Results PostNL Q2 & HY 2016

The Hague, 8 August 2016

Solid Q2 results, outlook full year 2016 reconfirmed

Financial highlights Q2 2016

- Revenue stable at €824 million (Q2 2015: €824 million)
- Underlying cash operating income decreased to €47 million (Q2 2015: €65 million)
- Net cash from operating and investing activities of €668 million (Q2 2015: €(57) million), including proceeds from sale of stake in TNT Express (€643 million)
- Consolidated equity position improved to €(177) million (Q1 2016: €(194) million)
- Pensions: net equity impact limited to €(8) million, discount rate at 1.5% (Q1 2016: 1.7%)

Operational highlights Q2 2016

- Addressed mail volume declined by 7.6% (adjusted for working days: 8.3%)
- €15 million cost savings realised as anticipated
- Parcels volume grew by 16% (adjusted for working days: 14%)

Outlook 2016 and 2017

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

in € millions	**Q2 2016**	Q2 2015	% Change	**HY 2016**	HY 2015	% Change
Revenue	**824**	824		**1,688**	1,674	*1%*
Operating income	**50**	77	*-35%*	**120**	146	*-18%*
Underlying operating income	**63**	82	*-23%*	**142**	162	*-12%*
Changes in pension liabilities	**(7)**	(4)		**(12)**	(9)	
Changes in provisions	**(9)**	(13)		**(22)**	(20)	
Underlying cash operating income	**47**	65	*-28%*	**108**	133	*-19%*
Profit for the period	**166**	(4)		**205**	30	
Profit for the period (excluding TNT Express)	**21**	(6)		**60**	28	
Net cash from/(used in) operating and investing activities	**668**	(57)		**642**	(32)	
Excluding sale TNT Express	***25***	*(57)*		***(1)***	*(32)*	

Note: underlying figures exclude €13 million one-offs in Q2 2016 (€5 million restructuring related charges, €8 million project costs and other) and in Q2 2015 of €5 million.

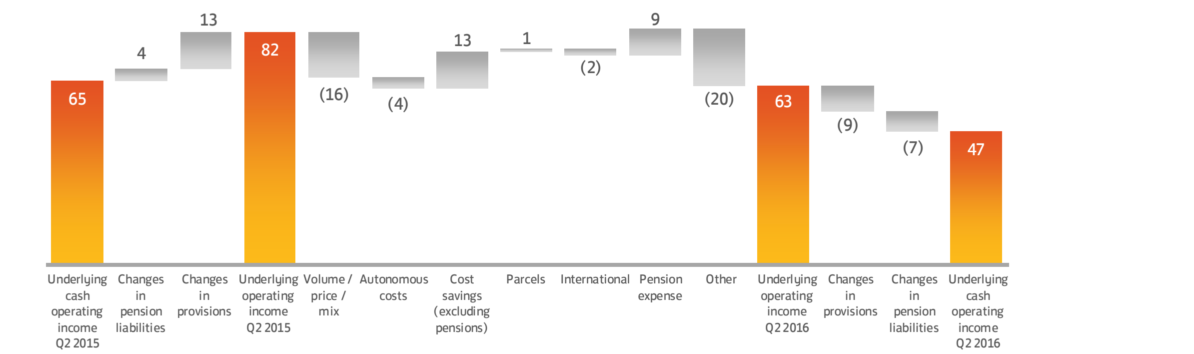
CEO statement

Herna Verhagen, CEO of PostNL: “Our second quarter results are in line with expectations. The trend in Parcels continues to be very solid, recording another period of strong volume growth and improving results. Mail in the Netherlands delivered results according to plan, taking into account the anticipated impact from our adjusted market approach and the measures on tariffs and conditions announced by the regulator (ACM) in 2015. Our restructuring projects continue to generate cost savings as expected. The performance in International is below last year’s results and we expect improvement during the second half of this year. Based on the overall performance for the first half of 2016, we are confident on delivering our previously indicated full year outlook for 2016.

Following the completion of the sale of our stake in TNT Express, our financial position further improved. The proceeds are earmarked for debt reduction. The rating agencies acknowledged this positive development: both S&P and Moody’s upgraded our credit rating by one notch. The global and European macro-economic and political developments resulted in a further reduction in interest rates. The impact on our pension position, however, was marginal in the second quarter. The current low level of interest rates triggered further analysis of the financial implications for our equity position. This analysis shows a comfortable headroom, if interest rates were to reduce further.

We are committed to successfully implement our strategy and to realise our ambition to be *the* postal & logistic solution provider in our chosen markets. We confirm our expectation to gradually improve our underlying cash operating income, starting in 2017, to between €285 million and €355 million by 2020. This, together with the sale of the stake in TNT Express, and the comfortable headroom if interest rates were to decline further, support our expectation of and commitment to resuming our dividend in 2017.”

