PostNL results Q4/FY 2018

The Hague, 25 February 2019

Strong performance in Q4 leads to underlying cash operating income of €188 million for the year, in upper-part of guided range

Dividend of €0.24 per share proposed

Financial highlights FY 2018

(note: Nexive and Postcon are classified as discontinued operations, resulting in adjusted segment reporting. All financials are based on continuing operations except where noted.)

- Revenue increased to €2,772 million (FY 2017: €2,725 million)
- Revenue contribution from e-commerce related activities increased to 48%
- Underlying cash operating income was €188 million (FY 2017: €241 million)
- Profit from continuing operations at €127 million (FY 2017: €179 million)

Financial highlights Q4 2018

- Revenue increased to €794 million (Q4 2017: €782 million)
- Underlying cash operating income at €100 million (Q4 2017: €104 million)
- Profit from continuing operations increased to €76 million (Q4 2017: €72 million)

Operational highlights

- Strong growth Parcels volumes, 20% increase in Q4 (FY 2018: 22%)
- Addressed mail volume declined by 10.2% (FY 2018: 10.7%); adjusted volume decline 10.8% in Q4, corrected for one working day
- Delivery quality 2018 remained stable at 95%
- €14 million cost savings realised (FY 2018: €48 million); improving run-rate in HY2

Progressive dividend over 2018

- Proposed dividend 2018 of €0.24 per share (2017: €0.23), subject to approval by AGM on 16 April 2019

Outlook 2019

- Expected underlying cash operating income 2019 between €170 million and €200 million
- Dividend policy unchanged
- Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change. The financial consequences are explained in the separate press release and presentation

CEO statement

Herna Verhagen, CEO of PostNL: "Step by step we are realising our strategy of becoming the postal and e-commerce logistics company of choice for customers. In 2018, 48% of our revenue came from activities related to e-commerce, evidencing our transition. We achieved an underlying cash operating income in the upper-part of our guidance, with a strong performance in Q4, our peak season.

In Parcels, we reported record-high volumes during our peak season and operational performance improved on the back of increasing volumes. At the same time, we faced additional capacity costs, partly explained by a tight labour and transport market and increasing IT costs related to further development of our digital services. In Spring, the competitive environment remained fierce, especially in Asia, putting pressure on volume and on margin. Performance at Mail in the Netherlands was characterised by volume decline, price increases and cost savings. The run-rate of cost savings improved in the second half of 2018.

In line with our strategy to focus on the Benelux, we decided in August to divest Postcon in Germany and Nexive in Italy. We are making good progress with the divestment process and expect to make further announcements before the summer.

In 2019, we will continue to build on a strong platform for further growth. For Parcels, we are improving the balance between volume growth, profitability and cash flow. In Mail in the Netherlands, we will further adapt our organisation to volume decline and stay focused on achieving cost savings. We will make a next step in our business model by the introduction of the New mail route. The switch to an equal flow model enables us to adapt our organisation to future volume decline. On 7 May 2019 we will host a Capital Markets Day where we will discuss our strategy for Parcels in the years to come that will result in improved value creation and will announce mid-term guidance for PostNL.

We believe that we can continue to prove that our long term strategy is right for all stakeholders. It offers value to our clients and customers, and jobs and development opportunities for our people. It will create sustainable value for shareholders. Our dividend policy remains unchanged."

