Q2 & HY 2011 Results

Press release

8 August 2011

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Encouraging Q2 results PostNL

FY underlying cash operating income expected at the top half of the guided range

Highlights Q2

- PostNL N.V. traded as a stand-alone company as of 26 May 2011; legal demerger of Express activities effective as of 31 May 2011
- 29.9% stake in TNT Express initially recognised at €1,583 million; impairment €397 million (as prescribed by accounting standards)
- Underlying revenues up 4.1% to €1,033 million
- Underlying cash operating income €25 million
- Net debt position €925 million as at 2 July 2011
- Interim 2011 dividend of €0.214 per share (of which €0.017 relates to the dividend receivable from the stake in TNT Express), at choice of shareholder in cash or stock

Key figures Q2 2011	As reported			Underlying		
in € millions, except where noted	Q2 2011	Q2 2010	% Change	Q2 2011	Q2 2010	% Change
Revenues	1,024	992	*3.2%*	1,033	992	*4.1%*
EBITDA	118	21	*461.9%*	114	159	*-28.3%*
Operating income	93	(5)		89	133	*-33.1%*
Operating margin	9.1%	-0.5%		8.6%	13.4%	
Underlying cash operating income				25	67	*-62.7%*
Impairment of investments in associates	(397)					
Profit/(loss) from continuing operations	(340)	(23)				
Profit from discontinued operations	2,105	25				
Profit for the period	1,765	2				
Profit for the period (excluding TNT Express)	54	(23)				
Net cash from operating activities	(15)	(106)				

CEO statement

Harry Koorstra, CEO of PostNL, states: "There is a positive development of all key parameters: the addressed mail volumes have developed in line with expectations, the process of consolidation in the Dutch market continues and the Enterprise Chamber has rejected all requests of the Works Council in their case against the reorganisations and as a consequence, we can now continue our Master plan implementation. Parcels delivers as promised and International's performance further improved with Germany on track to become profitable supported by a positive outcome of our German court case.

Looking at our performance during the first two quarters of the year, I am pleased to see that we are well on track towards the top half of our guided range.

We also announce our first interim dividend of €75 million plus the €6.5 million receivable from TNT Express N.V."

Summary outlook 2011

PostNL expects underlying cash operating income to be at the top half of the guided range of €130 – 170 million in 2011. Due to ongoing substitution and competition, in this second year after full liberalisation, the expected decline in addressed volumes in 2011 in the Netherlands is 8 – 10%. Master plan savings of €50 – 60 million are targeted for the year.

Note: underlying figures are at constant currency and exclude one-offs as detailed on page 4

Review of operations Q2

Reconciliation Q2 2011 in € millions	Reported Q2 2011	One-offs	Foreign exchange	Underlying Q2 2011	Underlying Q2 2010	One-offs	Reported Q2 2010
Mail in NL	577			577	609		609
Parcels	146			146	132		132
International	352		9	361	274		274
Mail other	64			64	88		88
Intercompany	(115)			(115)	(111)		(111)
Revenues	1,024	0	9	1,033	992	0	992
Mail in NL	40			40	84	182	(98)
Parcels	21			21	19		19
International	(9)	7		(2)	(14)	(3)	(11)
Mail other	41	(11)		30	44	(41)	85
Operating income	93	(4)	0	89	133	138	(5)
Changes in provisions *				(21)	(13)		
Changes in pension liabilities				(43)	(53)		
Underlying cash operating income				25	67		
As percentage of underlying revenues				*2.4%*	*6.8%*		

* 2010 comparatives not adjusted

Reported revenues increased year on year by 3.2% to €1,024 million, and reported operating income increased to €93 million. Mainly as a result of the demerger of 70.1% of the Express activities, reported profit for the period was €1,765 million (Q2 2010: €2 million).

Underlying revenues increased by 4.1% compared to the prior year, but this includes the effect of the different presentation of PostCon revenues in Germany (€67 million). Adjusted for this effect, revenues declined by 2.5%.

Underlying operating income decreased by 33.1% to €89 million, which represents an underlying operating margin of 8.6% (Q2 2010: 13.4%). This decline is due to the drop in mail volumes and price/ mix changes in Mail in NL (€29 million), higher pension expenses (€26 million), increased Master plan implementation costs (€3 million) and other items (€18 million), partly offset by Master plan savings (€18 million) and improved contributions from Parcels and International (€14 million).

The one-offs in Q2 2011 are resizing (€7 million) in International, and the book gain on the sale of De Belgische Distributiedienst (€38 million profit), demerger costs (€23 million) and rebranding costs (€4 million) in Mail other. In Q2 2010, the total one-offs amounted to €138 million, of which the main item was a net provision charge for Master plans of €168 million.

Underlying cash operating income was €25 million, down against the prior year, due to the combination of lower underlying operating income (€44 million), higher cash outflow from provisions (€8 million) and lower changes in pension liabilities (€10 million).

Net cash from operating activities was €(15) million, €91 million better than the prior year, mainly due to lower income taxes paid (Q2 2011: €5 million versus Q2 2010: €138 million).

At the end of the second quarter, net debt was €925 million, which compares to €993 million at the end of 2010.

Demerger and stake TNT Express N.V.

As of 31 May 2011, the legal demerger of the Express Business became effective. The initial valuation of PostNL's 29.9% stake in TNT Express was €1,583 million (162 million shares at a share price of €9.77 at 1 June 2011). According to IAS 36, PostNL had to impair the stake at the end of the second quarter by €397 million (€2.45 per share) to €1,186 million (€7.32 per share).

The stake will be sold as and when PostNL deems advantageous and appropriate, in line with the goal to maximise value for PostNL shareholders.

Equity

Total equity attributable to equity holders of the parent decreased to €566 million on 2 July 2011 from €2,424 million as per 31 December 2010. This decrease is mainly due to the demerger of the Express Business and the impairment of €397 million on the Express stake. Of the total equity of €566 million an amount of €189 million is non-distributable.

The IASB recently issued the revised IAS 19 "Employee Benefits". The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses immediately. The revised IAS 19 is expected to be effective for PostNL as from 1 January 2013 pending endorsement by the European Union.

The impact of IAS 19 on the 2013 financial position and profit and loss statement will be significant. As at 2 July 2011, the net pension asset amounted to €928 million. This includes net actuarial losses for an amount of €1,030 million. If these net actuarial losses as per Q2 2011 had been recognised immediately, this would have impacted equity of PostNL negatively by a net amount of €775 million, based on current parameters which are heavily dependent on interest rate movements.

Pensions

By the end of Q2, the coverage ratio of the main TNT pension fund was around 112% (31 December 2010: 107%). The expense for the defined benefit obligations in Q2 2011 amounted to €30 million (Q2 2010: income €74 million). The amount for Q2 2010 included a positive impact of €4 million from the Express business and a curtailment gain of €74 million.

The total cash contributions for defined benefit obligations were €73 million (Q2 2010: €57 million). The increase is caused by higher regular pension payments and higher payments for transitional arrangements.

Dividend 2011

The Board of Management of PostNL has decided, with the approval of the Supervisory Board, to declare an interim dividend 2011 of €0.214 (of which €0.017 relates to the dividend receivable from TNT Express) per ordinary share with a nominal value of €0.48 per share. This level represents 50% of the minimum dividend of €150 million annually, and the dividend receivable from TNT Express NV, in line with PostNL's stated dividend guidelines. As per 4 August 2011, the nominal value per ordinary share was reduced to €0.08 per share.

The interim dividend is payable, at the shareholder's election, either wholly in ordinary shares PostNL or wholly in cash. The election period is from 9 August 2011 to 25 August 2011, inclusive.

To the extent that the dividend is paid in shares it will be paid free of withholding tax and it will in principle be sourced from the additional paid-in capital that is recognised for Dutch dividend withholding tax purposes. The cash dividend will be paid out of the remaining additional paid-in capital.