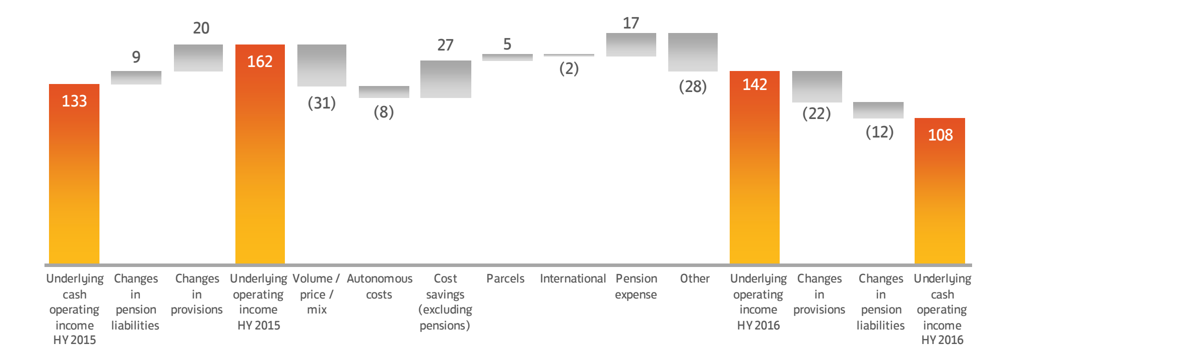
Business performance Q2 2016



in € million	Revenue		Underlying operating income		Underlying cash operating income	
	Q2 2016	Q2 2015	**Q2 2016**	Q2 2015	**Q2 2016**	Q2 2015
Mail in the Netherlands	453	463	41	57	29	40
Parcels	235	221	27	26	27	24
International	247	233	1	3	0	5
PostNL Other	45	45	(6)	(4)	(9)	(4)
Intercompany	(156)	(138)				
PostNL	**824**	**824**	**63**	**82**	**47**	**65**

Note: underlying figures exclude one-offs

Business performance HY 2016



in € million	Revenue		Underlying operating income		Underlying cash operating income	
	HY 2016	HY 2015	**HY 2016**	HY 2015	**HY 2016**	HY 2015
Mail in the Netherlands	925	939	92	116	67	86
Parcels	469	437	56	51	55	49
International	513	485	4	6	3	8
PostNL Other	89	92	(10)	(11)	(17)	(10)
Intercompany	(308)	(279)				
PostNL	**1,688**	**1,674**	**142**	**162**	**108**	**133**

Note: underlying figures exclude one-offs

Segment information Q2 2016

Mail in the Netherlands

Mail in the Netherlands' addressed mail volume decreased by 7.6% in the quarter. Year-to-date the overall volume decline in the Dutch mail market was around 9%. With a quality level of 97.2% in Q2 2016, we continue to perform well above the statutory minimum level of 95%.

Revenue was €453 million, only slightly below last year (Q2 2015: €463 million), which is partly explained by an increase in internal revenue related to cross border mail. Underlying cash operating income amounted to €29 million (Q2 2015: €40 million). Cost savings (€13 million) and lower cash out for pensions and provisions (€7 million) were more than offset by the negative volume/price/mix effect in addressed mail (€16 million), autonomous cost increases (€3 million) and other effects (€(12) million). Other effects include, amongst others, the impact of competitive pricing in unaddressed in 2016, the decline in traditional cross border mail and lower bilaterals compared to Q2 2015.

Cost savings plans: €15 million cost savings realised in Q2 2016

Subject	Q2 2016
Efficiency sorting process	• Implementation two sorting machines with coding capabilities started • Preparations to install additional SMXs
Efficiency delivery process	• 7 depots migrated and 1 location optimised • Reorganisation personnel car unit almost fully completed
Optimise retail network	• Preparations for reduction postal offices and growth in parcel points; implementation started in 2016
Staff and management	• Further implementation 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.

As earlier indicated, we expect the financial impact of the ACM measures to be between €30 million and €50 million annualised, with the full effect expected to visible over a 3-4 years period (2016-2019).

Parcels

Volume increased by 16% (adjusted for working days: 14%). The growth in our domestic 2C volume followed the continuing positive trend experienced in relation to e-commerce development. We were again able to further strengthen 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 6% to €235 million. In the volume-related business, volume growth was strong and came with a negative product/customer mix effect (mainly due to an expected milk powder decline). Lower revenue growth in the non-volume related part of our business is explained by, amongst others, lower internal revenue.

Increased volume and revenue translated into an improvement in business performance, which is partly offset by higher subcontractor costs, resulting in underlying cash operating income of €27 million (Q2 2015: €24 million). The implementation of the sustainable delivery model is on track. The total related costs are expected to stay within our estimation of between €15 million and €20 million. We continue to focus on sustainable innovation to deliver profitable growth.

International

International revenue increased by 6% to €247 million (Q2 2015: €233 million). Adjusted for FX effects, revenue was up 7%. Underlying cash operating income was €0 million (Q2 2015: €5 million).

