

Committed to sustainable delivery – the next phase

Today, PostNL presents its view on the market, developments and insights in the future strategy of PostNL and the development of its financial position.

Key take aways

- We delivered on our promises, transforming PostNL into an efficient, flexible, customer oriented and financially healthy company over past few years
- PostNL's ambition is to be *the postal & logistic solution provider* in chosen markets
- Achievement of this ambition supported by value creating and customer focussed ambitions of segments Mail in the Netherlands, Parcels and International
- Three substantial growth domains identified close to PostNL's competences with potential to further strengthen results after 2020
- Financial strategy focussed on strengthening financial position
- Committed to restore dividend as early as possible and create long term shareholder value

Ambition 2020 - Outlook 2016

- Ambition 2020: underlying cash operating income between €265 - €335 million*
- Outlook 2016: underlying cash operating income between €220 - €260 million*, reflecting effects of regulatory measures, volume protection, sustainable delivery model and expected higher restructuring cash outs and implementation costs ahead of cost savings.

in € millions	Underlying revenue			Underlying cash operating income / margin			
	2014	2015	2016*	2014	2015	2016*	ambition 2020*
Mail in NL	2.044	- mid single digit	- mid single digit	230	10 to 12%	8 to 10%	
Parcels	854	+ mid single digit	+ high single digit	98	11 to 13%	9 to 11%	
International	921	+ low single digit	+ mid single digit	2	1 to 3%	3 to 5%	
PostNL Other				(43)			
PostNL	3.465	stable	+ low single digit	287	280 to 320	220 to 260	265 - 335
				8.3%	8 to 9%		

- After 2016, results are expected to gradually improve towards 2020

* Excluding results of German activities as strategic review is in progress

CEO statement

Herna Verhagen, CEO of PostNL: "We have made significant progress in transforming PostNL into an efficient, flexible, customer oriented and financially healthy company over the past few years. By building on our core competences, we are prepared for the continuously changing markets in which we operate. At the same time, we have strengthened our quality, customer satisfaction and employee engagement, creating an attractive place to work for our people and a company that is committed to making the lives of our customers easier.

*Our 2020 ambition is being *the postal & logistic solution provider* in chosen markets. This overall ambition is being supported by the focus within our segments. In Mail in the Netherlands we remain focussed on delivering a sustainable cash flow and we will balance the expected volume decline with an increased cost savings ambition and price increases well above inflation. In Parcels our focus is on creating further profitable growth by strengthening our position as leading e-commerce logistics company in the Benelux. In International, we focus on further building *Nexive's* position in the Italian market and capturing opportunities of accelerating global e-commerce growth, which will result in enhanced cash profitability.*

Furthermore, we see upward potential for our results beyond 2020 in three substantial growth domains which are close to our competences.

By combining these ambitions with the strengthening of our financial health, we invigorate our commitment to restoring dividend and creating long term shareholder value."

Delivered on promises	The company has made significant progress in strengthening PostNL by improving the financial results, offering customer driven solutions, implementing continuous cost savings and improving its social indicator scores. This results in a company that has the core competences and agility to successfully operate in continuously changing markets.
Ambition 2020	In 2020, PostNL strives to be <i>the</i> postal & logistic solution provider in chosen markets. To do so, PostNL will build on its competences, stay committed to its stakeholders, tap opportunities that market trends offer and strengthen its financial health.
Mail in the Netherlands 	Mail in the Netherlands remains focussed on delivering sustainable cash flow. Through its people and innovative postal networks, it will connect senders and receivers. Volume decline in the addressed mail market is expected to slow down in the coming years with an average market decline of 7% to 9% in 2015 – 2017 and 5% to 7% in 2018 – 2020. The cost savings ambition is increased by €200 million to €345 million for 2015 – 2020, intended to mitigate the expected volume decline. Notwithstanding the increased cost savings ambition, the FTE reduction until 2017 is expected to stay within the original bandwidth (2,700-3,500 FTE). Any FTE impact as of 2018 will be to be communicated upon finalisation of the plans. Costs savings will continue to be combined with balanced pricing, taking into account the competitive and regulatory environment. PostNL wants to safeguard a nationwide reliable and accessible mail network, where quality and customer satisfaction remain our key differentiators, also in the long term. To this end, Mail in the Netherlands will focus on solutions to enhance its portfolio and meet customer demand.
Parcels 	Parcels will focus on creating profitable growth. By capturing the opportunities that the growing e-commerce offers, Parcels will build further on its position as the leading e-commerce logistics company in the Benelux. Its innovative and market driven solutions enable Parcels to further secure its solid market position and create value for customers at sustainable margins. Examples are the 5 days a week evening delivery and same day delivery starting mid November and the development of a network to serve multiple segments in the food market. With its technology driven, best in class networks that facilitate customer intimacy, Parcels stays ahead of the market. It will continue to enhance these capabilities. This combination of drivers puts Parcels in the ultimate position to make the lives of our customers easier.
International 	In International, Nexive shows good prospects for profitable growth as the smart challenger in Italy. The globalisation of e-commerce offers interesting growth potential for PostNL's cross border activities. Spring, which offers international e-commerce solutions, is well positioned to capture this potential by leveraging on PostNL's networks, customer base and competences.
Outlook and ambition	PostNL's 2016 results will be influenced by the expected effects of the regulatory measures limiting PostNL's competitive position and volume protection in Mail in the Netherlands and the further implementation of the sustainable delivery model in Parcels and by expected higher restructuring cash outs and implementation costs ahead of the related cost savings. This results in an outlook for 2016 of an underlying cash operating income between €220 million and €260 million. After 2016, the results are expected to gradually improve towards 2020. PostNL has the ambition to deliver underlying cash operating income of between €265 million and €335 million in 2020. These numbers are excluding the results of the German activities, as the strategic review is in progress.
Growth 	To maintain a sustainable business model and cash flow after 2020, extension of the PostNL portfolio is vital. Considering market and technological trends, three substantial growth domains have been identified, close to PostNL's competences, with potential to further strengthen the results after 2020.
Financial 	PostNL's financial strategy continues to be focussed on strengthening the financial position by supporting business improvement and strict cash flow management. Capital allocation will be directed at reducing debt, restoring dividend and investing in growth.

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