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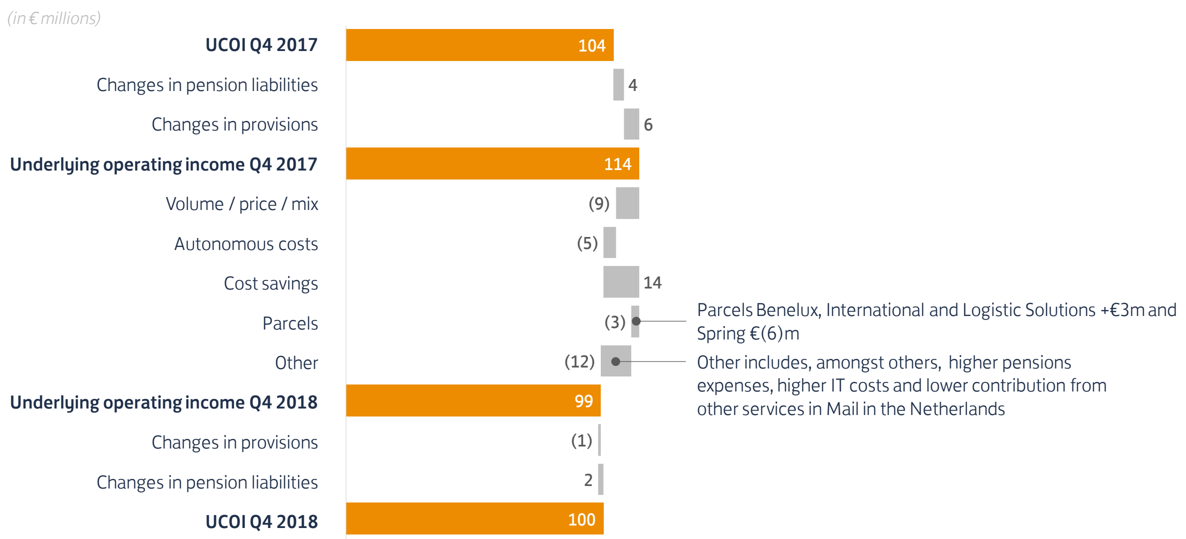
Key figures

Key figures

in € millions, except where noted	Q4 2017	**Q4 2018**	% Change	FY 2017	**FY 2018**	% Change
Revenue	782	**794**	*2%*	2,725	**2,772**	*2%*
Operating income	114	**93**	*-18%*	284	**185**	*-35%*
Underlying operating income	114	**99**	*-13%*	297	**209**	*-30%*
Underlying operating income margin	14.6%	**12.5%**		10.9%	**7.5%**	
Changes in pension liabilities	(4)	**2**		(13)	**11**	
Changes in provisions	(6)	**(1)**		(43)	**(32)**	
Underlying cash operating income	104	**100**	*-4%*	241	**188**	*-22%*
Underlying cash operating income margin	13.3%	**12.6%**		8.8%	**6.8%**	
Profit for the period	59	**50**		148	**33**	
Profit from continuing operations	72	76		179	127	
Net cash from/(used in) operating and investing activities	74	**57**		11	**(19)**	

Note: underlying figures exclude one-offs in Q4 2018 (€3 million for restructuring, €4 million project costs and €(1) million consolidation effect with discontinued operations) and in Q4 2017 (€8 million for restructuring, €(3) million consolidation effect with discontinued operations and €(5) million project costs and other)

Business performance Q4 2018



PostNL results Q4/FY 2018

in € million	Revenue		Underlying operating income		Underlying cash operating income	
	Q4 2017	**Q4 2018**	Q4 2017	**Q4 2018**	Q4 2017	**Q4 2018**
Parcels	393	439	39	36	39	36
Mail in the Netherlands	504	483	84	79	73	71
PostNL Other	21	20	(9)	(16)	(8)	(7)
Intercompany	(136)	(148)				
PostNL	**782**	**794**	**114**	**99**	**104**	**100**

Note: underlying figures exclude one-offs

Segment information

Parcels – strong growth in volume during peak season

Volume growth in Parcels (excluding Spring) continued to be strong at 20% for the quarter (FY2018: 22%). Our domestic 2B and 2C volumes showed strong growth, following the trend of increasing e-commerce. This resulted again in record high volumes during our peak season.

Parcels revenue (excluding Spring) increased by 18% to €378 million (Q4 2017: €321 million). The main driver for this growth was the increase in volumes, slightly offset by a negative price/mix effect. We continue to report strong growth in our Belgian activities, strengthening our position as *the* logistics service provider in the Benelux. Overall demand for additional services such as evening delivery and new markets such as food and health, further increased.