In Germany, revenue amounted to €115 million, in line with the prior year (Q2 2015: €116 million). Business performance was slightly below last year, partly explained by the temporary impact from the relocation of a sorting centre and one-off costs in 2015. Further cost savings and business optimisation are planned for the second half of 2016.

In Italy, revenue was €56 million (Q2 2015: €60 million). Revenue growth in parcels was more than offset by a decline in Formula Certa that started in the second half of last year. The result was also impacted by start-up losses related to the roll-out of the parcels network. In the next couple of months commercial and cost saving initiatives are expected to improve business performance.

Revenue for Spring and other increased by 33% to €76 million (Q2 2015: €57 million). Adjusted for FX effects, revenue growth was 37%. The performance was driven by increasing cross border e-commerce volumes, both from Asia and within Europe.

PostNL Other

Revenue in PostNL Other was €45 million (Q2 2015: €45 million). Underlying cash operating income decreased to €(9) million (Q2 2015: €(4) million), mainly explained by higher advisory costs.

Pensions

At the end of June 2016, the 12 months average coverage ratio ('coverage ratio') of the main pension fund was 104.2%, slightly above the minimum required level.

The pension expense in Q2 2016 amounted to €25 million (Q2 2015: €34 million). The total cash contributions were €32 million (Q2 2015: €38 million).

In Q2 2016, the actuarial loss on pensions amounted to €11 million. This is explained by the impact of a decrease of the IFRS discount rate from 1.7% to 1.5%, almost fully balanced by a better than assumed return on plan assets.

The ongoing decline in interest rates to the current low level triggered additional analysis with respect to the financial impact on equity. Current 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.

Estimated top-up payments are triggered when the coverage ratio of the pension fund is below 104% and the pension fund is unable to recover to this level within five years, taking into account the development of the interest rate and the assumption of a reasonable excess return on assets of 1.5% (based upon expert opinions). Top-up payments are capped at 1.25% of the obligations of the pension fund (currently approx. €95 million, pre-tax) per annum, for at most five consecutive years.

Projections (starting point Q2 2016 actuals, interest rate pension fund at ~1.0%) indicate that a 0.5% decline in the interest rate would only impact equity relatively limited. The indicated equity impact per 0.1% further decline - all other relevant variables remaining unchanged - is around €50 million.

This analysis shows a comfortable headroom, if interest rates were to reduce further.

Development equity and financial position

Total equity attributable to equity holders of the parent improved to €(177) million on 2 July 2016 from €(194) million at the end of Q1 2016. The improvement is explained by the profit (excluding TNT Express) of €21 million, the remaining fair value increase of the stake in TNT Express since the end of Q1 2016 of €9 million, a negative impact of pensions of €8 million and other items of €(5) million. Other items include the impact of the completion of the earlier announced transactions in Germany.

Net cash from operating and investing activities, excluding proceeds from the sale of our stake in TNT Express, was €25 million, in line with our expectations. Compared to Q2 2015, we saw a decline in cash generated from operations which was more than compensated by lower tax and interest payments and lower capex.

Both Standard & Poor's (S&P) and Moody's upgraded PostNL's credit rating by one notch, based on the improvement in our financial position. Our current credit ratings are BBB+ at S&P and Baa2 at Moody's, both with stable outlook.

No interim dividend 2016

Our conditions for paying out a dividend are:
- a positive consolidated equity (Q2 2016: €(177) million)
- certainty about a BBB+ / Baa1 credit rating

As the conditions for the pay-out of a dividend are not met, PostNL declares no interim dividend for 2016.

Working days by quarter

	Q1	Q2	Q3	Q4	Total
2014	62	62	65	66	255
2015	61	60	65	68	254
2016	**64**	**62**	**65**	**64**	**255**

Financial calendar

7 November 2016	Publication of Q3 2016 results
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

Contact information

Published by	**PostNL N.V.** Prinses Beatrixlaan 23 2595 AK The Hague The Netherlands T: +31 88 86 86 161	
Investor Relations	**Karen Berg** Director Investor Relations & Treasury M: +31 653 44 91 99 E: karen.berg@postnl.nl	**Inge Steenvoorden** Manager Investor Relations M: +31 610 51 96 70 E: inge.steenvoorden@postnl.nl
Media Relations	**Dick Kors** Manager Media Relations & Public Relations T: +31 610 12 14 76 E: dick.kors@postnl.nl	

