen, CEO of PostNL: "Our third quarter results were in line with expectations. The year-to-date performance gives us confidence in delivering our full year outlook. We reconfirm the earlier given range for the 2016 estimated underlying cash operating income of between €220 million and €260 million.

The trend in Parcels continued to be very solid. We recorded another quarter of strong volume growth and improved results, even though milk powder volumes declined. Mail in the Netherlands again delivered results according to plan, taking into account the volume decline, the impact from our adjusted market approach and the measures announced by the regulator (ACM). Our restructuring projects continue to generate the expected cost savings. The performance in International improved as we anticipated.

In the third quarter we made further progress in innovation, one of the drivers of our strategy. Our Return on Demand service, the collection of return parcels at home, is now available nationwide and we see growing demand for our same-day parcel delivery proposition. The acquisition of Yourzine and Searchresult will allow us to further extend our capabilities in data-driven marketing services, underpinning our direct marketing proposition. All these are steps that will help us to realise our aim to be the postal & logistic solution provider in chosen markets.

Furthermore, we further improved our financial position, by using part of the proceeds of the sale of our stake in TNT Express to reduce our debt. We re-iterate our expectation of and commitment to resuming dividend in 2017."

Business performance Q3 2016



in € million	Revenue		Underlying operating income		Underlying cash operating income	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Mail in the Netherlands	412	426	16	30	5	14
Parcels	227	218	23	17	22	16
International	239	229	4	2	4	(1)
PostNL Other	43	45	1	(9)	(4)	(6)
Intercompany	(151)	(138)				
PostNL	**770**	**780**	**44**	**40**	**27**	**23**

Note: underlying figures exclude one-offs

Segment information Q3 2016

Mail in the Netherlands

Mail in the Netherlands performed according to plan. Revenue was €412 million, slightly below last year (Q3 2015: €426 million). This is mainly explained by the volume decline and a negative price/mix effect, partly compensated by an increase in internal revenue related to cross border mail. Underlying cash operating income amounted to €5 million (Q3 2015: €14 million). Cost savings (€10 million) and other (€5 million) were more than offset by the negative volume/price/mix effect in addressed mail (€20 million), autonomous cost increases (€3 million) and higher cash out from pensions and provisions (€1 million). Other effects include, amongst others, higher bilaterals, a gain on the sale of real estate, the impact of competitive pricing in unaddressed and lower other costs.

Mail in the Netherlands' addressed mail volume decreased by 5.9% in the quarter; with the decline in the Dutch mail market being around 10% year-to-date.

With a quality level of 97.1% in Q3 2016, we continue to perform well above the statutory minimum level of 95%.

Cost savings plans: €13 million realised in Q3 2016

Subject	Q3 2016
Efficiency sorting process	• Four sorting machines with coding capabilities tested and now operational • Preparation to adjust process started
Efficiency delivery process	• 10 depots migrated and 8 locations optimised • Implementation of operational processes evaluated; personnel restructuring completed
Optimise retail network	• Reduction in postal offices and growth in parcel points well underway • Roll-out of reduction in post boxes on schedule, implemented in two provinces in Q3
Staff and management	• Further reduction of staff

Regulatory developments

On 9 June 2016, ACM published a new draft decision on significant market power for consultation. The day before, the Ministry of Economic Affairs published a draft policy guideline for consultation about the interpretation of significant market power as laid down in the Postal Act. PostNL has submitted its view on both documents. Since the previous quarter the status is unchanged.

As earlier indicated (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 be visible over a 3-4 year period (2016-2019).

Parcels

Volume increased by 12%. Strong growth in our domestic 2C volume followed the continuing positive trend experienced in relation to e-commerce development. We further strengthened our market position in 2B. Revenue in Parcels comprises 2B, 2C and international parcels (all volume related) and logistics & other (non-volume related). Revenue increased by 4% to €227 million. In the volume-related business, volume growth was strong and came with a negative product/customer mix effect (mainly due to an expected decline in milk powder volumes). Revenue in the non-volume related part of our business was lower.

Increased volume and revenue translated into an improvement in business performance and operational efficiency and was supported by the non-recurring costs related to the actions of subcontractors in the prior year. Underlying cash operating income was €22 million (Q3 2015: €16 million). We are on track with the implementation of the sustainable delivery model to reach a targeted goal of more own personnel.

We continue to focus on sustainable innovation to deliver profitable growth and see increasing demand for value-added services, such as same-day delivery and return solutions.