Operational efficiency continues to improve, evidenced for example by an increase in drop duplication. At the same time, performance was impacted by the tight labour and transport market, and capacity costs required to absorb swings in daily volumes. The extreme spike in volumes towards Black Friday and continuing till 5 December made this peak season more expensive. IT costs related to the further development of our digital services increased. Performance in our logistic solutions activities improved.

At Spring, revenue declined by 5% to €70 million. Adjusted for FX effects, the decline was 7%. The competitive environment remains fierce, especially in Asia. This puts pressure on margin and resulted in decline of €6 million in underlying cash operating income compared to last year.

Total revenue in Parcels, including Spring, increased by 12% to €439 million (Q4 2017: €393 million). Underlying cash operating income was €36 million (Q4 2017: €39 million).

Mail in the Netherlands – strong quarter with good quality

Addressed mail volumes at Mail in the Netherlands declined by 10.2% in the quarter (10.8% adjusted for one working day). This decline was driven by high substitution, particularly in single mail, and loss to competition.

Revenue declined by 4% to €483 million (Q4 2017: €504 million). Underlying cash operating income decreased to €71 million (Q4 2017: €73 million). Cost savings (€5 million), lower cash out related to pensions and provisions (€8 million) and incidentals (€5 million) were offset by the negative volume/price/mix effect (€9 million), autonomous cost increases (€4 million) and other business effects (€7 million, mainly related to export).

Cost savings plans: €14 million cost savings achieved in Q4 2018, improved run-rate in HY2

In 2018, we achieved total cost savings of €48 million, in line with our expectations. As expected, we saw the run-rate in savings improve in the second half of the year, with achieved savings of €30 million in HY2. Our cost savings plans include several initiatives, such as adjusting our sorting and delivery process, the optimisation of our retail network, the streamlining of staff and centralisation of locations.

Regulation – Significant Market Power

The regulator published a new draft market analysis decision on Significant Market Power. We strongly disagree with the approach of the regulator, as it creates new uncertainty and does not reflect the reality of the rapidly declining mail volumes. If the regulator does not change its initial approach after the consultation, our guidance of the negative impact of regulation will be adjusted to between €50 million and €70 million on an annualised basis, fully visible in 2021. The adjusted impact is included in our Outlook 2019.

PostNL Other

Revenue at PostNL Other was €20 million (Q4 2017: €21 million). Underlying cash operating income improved slightly to €(7) million (Q4 2017: €(8) million). Cost savings were partly offset by an increase in other costs.

Pensions

Pension expense amounted to €31 million (Q4 2017: €26 million) and total cash contributions were €29 million (Q4 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. 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 Q4 2018, the net actuarial gain on pensions was €13 million. At the end of 2018, the main pension fund's 12 month average coverage ratio was 116.0%, well above the minimum required funding level of 104.0%. On 31 December 2018, the actual coverage ratio was 112.1%.

Discontinued operations

Following the decision to divest Nexive and Postcon, these activities are classified as discontinued operations. The result from discontinued operations was €(26) million (Q4 2017: €(13) million) and includes a fair value adjustment, a consolidation effect with continuing operations and a negative business result. The latter, however, improved compared to last year's result.

Development financial and equity position

Total equity attributable to equity holders of the parent improved to €46 million per 31 December 2018, compared to €(26) million per end of Q3. The main drivers for this improvement were net profit of €50 million and a net actuarial gain on pensions of €13 million. Net cash from operating and investing activities was lower at €57 million (Q4 2017: €74 million), mainly explained by the decline in underlying cash operating income and a negative contribution from working capital. At the end of 2018, the net debt position was €149 million, compared to €183 million at the end of Q3 2018. The leverage ratio (adjusted net debt/EBITDA) was 1.9.

