Annual Report 2012

PostNL brand vision

In a world where digital applications are playing an ever greater role in our daily lives, there are more and more opportunities to send and receive messages.

These opportunities are unlimited, but often still unknown. That calls for an inventive and reliable organisation, that knows the way between sender and receiver like no other.

That organisation is PostNL. Because we know that way, with the highest quality and most intricate network in delivery and retail. With smart combinations with digital applications we can offer valuable solutions to our customers.

That is why PostNL is an essential link in the market for sending and receiving. We help our customers to make use of all opportunities in mail, parcels and e-commerce.

Introduction and financial and corporate responsibility highlights

This is PostNL's annual report for the financial year ended 31 December 2012, prepared in accordance with Dutch regulations.
PostNL N.V. is a public limited liability company with its registered seat and head office in The Hague, the Netherlands. PostNL N.V. is listed on the NYSE Euronext in Amsterdam.
Unless otherwise specified or the context so requires, 'PostNL', the 'company', the 'Group', 'it' and 'its' refer to PostNL N.V. and all its group companies as defined in article 24b, book 2 of the Dutch Civil Code.
PostNL is domiciled in the Netherlands, which is one of the Member States of the European Union (EU) that has adopted the euro as its currency. Accordingly, PostNL has adopted the euro as its reporting currency. In this annual report the euro is also referred to as '€'.
As required by EU regulation, as of 2005 the consolidated financial statements of PostNL N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
PricewaterhouseCoopers Accountants N.V. (hereafter referred to as 'PwC') has been appointed as the external independent auditor of PostNL's financial statements. PostNL has engaged PwC to provide reasonable assurance on its corporate responsibility (CR) statements. This assurance work is performed in accordance with the Assurance Standard 3410N 'Assurance Engagements Relating to Sustainability Reports' as drawn up by the professional body of Dutch accountants (NBA). With regard to the GRI Application Levels System, PostNL was assessed at the GRI A+ level. A detailed overview of the G3.1 core indicators is provided in Annex 1. For a full description of the scope of the reported CR data and the assurance obtained please refer to chapter 18.

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Cautionary note with regard to "forward-looking statements"

Some statements in this annual report 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 PostNL's 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 PostNL operates and PostNL 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 annual report and are neither predictions nor guarantees of future events or circumstances. PostNL does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

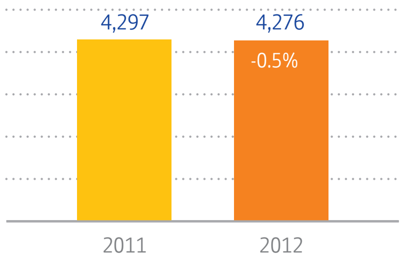
This annual report can also be viewed on PostNL's corporate website: postnl.com. Any information on the website other than the contents of this annual report does not form part of PostNL's annual report.

Investing in PostNL's securities involves risks. Carefully consider the principal key risks set out in chapter 11 of this annual report.

At a glance

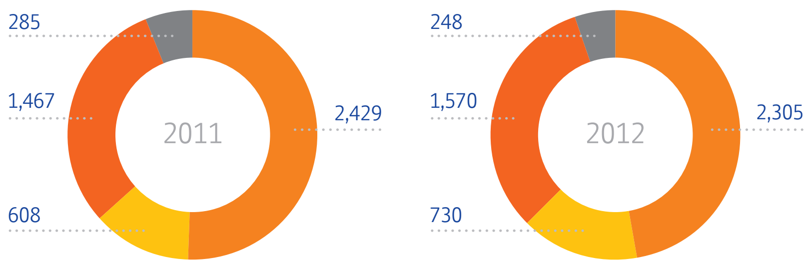
Mail in NL · Parcels · International · PostNL Other

Underlying revenues [1]
(in € millions)

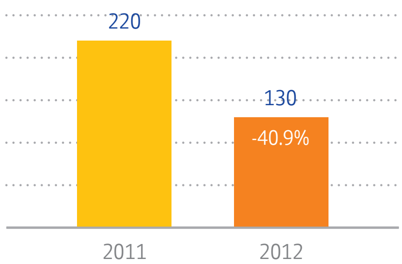


[1] Excluding intercompany revenues and foreign currency impact.

Underlying revenues per segment
(in € millions)

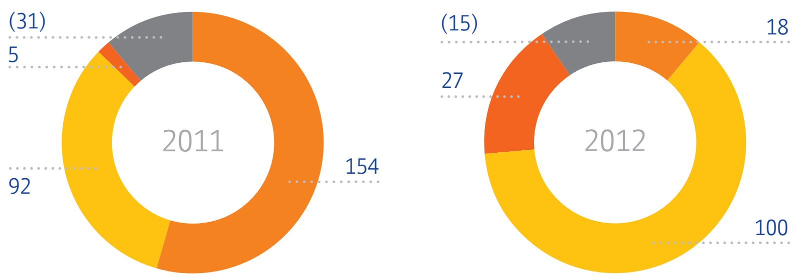


Underlying cash operating income [2]
(in € millions)

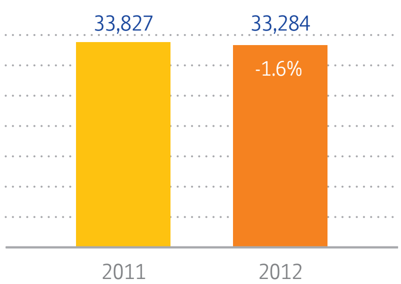


[2] Operating income minus non-recurring items and changes to pensions/provisions.

