

PostNL accelerates transformation

27-02-2017

PostNL reports their highlights for the fourth quarter of FY 2016

2016: Delivering on promises

Financial highlights Q4/FY 2016

- Revenue Q4 2016 at €955m (Q4 2015: €1,007m); FY 2016 at €3,413m (FY 2015: €3,461m)
- Underlying cash operating income Q4 2016 at €110m (Q4 2015: €147m); FY 2016 at €245m (FY 2015: €303m)
- Net cash from operating and investing activities Q4 2016 at €116m, including acquisitions in Germany (Q4 2015: €149m); FY 2016 at €10m, excluding the sale of the stake in TNT Express (FY 2015: €135m)
- Profit for the period of €84m (Q4 2015: €101m); FY 2016 €280m (FY 2015: €149m)

Operational highlights Q4 2016

- Addressed mail volume declined by 11.0%; adjusted volume decline of 8.4%
- Full year quality performance well above minimum statutory level
- €21m cost savings realised
- Parcels volume grew by 9%; adjusted volume growth of 13%

2017 – 2020: Accelerating transformation

Outlook 2017 and increased ambition 2020

- Accelerating growth in global e-commerce will fuel stronger growth in PostNL's parcels business and cross-

border activities

- €115m additional cost savings in anticipation of mail volume decline
- Accelerated transformation is expected to deliver improved results for 2020; ambition underlying cash operating income 2020 increased to between €310m - €380m (previously €285m - €355m)
- Outlook underlying cash operating income 2017 adjusted to €220m - €260m, reflecting impact from additional implementation costs related to increased cost saving plans

Dividend

- Sale of TNT Express stake, limited sensitivity of pension obligations to interest rate fluctuations, solid 2016 results and confidence in outlook will all contribute to positive consolidated equity in 2017
- Proposed 2016 dividend of €0.12 per share
- Expected future business performance justifies progressive dividend going forward

CEO statement

Herna Verhagen, CEO of PostNL: "With underlying cash operating income of €245m in 2016, we continue to deliver on our promises. This solid performance, supported by the sale of our stake in TNT Express, resulted in a further improvement in our financial position: we now have a net cash position and our consolidated equity position

is at €(79)m, close to achieving a positive position. This emphasises our commitment to prioritising and delivering stakeholder value.

The robust strong growth trend in Parcels continued this quarter. Volume growth was strong, reaching a new high during our peak season. Our results reflect the impact from the lower milk powder volumes, the working day effect and peak season costs. Mail in the Netherlands delivered results in line with plan, taking into account the volume decline, the impact from our adjusted market approach and the measures announced by the regulator (ACM). The effectiveness of our restructuring plans was again evidenced by another quarter of strong cost savings. This quarter's performance in International showed a mixed picture.

The transition in PostNL's profile from a traditional mail company to an e-commerce logistics company has been underway in the past few years, supported by increasing global e-commerce growth. In the coming years, we expect our Parcels business and cross-border activities to grow faster than earlier estimated. This is reflected in our future plans and underpins the acceleration of our transformation going forward and will further improve PostNL's value proposition. In 2017, we expect our addressed mail volumes to decline by 7 to 9%. With €115m of additional cost savings up to and including 2020, in addition to targeted price increases, we remain focussed on delivering sustainable cash flow in Mail in the Netherlands. The accelerated top line growth of our Parcels business will require us to further invest in our Parcels' infrastructure. This will enable us to continue expanding our service proposition

and serving our Benelux customers with the high quality they expect. This will contribute to our position as the leading e-commerce logistics company in the Benelux, creating further profitable growth. At International, our focus is on capturing new business created by global e-commerce growth, using our cross-border operations, and on further strengthening Nexive's and Postcon's position. Together, this will result in enhanced cash profitability in our International segment.

This acceleration is expected to result in a better performance, which is reflected in our increased UCOI ambition for 2020 of between €310m and €380m. In advance of realising the increased cost savings, higher implementation costs will come in, translating into an adjusted UCOI outlook for 2017 to between €220m and €260m.

Our consolidated equity improved significantly with the sale of our stake in TNT Express, the interest rate sensitivity of our pension obligation limited and the solid results over 2016 realised. In view thereof, we will recommend to our shareholders to approve the reinstatement of our dividend at our AGM on 18 April 2017, with a first payment based on the results of 2016 of €0.12 per share as an election dividend. On the basis of our outlook for 2017, we believe that we will achieve a positive consolidated equity in the course of 2017. This believe and our increased ambition for 2020, made us decide to adjust our dividend policy going forward aimed at paying progressive dividend, supporting our commitment to create long term shareholder value."