Outlook 2019

The e-commerce market is expected to continue its strong growth and will remain the main driver of the performance in Parcels. We will focus on growth potential of our business by improving the balance between volume, profitability and cash flow. We expect improving operational efficiency, partly offset by the impact from the tight labour and transport market. We will continue to expand our network by opening new sorting depots. To solidify our position as the leading e-commerce logistics company in the Benelux, we will also further develop our service propositions, for example in growth areas such as food and health.

In Mail in the Netherlands we expect our addressed mail volumes to decline by 8% to 10% in 2019 which will be partly offset by price increase. An important project is the switch to an equal flow model, a step change in business model that enables us to adapt the organisation to future volume decline. We expect cost savings of between €45 million and €65 million. Based on the new draft decision on Significant Market Power we adjust the expected impact from ACM measures to between €50 million and €70 million on an annualised basis, fully visible in 2021.

For 2019, the outlook for underlying cash operating income is between €170 million and €200 million.

	Revenue		Underlying cash operating income / margin		
in € millions	2018	**Outlook 2019**	2018		**Outlook 2019**
Parcels	1,555	**+ low teens**	117	*(7.5%)*	**7.5%-9.5%**
Mail in the Netherlands	1,678	**- mid single digit**	93	*(5.5%)*	**3%-5%**
PostNL Other / eliminations	(461)		(22)		
Total	**2,772**	**+ low single digit**	**188**		**170-200**

Following today's announcement 'PostNL and Sandd to form one strong national postal network for the Netherlands', the financial outlook and dividend perspective for 2019 might change. The financial consequences are explained in the separate press release and presentation.

Capital Markets Day on 7 May 2019

We will host a Capital Markets Day on 7 May 2019 to explain how we will further improve the balance between continuing volume growth, profitability and cash flow in Parcels, resulting in improving sustainable value creation. Our Board of Management and the management team of our parcels business will provide insights and future perspectives. We will also announcement mid-term financial outlook for Parcels and PostNL.

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Progressive dividend over 2018 proposed

PostNL will recommend to the Annual General Meeting of Shareholders the payment of an election dividend of €0.24 per ordinary share over FY 2018. This represents a pay-out ratio of 80% of the underlying net cash income, which amounted to €138 million. The pay-out ratio exceeds the 75% as set in our dividend policy, as indicated before. €0.07 per share was paid as interim dividend in August 2018. After approval by the AGM, the final dividend of €0.17 will be paid, at the shareholder's election, either in ordinary PostNL shares or in cash (default). 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 ex-dividend date will be 18 April 2019, the record date is 23 April 2019 and the election period will start on 24 April 2019 and will end on 8 May 2019 at 3PM CET. 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 6 May up to and including 8 May 2019. 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. The dividend will be payable as of 10 May 2019.

PostNL to propose reappointment Ernst & Young Accountants LLP as auditor to AGM

The Supervisory Board of PostNL will propose to reappoint Ernst & Young Accountants LLP as the auditor for PostNL N.V. and to engage the firm for a following two year term that covers the years 2019 and 2020. The appointment will be subject to approval of the shareholders at the 2019 AGM.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2018	64	61	65	64	254
2019	**63**	**62**	**65**	**65**	**255**

Financial calendar 2019

16 April	Annual General Meeting of Shareholders
7 May	Publication of Q1 2019 results
	Capital Markets Day
5 August	Publication of Q2 & HY 2019 results
4 November	Publication of Q3 2019 results

Dividend calendar 2019

Final dividend 2018	
18 April	Ex-dividend date
23 April	Record date
24 April – 8 May, 3.00 pm CET	Election period
10 May	Payment date
Interim dividend 2019	
7 August	Ex-dividend date
8 August	Record date
9 August – 23 August, 3.00 pm CET	Election period
27 August	Payment date

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Audio webcast and conference call Q4 2018 results

On 25 February 2019, at 13.00 CET, the conference call for analysts and investors will start. The conference call can be followed live via an audio webcast on **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.

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.

Please refer to our Annual Report 2018 for more information on our financial statements, including disclosure notes and explanation of restatement.