Audio webcast and conference call Q2 2016 results

On 8 August 2016, at 11.30 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

Consolidated income statement

in € millions	note	Q2 2016	Q2 2015	HY 2016	HY 2015
Net sales		821	821	1,683	1,669
Other operating revenue		3	3	5	5
Total operating revenue		**824**	**824**	**1,688**	**1,674**
Other income		(1)	2	0	3
Cost of materials		(16)	(14)	(33)	(31)
Work contracted out and other external expenses		(418)	(383)	(847)	(780)
Salaries, pensions and social security contributions		(281)	(291)	(569)	(600)
Depreciation, amortisation and impairments		(23)	(22)	(45)	(45)
Other operating expenses		(35)	(39)	(74)	(75)
Total operating expenses		**(773)**	**(749)**	**(1,568)**	**(1,531)**
Operating income		**50**	**77**	**120**	**146**
Interest and similar income	(3)	145	4	146	8
Interest and similar expenses		(18)	(23)	(36)	(48)
Net financial expenses		**127**	**(19)**	**110**	**(40)**
Results from investments in jv's/associates		0	(2)	1	(1)
Profit/(loss) before income taxes		**177**	**56**	**231**	**105**
Income taxes	(8)	(11)	(17)	(26)	(31)
Profit/(loss) from continuing operations		**166**	**39**	**205**	**74**
Profit/(loss) from discontinued operations			(43)		(44)
Profit for the period		**166**	**(4)**	**205**	**30**
Attributable to:					
Non-controlling interests		1		1	
Equity holders of the parent		165	(4)	204	30
Earnings per (diluted) ordinary share (in €cents) [1]		37.4	(0.9)	46.2	6.8
Earnings from continuing operations per (diluted) ordinary share (in €cents)		37.4	8.9	46.2	16.8
Earnings from discontinued operations per (diluted) ordinary share (in €cents)			(9.8)		(10.0)

1 Based on an average of 441,932,938 outstanding ordinary shares (2015: 441,110,454).

Consolidated statement of comprehensive income

in € millions	note	Q2 2016	Q2 2015	HY 2016	HY 2015
Profit for the period		**166**	**(4)**	**205**	**30**
Other comprehensive income that will not be reclassified to the income statement					
Impact pensions, net of tax	(4)	(8)	71	(27)	31
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		(1)		(2)	1
Currency translation adjustment, net of tax from discontinued operations					1
Gains/(losses) on cashflow hedges, net of tax		1	2	2	5
Change in value of available-for-sale financial assets	(3)		147	8	169
Recycling of change in value of available-for-sale financial assets	(3)	(136)		(136)	
Total other comprehensive income for the period		**(144)**	**220**	**(155)**	**208**
Total comprehensive income for the period		**22**	**216**	**50**	**238**
Attributable to:					
Non-controlling interests		1		1	
Equity holders of the parent		21	216	49	238
Total comprehensive income attributable to the equity holders of the parent arising from:					
Continuing operations		22	259	50	281
Discontinued operations			(43)		(43)

The line interest and similar income includes results related to the stake in TNT Express. In Q2 2016, profit for the period excluding the results from the stake in TNT Express was €21 million (Q2 2015: €(6) million). In HY 2016, profit for the period excluding the results from the stake in TNT Express was €60 million (HY 2015: €28 million). The loss from discontinued operations in Q2 2015 / HY 2015 related to Whistl, our former UK business entity, which was sold in Q4 2015.

Consolidated statement of cash flows

in € millions	note	Q2 2016	Q2 2015	HY 2016	HY 2015
Profit/(loss) before income taxes		**177**	**56**	**231**	**105**
Adjustments for:					
Depreciation, amortisation and impairments		23	22	45	45
Share-based payments		1	1	2	2
(Profit)/loss on assets held for sale		1	(2)		(2)
Interest and similar income		(145)	(4)	(146)	(8)
Interest and similar expenses		18	23	36	48
Results from investments in jv's/associates			2	(1)	1
Investment income		**(126)**	**19**	**(111)**	**39**
Pension liabilities		(7)	(4)	(12)	(9)
Other provisions		(10)	(13)	(19)	(18)
Changes in provisions		**(17)**	**(17)**	**(31)**	**(27)**
Inventory		(2)		(2)	(1)
Trade accounts receivable		12	2	3	8
Other accounts receivable			(3)	4	(1)
Other current assets		(3)	11	(13)	(1)
Trade accounts payable		44	17	25	5
Other current liabilities excluding short-term financing and taxes		(72)	(64)	(67)	(46)
Changes in working capital		**(21)**	**(37)**	**(50)**	**(36)**
Cash generated from operations		**37**	**44**	**86**	**128**
Interest paid		(1)	(14)	(2)	(15)
Income taxes received/(paid)	(8)	(2)	(61)	(67)	(106)
Net cash (used in)/from operating activities	(9)	**34**	**(31)**	**17**	**7**
Interest received		1	1	2	2
Dividends received			2		2
Acquisition of subsidiairies (net of cash)			(5)		(5)
Disposal of subsidiaires		(4)		(4)	
Capital expenditure on intangible assets		(8)	(10)	(13)	(15)
Capital expenditure on property, plant and equipment		(6)	(15)	(14)	(26)
Proceeds from sale of property, plant and equipment		7	1	10	3
Proceeds from sale of available-for-sale financial assets	(3)	643		643	
Other changes in (financial) fixed assets		1		1	
Net cash (used in)/from investing activities	(9)	**634**	**(26)**	**625**	**(39)**
Changes related to non-controlling interests		(11)		(11)	
Repayments of long term borrowings			(2)		(2)
Proceeds from short term borrowings		2	3	2	3
Repayments of short term borrowings			(349)		(363)
Repayments of finance leases		(1)		(1)	
Net cash (used in)/from financing activities	(9)	**(10)**	**(348)**	**(10)**	**(362)**
Total change in cash from continuing operations		**658**	**(405)**	**632**	**(394)**
Cash at the beginning of the period		**329**	**596**	**355**	**585**
Total change in cash from continuing operations		658	(405)	632	(394)
Cash at the end of the period		**987**	**191**	**987**	**191**
Total change in cash from discontinued operations			**(14)**		**(17)**