Underlying cash operating income per segment
(in € millions)

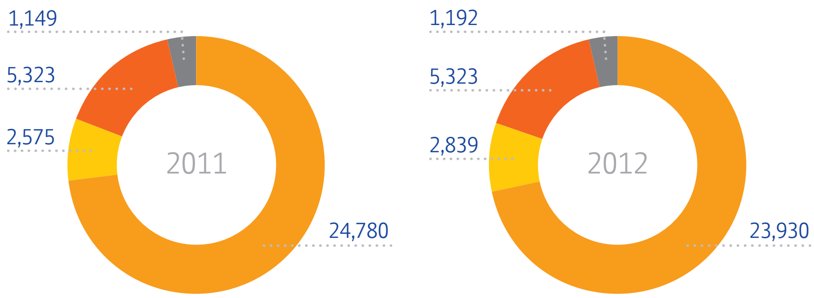


Employees [3]
(in full-time equivalents)

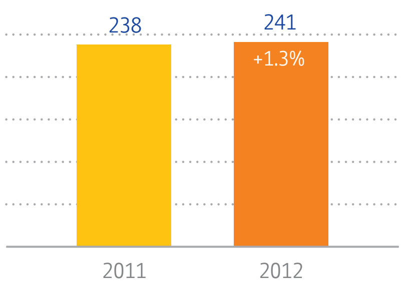


[3] Year average, excluding joint ventures.

Employees per segment
(in full-time equivalents)



Profit for the year (excluding TNT Express)
(in € millions)



Net debt
(in € millions)

Key figures

Underlying revenues

(in € millions, except percentages)

	2011	Updated outlook 2012	Performance 2012	2012
Mail in NL	2,429	- mid single digit	-5.1%	2,305
Parcels	608	+ low double digit	20.1%[1]	730
International	1,467	+ mid single digit	7.0%	1,570
Total	**4,297**	**stable**	**-0.5%**	**4,276**

1 Corrected for subcontractors and registered mail items external growth was +9.5%.

Underlying cash operating income margin

(in percentages of underlying revenues)

	2011	Updated outlook 2012	Performance 2012
Mail in NL	6.3%	0 – 2%	0.8%
Parcels	15.1%	13 – 15%	13.7%
International	0.3%	1 – 2%	1.7%
Total	**5.1%**	**2 – 4%**	**3.0%**

Volumes in the Netherlands

(in millions, except percentages)

	2011	variance in %	2012
Mail in NL	3,777	-9.0%	3,437
• Single items	870	-10.0%	783
• Bulk mail	2,907	-8.7%	2,654
Parcels	106	13.2%[2]	120

2 Excluding registered mail items growth was +5.6%.

Share performance

	2011	2012
Share price at year end *(in €)*	2.46	2.92
Earnings per share *(in €)*	4.03	1.54
Dividend *(in eurocents)*	40.7	18.1
Number of issued shares at year end *(in millions)*	392	440
Market capitalisation at year end *(in € millions)*	965	1,285

Corporate responsibility performance

	2011	2012
CO_2 emissions *(in ktonnes)*	74	69
CO_2 efficiency index	64.5	61.8
Fatal accidents	3	3
Absenteeism	5.4%	5.5%
Customer satisfaction *(overall Mail in NL)*	89%	84%
Employee engagement	56%	56%

1 From the CEO

Dear reader,
2012 was PostNL's first full year as an independent stock-listed company. It was a year in which we faced several challenges, such as strong volume declines, the implementation of our cost savings programmes, discussions with our pension funds and our stake in TNT Express – to name but a few.

At the same time, we experienced growth in our parcels operations and had various achievements outside the Netherlands, particularly in Italy. On top of this, we managed to get the quality of our operations in Mail in the Netherlands back on track, thanks to the positive energy of our employees and strong quality control, and we developed and tested a new scheme to roll out our operational reorganisations.

However, with the impact of the revised accounting rules for pensions (IAS 19) and the disappointing developments around our stake in TNT Express, we cannot live up to the promise we made in May 2011 to pay out a cash dividend for 2012. I am fully aware this is disappointing for our shareholders, with whom I have had constructive discussions over the last year. That is why our focus for the coming years is on delivering sustainable cash profitability.

Future perspective
In 2012, we brought focus to our company strategy, with the perspective of being the most efficient and reliable mail and parcel company for our customers, working from our core competence of running efficient networks. We are in the midst of the turnaround to a smaller mail, and bigger parcels company. Our focus is on a solid financial position delivering sustainable cash profitability while building a company that is able to cope with volume decline in mail and at the same time expand in parcels. Essential to our future success is further growth and a high performance culture. All the steps we take today are taken in light of this perspective.

Financial results
Our financial results for 2012 were in line with our outlook. Good results in Parcels and International offset the underperformance of Mail in the Netherlands.

Mail in the Netherlands underperformed
Mail in the Netherlands did not perform as expected. We experienced a 9% volume decline. This was mainly due to substitution by electronic media. Severe quality issues while at the same time not realising the necessary efficiency improvements also meant we had to stop implementing part of our reorganisation in April 2012.

In the months May through December we worked hard to restore quality, and identify alternative saving options. Fortunately, by October quality was back up at levels exceeding 95% next-day delivery, our minimum quality requirement. We also used this period to test alternatives to the original rollout plan. These alternatives were evaluated against three criteria: their contribution to the savings target, the impact on quality for our customers, and impact on our employees. Today, we communicate our adjusted rollout plan, which meets these three criteria.

We were successful in renewing existing contracts and realising our targeted price increases.