International

International revenue increased by 4% to €239 million (Q3 2015: €229 million). Adjusted for FX effects, revenue was up 5%. Underlying cash operating income was €4 million (Q3 2015: €(1) million).

In Germany, revenue amounted to €112 million, slightly below prior year (Q3 2015: €115 million), while performance improved, supported by incidentals. We continue to focus on further cost savings and business optimisation.

In Italy, revenue was €51 million (Q3 2015: €55 million). Revenue growth in parcels was more than offset by a decline in Formula Certa. The performance improved, mainly due to the effect of an incidental in the prior year's result. The roll-out of the parcels network shows good progress and start-up losses are declining. Commercial and cost savings initiatives will improve business performance.

Revenue for Spring and other increased by 29% to €76 million (Q3 2015: €59 million). Adjusted for FX effects, revenue growth was 31%. The performance was driven by increasing cross border e-commerce volumes, both from Asia and within Europe.

PostNL Other

Revenue in PostNL Other was €43 million (Q3 2015: €45 million). Underlying cash operating income increased to €(4) million (Q3 2015: €(6) million), mainly explained by cost savings.

Pensions

The pension expense in Q3 2016 amounted to €25 million (Q3 2015: €33 million). The total cash contributions were €35 million (Q3 2015: €36 million). In Q3 2016, the net actuarial loss on pensions amounted to €5 million.

In line with IAS 19 guidelines, any limitation on cash payments should be included in the determination of the ultimate cost of the benefits. According to the financing agreement with the main pension fund, the cash exposure for PostNL is maximised. Application of a liability ceiling aligns the accounting obligation with the funding arrangements. Analysis shows that, with regard to the main pension plan, the pension liability is expected to be capped at the unconditional funding obligation of €129 million plus estimated top-up payments.

On 30 September 2016, the main pension fund's 12 months average coverage ratio was 103.5%, below the minimum required funding level of 104.0%. This triggered the start of a 5-year recovery period, in which top-up payments might apply. Projections show no expected top-up payment obligation per Q3 2016, resulting in a pension liability for the main pension plan equal to the unconditional funding obligation of €129 million.

Development equity and financial position

Total equity attributable to equity holders of the parent declined to €(189) million on 1 October 2016 from €(177) million at the end of Q2 2016. The decline is explained by the profit for the period adjusted for the bond buyback of €20 million, the equity impact from the bond buyback of €(26) million, the impact from pensions of €(5) million and other items of €(1) million.

In Q3 2016, net cash from operating and investing activities was €(105) million, in line with our expectations, and is almost fully explained by the impact from the bond buyback (€43 million), the acquisition of Yourzine and Searchresult (€21 million) and working capital, which is expected to improve in the fourth quarter due to phasing and the seasonal pattern.

Outlook 2016

(in € millions)	Revenue 2015	Revenue 2016 outlook	Underlying cash operating income / margin 2015		2016 outlook
Mail in the Netherlands	1,961	- mid single digit	204	*(10.4%)*	8% to 10%
Parcels	917	+ mid single digit	101	*(11.0%)*	9% to 11%
International	983	+ mid single digit	19	*(1.9%)*	2% to 4%
PostNL Other / eliminations	(400)		(21)		
Total	**3,461**	**stable**	**303**		**220 to 260**

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2015	61	60	65	68	254
2016	**64**	**62**	**65**	**64**	**255**

Financial calendar

27 February 2017	Publication of Q4 & FY 2016 results
8 May 2017	Publication of Q1 2017 results
7 August 2017	Publication of Q2 & HY 2017 results
6 November 2017	Publication of Q3 2017 results

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Audio webcast and conference call Q3 2016 results

On 7 November 2016, 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.

Consolidated interim financial statements

Basis of preparation

The interim financial statements are reported on a year-to-date basis ending 1 October 2016. The information should be read in conjunction with the consolidated 2015 Annual Report of PostNL N.V. as published on 29 February 2016.

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 2015 Annual Report for the year ended 31 December 2015.

Sale of stake in TNT Express
On 25 May 2016, PostNL completed the sale of its 14.6% stake in TNT Express to FedEx at a price of €8.00 per share, resulting in gross cash proceeds of €643 million and a profit of €145 million. The profit includes the positive effect of €136 million from the recycling through the income statement of the fair value adjustments previously recognised in other comprehensive income. In accordance with IAS 39, the 14.6% stake in TNT Express was considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income. In the income statement, the profit of €145 million has been included in the interest and similar income.