The ratio of the value of the stock dividend to that of the cash dividend will be determined on 25 August 2011, after the close of trading on NYSE Euronext by Euronext Amsterdam ("Euronext"), based on the volume-weighted average price ("VWAP") of all PostNL shares traded on Euronext over a three trading day period from 23 to 25 August 2011, inclusive. The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not lower than the cash dividend. There will be no trading in the stock dividend rights.

The ex-dividend date will be 9 August 2011, the record date 11 August 2011 and the dividend will be payable as from 30 August 2011.

Additional financial indicators

The following additional financial indicators are relevant to underlying cash operating income:

- Pensions: gross cash contributions for defined benefit obligations possibly higher than €265 million (2010: €239 million) due to phasing of payments for transitional arrangements. Pension expense approximately €125 million (2010: €57 million)
- Restructuring cash outflows: around €80 – 90 million (2010: €58 million)

Other 2011 financial indicators:

- *Effective tax rate excluding the impact from the 29.9% stake in TNT Express: around 25%*
- *Cash capex: around €200 million*
- *Implementation costs Master plans: around €70 million (2010: €35 million)*
- *Net financial expense: around €120 million*
- *Rebranding and additional central costs: around €30 million*
- *One-off costs related to the separation of around €23 million*

Q2 financial indicators	
Effective tax rate (ETR): 19.1% excluding the impact from the 29.9% stake in TNT Express *(Q2 2010: 20.7%)*	▪ Mainly impacted by tax exempt book gain on sale of De Belgische Distributiedienst
Cash capex: €16 million *(Q2 2010 : €22 million)*	▪ Phasing and tight capex control
Master plans: savings €18 million, implementation costs €12 million *(Q2 2010: €25 million and €9 million)*	▪ In line with guidance
Net financial expense: €26 million *(Q2 2010: €24 million)*	▪ Expenses in line with previous year and guidance

Q2 segmental overview

Key figures per segment

	Underlying revenues *			Underlying operating income *			Underlying cash operating income*		
in € millions, except where noted	Q2 2011	Q2 2010	% Change	Q2 2011	Q2 2010	% Change	Q2 2011	Q2 2010	% Change
Mail in NL	577	609	-5.3%	40	84	-52.4%	12	62	-80.6%
Parcels	146	132	10.6%	21	19	10.5%	21	19	10.5%
International	361	274	31.8%	(2)	(14)	85.7%	(2)	(14)	85.7%
Mail other	64	88	-27.3%	30	44	-31.8%	(6)	0	
Intercompany	(115)	(111)	-3.6%						
PostNL	1,033	992	4.1%	89	133	-33.1%	25	67	-62.7%

* The underlying figures are at constant currency and exclude one-offs

Mail in the Netherlands

Mail in the Netherlands' addressed mail volumes declined by 8.9%, in line with guidance. The main reason for this decline remains substitution. Underlying revenues declined by 5.3%, including a positive effect from one extra working day. The positive price effect on addressed mail was partly offset by a negative mix effect.

Underlying operating income in Mail in the Netherlands decreased by €44 million, or 52.4%, to €40 million. Lower addressed volumes and price and mix changes are the main reason for this decline (€29 million) and higher pension expense attributed €14 million. Wage and price inflation had a negative impact of €7 million. Costs to implement future Master plan savings measures were €3 million higher than the previous year. Other costs were €9 million higher. In Q2, Master plan savings of €18 million were realised.

Compared to last year, the quality of delivery (postal mailboxes) improved strongly to 96.7%. Over the full year 2010 PostNL reported a 95.3% quality of delivery (adjusted for the effect of the strikes in the last quarter of 2010).

Consolidation in the Dutch market for bulk mail has started with the acquisition of SelektMail by Sandd early in 2011 and Interlanden's withdrawal from the Dutch unaddressed mail market. The recent ratification of the sector CLA, in which the migration path towards 80% of postal workers in the Netherlands on labour contracts by October 2013 has been agreed upon, resulted in Sandd announcing a price increase of 5% as of 1 July 2011 and furthermore the intention to increase prices further to compensate for the rising labour costs.

Significant developments in the regulatory environment of Mail in the Netherlands:

- The 10% return on sales 'reasonable rate of return' on the Universal Service Obligation was adopted by Parliament, which means that the regulatory framework with regard to future tariff development has been clarified. Per four year period, OPTA has to set the tariffs based on a proposal of PostNL, after which a price cap system applies. On 31 May 2011, PostNL sent a tariff proposal according to the new requirements to OPTA. OPTA's approval is expected in Q4 of this year.
- The Enterprise Chamber of the Court of Amsterdam has rejected all requests of the Works Council in their case against the reorganisations. Important points in the verdict of the Enterprise Chamber are: the size of the savings PostNL wants to achieve and the reorganisations linked to them are in proportion; the proposal by the Works Council to keep open 150 delivery offices for several years is not an acceptable alternative; PostNL, has taken into account the interests of the employees concerned sufficiently. Through this verdict, PostNL can continue the intended reorganisations.

Parcels

Parcels continued to improve revenues strongly (+10.6%), mainly due to growing volumes (+10.0%) partly resulting from new client wins. Underlying (cash) operating income improved by 10.5%. Operating margin was 14.4%.

As a result of the additional volume, both sorting and distribution costs per parcel decreased, partly offset by higher transportation costs per parcel due to higher fuel prices.

New initiatives such as Extra@Home and the secured delivery business showed good performances.

The progress on the new logistical infrastructure is on track. The first hybrid depot in Waddinxveen was completed on 1 May 2011 and operations started on 4 July 2011. The building of a second hybrid depot in Elst has started and for several other locations land has been acquired. In Q2, capex for Parcels was €4 million.

International

Underlying revenues in € millions	Q2 2011	Q2 2010
UK	155	131
Germany	121	60
Italy	48	50
Spring and Other	37	33
International	361	274

International benefited from better performances on revenues and resizing of the business. Like-for-like (excluding the impact of the revised presentation of PostCon revenues and disposal effects) revenues increased by €36 million. Underlying cash operating income improved and developed in line with outlook, partly as a result of one-offs. Measures to improve the results of Germany and Spring showed good progress.

United Kingdom realised 18% revenue growth to €155 million. Revenues were impacted by an increase in Royal Mail tariffs and price pressure in some segments. Volumes, both national and especially in the regions, increased, resulting in better network efficiency.

There were some significant client wins as well as various contract renewals. We gained the contract for the packet business of Guernsey Post. Operationally, greater efficiency will improve profitability on transportation costs going forward.

In **Germany**, revenues amounted to €121 million. Excluding the €67 million effect from the change in VAT, revenues declined 4.7% compared to last year. The decline is mainly explained by the loss of some key customers in the second half of 2010 (because of price dumping by Deutsche Post). Revenues were also negatively impacted by the discontinuation of business in the non-core areas in Regioservice.

The start of the resizing programme, part of our clearly identified path to breakeven in 2013, and the decision of the BundesNetzAgentur as explained below are important steps on the path to profitability of TNT Post Germany.

On 13 June the BundesNetzAgentur has determined, in proceedings against First Mail Düsseldorf GmbH and Deutsche Post AG, that the German Postal Act has been breached in terms of pricing and non-discrimination regulations. A price floor for Deutsche Post and its subsidiaries must be established. Special prices of Deutsche Post, which are regionally limited, are not permitted. Deutsche Post has filed an application at the local administrative court to be allowed to delay implementation. The court will decide on this application by the end of August.

In **Italy**, revenues were €48 million. Excluding the impact of disposals of €6 million, revenues were up 8%. Formula Certa's volumes and revenues successfully continued to demonstrate strong growth on the back of further network expansion and new customer wins. Formula Certa is on track to reach coverage of 66% of households in 2011.

TNT Post Italia has signed a commercial agreement that will allow customers to pick up TNT Post registered mail from a wider number of service points offered by the extensive network of Buffetti shops. The partnership with the Buffetti Group will speed up reaching PostNL's objective to expand coverage of Italian territories.