Parcels performed well
We saw strong volume growth in the 2C parcels market, and overall volumes grew 5.6% on a like-for-like basis. We are successful in the rollout of the new logistical infrastructure for our parcels operations, which is necessary to handle the increased volume and control our costs. Four new depots were opened, resulting in cost savings per parcel without any loss of quality to our customers. We entered new business areas with the acquisition of trans-o-flex and some in-sourcing deals, which has added competencies in areas such as the delivery of medical articles. Further cost savings were achieved by integrating part of the operational backbone of Mail in the Netherlands and Parcels, including retail and registered mail.

International has grown
International showed both volume and revenue growth, leading to the expected improvement in our results. Revenue increased by 7%, and our underlying cash operating income improved significantly. In Italy, we achieved 25% growth of Formula Certa, and in the United Kingdom we successfully rolled out a test with end to end delivery in London. We developed new products and services to accommodate customer demand, for instance in the parcels area, and reinforced our position as main competitor in the countries.

Challenging environment
PostNL operates in a challenging environment: regulation, pensions and our stake in TNT Express all influence our results.

Regulatory context is changing
With digitisation at today's levels, the traditional legal requirement for a six-day delivery is no longer in line with customer demand, and incurs unjustified costs. The expected legal relaxation of this requirement to five days for mail in the universal postal service will enable us to realise cost savings without affecting key customer requirements.

The Dutch government is proposing to introduce additional tools related to 'significant market power'. PostNL sees no need for this because the postal market is sufficiently regulated. In our view, the government is changing the rules while the game is in progress. We do our utmost to influence Parliament to maintain a stable and sustainable regulatory environment.

Pension issues
The coverage ratio of the main pension fund improved in 2012, but does not yet meet the required minimum level. The contract between the funds and PostNL, whereby PostNL has an obligation to make unlimited top up payments, led to discussions about the necessity of those payments. A disputes committee had to rule on the matter. This resulted in a negative outcome for PostNL. Based on this ruling, PostNL paid €83 million in top up payments at the end of 2012. We foresee further payments in 2013.

The risk of further top up payments in the future and the subsequent increase in pension costs was an important topic in our negotiations with the unions about the collective labour agreement for staff in the Netherlands. A joint proposal with the unions to mitigate these risks and reduce and limit future pension contributions has been presented to the main pension fund for its review and approval.

Disappointing developments around TNT Express
On 14 January 2013, we heard the disappointing news that UPS will not pursue its takeover of TNT Express. We had hoped to use the proceeds from the sale of our stake in TNT Express to reduce our debt, restore cash dividend, invest in growth and de-risk our pension situation. PostNL sees itself as a medium term shareholder, with the intent to maximise value from the stake for our own shareholders.

Customers are key
We are a quality-driven company and delighting our customers is our top priority. Consumers increasingly want bespoke products and services. We are therefore continuously adapting and widening our range of products and services to tailor them to the wishes of our customers. We are also working on digital communication channels and order-handling processes for our customers, for instance through the portals MijnPost and MijnPakket. Already, more than 60% of revenue is delivered digitally through MijnPost, which proves the ease of the process for both our customers and for PostNL.

2013 and beyond: Managing for cash profitability
This year and in the years to come, we will fully focus on managing for cash in order to get back to a situation where we can restore cash dividend in the medium term. Important steps on our agenda will be:

- successfully growing Parcels further and expanding in verticals,
- increasing prices,
- successfully restart implementing the remaining parts of the existing savings programmes in Mail in the Netherlands,
- additional cost savings by increasing operational synergies between our mail and parcels organisations,
- a more efficient and high quality overhead structure,
- enhancing cash profitability in International,
- agreeing on a sustainable pension arrangement, and
- influencing Parliament on future postal regulation.

We will remain vulnerable to interest rate changes but could also benefit from an environment of increasing interest rates.

Connecting with our people
Our people are an important asset for our future success: each day they deliver with drive and passion and offer our customers a high quality service. With the energy of our people, we will deliver growth and save costs. Together, we will constructively pursue discussions with the unions, works councils, pension funds, the regulator and the government.

I believe in the strength of our company and the commitment of our people. I am confident that we have achieved a good balance to meet the interests of all our stakeholders while maximising shareholder value.

This is the company I want to work for wholeheartedly. I would like to thank all our employees and the other stakeholders who supported us in 2012.

Herna Verhagen
25 February 2013

2 Company profile, company strategy and financial framework

PostNL provides mail, parcels and support services, both physical and digital, in its home market of the Netherlands, as well as in the United Kingdom, Germany, Italy and Belgium. PostNL collects, transports, sorts and delivers mail and parcels by combining depots, trucks, sorting centres, delivery and online capabilities.

Company profile

PostNL is organised into three segments: **Mail in the Netherlands, Parcels** and **International**.

- **Mail in the Netherlands** is responsible for mail services in the Netherlands. It is also responsible for a range of mail-related services, including more than 2,600 retail outlets, making PostNL the biggest retail chain in the Netherlands. In addition, this segment provides document management, direct marketing and fulfilment services.
- **Parcels** provides parcel services in the Netherlands and Belgium for both domestic and cross-border international parcel distribution, and related value-added services such as fulfilment, less than full truckload services and valuable distribution services.
- **International** operates in the postal markets of the United Kingdom, Germany and Italy, with a focus on domestic addressed mail and parcels services. International also manages cross-border mail services, as well as international business mail services.