Acquisition of Yourzine and Searchresult
On 30 September 2016, PostNL has acquired online marketing agencies Yourzine and Searchresult. The acquired business will be reported within the segment Mail in the Netherlands. The purchase price amounted to €22 million. The purchase price allocation resulted in goodwill of €14 million. The goodwill will be included in the CGU Mail in the Netherlands.

Pensions – liability ceiling and assessment of top-up payments
In line with IAS 19 guidelines, any limitation on cash payments should be included in the determination of the ultimate cost of the benefits. According to the financing agreement with the main pension fund the cash exposure for PostNL is maximised. Application of a liability ceiling aligns the accounting obligation with the funding arrangements. Analysis shows that, with regard to the main pension plan, the pension liability is expected to be capped at the unconditional funding obligation of €129 million plus estimated top-up payments.

On 30 September 2016, the main pension fund's 12 months average coverage ratio was 103.5%, below the minimum required funding level of 104.0%. This triggered the start of a 5-year recovery period, in which top-up payments might apply. Projections show no expected top-up payment obligation per Q3 2016, resulting in a pension liability for the main pension plan equal to the unconditional funding obligation of €129 million.

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	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Net sales	768	777	2,451	2,446
Other operating revenue	2	3	7	8
Total operating revenue	**770**	**780**	**2,458**	**2,454**
Other income	2	0	2	3
Cost of materials	(14)	(15)	(47)	(46)
Work contracted out and other external expenses	(393)	(393)	(1,240)	(1,173)
Salaries, pensions and social security contributions	(260)	(272)	(829)	(872)
Depreciation, amortisation and impairments	(23)	(23)	(68)	(68)
Other operating expenses	(40)	(33)	(114)	(108)
Total operating expenses	**(730)**	**(736)**	**(2,298)**	**(2,267)**
Operating income	**42**	**44**	**162**	**190**
Interest and similar income	1	2	147	10
Interest and similar expenses	(56)	(20)	(92)	(68)
Net financial expenses	**(55)**	**(18)**	**55**	**(58)**
Results from investments in jv's/associates	1	0	2	(1)
Profit/(loss) before income taxes	**(12)**	**26**	**219**	**131**
Income taxes	3	(7)	(23)	(38)
Profit/(loss) from continuing operations	**(9)**	**19**	**196**	**93**
Profit/(loss) from discontinued operations		(1)		(45)
Profit for the period	**(9)**	**18**	**196**	**48**
Attributable to:				
Non-controlling interests			1	
Equity holders of the parent	(9)	18	195	48
Earnings per (diluted) ordinary share (in €cents) [1]	(2.1)	4.1	44.1	10.9
Earnings from continuing operations per (diluted) ordinary share (in €cents) [1]	(2.1)	4.3	44.1	21.1
Earnings from discontinued operations per (diluted) ordinary share (in €cents) [1]		(0.2)		(10.2)

1 Based on an average of 442,221,537 outstanding ordinary shares (2015: 441,266,138).

Consolidated statement of comprehensive income

in € millions	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Profit for the period	**(9)**	**18**	**196**	**48**
Other comprehensive income that will not be reclassified to the income statement				
Impact pensions, net of tax	(5)	(43)	(32)	(12)
Share other comprehensive income jv's/associates				1
Other comprehensive income that may be reclassified to the income statement				
Currency translation adjustment, net of tax from continuing operations			(2)	1
Currency translation adjustment, net of tax from discontinued operation		1		2
Gains/(losses) on cashflow hedges, net of tax	2	(4)	4	1
Change in value of available-for-sale financial assets		(56)	8	113
Recycling of change in value of available-for-sale financial assets			(136)	
Total other comprehensive income for the period	**(3)**	**(102)**	**(158)**	**106**
Total comprehensive income for the period	**(12)**	**(84)**	**38**	**154**
Attributable to:				
Non-controlling interests			1	
Equity holders of the parent	(12)	(84)	37	154
Total comprehensive income attributable to the equity holders of the parent arising from:				
Continuing operations	(12)	(84)	38	197
Discontinued operations		0		(43)

The line interest and similar income includes results related to the stake in TNT Express. In YTD 2016, profit for the period excluding the results from the stake in TNT Express was €51 million (YTD 2015: €46 million). The loss from discontinued operations in Q3 2015 / YTD 2015 related to Whistl, our former UK business entity, which was sold in Q4 2015.