Consolidated income statement

in € millions	Represented Q4 2017	Q4 2018	Represented FY 2017	FY 2018
Revenue from contracts with customers	778	790	2,709	2,758
Other operating revenue	4	4	16	14
Total operating revenue	**782**	**794**	**2,725**	**2,772**
Other income	11	9	24	21
Cost of materials	(16)	(18)	(56)	(63)
Work contracted out and other external expenses	(355)	(369)	(1,222)	(1,308)
Salaries, pensions and social security contributions	(257)	(262)	(1,001)	(1,003)
Depreciation, amortisation and impairments	(19)	(22)	(70)	(83)
Other operating expenses	(32)	(39)	(116)	(151)
Total operating expenses	**(679)**	**(710)**	**(2,465)**	**(2,608)**
Operating income	**114**	**93**	**284**	**185**
Interest and similar income	1	1	4	3
Interest and similar expenses	(12)	(4)	(46)	(27)
Net financial expenses	**(11)**	**(3)**	**(42)**	**(24)**
Results from investments in jv's/associates	(5)	0	(10)	0
Profit/(loss) before income taxes	**98**	**90**	**232**	**161**
Income taxes	(26)	(14)	(53)	(34)
Profit/(loss) from continuing operations	**72**	**76**	**179**	**127**
Profit/(loss) from discontinued operations	(13)	(26)	(31)	(94)
Profit for the period	**59**	**50**	**148**	**33**
Attributable to:				
Non-controlling interests				
Equity holders of the parent	59	50	148	33
Earnings per ordinary share (in €cents) [1]	13.1	10.8	33.0	7.1
Earnings per diluted ordinary share (in €cents) [2]	13.1	10.8	33.0	7.1
Earnings from continuing operations per ordinary share (in €cents) [1]	16.0	16.4	39.9	27.5
Earnings from continuing operations per diluted ordinary share (in €cents) [2]	16.0	16.3	39.9	27.4
Earnings from discontinued operations per ordinary share (in €cents) [1]	(2.9)	(5.6)	(6.9)	(20.4)
Earnings from discontinued operations per diluted ordinary share (in €cents) [2]	(2.9)	(5.5)	(6.9)	(20.3)

1 Based on an average of 462,015,866 outstanding ordinary shares (2017: 448,645,255).
2 Based on an average of 463,179,101 outstanding diluted ordinary shares (2017: 449,124,010).

Consolidated statement of comprehensive income

in € millions	Represented Q4 2017	Q4 2018	Represented FY 2017	FY 2018
Profit for the period	**59**	**50**	**148**	**33**
Other comprehensive income that will not be reclassified to the income statement				
Impact pensions, net of tax	(7)	13	3	30
Impact tax rate change related to OCI pensions		(3)		(3)
Change in value of financial assets at fair value through OCI		11		11
Other comprehensive income that may be reclassified to the income statement				
Currency translation adjustment, net of tax	0	0	(3)	0
Gains/(losses) on cashflow hedges, net of tax	(1)	0	3	1
Total other comprehensive income for the period	**(8)**	**21**	**3**	**39**
Total comprehensive income for the period	**51**	**71**	**151**	**72**
Attributable to:				
Non-controlling interests				
Equity holders of the parent	51	71	151	72
Total comprehensive income attributable to the equity holders of the parent arising from:				
Continuing operations	64	97	182	166
Discontinued operations	(13)	(26)	(31)	(94)