Mail other

Mail other represents the unaddressed activities outside the Netherlands classified as held for sale and head office entities, including the difference between the recorded IFRS employer pension expense for the defined benefit pension plans and the actual cash payments received from the other segments. The latter accounts for €25 million of operating income (Q2 2010: €35 million).

On 8 April 2011, the sale of De Belgische Distributiedienst and RSM Italy was completed, resulting in a book gain of €38 million and cash proceeds of €116 million. The contract for the disposal of the mail activities in the Czech Republic and Slovakia was signed in June.

Half year performance

Key figures HY 2011 in € millions, except where noted	As reported HY 2011	HY 2010	% Change	Underlying HY 2011	HY 2010	% Change
Revenues	2,136	2,058	*3.8%*	2,140	2,058	*4.0%*
EBITDA	267	240	*11.3%*	258	366	*-29.5%*
Operating income	218	187	*16.6%*	209	313	*-33.2%*
Operating margin	10.2%	9.1%		9.8%	15.2%	
Underlying cash operating income				100	185	*-45.9%*
Impairment of investments in associates	(397)					
Profit/(loss) from continuing operations	(271)	99				
Profit from discontinued operations	2,159	47				
Profit for the period	1,888	146				
Net cash from operating activities	69	(56)				
Earnings per ordinary share (in € cents)	499.1	39.3				

Reconciliation HY 2011 in € millions	Reported HY 2011	One-offs	Foreign exchange	Underlying HY 2011	Underlying HY 2010	One-offs	Reported HY 2010
Mail in NL	1,189			1,189	1,262		1,262
Parcels	299			299	274		274
International	723		4	727	568		568
Mail other	158			158	174		174
Intercompany	(233)			(233)	(220)		(220)
Revenues	2,136	0	4	2,140	2,058	0	2,058
Mail in NL	116			116	206	182	24
Parcels	47			47	44		44
International	(11)	7		(4)	(20)	(3)	(17)
Mail other	66	(16)		50	83	(53)	136
Operating income	218	(9)	0	209	313	126	187
Changes in provisions *				(38)	(23)		
Changes in pension liabilities				(71)	(105)		
Underlying cash operating income				100	185		
As percentage of underlying revenues				*4.7%*	*9.0%*		

* 2010 comparatives not adjusted

in € millions, except where noted	Underlying revenues * HY 2011	HY 2010	% Change	Underlying operating income * HY 2011	HY 2010	% Change	Underlying cash operating income* HY 2011	HY 2010	% Change
Mail in NL	1,189	1,262	-5.8%	116	206	-43.7%	66	159	-58.5%
Parcels	299	274	9.1%	47	44	6.8%	48	44	9.1%
International	727	568	28.0%	(4)	(20)	80.0%	(3)	(20)	85.0%
Mail other	158	174	-9.2%	50	83	-39.8%	(11)	2	
Intercompany	(233)	(220)	-5.9%						
PostNL	2,140	2,058	4.0%	209	313	-33.2%	100	185	-45.9%

* The underlying figures are at constant currency and exclude one-offs

Over the first half of 2011, PostNL reported revenues increased by 3.8% over the prior year period and operating income increased by 16.6%. Underlying revenues increased by 4.0%, adjusted for PostCon revenues -2.8%. Underlying operating income decreased by 33.2%, underlying cash operating income was down 45.9%.

Net profit was €1,888 million and was largely impacted by the demerger of the Express activities and the remaining 29.9% stake that PostNL holds in TNT Express. During the first half of 2011, net cash from operating activities showed a positive development, mainly because of the phasing of 2010 cash taxes and continued tight working capital management.

Mail in the Netherlands underlying revenues declined by 5.8% and underlying cash operating income was down 58.5%, mainly as a result of the decline in addressed mail volumes. Addressed mail volumes were down 8.7%, in line with expectations. Parcels had a good first half of 2011, with revenues up 9.1% and a similar increase in underlying cash operating income. International's first six months were good, with revenues well up and underlying cash operating income also up. Revenues in Mail other were impacted by the sale of De Belgische Distributiedienst and RSM Italy which was closed early in the second quarter, and declined by 9.2%. Underlying cash operating income declined to €(11) million.

Reporting responsibilities and risks

Related party transactions

Major related party transactions are disclosed in note 11 to the Consolidated Interim Financial Statements.

Auditor's involvement

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

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 2011 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 review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Harry Koorstra – Chief Executive Officer

Jan Bos – Chief Financial Officer

Herna Verhagen – Parcels & International

Gérard Aben – HR

The Hague, 8 August 2011

Risks

Understanding strategic, operational, compliance and financial risks is a vital element of PostNL's management decision-making processes. PostNL's risk management and control programme is not a means to an end but a process to support management. No matter how good 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 in PostNL's business and business environment from occurring or its mitigating actions to be fully effective. It is important to note that new risks could be identified that are not known currently. However, any of the following known specific key risks could have a material adverse effect on PostNL's financial position, results of operations, liquidity 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 following specific key risks originally disclosed in Chapter 18 of the 2010 TNT N.V. Annual Report (pages 229 – 241), as they relate to the former Mail division, have been updated but remain and will continue to require focused and decisive management attention in the second half of 2011. In addition to these risks, the Board of Management has also identified one additional specific key risk that will also require focused management attention going forward (see last-mentioned risk). These risks are described in greater detail than usual because of the fact that PostNL has recently demerged TNT Express. In the future, this level of detail will be reduced.

A downturn in the capital markets and/or a decline in interest rates may reduce the coverage ratio to below 105% of PostNL's defined benefit pension fund obligations in the Netherlands, which in turn could require significant, multi-year additional funding by PostNL.

PostNL's main Dutch "defined benefit pension fund" has total assets of around €5.2 billion, which are funded by investments held in various asset classes including equities with a view to benefiting from capital appreciation. The value of these asset classes may be volatile and a downturn in, for example, the capital, commodity and real estate markets could significantly reduce the value of these assets. In addition, a decline in interest rates may increase the net present value of PostNL's pension liabilities. In the event that the coverage ratio of assets divided by liabilities falls below the minimum funding requirements prescribed by De Nederlandsche Bank (DNB), PostNL might be required to increase contributions to the funds. If the assets were to lose a substantial amount of their value or if, as a result of a decline in interest rates, PostNL's liabilities were to substantially increase, or both, PostNL might be required to make large additional payments into the funds, which could adversely affect cash flow over a number of years.

Based on a risk study performed by the main fund the investment policy was amended during 2010 to preserve part of the upward potential on equity and at the same time protect against substantial decreases in equity valuations.

During 2010 the coverage ratio dropped below the minimum required coverage of 105%, as a result of which the main fund provided the DNB with a short-term and long-term recovery plan. The updated recovery plan was approved by DNB in January 2011. Subject to the terms and conditions as agreed between PostNL N.V. and the pension fund, the shortfall in the minimum required coverage ratio resulted in an additional contribution by PostNL of €12 million during 2010. By the end of 2010, the coverage ratio of the main fund increased to around 107%, ahead of the updated recovery plan and in particular due to the increase in the long-term interest rate and the fund's overall investment return. The fund's coverage ratio includes the latest longevity outlook based on recent statistical studies performed by the Dutch Actuarial Association ("Actuarieel Genootschap").

During the first six months of 2011, the coverage ratio of the main pension fund remained above the 105% minimum funding requirement. At 30 June 2011, the coverage ratio was 112%.

Regulation in general and specifically regarding the Universal Service Obligation (USO) tariffs as of 1 January 2012 could have a material impact on PostNL's profitability.

PostNL is sensitive to political decision-making that could have an adverse influence on PostNL's ability to achieve all elements of its mid-term strategy or to carry out its operations effectively. Postal regulation is often subject to fierce political debate. For instance, the liberalisation of the Dutch postal market coincided with an increase in regulatory and supervisory controls for the national postal operator, PostNL.