Consolidated statement of cash flows

in € millions	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Profit/(loss) before income taxes	**(12)**	**26**	**219**	**131**
Adjustments for:				
Depreciation, amortisation and impairments	23	23	68	68
Share-based payments	1		3	2
(Profit)/loss on assets held for sale	(2)		(2)	(2)
Interest and similar income	(1)	(2)	(147)	(10)
Interest and similar expenses	56	20	92	68
Results from investments in jv's/associates	(1)		(2)	1
Investment income	**52**	**18**	**(59)**	**57**
Pension liabilities	(10)	(3)	(22)	(12)
Other provisions	(8)	(21)	(27)	(39)
Changes in provisions	**(18)**	**(24)**	**(49)**	**(51)**
Inventory	1		(1)	(1)
Trade accounts receivable	20	8	23	16
Other accounts receivable	3	(14)	7	(15)
Other current assets	8	6	(5)	5
Trade accounts payable	(37)	(24)	(12)	(19)
Other current liabilities excluding short-term financing and taxes	(26)	41	(93)	(5)
Changes in working capital	**(31)**	**17**	**(81)**	**(19)**
Cash generated from operations	**15**	**60**	**101**	**188**
Interest paid	(71)	(29)	(73)	(44)
Income taxes received/(paid)	(1)	(1)	(68)	(107)
Net cash (used in)/from operating activities	**(57)**	**30**	**(40)**	**37**
Interest received			2	2
Dividends received				2
Acquisition of subsidiairies (net of cash)	(22)		(22)	(5)
Disposal of subsidiaires			(4)	
Capital expenditure on intangible assets	(7)	(5)	(20)	(20)
Capital expenditure on property, plant and equipment	(23)	(11)	(37)	(37)
Proceeds from sale of property, plant and equipment	4	3	14	6
Proceeds from sale of available-for-sale financial assets			643	
Other changes in (financial) fixed assets		1	1	1
Net cash (used in)/from investing activities	**(48)**	**(12)**	**577**	**(51)**
Changes related to non-controlling interests	1		(10)	
Repayments of long term borrowings	(357)		(357)	(2)
Proceeds from short term borrowings	(2)	(3)		
Repayments of short term borrowings	(1)		(1)	(363)
Repayments of finance leases		(1)	(1)	(1)
Net cash (used in)/from financing activities	**(359)**	**(4)**	**(369)**	**(366)**
Total change in cash from continuing operations	**(464)**	**14**	**168**	**(380)**
Cash at the beginning of the period	**987**	**191**	**355**	**585**
Total change in cash from continuing operations	(464)	14	168	(380)
Cash at the end of the period	**523**	**205**	**523**	**205**
Total change in cash from discontinued operations		**8**		**(9)**

Consolidated statement of financial position

in € millions	1 October 2016	31 December 2015
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	105	90
Other intangible assets	65	56
Total	**170**	**146**
Property, plant and equipment		
Land and buildings	324	343
Plant and equipment	128	134
Other	18	23
Construction in progress	20	8
Total	**490**	**508**
Financial fixed assets		
Investments in joint ventures/associates	34	33
Other financial fixed assets	6	28
Deferred tax assets	47	37
Available-for-sale financial assets	1	626
Total	**88**	**724**
Total non-current assets	**748**	**1,378**
Current assets		
Inventory	6	5
Trade accounts receivable	316	337
Accounts receivable	28	34
Income tax receivable	22	3
Prepayments and accrued income	129	126
Cash and cash equivalents	523	355
Total current assets	**1,024**	**860**
Assets classified as held for sale	11	13
Total assets	**1,783**	**2,251**
LIABILITIES AND EQUITY		
Equity		
Equity attributable to the equity holders of the parent	(189)	(223)
Non-controlling interests	3	7
Total	**(186)**	**(216)**
Non-current liabilities		
Deferred tax liabilities	36	35
Provisions for pension liabilities	478	449
Other provisions	46	61
Long-term debt	557	934
Accrued liabilities		2
Total	**1,117**	**1,481**
Current liabilities		
Trade accounts payable	150	159
Other provisions	38	50
Short-term debt	1	1
Other current liabilities	132	169
Income tax payable	6	30
Accrued current liabilities	525	577
Total	**852**	**986**
Total equity and liabilities	**1,783**	**2,251**