In the Netherlands, PostNL is responsible for the provision of the universal postal service as laid down in the Postal Act of 2009. (See chapter 10)

Company strategy

Mission

PostNL aspires to be the leading mail and parcel-related logistics company in the Benelux and the main mail challenger in selected other countries. To achieve this, PostNL will:

- build intimate and long-term relationships with its customers, demonstrate continuing innovation, and be passionate about its employees, products and services, customers and the environment in which it operates,
- in addition to pursuing the highest quality in delivering mail and parcels items, offer a range of services in the value chain so as to feed the network and to protect and enhance its total online and offline service proposition to customers, and
- fully use its position in the market, its economies of scale and other competences it has built as an organisation over the years.

Overall strategy

PostNL's overall strategy focuses on its core competences (managing network operations and managing large workforces), in order to realise its mission of being the leading mail and parcel-related logistics company in the Benelux and the main mail challenger in selected other countries. In these selected countries, PostNL is also further developing a parcels business.

The strategy is based on a balanced portfolio of businesses. Mail in the Netherlands is operating in a declining market and concentrating on maximising cash flows, while the Parcels and International segments are growth businesses. The three segments that comprise PostNL fit together well and reinforce one another.

Key to the strategy is continued strengthening of cooperation between the segments. The segments adopt a joint market approach, which includes joint product development and targeting of customers where appropriate. In addition, they continuously seek operational synergies, cross-border knowledge and sharing of expertise. For example, the integrated backbone of mail and parcels in the Netherlands includes joint retail and small and medium-sized enterprise sales on the one hand, and joint collection, transport and postbox delivery activities on the other. Together, Mail in the Netherlands and Parcels provide the Dutch universal postal service.

PostNL focuses on its core competences of running large mail and parcels networks

Mail in the Netherlands	Parcels	International
Maximise sustainable cash flows	Realise profitable growth	Realise profitable growth
• Optimise the value of our service propositions taking into account substitution and competition • Pursue cost reductions to mitigate volume decline • Pursue a multi-channel market approach, with a retail strategy to focus on small and medium sized enterprise market share • Manage regulatory challenges	• Develop the B2C market position through new services • Roll out new logistical infrastructure • Develop new e-commerce activities • Organically grow in B2B parcel services by improving capabilities • Grow in attractive niches supported by small acquisitions • Grow the international brokerage model	• In the three selected countries and cross-border mail realise profitable growth through: • increasing our market share • optimising the value of our service propositions subject to competitive conditions and the possibility of a number one or two position

Key for all segments

- Capture sales and operational synergies which means further develop the integrated mail - parcels backbone
- Develop new growth that feeds our networks or strengthens our service propositions

- Increase customer satisfaction
- Focus on quality
- Further improve employee engagement
- Reduce CO_2 emissions

For each of the three segments, the overall strategy has been translated into a clear direction. Mail in the Netherlands will focus on maximising sustainable cash flows by optimising the value of its service propositions, pursuing cost reductions, pursuing a multi-channel approach to customers and managing regulatory downsides. Parcels will aim for profitable growth by developing the B2C market through new services, rolling out the new logistical infrastructure (NLI), developing new e-commerce activities, further growing B2B parcel services, and further developing market niche growth options through small acquisitions and through the international brokerage business. The joint operational and commercial backbone in the Netherlands plays an important role in realising this strategy. The International segment will aim to grow profitably in the three selected countries and in cross-border mail, by increasing market share and optimising the value of our service propositions subject to competitive conditions and where PostNL can achieve a number one or two position.

PostNL will extend the value chain to develop attractive adjacent businesses (offline and online) that feed our core mail or parcels operations or strengthen our position with our customers. PostNL provides services and solutions that combine the strengths of all three segments to support customers in their value chains, including the e-commerce value chain and the direct mail value chain.

To successfully realise this strategy, PostNL will continue to invest in its people to ensure they are connected and proud of PostNL, passionate about working for the company and optimally equipped to do their work. PostNL will achieve this by having a clear, compelling and empowering leadership style, ensuring less hierarchy and making explicit choices about culture, while caring about and acting responsibly towards people who may lose their job.

PostNL is committed to corporate responsibility (CR). It focuses its CR strategy on areas where it can draw on its expertise and experience and which stakeholder dialogues have shown to be material. PostNL aims to improve customer satisfaction, service quality, employee engagement and absence rates and CO_2 efficiency by investing in initiatives such as Green Mail (allowing PostNL to minimise its carbon footprint) and partnering with the World Food Programme. In terms of benefits, these corporate responsibility initiatives not only have a positive impact on society but have also proven one of the most important reasons that our employees feel proud of PostNL.

Mail in the Netherlands

Maximising sustainable cash flows from the mail business in the Netherlands is the key strategic goal for Mail in the Netherlands. This is a challenge in a market that is fully liberalised and where addressed mail volumes continue to decline. It requires innovative products tailored to changing customer needs, such as the flexible service that has been introduced, offering business customers the choice of day-certain delivery of non time-sensitive business mail three days a week. It also requires an increasingly flexible operational model. In 2013, PostNL is continuing its restructuring measures, including further strengthening the commercial and operational backbone of the mail and parcels businesses. PostNL will further optimise its volume/price and retail strategy, and to benefit from the technology shift it will continue to develop value-added services in its customers' value chains. This includes direct marketing, communication and other innovative services. (See chapter 4)