Consolidated statement of financial position

in € millions	note	2 July 2016	31 December 2015
ASSETS			
Non-current assets			
Intangible assets			
Goodwill		90	90
Other intangible assets		56	56
Total	(1)	**146**	**146**
Property, plant and equipment			
Land and buildings		331	343
Plant and equipment		124	134
Other		20	23
Construction in progress		11	8
Total	(2)	**486**	**508**
Financial fixed assets			
Investments in joint ventures/associates		33	33
Other financial fixed assets		7	28
Deferred tax assets		46	37
Available-for-sale financial assets	(3)		626
Total		**86**	**724**
Total non-current assets		**718**	**1,378**
Current assets			
Inventory		7	5
Trade accounts receivable		334	337
Accounts receivable		30	34
Income tax receivable		17	3
Prepayments and accrued income		134	126
Cash and cash equivalents	(6)	987	355
Total current assets		**1,509**	**860**
Assets classified as held for sale		11	13
Total assets		**2,238**	**2,251**
LIABILITIES AND EQUITY			
Equity			
Equity attributable to the equity holders of the parent	(5)	(177)	(223)
Non-controlling interests		2	7
Total		**(175)**	**(216)**
Non-current liabilities			
Deferred tax liabilities		35	35
Provisions for pension liabilities	(4)	479	449
Other provisions	(7)	50	61
Long-term debt	(6)	913	934
Accrued liabilities			2
Total		**1,477**	**1,481**
Current liabilities			
Trade accounts payable		184	159
Other provisions	(7)	41	50
Short-term debt	(6)	3	1
Other current liabilities		153	169
Income tax payable		3	30
Accrued current liabilities		552	577
Total		**936**	**986**
Total equity and liabilities		**2,238**	**2,251**

Consolidated statement of changes in equity

in € millions	Issued share capital	Additional paid in capital	Currency translation reserve	Hedge reserve	Available-for-sale financial assets	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2014	**35**	**150**	**12**	**(9)**	**(53)**	**(779)**	**47**	**(597)**	**7**	**(590)**
Total comprehensive income			2	5	169	32	30	238		238
Appropriation of net income						178	(178)	0		0
Share-based compensation		3				(1)		2		2
Balance at 27 June 2015	**35**	**153**	**14**	**(4)**	**116**	**(570)**	**(101)**	**(357)**	**7**	**(350)**
Balance at 31 December 2015	**35**	**153**	**4**	**(7)**	**128**	**(554)**	**18**	**(223)**	**7**	**(216)**
Total comprehensive income			(2)	2	(128)	(27)	204	49	1	50
Appropriation of net income						7	(7)	0		0
Share-based compensation	1	4				(3)		2		2
Other						(5)		(5)	(6)	(11)
Balance at 2 July 2016	**36**	**157**	**2**	**(5)**	**0**	**(582)**	**215**	**(177)**	**2**	**(175)**

General information and description of our business

The interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting'.

PostNL N.V. ('PostNL' or the 'Company') is a public limited liability company with its registered seat and head office in The Hague, the Netherlands.

PostNL provides businesses and consumers in the Benelux, Germany and Italy with an extensive range of services for their mail needs. PostNL's services involve collecting, sorting, transporting and delivering of letters and parcels for the Company's customers within specific timeframes. The Company also provides services in the areas of data and document management, direct marketing and fulfilment.

Basis of preparation

The interim financial statements are reported on a year-to-date basis ending 2 July 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.

There are no IFRS standards, amended standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2016 that would be expected to have a material impact on the 2016 accounts of the Group.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated 2015 Annual Report of PostNL N.V.

Receivable on Riscossione Sicilia

At HY 2016, the total trade accounts receivable position of €334 million includes an amount of €16 million related to Riscossione Sicilia, an Italian tax collection agency for Sicily. Although payments are behind schedule, based on a new payment plan management expects the receivable to be fully recoverable.

Auditor's involvement

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

Segment information – continued activities

PostNL operates its businesses through the reportable segments Mail in the Netherlands, Parcels, International and PostNL Other.