Specifically, new tariff regulation pertinent to the USO includes legislation on reasonable returns and defines a price cap system. It also details the supervisory responsibilities of OPTA. The USO tariffs which will be effective as of 1 January 2012 will not be formally established until 1 October 2011. OPTA's decision on these new tariffs could have a material impact on PostNL's profitability. If OPTA does not follow the PostNL proposal, the establishment of the new, higher tariffs may be delayed. In addition, OPTA may also decide to set the tariffs at a different level than that proposed by PostNL.

Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the results intended, could cause labour unrest and could adversely affect PostNL's reputation, revenues and profitability. The impact of this risk is affected by, amongst others, the outcome of pending legal proceedings.

The cost initiatives under the Master Plans at PostNL consist of efficiency measures and a restructuring to reduce labour costs. During 2010, PostNL continued the implementation of new working routines at its delivery and collection offices, leading to greater standardisation. PostNL continued to recruit part-time mail deliverers at lower labour costs to fill vacancies in mail delivery. In 2011, the company has started implementing Master Plan III. This project will lead to substantial redundancies in the coming years.

The Master Plans cost saving targets are based on assumptions and expectations which may not be valid. The cost reduction measures may not achieve their goals and/or may invoke higher restructuring and implementation costs than originally foreseen. PostNL may not accurately forecast future infrastructure requirements, which could result in excess or insufficient capacity and negatively affect PostNL's revenues and profitability. In addition, restructuring costs are based on expectations regarding, for example, the voluntary departure of employees. If those expectations turn out to be incorrect, restructuring costs may be higher. All these deviations from expectations on savings and restructuring costs will affect PostNL's profitability.

The legal proceedings, which the PostNL Works Council had started against the Master Plan III reorganisation plans, can be seen as an example. These proceedings were seeking a court order to prohibit redundancies at a time when new mail deliverers are being hired. The court hearing was on 30 June 2011. The Enterprise Chamber of the Court of Amsterdam has rejected all requests of the Works Council in their case against the reorganisations. Important points in the verdict of the Enterprise Chamber are: the size of the savings PostNL wants to achieve and the reorganisations linked to them are in proportion; the proposal by the Works Council to keep open 150 delivery offices for several years is not an acceptable alternative; PostNL, has taken into account the interests of the employees concerned sufficiently. Through this verdict, PostNL can continue the intended reorganisations.

Strikes, work stoppages and work slowdowns by PostNL employees could also negatively affect PostNL's reputation, revenues and profitability.

Post NL may decide to exit certain businesses or markets in the future which could result in additional costs related to closure of operations, impairment of goodwill or other contractual liabilities.

In the future PostNL may choose to change its strategy and either fully or partially exit certain businesses or markets due to, for example, changes in strategic focus, unattractive market conditions, aggressive competitor pricing policies or protectionist behaviour by governments. A full or partial exit could result in additional costs due to the closure of operations, the impairment of goodwill and other contractual liabilities.

Intensifying competition may put downward pressure on prices and could have an adverse effect on PostNL's revenues and profitability.

Targeted, aggressive actions by competitors may negatively impact PostNL's prices. Increased competition may force down prices for PostNL's services and thus cause PostNL's revenues and profitability to decrease.

Potential impairment charges relating to the 29.9% stake in TNT Express NV could be significant given the volatility of the TNT Express NV share price. As a consequence this could have a significant impact on PostNL's equity.

The 29.9% stake in TNT Express NV is reported as an investment in associates. The results from TNT Express NV are accounted for in accordance with the equity method as prescribed by IFRS. Under this method PostNL's relative share of the net result attributable to shareholders of TNT Express NV minus adjustment for depreciation and amortisation and potential impairment charges are recorded in the income statement of PostNL.

PostNL will assess on each reporting date whether there is objective evidence that the investment in TNT Express NV might be impaired. The assessment of the recoverability of the investment in TNT Express NV is primarily based on public market data, notably the share price. A significant or prolonged decline in the share price of TNT Express NV is an important quantitative triggering event for an impairment of PostNL's investment in TNT Express NV.

In Q2 2011, PostNL recorded an impairment charge of €397 million in its interim financial statements relating to the investment in TNT Express NV following the declining share price of TNT Express NV from €9.77 at 1 June 2011 to €7.32 at 1 July 2011. This resulted in a decrease of PostNL's equity of €397 million.

Consolidated interim financial statements

General information and description of our business

The interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting' and have not been audited or reviewed by an external auditor.

PostNL N.V. ('PostNL' or the 'Company', formerly known as TNT N.V. or 'TNT') is a public limited liability company with its registered seat and head office in 's-Gravenhage, the Netherlands. Following the approval of the shareholders of TNT N.V.at the Extraordinary General Meeting of Shareholders on 25 May 2011, the name of TNT N.V. has been changed to PostNL N.V. on 26 May 2011 and the demerger has become effective as per 31 May 2011. This created a newly listed company, TNT Express N.V. ('TNT Express') in which PostNL holds 29.9% of the shares. Both PostNL N.V. and TNT Express N.V. are listed on the NYSE Euronext in Amsterdam. PostNL shares are traded under the symbol "PNL".

PostNL provides businesses and consumers in the Benelux, Germany, the UK 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 area of data and document management, direct marketing and fulfilment.

Demerger Express

On 2 December 2010 TNT announced the demerger of the Express business after it received positive advice from the Works Council and obtained approval from the Board of Management and Supervisory Board.

The Express business was reported as discontinued operations/held for demerger as at 31 December 2010. In the 2010 consolidated income statement the net result of the Express business was presented as a separate line "Profit/(loss) from discontinued operations".

In 2011, the net result of the Express business is reported under "Profit/(loss) from discontinued operations" up to and including 31 May 2011. As from 1 June 2011, PostNL's share in the net result of TNT Express N.V. is part of the "Results from investments in associates".

The impact of the demerger resulted in a net book gain of €2,086 million which is recorded as part of "Profit/(loss) from discontinued operations" in the consolidated income statement. The consolidated statement of cash flows has been positively impacted following the settlement of outstanding positions with TNT Express resulting in a net increase of the cash position of €498 million as at 2 July 2011.

After the demerger, the 29.9% investment in TNT Express has been presented as "Investments in associates" initially valued at €1,583 million based on the opening share price of TNT Express N.V. at 1 June 2011 of €9.77. Between 1 June 2011 and 2 July 2011 the share price of TNT Express N.V. declined significantly from €9.77 per share to €7.32 per share. Following this impairment trigger, PostNL performed an impairment test, concluding that the investment in TNT Express N.V. was impaired. Accordingly, the company recognised an impairment charge of €397 million.

Equity has been reduced from €2,424 million as at 31 December 2010 to €566 million as at 2 July 2011. This decrease is mainly the result of the demerger of 70.1% of the discontinued Express Business and a recorded impairment charge of €397 million according to IAS 36 on the retained stake in TNT Express N.V.

We refer to note 3 "Held for demerger/discontinued operations", note 4 "Investments in associates", note 5 "Pensions" and note 6 "Equity" for further details.

Basis of preparation

The information is reported on a year-to-date basis ending 2 July 2011. Where material to an understanding of the period starting 1 January 2011 and ending 2 July 2011, further information is disclosed. The interim financial statements were discussed and approved by the Board of Management. The interim financial statements should be read in conjunction with the consolidated 2010 annual report of TNT N.V. as published on 21 February 2011.

The significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in TNT's consolidated 2010 annual report for the year ended 31 December 2010.

The IASB recently issued the revised IAS 19 "Employee Benefits". The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses immediately. The revised IAS 19 is expected to be effective for PostNL as from 1 January 2013 pending endorsement by the European Union.

The impact of IAS 19 on the 2013 financial position and profit and loss statement will be significant. As at 2 July 2011, the net pension asset amounted to €928 million. This includes net actuarial losses for an amount of €1,030 million. If these net actuarial losses as per Q2 2011 had been recognised immediately, this would have impacted equity of PostNL negatively by a net amount of €775 million, based on the current parameters which are heavily depending on interest rate movements.

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. The pricing of inter-company transactions is done at arm's length.