Parcels

Growing the parcels business depends on maintaining market share in a business-to-consumer (B2C) parcels market whose growth is being driven by increasing e-commerce. It is also necessary to strengthen the position of PostNL in the business-to-business (B2B) parcel and associated markets and to further strengthen the mail and parcels commercial and operational backbone. To adjust to growing market demand, PostNL is in the process of implementing a complete redesign of its logistics operations. Together with IT-driven innovations, this will help PostNL retain its strong market position. The segment offers tailored and value-added solutions for customers such as secure delivery, two-man delivery, payment-on-delivery service and fulfilment services. In addition, PostNL is further developing specialised services, such as those targeting irreplaceable or exclusive goods. In order to expand in B2B, a shop logistics proposition has been designed. This includes supplying shops in the most efficient way. (See chapter 5)

International
PostNL aims to generate profitable growth in the International segment, primarily in the countries that are most attractive from both a regulatory and a mail volume perspective: the United Kingdom, Germany and Italy. In the United Kingdom and Italy, our activities are growing profitably, whereas in Germany, clear progress was made in the operational results. PostNL aims to enhance profitability further by increasing its market share, increasing the value propositions to our customers and pursuing effective cost management. PostNL uses a general approach of learning and knowledge-sharing, while taking into account country-specific differences in its customer approach. In Germany and Italy, PostNL operates its own last-mile delivery. In the United Kingdom, the business model relies on downstream access and PostNL has successfully executed a final-mile delivery pilot. (See chapter 6)

Financial framework

PostNL's financial framework is based on:
- steering business performance by using value-based performance measures,
- strict cash flow management, and
- an efficient and strong capital structure, with a long-term investment grade credit rating target of BBB+/Baa1.

The financial strategy provides adequate financial flexibility. This is necessary to support strategic growth platforms, the restructuring of the Dutch mail business and to combat a degree of business or economic headwind.

The key components of PostNL's financing strategy mentioned above relate directly to:
- effective risk management, internal control, and compliance,
- financial risk management and insurance,
- aligned legal and funding structures, and
- working capital management.

The current capital structure is based on and managed with regard to the following components:
- targeting an investment grade credit rating of BBB+/Baa1,
- structural availability of €400 – €500 million of undrawn committed facilities out of our €570 million revolving credit facility,
- structural funding via a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest,
- cash pooling systems that ensure optimised cash requirements for the Group by facilitating centralised funding and surplus cash concentration at group level, and
- tax-optimal internal and external funding focused on optimising the cost of capital for the Group, within boundaries that are sustainable on a long-term basis.

PostNL's current long-term credit ratings are BBB (negative outlook) from Standard & Poor's Ratings Services and Baa2 (negative outlook) from Moody's Investors Service. These credit ratings are the result of an evaluation and analysis of a variety of factors, including the impact of the cancellation of the bid by UPS for TNT Express.

PostNL manages its credit ratings along the core cash flow and EBITDA-to-debt ratios. These ratios and the ranges per ratio as indicated by the rating agencies may change over time, depending on market conditions and analytical considerations. An important factor in re-establishing PostNL's credit rating to BBB+/Baa1 will be the ability to reduce its net debt, using all or part of the proceeds from the stake in TNT Express that is intended to be sold in the medium term.

Board of Management profile

Board of Management PostNL N.V.
The Board of Management is responsible for establishing and executing PostNL's strategy. It consists of two members: Ms H.W.P.M.A. Verhagen, CEO, and Mr J.P.P. Bos, CFO.

3 PostNL's 2012 performance and outlook 2013

Overall, PostNL's business and financial performance was in line with expectations. Underlying cash operating income was €130 million, in the mid-range of the €110 – €160 million guidance given at the start of 2012.

Business performance

External as well as internal challenges marked the year 2012 for PostNL. In terms of our performance, the Parcels and International segments achieved good results. The performance of the Mail in the Netherlands segment fell short of the expectations stated at the beginning of the year. The main reasons for this were a larger-than-expected decline in addressed mail volumes and delay in the restructuring at Mail in the Netherlands. Segment details can be found in chapter 4 for Mail in the Netherlands, chapter 5 for Parcels and chapter 6 for International.

Mail in the Netherlands

The substitution of traditional mail by electronic communication continued relentlessly, driving down mail volumes in 2012. The volume of addressed mail items declined 9.0% in 2012 (2011: 7.2%), within the updated guidance range of 8% – 10% given in mid-2012, but above the original guidance range of 6.5% – 8.5%.

Revenues in Mail in the Netherlands were €2,305 million (2011: 2,429), down 5.1% compared to 2011. Underlying cash operating income was €18 million compared to €154 million in 2011.

As of 1 January 2012, new stamp prices became effective. The base domestic rate for letters in the Netherlands increased by four eurocents to €0.50. For bulk mail, the prices on average did not change compared to 2011 as small price increases were offset by the introduction of the peak/off peak model. Overall, for addressed mail the price/mix effect was positive in 2012.

In early 2012, we started the rollout of the migration to central preparation locations, one of the projects in the restructuring of our organisation. Mainly due to quality issues, we decided in April to temporarily delay further rollouts. Since then, quality and efficiency have been restored to normal levels. Quality for the full year is 93.9% (unaudited). Clearly, delaying part of the reorganisation had an impact on our performance. Voluntary mobility in 2012 was high, especially among employees aged 55 and above.

Other reorganisations, such as the transfer of registered mail from Mail in the Netherlands to Parcels, were successfully implemented during 2012. Further integration of the backbone of these segments is a logical next step.

In October 2012, we announced a further increase of the base domestic rate to €0.54 as of 1 January 2013. For business mail, we announced that prices will increase by 5% on average for contracts that are up for renewal.