The following table presents the segment information relating to the income statement and total assets of the reportable segments for the first six months of 2016 and 2015.

in € millions

HY 2016 ended at 2 July 2016	Mail in NL	Parcels	International	PostNL Other	Eliminations	Total
Net sales	798	390	495			1,683
Inter-company sales	126	76	18	88	(308)	
Other operating revenue	1	3		1		5
Total operating revenue	**925**	**469**	**513**	**89**	**(308)**	**1,688**
Other income	4		(4)			0
Depreciation/impairment property, plant and equipment	(14)	(7)	(3)	(8)		(32)
Amortisation/impairment intangibles	(6)	(4)	(1)	(2)		(13)
Total operating income	**88**	**56**	**(7)**	**(17)**		**120**
Total assets	573	326	363	976		2,238
Total liabilities	891	189	165	1,168		2,413
HY 2015 ended at 27 June 2015						
Net sales	843	357	468	1		1,669
Inter-company sales	94	77	17	91	(279)	
Other operating revenue	2	3				5
Total operating revenue	**939**	**437**	**485**	**92**	**(279)**	**1,674**
Other income	3					3
Depreciation/impairment property, plant and equipment	(14)	(6)	(3)	(9)		(32)
Amortisation/impairment intangibles	(6)	(5)	(1)	(1)		(13)
Total operating income	**112**	**49**	**(5)**	**(10)**		**146**
Total assets at 31 December 2015	571	311	366	1,003		2,251
Total liabilities at 31 December 2015	930	191	170	1,176		2,467

As at 2 July 2016 the total assets within PostNL Other mainly related to cash (31 December 2015: stake in TNT Express of €626 million and cash). Total operating income of PostNL Other does not include the results from investments in joint ventures/associates as these are presented below operating income.

The key financial performance indicator for management of the reportable segments 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. Underlying cash operating income is reported on a monthly basis to the chief operating decision-makers.

Notes to the consolidated interim financial statements

1. Intangible assets

in € millions	HY 2016	HY 2015
Balance at 1 January	**146**	**130**
Additions	13	21
Amortisation and impairments	(13)	(13)
Exchange rate differences/other		1
Balance at end of period	**146**	**139**

At HY 2016, the intangible assets of €146 million consist of goodwill for an amount of €90 million and other intangible assets for an amount of €56 million. Goodwill resulted from acquisitions in the past in the segments Mail in the Netherlands (€53 million), International (€25 million) and Parcels (€12 million).

The additions to the intangible assets of €13 million relate to software including prepayments for software. In HY 2015 the additions included €6 million goodwill related to the acquisition of DM Productions B.V.

2. Property, plant and equipment

in € millions	HY 2016	HY 2015
Balance at 1 January	**508**	**519**
Capital expenditures	14	26
Capital expenditures in financial leases		1
Disposals	(4)	(1)
Depreciation and impairments	(32)	(32)
Exchange rate differences/other		(1)
Balance at end of period	**486**	**512**

Capital expenditures of €14 million relate for €5 million to new sorting machines in Mail in the Netherlands. The remainder relates to various other investments.

3. Available-for-sale financial assets

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.

4. Pensions

In HY 2016, the provision for pension liabilities increased by €30 million.

in € millions	HY 2016	HY 2015
Balance at 1 January	**449**	**538**
Operating expenses	46	63
Interest expenses	6	7
Employer contributions and early retirement payments	(58)	(72)
Actuarial losses/(gains)	36	(42)
Balance at end of period	**479**	**494**

Under IAS 19R, the pension provision is updated quarterly for changes in discount rate, long term expected benefit increases and actual return on plan assets. Compared to year-end 2015, the IAS 19 discount rate decreased to 1.5% (31 December 2015: 2.5%), which also triggered a reduction in the long term expected benefit increases assumption to 0.7% (31 December 2015: 1.1%). The change in these financial assumptions resulted in an increase in plan liabilities. The return on plan assets was higher than assumed, which partly countered the increase in plan liabilities. The total effect in HY 2016 on the net pension position was a loss of €36 million (HY 2015: gain of €42 million). Within equity, the pension impact net of tax in HY 2016 amounted to €(27) million (HY 2015: €31 million).

During the first half year of 2016 the 12-month average coverage ratio of the main fund, including the outstanding unconditional funding obligation of €129 million, decreased to 104.2% from 106.8% as per 31 December 2015.

The expenses for defined contribution plans in HY 2016 were €4 million (HY 2015: €4 million).

5. Equity

During HY 2016, consolidated equity attributable to the equity holders of the parent increased from €(223) million per 31 December 2015 to €(177) million on 2 July 2016. The increase of €46 million in HY 2016 is primarily explained by the profit (excluding TNT Express) of €60 million, the remaining fair value increase in the stake in TNT Express since 31 December 2015 of €17 million and the negative impact of pensions within OCI of €27 million.

Corporate equity

During HY 2016, corporate equity increased from €2,204 million per 31 December 2015 to €2,301 million on 2 July 2016. Distributable corporate equity amounted to €223 million on 2 July 2016 (31 December 2015: €(1) million). The increase in distributable corporate equity mainly related to dividend income from the Company's subsidiaries and the release of the restricted reserve related to the fair value changes of the stake in TNT Express.