Shareholding in TNT Express

As from 1 June 2011, the shareholding of 29.9% in TNT Express is treated as an investment in associate. PostNL's share in the result of TNT Express is included in the consolidated income statement using the equity method taking into account additional depreciation and amortisation ("purchase price adjustments"). These purchase price adjustments are prescribed by IAS 28.23, which states that the difference between the fair (market) value and book value of the TNT Express shareholding should be reflected in the identification of fair value adjustments and intangibles, resulting in additional depreciation and amortisation. As a result the "Results from investments in associates" in the consolidated income statement will not be equal to 29.9% of the net result attributable to the shareholders as reported by TNT Express. The total impact of the purchase price adjustments amounts to €16 million on an annual basis.

The carrying value of the investment in TNT Express is reported as a single line item "Investments in associates" and therefore includes the identified purchase price adjustments and goodwill. The changes in the carrying value reflect PostNL's share in the net earnings and direct equity movement of TNT Express, reduced by the purchase price adjustments, dividends received and potential impairment charges on the investment.

PostNL's share in non-distributable earnings of TNT Express is included in "Reserve associates" within shareholders' equity.

PostNL will assess on each reporting date whether there is objective evidence that the investment in associate TNT Express may need to be impaired. The recoverability of the investment in TNT Express is reviewed based on observable publicly available market data. A significant or prolonged decline in the fair (market) value is an important quantitative triggering event for impairment of PostNL's investment in TNT Express. Possible impairment charges may be reversed if there is an indication that the impairment no longer exists or has been decreased.

Segment information

Due to the demerger of the Express business and the related change in management structure, the segment information in the 2010 financial statements has been extended to focus on the operating segments of the Mail business. Due to the demerger the 2011 segment information included in the interim financial statements has been changed and discloses details relating to the operating segments Mail in the Netherlands, Parcels, and International. The comparative 2010 segment information has been adjusted accordingly.

Revenues and results are impacted by the seasonality of sales whereby Q4 is the strongest quarter in the financial year and Q3 is the weakest quarter.

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 2011 and 2010.

HY 2011 ended at 2 July 2011 in € millions	Mail in NL	Parcels	International	Mail other	Inter company	Total
Net sales	1,119	259	702	46		2,126
Inter-company sales/TNT Express	68	37	20	111	(233)	3
Other operating revenues	2	3	1	1		7
Total operating revenues	1,189	299	723	158	(233)	2,136
Other income	11		(2)	37		46
Depreciation/impairment property, plant and equipment	(24)	(3)	(3)	(7)		(37)
Amortisation/impairment intangibles	(7)	(2)	(2)	(1)		(12)
Total operating income	116	47	(11)	66		218
Total assets per 2 July 2011	709	93	439	3,070		4,311

HY 2010 ended at 3 July 2010 in € millions	Mail in NL	Parcels	International	Mail other	Inter company	Total
Net sales	1,187	234	557	63		2,041
Inter-company sales/TNT Express	69	38	10	109	(220)	6
Other operating revenues	6	2	1	2		11
Total operating revenues	1,262	274	568	174	(220)	2,058
Other income	3		8	(3)		8
Depreciation/impairment property, plant and equipment	(27)	(3)	(3)	(8)		(41)
Amortisation/impairment intangibles	(8)	(1)	(1)	(2)		(12)
Total operating income	24	44	(17)	136		187
Total assets per 31 December 2010	897	57	384	6,799		8,137

As at 2 July 2011 the total assets within "Mail other" included the investment in TNT Express for an amount of €1,186 million and pension assets and cash. As at 31 December 2010 the total assets within "Mail other" included the assets classified for demerger for an amount of €5,531 million. Total operating income of "Mail other" does not include the results from investments in associates or the results from discontinued operations as this is presented below operating income.

Consolidated statement of financial position

in € millions	note	2 July 2011	31 December 2010
Assets			
Non-current assets			
Intangible assets			
Goodwill		117	120
Other intangible assets		43	46
Total	(1)	160	166
Property, plant and equipment			
Land and buildings		258	294
Plant and equipment		113	119
Other		32	33
Construction in progress		43	53
Total	(2)	446	499
Financial fixed assets			
Investments in associates	(4)	1,191	4
Other loans receivable		3	3
Deferred tax assets		13	21
Other financial fixed assets		2	3
Total		1,209	31
Pension assets	(5)	1,146	1,153
Total non-current assets		2,961	1,849
Current assets			
Inventory		10	8
Trade accounts receivable		381	412
Accounts receivable		38	38
Income tax receivable		1	3
Prepayments and accrued income		156	108
Cash and cash equivalents	(7)	727	65
Total current assets		1,313	634
Assets classified as held for sale		37	123
Assets classified for demerger	(3)		5,531
Total assets		4,311	8,137
Liabilities and equity			
Equity			
Equity attributable to the equity holders of the parent		566	2,424
Non-controlling interests		17	19
Total	(6)	583	2,443
Non-current liabilities			
Deferred tax liabilities		328	327
Provisions for pension liabilities	(5)	218	231
Other provisions	(8)	235	255
Long term debt	(7)	1,633	1,582
Total		2,414	2,395
Current liabilities			
Trade accounts payable		208	154
Other provisions	(8)	120	134
Other current liabilities		257	257
Income tax payable		151	135
Accrued current liabilities		576	582
Total		1,312	1,262
Liabilities related to assets classified as held for sale		2	26
Liabilities related to assets classified for demerger	(3)		2,011
Total liabilities and equity		4,311	8,137

Consolidated income statement

in € millions	note	Q2 2011	Q2 2010	HY 2011	HY 2010
Net sales		1,021	988	2,129	2,047
Other operating revenues		3	4	7	11
Total revenues		1,024	992	2,136	2,058
Other income		37	7	46	8
Cost of materials		(48)	(41)	(97)	(80)
Work contracted out and other external expenses		(460)	(366)	(949)	(759)
Salaries and social security contributions		(362)	(514)	(735)	(864)
Depreciation, amortisation and impairments		(25)	(26)	(49)	(53)
Other operating expenses		(73)	(57)	(134)	(123)
Total operating expenses		(968)	(1,004)	(1,964)	(1,879)
Operating income		93	(5)	218	187
Interest and similar income		4	3	10	5
Interest and similar expenses		(30)	(27)	(63)	(56)
Net financial (expense)/income		(26)	(24)	(53)	(51)
Results from investments in associates	(4)	3		3	
Impairment of investments in associates	(4)	(397)		(397)	
Profit/(loss) before income taxes		(327)	(29)	(229)	136
Income taxes		(13)	6	(42)	(37)
Profit/(loss) from continuing operations		(340)	(23)	(271)	99
Profit/(loss) from discontinued operations	(3)	2,105	25	2,159	47
Profit for the period		1,765	2	1,888	146
Attributable to:					
Non-controlling interests		(1)	(1)	(1)	0
Equity holders of the parent		1,766	3	1,889	146
Earnings per ordinary share (in € cents) [1]		466.5	0.7	499.1	39.3
Earnings per diluted ordinary share (in € cents) [2]		466.5	0.5	499.1	38.9
Earnings from continuing operations per ordinary share (in € cents) [1]		(90.2)	(6.6)	(71.9)	26.6
Earnings from continuing operations per diluted ordinary share (in € cents) [2]		(90.2)	(6.6)	(71.9)	26.4
Earnings from discontinued operations per ordinary share (in € cents) [1]		556.7	7.3	571.0	12.7
Earnings from discontinued operations per diluted ordinary share (in € cents) [2]		556.7	7.1	571.0	12.5

1 For 2011 based on an average of 378,468,906 of outstanding ordinary shares (2010: 371,623,864).
2 For 2011 based on an average of 378,468,906 of diluted outstanding ordinary shares (2010: 375,140,175).