In December 2012, PostNL and the trade unions reached an agreement on the collective labour agreement for Mail Netherlands until 1 April 2013. The result is a good balance between the demands of the trade unions and the company. The parties have jointly started discussions with the pension funds on a new pension arrangement. The current social plan has been extended until 1 January 2014. A salary increase of 1.7% plus 0.4% linked to the definitive approval of the new pension arrangement has been agreed upon.

The regulatory environment changed during the year. Firstly, the Postal Act was amended. The most important changes included the legal basis to the Administrative Order on labour conditions of postal workers and strengthened supervisory controls by OPTA for the USO (Universal Service Obligation). Secondly, further study into the effects of cancelling Monday deliveries resulted in support for the decision of the State Secretary to drop the Monday delivery requirement. An amendment to the Postal Act is expected to be sent to parliament in the first quarter of 2013. Thirdly, PostNL has submitted an application with the regulator for compensation of the net costs of the USO over 2011. And finally, a proposal to include ex-ante supervision (Significant Market Power) in the Postal Act was sent to parliament.

Parcels

Volumes in Parcels continued to grow steadily, increasing 5.6% on a like-for-like basis. This reflected strong growth in the B2C market and some growth in the B2B market, and was mainly driven by the e-commerce trend and new customers. Revenues increased by 20.1% to €730 million for the year (2011: 608). This includes the contribution of the acquired Dutch and Belgian activities of trans-o-flex and the transfer of registered mail from Mail in the Netherlands to Parcels. The latter is a clear example of the successful integration of the backbone of these segments. Autonomous revenue growth was 3.6%.

Underlying cash operating income was €100 million compared to €92 million in 2011. The operational efficiency of the parcels network continues to increase, due to the implementation of the new logistical infrastructure programme. Excluding the net effect from trans-o-flex, underlying cash operating income decreased by €2 million. A better result due to volume growth and efficiency, partly offset by price pressure, was negatively impacted by implementation costs for the new logistical infrastructure.

The implementation of the new logistical infrastructure programme is on track. At the end of 2012, seven out of 18 new depots were operational. Between 35% and 40% of volumes now pass through the new depots. The new infrastructure allows for further volume growth.

International
In International, volumes, revenues and income increased. Total revenues in 2012 were €1,624 million (2011: 1,467), up 10.7% compared to 2011. Adjusted for the upward exchange rate impact, underlying revenues increased by 7.0% to €1,570 million.

International closed 2012 with positive underlying cash operating income of €27 million compared to €5 million in 2011. As the largest private postal operator in the United Kingdom, PostNL was able to grow its volumes, revenues and underlying cash operating income. PostNL piloted an end-to-end delivery service in London during the year. In Germany, PostNL finalised the resizing of its business, which resulted in clear progress. In Italy, PostNL strengthened its position in the top segment of the business market and showed good growth. Coverage in Italy increased to 68% (2011: around 65%) of households.

Although markets in all three countries are officially liberalised, the original local mail company in each country still enjoys regulatory advantages. In 2012, PostNL continued to hold intensive discussions on value added tax (VAT) exemptions, USO definitions and other privileges the incumbent has historically enjoyed.

Corporate responsibility
We regret to report that in 2012 two PostNL employees and one pedestrian died in three separate road traffic accidents. During 2012, PostNL improved its CO_2 index to 61.8. The impact of the reorganisation plans for Mail in the Netherlands affected customer satisfaction, leading to a slight decrease to 84%. Employee engagement (56%) and absenteeism (5.5%) stabilised. PostNL was recognised as sector leader in the Dow Jones Sustainability index.

For further details on CR strategy and performance, please see chapters 8, 9 and 18.

Stake in TNT Express, pensions, funding and equity position

The development of the value of our stake in TNT Express and pension developments affected the equity and funding position of PostNL.

Stake in TNT Express
On 19 March 2012, United Parcel Service, Inc. (UPS) and TNT Express announced their agreement on a recommended public offer of €9.50 per ordinary share to be made by UPS for TNT Express. PostNL signed an irrevocable undertaking with UPS to tender under the UPS offer all TNT Express shares held by it, subject to customary undertakings and conditions.

As a result of the UPS offer, the share price of TNT Express increased substantially from €5.77 per share as at 31 December 2011 to €9.26 as at 30 March 2012, resulting in a partial reversal of the impairment charges in 2011 of €570 million. As of 30 March 2012, the share price of TNT Express decreased from €9.26 to €8.43 on 31 December 2012, resulting in a subsequent negative value adjustment of €135 million.

During 2012, the profit resulting from the stake in TNT Express totalled €437 million (2011: -661). As at 31 December 2012, the value of the stake in TNT Express amounted to €1,367 million. For further details, see notes 3 and 8 to the consolidated financial statements.

On 30 January 2013, the European Commission announced it would block the proposed acquisition of TNT Express by UPS. Following this decision, UPS announced the withdrawal of its offer for TNT Express. Please also refer to the 'subsequent events' section on page 17.

We expect to monetise the stake over the medium term to create better value for shareholders, after stability has returned to TNT Express.

PostNL and TNT Express have agreed to update and amend the Relationship Agreement as signed at the time of demerger in 2011.

PostNL is entitled to recommend one independent candidate for nomination to the Supervisory Board of TNT Express. PostNL will lose this right, and the Supervisory Board of TNT Express may request that member to resign, if PostNL reduces its shareholding in TNT Express to 15% or less.

Furthermore, the new arrangements include a relaxation of certain conditions and restrictions as imposed under the previous Relationship Agreement. The voting restrictions that previously applied to PostNL in relation to significant changes in the identity and character of TNT Express are lifted. Further amendments have been made in favour of PostNL in respect of possible future divestments of its shareholding, or part thereof, in TNT Express.