We refer to the 2015 Annual Report of PostNL N.V., as published on 29 February 2016, for detailed information on the main differences between consolidated and corporate equity.

in millions	HY 2016	FY 2015	HY 2015
Number of issued and outstanding shares	**442.8**	**441.6**	**441.6**
of which held by the company	0.0	0.0	0.0
Year-to-date average number of ordinary shares	**441.9**	**441.3**	**441.1**
Year-to-date diluted number of ordinary shares		1.2	
Year-to-date average number of ordinary shares on a fully diluted basis	**441.9**	**442.5**	**441.1**

In May 2016, PostNL issued 1,234,415 ordinary shares for the settlement of its incentive schemes, increasing the issued share capital and additional paid-in capital by €5 million in total.

6. Net debt

in € millions	2 Jul 2016	31 Dec 2015
Short term debt	3	1
Long term debt	913	934
Total interest bearing debt	**916**	**935**
Long term interest bearing assets	(6)	(28)
Cash and cash equivalents	(987)	(355)
Net debt	**(77)**	**552**

As at 2 July 2016, the net debt position amounted to €(77) million. Compared to 31 December 2015, the decrease of €629 million was mainly due to the proceeds from the sale of the stake in TNT Express of €643 million.

The fair value of the cross-currency swaps on the £314 million Eurobond amounted to €(31) million per 2 July 2015 (31 December 2015: an asset of €21 million). This movement resulted in the decrease of both long term debt as long term interest bearing assets. Refer to note 11 Financial instruments for further details.

7. Provisions

Provisions consist of long term and short term provisions for restructuring, claims and indemnities and other employee benefits. In HY 2016, the balance of the long term and short term provisions decreased by €20 million, from €111 million to €91 million.

in € millions	HY 2016	HY 2015
Balance at 1 January	**111**	**154**
Additions	19	15
Withdrawals	(33)	(27)
Releases	(6)	(6)
Balance at end of period	**91**	**136**

The additions of €19 million in HY 2016 mainly relate to the cost savings initiatives (€12 million), other smaller restructuring programmes (€3 million) and claims and indemnities (€2 million).

The withdrawals of €33 million in HY 2016 related mainly to settlement agreements following the execution of the cost savings initiatives (€25 million) and settlements for other smaller restructuring programmes (€5 million).

The releases of €6 million in HY 2016 mainly related to changes in the cost savings initiatives (€4 million).

8. Taxes

Effective Tax Rate	HY 2016	HY 2015
Dutch statutory tax rate	25.0%	25.0%
Other statutory tax rates	-0.6%	0.2%
Average statutory tax rate	**24.4%**	**25.2%**
Non/partly deductible costs	1.4%	1.4%
Exempt income	-0.2%	0.2%
Other	4.6%	3.3%
Effective tax rate - like-for-like	**30.2%**	**30.1%**
Impact stake TNT Express	-18.9%	-0.6%
Effective tax rate - reported	**11.3%**	**29.5%**

The tax expense in PostNL's statement of income in HY 2016 amounted to €26 million (HY 2015: €31 million), or 11.3% (HY 2015: 29.5%) of the profit/(loss) before income taxes of €231 million (HY 2015: €105 million).

The profit before income taxes in HY 2016 excluding the profit on the sale of the stake in TNT Express of €145 million was €86 million (HY 2015, excluding the dividend income of TNT Express: €103 million), with a corresponding effective tax rate of 30.2% (HY 2015: 30.1%). Results of the stake in TNT Express are non taxable and impacted the effective tax rate in HY 2016 positively by -18.9% (HY 2015: -0.6%).

In HY 2016, the line Other (4.6%) mainly related to irrecoverable losses for which no deferred tax assets have been recognised.

Income taxes paid in HY 2016 amounted to €67 million (HY 2015: €106 million) and includes preliminary payments in the Netherlands for the full year 2016.

9. Cash flow statement

The net cash from operating activities increased by €10 million from €7 million in HY 2015 to €17 million in HY 2016. Income taxes paid decreased by €39 million and interest paid decreased by €13 million, following the repayment of a Eurobond in HY 2015. These positive effects were partly offset by a decrease in cash generated from operations moving from €128 million in HY 2015 to €86 million in HY 2016. This decrease of €42 million was mainly due to lower operational results and higher cash out from working capital (€14 million), partly offset by lower cash out from pensions (€14 million).

The net cash from investing activities increased by €664 million to €625 million in HY 2016 from €(39) million in HY 2015, mainly caused by proceeds from the sale of the 14.6% stake in TNT Express of €643 million, lower capital expenditures of €14 million and higher proceeds from the sale of property, plant and equipment of €7 million. The net cash from investing activities included the cash out from the sale of the last mile operations in Frankfurt of €4 million in HY 2016 and the cash out from the acquisition of DM Productions B.V. of €5 million in HY 2015.