Consolidated statement of cash flows

in € millions	Represented Q4 2017	**Q4 2018**	Represented FY 2017	**FY 2018**
Profit/(loss) before income taxes	**98**	**90**	**232**	**161**
Adjustments for:				
Depreciation, amortisation and impairments	19	22	70	83
Share-based payments		1	2	3
(Profit)/loss on disposal of assets	(11)	(9)	(22)	(19)
Interest and similar income	(1)	(1)	(4)	(3)
Interest and similar expenses	12	4	46	27
Results from investments in jv's/associates	5	0	10	0
Investment income	**5**	**(6)**	**30**	**5**
Pension liabilities	(46)	(31)	(55)	(22)
Other provisions	(6)	4	(24)	(14)
Changes in provisions	**(52)**	**(27)**	**(79)**	**(36)**
Inventory		1	(1)	
Trade accounts receivable	(62)	(81)	(22)	(40)
Other accounts receivable	3	4	2	15
Other current assets	13	8	(25)	2
Trade accounts payable	38	(10)	24	(24)
Other current liabilities excluding short-term financing and taxes	54	61	(17)	(75)
Changes in working capital	**46**	**(17)**	**(39)**	**(122)**
Cash generated from operations	**116**	**63**	**216**	**94**
Interest paid	(19)	(5)	(39)	(26)
Income taxes received/(paid)	10	(5)	(55)	(39)
Net cash (used in)/from operating activities	**107**	**53**	**122**	**29**
Interest received		1	4	3
Acquisition of subsidiairies (net of cash)	(9)		(33)	
Disposal of subsidiaires	1		1	
Investments in jv's/associates				(2)
Capital expenditure on intangible assets	(10)	(20)	(35)	(40)
Capital expenditure on property, plant and equipment	(18)		(66)	(55)
Proceeds from sale of property, plant and equipment	17	22	32	46
Changes in other loans receivable	(6)	1	(6)	1
Other changes in (financial) fixed assets	(8)		(8)	(1)
Net cash (used in)/from investing activities	**(33)**	**4**	**(111)**	**(48)**
Dividends paid			(40)	(63)
Proceeds from long-term borrowings	398	3	398	3
Repayments of long-term borrowings			(2)	
Proceeds from short-term borrowings		(1)		
Repayments of short-term borrowings	(328)		(328)	(223)
Repayments of finance leases		(1)	(1)	(2)
Net cash (used in)/from financing activities	**70**	**1**	**27**	**(285)**
Total change in cash from continuing operations	**144**	**58**	**38**	**(304)**
Cash at the beginning of the period	**491**	**222**	**640**	**645**
Cash transfers to discontinued operations		(11)		(72)
Total change in cash from continuing operations	144	58	38	(304)
Total change in cash from discontinued operations	10		(33)	
Cash at the end of the period	**645**	**269**	**645**	**269**
Total change in cash from discontinued operations	**10**	**(1)**	**(33)**	**(52)**

Consolidated statement of financial position

in € millions	31 December 2017	31 December 2018
ASSETS		
Non-current assets		
Intangible fixed assets		
Goodwill	141	97
Other intangible assets	116	115
Total	**257**	**212**
Property, plant and equipment		
Land and buildings	318	322
Plant and equipment	154	155
Other	21	12
Construction in progress	17	5
Total	**510**	**494**
Financial fixed assets		
Investments in joint ventures/associates	9	3
Other loans receivable	7	6
Deferred tax assets	29	66
Financial assets at fair value through OCI	5	17
Total	**50**	**92**
Total non-current assets	**817**	**798**
Current assets		
Inventory	6	5
Trade accounts receivable	386	313
Accounts receivable	50	12
Income tax receivable	9	2
Prepayments and accrued income	157	99
Cash and cash equivalents	645	269
Total current assets	**1,253**	**700**
Assets classified as held for sale	10	200
Total assets	**2,080**	**1,698**
LIABILITIES AND EQUITY		
Equity		
Equity attributable to the equity holders of the parent	34	46
Non-controlling interests	3	3
Total	**37**	**49**
Non-current liabilities		
Deferred tax liabilities	43	31
Provisions for pension liabilities	359	296
Other provisions	23	19
Long-term debt	400	420
Accrued liabilities	2	4
Total	**827**	**770**
Current liabilities		
Trade accounts payable	220	146
Other provisions	40	21
Short-term debt	225	4
Other current liabilities	150	126
Income tax payable	4	3
Contract liabilities	93	80
Accrued current liabilities	484	378
Total	**1,216**	**758**
Liabilities related to assets classified as held for sale		121
Total equity and liabilities	**2,080**	**1,698**