Pensions
PostNL has arrangements with pension funds. At the end of 2012, Stichting Pensioenfonds PostNL, the main pension fund of PostNL, announced a coverage ratio of 102.5% (2011: 99.8%), below the minimum required level of 104.1%. The increase compared to 2011 is due to the fund's overall investment return, partly offset by the decrease in the long-term interest rate and increased longevity outlook. The coverage ratio of 102.5% includes top up invoices considered receivable from PostNL of €64 million.

PostNL disputed the necessity of the top up payments. In 2012, PostNL and the main fund established a disputes committee to resolve the dispute. In December 2012, the disputes committee ruled that top up payments were already necessary, regardless of whether the main fund could also recover in time without top up payments. As the disputes committee ruled in favour of the main fund, the verdict entailed payment of €83 million of top up invoices by PostNL. These were paid in December 2012.

The verdict of the disputes committee left PostNL with the possibility of appealing for the payment of all outstanding claims. In February 2013, PostNL decided that it will not appeal the verdict. PostNL expects to pay the remaining invoiced top up payments of €64 million in Q1 2013.

At the coverage ratio of 102.5% on 31 December 2012, further conditional invoices for top up payments of €13 million may become due in the second quarter of 2013, if the coverage ratio is below the minimum required level at the end of the first quarter of 2013.

As part of the agreement on the collective labour agreement for Mail Netherlands, PostNL and the trade unions have submitted a joint proposal to the main fund for a sustainable pension arrangement acceptable to both employer and employees. The changes to the arrangement aim to result in a reduction in pension (cash) costs and reduce the risk of top up payments. Furthermore, as of 1 January 2013 a pension contribution of 6% has been introduced for new employees. Staff already employed on 31 December 2012 pay a pension contribution of 2% as of 1 January 2013.

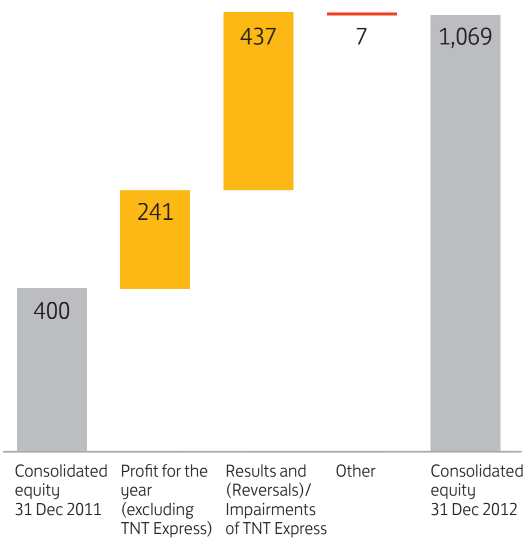
Equity position

Consolidated equity

The increase in the book value of the stake in TNT Express had an impact on PostNL's consolidated equity position. Total consolidated equity attributable to equity holders of the parent increased from €400 million as at 31 December 2011 to €1,069 million as at 31 December 2012. The increase is mainly explained by the profit for the year (excluding TNT Express) of €241 million and the results and (reversal of) impairments of the stake in TNT Express of €437 million.

Development of consolidated equity 2012

(in € millions)



Corporate equity

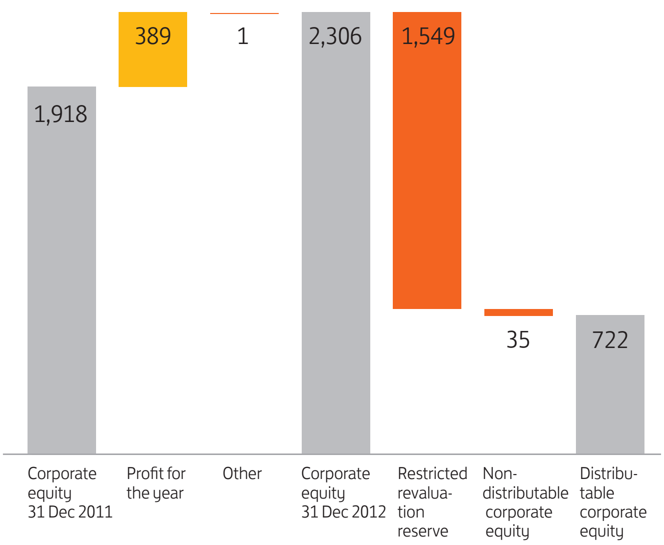
In 2011, PostNL N.V. changed the accounting framework of its corporate financial statements from Dutch GAAP to EU-IFRS. The main differences with the consolidated financial statements are:

- a revaluation of the Mail investments and a related impairment charge in the corporate financial statements,
- difference in the recorded demerger gain from the demerger of the Express activities due to differences in valuation upon demerger,
- no (reversal of) impairment charges in the corporate financial statements as the investment in TNT Express is stated at cost, and
- as the Mail investments are stated at cost (less impairments), dividend income recognised is compared to results from investments in accordance with the equity method.

Please refer to note 39 to the corporate financial statements for further details.

Development of corporate equity 2012

(in € millions)



In 2012, corporate equity increased from €1,918 million as at 31 December 2011 to €2,306 million as at 31 December 2012. The increase is almost fully explained by the profit for the year of €389 million. The investment in TNT Express is stated at cost (less impairments) with a book value of €860 million as at 31 December 2012. As a consequence, the corporate income statement is not affected by the results and (reversal of) impairments of the stake in TNT Express. As at 31 December 2012, distributable corporate equity amounted to €722 million.