The net cash used in financing activities lowered to €(10) million in HY 2016 from €(362) million in HY 2015. This improvement mainly related to the repayment of a Eurobond of €349 million in HY 2015. The net cash used in financing activities included the buy out of the minority shareholder of Postcon National of €(11) million in HY 2016.

10. Labour force

Headcount	2 Jul 2016	31 Dec 2015
Mail in NL	36,988	40,185
Parcels	3,310	3,291
International	4,429	4,666
PostNL Other	979	1,032
Total	**45,706**	**49,174**

The number of employees working at PostNL at 2 July 2016 was 45,706, which is a decrease of 3,468 employees compared to 31 December 2015. This decrease is mainly the result of extra temporary employees that were hired in December 2015 within Mail in the Netherlands to handle Christmas mail and outflow relating to cost savings initiatives.

Average FTE's	HY 2016	HY 2015
Mail in NL	15,914	17,341
Parcels	2,900	2,743
International	3,776	4,005
PostNL Other	948	1,045
Total	**23,538**	**25,134**

The average number of full time equivalents (FTE) working at PostNL during the first six months of 2016 was 23,538. The decrease of 1,596 FTE compared to the same period last year is mainly caused by reductions within operations in Mail in the Netherlands and within PostNL Other.

11. Financial instruments

The fair value of financial instruments is based on foreign exchange and interest rate market prices, if applicable. PostNL uses derivative financial instruments solely for the purpose of hedging currency and interest exposure. PostNL uses commonly practised fair value valuation methods for its derivatives. The valuations represent a best approximation of the trading value of these derivatives at their valuation moment. The derivatives within the financial instruments are grouped within level 2 of the fair value measurement hierarchy.

The carrying value of PostNL's outstanding Eurobonds is measured at amortised cost and amounted to €880 million per 2 July 2016 (31 December 2015: €933 million). The fair value of the outstanding Eurobonds amounted to €967 million per 2 July 2016 (31 December 2015: €1,038 million). The outstanding Eurobonds are all at fixed interest rates.

The foreign exchange exposure on the £314 million Eurobond is hedged via cross-currency swaps. The fair value of the cross-currency swaps amounted to €(31) million per 2 July 2015 (31 December 2015: an asset of €21 million) and is recorded as a long-term asset in 'financial fixed assets' or as a liability in 'long-term debt'. The value of the sterling/euro cross-currency swaps mainly relates to movements in the sterling/euro exchange rate and offsets the movement in the carrying value of the £314 million Eurobond.

The fair value of the other financial instruments approximates the carrying amount of these assets and liabilities.

12. Related parties

During HY 2016, purchases of PostNL from and sales to joint ventures and associated companies amounted to €0 million (HY 2015: €0 million). The net amounts due to the joint ventures and associated companies amounted to €6 million (HY 2015: €7 million).

Following the sale of the stake in TNT Express, the relationship agreement with TNT Express has been terminated. As at 2 July 2016, no events have occurred that triggered disclosure of a significant contingent asset or liability under IAS 34 following the still applicable separation agreement with TNT Express.

13. Subsequent events

There were no subsequent events to report.

Reporting responsibilities and risks

Board of Management compliance statement

In conjunction with the EU Transparency Directive as incorporated in the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht) the Board of Management confirms to the best of its knowledge that:

- The consolidated interim financial statements for the six months ended 2 July 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL N.V. and its consolidated companies, and
- The interim report of the Board of Management gives a fair view of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht).

Herna Verhagen – Chief Executive Officer

The Hague, 8 August 2016

Jan Bos – Chief Financial Officer

Risks

Understanding strategic, operational, legal and regulatory, and financial risks, including risks relating to corporate responsibility, is a vital element of our management's decision-making process. Management reviewed the risk profile regularly throughout the first half year of 2016 and will continue to do so during 2016. PostNL's risk management and control programme is to be considered as a process to further support management. No matter how comprehensive a risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments from occurring in its business and business environment or that risk responses will be fully effective.

It is important to note that new, unknown and/or unforeseen risks may be identified and/or occur. PostNL will react to changes in our risk profile and/or risk responses with due care and we will continuously analyse possible alternatives that may be included in our risk management and control framework.

Notwithstanding the above, any of the disclosed risks both individually and/or in aggregate, could have a material adverse effect on PostNL's financial position, results of operations, liquidity, solvency and the actual outcome of matters referred to in the forward-looking statements contained in this half year report.

The Board of Management has reviewed PostNL's risk profile and confirms that the key risks originally disclosed in Chapter 11 of the 2015 PostNL N.V. Annual Report (pages 65 – 69) did not change materially in the first half year of 2016, and will continue to require focused and decisive management attention in the second half of 2016. As disclosed in the Annual Report 2015, specific attention will be given to competition, substitution, USO regulation, legal and regulatory requirements, and the volatility of the pension provision. Compared to 2015, the risk relating to our stake in TNT Express has ended as the shares in TNT Express were fully divested.

More details on how PostNL deals with risk management can be found in our Annual Report 2015, Chapter 11 Risk management.