Consolidated statement of comprehensive income

in € millions	Q2 2011	Q2 2010	HY 2011	HY 2010
Profit for the period	1,765	2	1,888	146
Gains/(losses) on cashflow hedges, net of tax	(9)	10	13	6
Currency translation adjustment net of tax	(1)	1	(1)	1
Share changes other comprehensive income associates	0		0	
Continued operations	(10)	11	12	7
Gains/(losses) on cashflow hedges, net of tax	19	(8)	22	(11)
Currency translation adjustment net of tax	105	86	49	138
Discontinued operations	124	78	71	127
Total other comprehensive income for the period	114	89	83	134
Total comprehensive income for the period	1,879	91	1,971	280
Attributable to:				
Non-controlling interests	(1)	(1)	(1)	0
Equity holders of the parent	1,880	92	1,972	280

The HY 2011 tax impact on the cash flow hedges from continued operations is €(4) million (HY 2010: €(2) million). The HY 2011 tax impact on the cash flow hedges from discontinued operations is €(6) million (HY 2010: €4 million). There is no tax impact on the currency translation adjustment.

Consolidated statement of cash flows

in € millions and over the period	Q2 2011	Q2 2010	HY 2011	HY 2010
Cash flows from continuing operations				
Profit/(loss) before income taxes	(327)	(29)	(229)	136
Adjustments for:				
Depreciation, amortisation and impairments	25	26	49	53
Share based payments	7	2	9	3
Investment income:				
(Profit)/loss of assets held for sale	(3)		(11)	(2)
(Profit)/loss on sale of Group companies/joint ventures	(32)		(32)	
Interest and similar income	(4)	(3)	(10)	(5)
Foreign exchange (gains) and losses		(1)		(1)
Interest and similar expenses	30	28	63	57
Results from/impairment of investments in associates	394		394	
Changes in provisions:				
Pension liabilities	(43)	(132)	(76)	(189)
Other provisions	(21)	217	(38)	207
Changes in working capital:				
Inventory	(1)		(2)	
Trade accounts receivable	(7)	49	31	14
Other accounts receivable	(2)	(8)	1	(20)
Other current assets		2	(57)	(23)
Trade accounts payable	41	12	58	23
Other current liabilities excluding short term financing and taxes	(51)	(113)	(52)	(120)
Cash generated from operations	6	50	98	133
Interest paid	(16)	(18)	(18)	(21)
Income taxes received/(paid)	(5)	(138)	(11)	(168)
Net cash from operating activities	(15)	(106)	69	(56)
Interest received	2		2	1
Acquisition of subsidiairies and joint ventures (net of cash)		(2)		(5)
Disposal of subsidiaires and joint ventures	115		115	
Capital expenditure on intangible assets	(5)	(5)	(9)	(9)
Disposal of intangible assets		1		1
Capital expenditure on property, plant and equipment	(11)	(17)	(27)	(23)
Proceeds from sale of property, plant and equipment	21	1	52	4
Other changes in (financial) fixed assets				(1)
Changes in non-controlling interests		(1)		(1)
Net cash used in investing activities	122	(23)	133	(33)
Cash settlement share based payments	(4)	1	(6)	1
Proceeds from long term borrowings	1	1	1	1
Repayments of long term borrowings		(1)		(11)
Proceeds from short term borrowings	14	(1)	16	1
Repayments of short term borrowings	(3)	(1)	(3)	(1)
Repayments of finance leases			(1)	(1)
Dividends paid	(7)	(64)	(44)	(64)
Financing related to discontinued business	571	195	498	166
Net cash used in financing activities	572	130	461	92
Change in cash from continuing operations	**679**	1	**663**	3
Cash flows from discontinued operations				
Net cash from operating activities	(29)	75	(53)	56
Net cash used in investing activities	(37)	(44)	(86)	(70)
Net cash used in financing activities	(517)	(227)	(446)	(209)
Change in cash from discontinued operations	**(583)**	(196)	**(585)**	(223)
Total changes in cash	**96**	(195)	**78**	(220)

Consolidated statement of changes in equity

in € millions	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Reserve associates	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2009	178	871	(146)	(43)	0	953	247	2,060	20	2,080
Total comprehensive income			139	(5)			146	280	0	280
Appropriation of net income						183	(183)			
Final dividend previous year	1	(1)					(64)	(64)		(64)
Transfers to classified as held for demerger									(5)	(5)
Share based compensation						9		9		9
Other						5		5	3	8
Total direct changes in equity	1	(1)				197	(247)	(50)	(2)	(52)
Balance at 3 July 2010	179	870	(7)	(48)	0	1,150	146	2,290	18	2,308
Balance at 31 December 2010	180	869	(41)	(43)	0	1,167	292	2,424	19	2,443
Total comprehensive income			48	35	0		1,889	1,972	(1)	1,971
Appropriation of net income						248	(248)			
Demerger		(867)				(1,425)	(1,504)	(3,796)		(3,796)
Second interim dividend 2010	2	(2)					(44)	(44)		(44)
Share based compensation						13		13		13
Other						(3)		(3)	(1)	(4)
Total direct changes in equity	2	(869)				(1,167)	(1,796)	(3,830)	(1)	(3,831)
Balance at 2 July 2011	182	0	7	(8)	0	0	385	566	17	583

On 25 May 2011, the Annual General Meeting of Shareholders approved the reduction of outstanding share capital of PostNL N.V., which was effectuated by way of a reduction of the nominal value of PostNL's shares from €0.48 per share to €0.08 per share. This reduction of share capital amounts to €150 million and was effective as of 4 August 2011.

PostNL's share in non-distributable earnings of TNT Express is recorded within "Reserve associates". The balance as at 2 July 2011 of €0 million reflects PostNL's share in net profit and direct equity changes for the period June 2011, taking into account the dividend receivable from TNT Express. The 'Reserve associates' is a legal reserve, which cannot be distributed to the equity holders of the company.

Notes to the consolidated interim financial statements

1. Intangible assets

in € millions	2011	2010
Balance at 1 January	166	209
Additions	9	13
Disposals	(2)	(1)
Exchange rate differences	(1)	2
Amortisation	(12)	(12)
Balance at end of period	160	211

At Q2 2011, the intangibles of €160 million consist of goodwill for an amount of €117 million and other intangibles for an amount of €43 million. Goodwill arises from acquisitions in the past in the segments Mail in the Netherlands (€67 million), International (€47 million) and Parcels (€3 million).

The additions to the intangible assets of €9 million concern additions to software including prepayments for software. The Q2 2010 additions consist of €4 million additions to goodwill arisen from the acquisitions of TopPak and Kowin (Kortingsbon.nl) in 2010 and €9 million capital expenditures in software.

2. Property, plant and equipment

in € millions	2011	2010
Balance at 1 January	499	534
Capital expenditures	27	23
Capital expenditures in financial leases		3
Acquisitions		2
Disposals	(19)	(1)
Exchange rate differences	(1)	
Depreciation and impairments	(37)	(41)
Transfers to assets held for sale	(23)	(6)
Balance at end of period	446	514

Capital expenditures of €27 million mainly concern investments within Mail in NL of €10 million and Parcels of €12 million. The investments mainly relate to sorting centres, vehicle replacements and sorting machinery. The disposals of €19 million mainly relate to the sale of the Head office building in Q2 and related equipment to TNT Express. In 2011, real estate for an amount of €23 million was transferred to assets held for sale.

3. Held for demerger/discontinued operations

On 25 May 2011, the shareholders of TNT N.V. formally approved the demerger of the Express business. As part of the demerger, PostNL retained a 29.9% stake in the ordinary shares of TNT Express. In accordance with IFRS, both the demerger of 70.1% of the ordinary shares of TNT Express as the 29.9% retained stake in TNT Express needed to be recognised at fair (market) value on the date that control over TNT Express was lost.

In the consolidated statement of financial position the assets held for demerger and liabilities relating to assets held for demerger have been derecognised at book value. In the consolidated income statement the demerger resulted in a profit from discontinued operations of €2,159 million which is detailed below.

in € millions	
Results from discontinued operations	73
Net gain on demerger	2,086
Profit/(loss) from discontinued operations	2,159

Up to the demerger, the net result from the discontinued Express business amounted to €73 million. As the Express business was held for demerger, this net result excludes depreciation, amortisation and impairment charges on fixed assets of TNT Express.

The demerger itself resulted in a significant book gain of €2,086 million in the consolidated income statement and consists of the difference between the fair (market) value and book value of TNT Express partly offset by other Express related items. The following table presents the breakdown of this demerger book gain.

in € millions	
Fair value TNT Express N.V. at 1 June 2011	5,296
Book value TNT Express N.V. at 1 June 2011	(3,011)
Gross gain on demerger	2,285
Recycle translation and hedging reserves	(146)
Derecognition part of pension asset	(53)
Net gain on demerger	2,086

The value of TNT Express at the date of demerger has been determined by multiplying the opening share price at NYSE Euronext at 1 June 2011, 9:00 CET of €9.77 by the total number of issued ordinary shares of 542,033,181. The resulting fair (market) value of TNT Express amounted to €5,296 million. The comparable book value of the discontinued Express business amounted to €3,011 million. The gross demerger book gain therefore amounted to €2,285 million.

The gross demerger book gain of €2,285 million is reduced by the recycling of the translation and hedging reserves related to TNT Express of €146 million. These items were previously recorded in equity and are required to be recycled through the income statement under IFRS. In addition, a pension asset of €71 million (net €53 million) which related to TNT Express's share in the Dutch defined benefit pension plans has been derecognised.

4. Investments in associates

With a 29.9% shareholding in TNT Express ("Express stake") PostNL is assumed to have significant influence in TNT Express. Consequently, the Express stake is classified as an "Investment in associates", which is accounted for based on the equity method. The initial value of the 29.9% shareholding in TNT Express has been based on the initial fair (market) value of TNT Express as at 1 June 2011, 9:00 CET of €5,296 million and amounted to €1,583 million.

The following table presents the changes of the carrying value of the Express stake since its initial valuation.

in € millions	
Initial recognition at 1 June 2011	1,583
Share in net result	3
Purchase price adjustments *	(1)
Share in direct equity movements	(2)
Impairment	(397)
Balance at 2 July 2011	1,186

* The purchase price adjustments may include the reversal of fair value adjustments included in the net result of TNT Express and additional net depreciation and amortisation charges following the fair value adjustments identified at first recognition.

The share in the net result and direct equity movements of TNT Express in June 2011 is based on the Q2 and HY 2011 report of TNT Express, as published on 1 August 2011. The purchase price adjustments include the net amortisation charge of the identified intangibles in June 2011. In the first half year, PostNL has received no dividends from TNT Express on its stake.

Management assessed the recoverability of the Express stake at reporting date. Between 1 June 2011 and 2 July 2011 the share price of TNT Express declined significantly from €9.77 per share to €7.32 per share. Following this impairment trigger, PostNL performed an impairment test and concluded that the investment in TNT Express was impaired. Accordingly, the company recognised an impairment charge of €397 million and thereby lowered the book value of its 29.9% stake in TNT Express to the fair (market) value of €1,186 million as at 2 July 2011. The fair (market) value has been determined by multiplying the closing share price at 1 July 2011, 17:00 CET of €7.32 by the total number of issued ordinary shares of 542,033,181.

The following table presents summarised financial information of TNT Express, as reported by TNT Express in its Q2 and HY 2011 report, published on 1 August 2011.

Condensed information TNT Express N.V.		
Balances at end of period/Results and cashflows over the period	2 July 2011	31 December 2010
Non-current assets	3,124	3,281
Current assets	1,696	2,250
Equity	2,919	3,002
Non-current liabilities	376	468
Current liabilities	1,525	2,061
	HY 2011	HY 2010
Net sales	3,549	3,427
Operating income	(33)	119
Profit/(loss) attributable to the shareholders	(102)	48
Net cash from operating activities	25	62
Net cash used in investing activities	(88)	(71)
Net cash used in financing activities	(488)	(208)
Changes in cash and cash equivalents	(551)	(217)

All other investments in associates amounted to €5 million (2010: €4 million). These associates relate mainly to minority shareholdings in Germany within the segment International. Together with the stake in TNT Express, the total investments in associates amounted to €1,191 million.

5. Pensions

The pension assets and pension liabilities of the various defined benefit pension schemes are presented separately on the balance sheet. The pension assets decreased by €7 million and the pension liabilities decreased by €13 million, resulting in a net movement of €6 million. This movement is the net result of the recorded defined benefit pension expenses of €55 million (2010: pension income of €75 million), the derecognition of the pension assets related to the demerger of TNT Express of €71 million and contributions paid by PostNL to the pension funds and early retirement payments for a total amount of €132 million (2010: €113 million).

Included in the pension expense of €55 million for 2011 is a contribution received from TNT Express of €5 million. Included in the pension income of €75 million for 2010 is a contribution received from TNT Express of €9 million and a curtailment gain of €74 million related to the Master plan III restructuring.

During the first six months of 2011, the coverage ratio of TNT's main pension fund increased to around 112% from around 107% as per 31 December 2010.

Demerger

Up to the demerger, TNT N.V. was the sponsoring employer for two Dutch pension plans externally funded in 'Stichting Pensioenfonds TNT' and 'Stichting Ondernemingspensioenfonds TNT'. Both pension funds also cover the defined benefit pension plans of the majority of the Dutch employees of the discontinued Express business. In accordance with IAS 19.34a, up to the demerger PostNL also recognised TNT Express's share in its financial statements.

As part of the demerger, the contractual arrangements between TNT N.V. and both pension funds have been divided into separate arrangements for PostNL and TNT Express. Based on the separate arrangements, both PostNL and TNT Express need to account for their share in the plans' assets and liabilities. Consequently, as part of the demerger, PostNL needed to derecognise TNT Express's share from its financial statements. The resulting impact in the income statement has been the derecognition of €71 million of pension assets. The net impact on equity amounted to €53 million.

6. Equity

Total equity attributable to equity holders of the parent decreased to €566 million on 2 July 2011 from €2,424 million as at 31 December 2010. The following table presents a summarised overview of the changes in equity.

in € millions	
Equity PostNL at 31 December 2010	2,424
Profit/(loss) for the period from continued operations	(271)
Profit for the period from discontinued operations	2,159
Other comprehensive income including non-controlling interests	84
Total comprehensive income for the period	1,972
Impact demerger TNT Express N.V. (70.1% of fair value)	(3,712)
Demerger receivable	(84)
Total direct changes in equity relating to demerger	(3,796)
Other direct changes in equity	(34)
Equity PostNL at 2 July 2011	566

The increase in equity due to total comprehensive income of €1,972 million mainly resulted from the profit from discontinued operations of €2,159 million, including a book gain of €2,086 million. The profit from continued operations of €(271) million mainly resulted from the impairment of the stake in TNT Express of €397 million. Please refer to note 3 "Held for demerger/discontinued operations" and note 4 "Investments in associates" for further details.

The decrease in equity due to the demerger of €(3,796) million mainly resulted from the distribution of 70.1% of the shares of TNT Express of €(3,712) million, based on the initial market value of TNT Express. Additionally, PostNL demerged a receivable of €84 million to TNT Express.

The other direct changes in equity of €(34) million mainly related to the second interim dividend paid of €44 million over 2010 and share-based compensations of €13 million.

in millions	2 Jul 2011	31 Dec 2010	3 Jul 2010
Number of issued and outstanding shares	380.0	376.3	373.9
of which held by the company to cover share plans	0.1	0.2	0.3
Year-to-date average number of shares	378.5	373.5	371.6
Year-to-date average number of diluted shares		1.5	3.5
Year-to-date average number of shares on a fully diluted basis	378.5	375.0	375.1

7. Net debt

in € millions	2011	2010
Short term debt	19	2
Net receivables from TNT Express		(526)
Long term debt	1,633	1,582
Total interest bearing debt	1,652	1,058
Cash and other interest bearing assets	(727)	(65)
Net debt	925	993

The net debt position as at 2 July 2011 decreased by €68 million compared to 31 December 2010 mainly due to the sale proceeds of De Belgische Distributiedienst and RSM Italy and the net cash from operations, offset by the receivable demerged to TNT Express and the second interim dividend over 2010.

Reconciliation cash flows in € millions and over the period	Q2 2011	Q2 2010	HY 2011	HY 2010
Cash at the beginning of the period	48	82	65	80
Exchange rate differences			(1)	
Change in cash from continuing operations	679	1	663	3
Cash at the end of the period	727	83	727	83

8. Provisions

The provisions consist of long and short term provisions for restructuring, claims and indemnities and other employee benefits. In 2011, the balance of the long and short term provisions decreased by €34 million, from €389 million to €355 million.

in € millions	2011	2010
Balance at 1 January	389	215
Additions	2	295
Withdrawals	(39)	(28)
Interest	4	1
Releases	(1)	(60)
Balance at end of period	355	423

The withdrawals of €39 million in 2011 relate mainly to settlement payments following the execution of Master plan initiatives (€21 million), the restructuring programme in Data & Document Management (€4 million) and within the joint venture 'Postkantoren' (€9 million).

9. Taxes

Effective Tax Rate in percentages	HY 2011	HY 2010
Dutch statutory tax rate	25.0%	25.5%
Other statutory tax rates	1.1%	1.0%
Weighted average statutory tax rate	26.1%	26.5%
Non and partly deductible costs	1.6%	-0.9%
Exempt income	-5.4%	-0.1%
Other	3.0%	1.7%
Effective tax rate - before impact stake Express	25.3%	27.2%
Impact stake Express	-43.5%	
Effective tax rate	-18.2%	27.2%

The effective tax rate in HY 2011 amounted to -18.2%. This effective tax rate has been strongly impacted by the non deductible impairment of the stake in TNT Express (-43.5%). Excluding this impact the effective tax rate in HY 2011 would have been 25.3%, which is 1.9% lower compared to the effective tax rate in HY 2010 of 27.2%. This reduction has mainly been caused by the balance of (i) a tax exempt book gain relating to the sale of De Belgische Distributiedienst in HY 2011, (ii) higher non deductible costs in HY 2011 and (iii) certain one-off items and prior year adjustments that positively impacted the effective tax rate in HY 2010. The line 'Other' in HY 2011 (3.0%) is mainly the result of losses for which no deferred tax assets could be recognised due to uncertainty regarding their recoverability.

The income tax paid in HY 2011 amounted to €11 million compared to €168 million in HY 2010. The decrease is mainly the result of a preliminary tax payment in HY 2010 of €117 million relating to the Dutch fiscal unity with respect to prior years.

10. Labour force

Headcount	2 Jul 2011	31 Dec 2010
Mail in NL	51,448	56,409
Parcels	3,005	3,068
International	15,069	15,803
Mail other	1,502	1,875
Total	71,024	77,155

The number of employees working in PostNL at 2 July 2011 was 71,024, which is a decrease of 6,131 compared to 31 December 2010. This decrease is mainly the result of extra temporary employees that were hired in December 2010 within Mail in NL to handle Christmas mail, restructuring programmes within International and the disposal of unaddressed activities which were held for sale.

Average FTE's	HY 2011	HY 2010
Mail in NL	25,348	26,468
Parcels	2,571	2,707
International	6,657	7,101
Mail other	1,399	1,711
Total	35,975	37,987

The average number of full time equivalents working in PostNL during the first six months of 2011 was 35,975, a decrease of 2,012 compared to the same period last year.

11. Related parties

At 2 July 2011, purchases of PostNL from joint ventures for the year to date amounted to €24 million (2010: €36 million). During 2011 no sales were made by PostNL companies to its joint ventures.

The net amounts due to the joint venture entities amounted to €44 million (2010: receivable of €6 million). As at 2 July 2011, no material amounts were payable by PostNL to associated companies. In Q2 2011, the value of the transactions with TNT Express amounted to €3 million and related to business activities.

Demerger

PostNL and TNT Express have entered into a relationship agreement and separation agreement.

The relationship agreement provides for the terms and conditions on lock-up and orderly market arrangements, subject to which PostNL may reduce its shareholding in TNT Express over time. In addition, the relationship agreement contains certain arrangements with respect to the TNT Express' corporate governance.

The separation agreement creates certain rights and obligations for both PostNL and TNT Express after the demerger in relation to, among others: (i) the unwinding of financial relationships (such as cash pools, guarantees, existing financing relationships with third parties, rights and obligations resulting in joint liabilities and other intercompany arrangements), (ii) their employees (such as allocation, works councils, collective labour agreements, share based schemes and pensions), (iii) tax (such as the cut off of the existing fiscal unity, profit and loss pooling arrangements), (iv) accounting and treasury (such as changes in interim period, opening balance related matters and credit rating) and (v) litigation (such as claim and litigation handling, non-allocated and non-anticipated claims and release of provisions).

Pursuant to the pension arrangements concluded between PostNL, TNT Express and the pension funds, PostNL has provided a subsidiary guarantee for TNT Express in case of violation of contractual terms, irregularity of payments and bankruptcy. This subsidiary guarantee only relates to pension benefits accrued under the existing pension plans (up to the date of the demerger) and will comprise an over time gradually decreasing liability. Furthermore, PostNL has provided a guarantee for TNT Express' future pension payments, barring certain unforeseen circumstances. The guarantees of PostNL will only exist as long as the coverage ratio of the fund(s) is below a certain level. If the coverage ratio rises above that level and remains above that level for three consecutive quarters, the guarantees lapse.

As at 2 July 2011, no events have occurred that triggered disclosure of a significant contingent asset or liability under IAS 34 following the aforementioned agreements with TNT Express.

12. Subsequent events

On 6 July 2011 TNT Post Italia, PostNL's Italian subsidiary, and Buffetti Group have signed a commercial agreement. The partnership will start in the second half of July 2011 in a selection of Italian towns with the aim to gradually extend the service to the entire Buffetti network.

On 26 July 2011, the Enterprise Chamber has declined all requests by the Works Council against the reorganisations. Through this verdict, PostNL can continue the intended reorganisations.

On 1 August 2011, PostNL's mail activities in Czech Republic and Slovakia have been sold to ID Marketing s.a.

Working days

Working days	Q1	Q2	Q3	Q4	Total
2005	64	63	65	64	256
2006	65	62	65	63	255
2007	64	61	65	64	254
2008	62	62	65	66	255
2009	61	61	65	68	255
2010	65	60	65	65	255
2011	65	61	65	64	255

Press releases since the first quarter 2011 results

Date	Subject
25 May 2011	TNT Shareholders approve demerger and other agenda items at Meetings of Shareholders
26 May 2011	PostNL launched
31 May 2011	Harry Koorstra appointed Board Member of the International Post Corporation
15 June 2011	PostNL welcomes decision of German postal regulator
6 July 2011	TNT Post Italia and Buffetti sign agreement to collect TNT Post registered mail at Buffetti shops
26 July 2011	Enterprise Chamber of the Court of Amsterdam rejects all requests of the Works Council PostNL
1 August 2011	PostNL sells its mail activities in Czech Republic and Slovakia to ID Marketing s.a.

Financial calendar

Date	Event
7 November 2011	Publication of Q3 2011 results

Contact information

Date	Event
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Additional information

Additional information available at **http://www.postnl.com**

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 will 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 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 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 laws.

DIRECTOR'S RESPONSIBILITY STATEMENT
The Hague, 8 August 2011

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 of PostNL N.V. confirms to the best of its knowledge that:

- The consolidated interim financial statements for the six months ended 2 July 2011 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL and its consolidated companies, and
- The interim report of the Board of Management gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Signed on 8 August 2011, The Hague, the Netherlands,

H.M. Koorstra
Chief Executive Officer

J.P.P. Bos
Chief Financial Officer

G.T.C.A. Aben
Director HR

H.W.P.M.A. Verhagen
Director Parcels & International