Impact IAS 19 revised on equity

In 2012, the European Union endorsed the revised IAS 19 'Employee Benefits', effective 1 January 2013. The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses directly. The impact of this on the equity position as per 1 January 2013 will be significant. As at 31 December 2012, the consolidated net pension asset amounted to €1,294 million (corporate financial statements: €1,454 million). This includes net actuarial losses totalling €1,829 million (corporate financial statements: €1,558 million). If these net actuarial losses as per 31 December 2012 had been recognised immediately, this would have negatively affected consolidated equity of PostNL by a net amount of around €1,370 million (corporate equity: negative impact of around €1,170 million). As future actuarial results also have to be recognised immediately and are heavily dependent on interest rate movements, both consolidated and corporate equity will show fluctuations when actual developments differ from expected developments.

Impact stake in TNT Express

In the consolidated financial statements, the stake in TNT Express is valued at €8.43 per share on 31 December 2012 (corporate financial statements: around €5.30 per share). The closing share price of TNT Express was €5.56 on 22 February 2013. Continuation of this level will have a significant negative impact on PostNL's consolidated results and equity (corporate financial statements: no impact). Please also refer to the 'subsequent events' section on page 17.

Funding position

As of 16 January 2013, following the anticipated withdrawal of UPS' offer for TNT Express, PostNL's long-term credit rating from S&P has been BBB (negative outlook). Moody's downgraded PostNL to Baa2 and placed the rating under review for further downgrade on 17 January 2013. The current credit ratings are below the targeted ratings of BBB+/Baa1.

Debt maturing over one year is recorded as long-term debt (see note 12 to the consolidated financial statements). The carrying value of the gross debt (excluding interest) as at 31 December 2012 amounted to €1,618 million.

Debt cash outflows (including interest)

	< 1 yr	1 - 3 yr	3 - 5 yr	> 5 yr
Eurobonds	91	573	787	573
Finance leases	2	1		
Other loans	1	10		
Derivatives				29
Total	**94**	**584**	**787**	**602**

(in € millions)

PostNL has a €570 million committed revolving credit facility, which was fully undrawn at the end of 2012. Apart from this, PostNL has no material credit facilities or debt refinancing in the short term, with the first bond of €400 million maturing in 2015. The derivatives relate to the eurobond that matures in 2018 which is denominated in British pounds. There are no financial covenants.

At the end of 2012, net debt of PostNL amounted to €1,224 million, an increase of €222 million compared to €1,002 million in 2011. This increase was mainly attributable to the paid top up invoices of €83 million and the total capital expenditure of €204 million, which in turn chiefly related to investments in the new logistical infrastructure within Parcels and Master Plan-related projects within Mail in the Netherlands.

Actions to strengthen equity and funding position

Against the current background, PostNL has reviewed its equity and funding position for 2012 and beyond. Based on this review, PostNL has taken the following actions:

- PostNL has decided in 2011 it will pay out dividend in cash if and when consolidated equity is positive and the company has certainty of a BBB+/Baa1 credit rating,
- in 2011, PostNL changed the accounting framework of its corporate financial statements from Dutch GAAP to EU-IFRS. The change included a revaluation to fair value of the Mail investments (being the deemed costs going forward), which provides additional insight into the equity position of PostNL,
- PostNL and the trade unions have submitted a joint proposal to the main pension fund for a sustainable pension arrangement acceptable to both employer and employees. The changes to the arrangement aim to result in reduced pension (cash) costs and reduced risk of top up payments, and
- PostNL will limit and strictly control capital expenditures, pursue limited acquisitions and apply tight working capital management.

Financial performance

The key drivers of PostNL's financial results include:

- the volumes of mail and parcels delivered by PostNL,
- the prices PostNL obtains for its services,
- the mix of services PostNL provides to its customers and the customer mix,
- operating expenses, provisions and impairments,
- PostNL's ability to adapt its operating expenses to shifting volume levels,
- PostNL's ability to implement its restructuring programmes and the level of restructuring payments,
- the development of the value of PostNL's stake in TNT Express,
- the level of pension fund obligations and total pension contributions to the pension funds, and
- the number of working days in a year.

PostNL results

Year ended at 31 December	2012	2011
Total operating revenues	4,330	4,297
Other income	32	53
Total operating expenses	(4,071)	(3,933)
Operating income	**291**	417
as % of total operating revenues	6.7	9.7
Net financial expense	(104)	(101)
Income taxes	(80)	(78)
Results from investments in associates	1	(25)
Reversal of/(impairment of) investments in associates	570	(636)
Profit/(loss) from continuing operations	**678**	(423)
Profit from discontinued operations		2,159
Profit for the year	**678**	1,736
Profit for the year (excluding TNT Express)	241	238
Attributable to:		
Non-controlling interests	1	0
Equity holders of the parent	**677**	1,736
Earnings per (diluted) ordinary share (in € cents)[1]	153.9	402.7
Earnings from continuing operations per (diluted) ordinary share (in € cents)	153.9	(98.1)
Profit for the year (excluding TNT Express) per (diluted) ordinary share (in € cents)	54.8	55.2

(in € millions)

[1] Earnings per (diluted) ordinary share are in 2012 based on the profit for the year for equity holders of the parent and an average of 439,973,297 outstanding (diluted) ordinary shares (2011: 431,046,838).

PostNL revenues and earnings
In 2012, PostNL's operating revenues grew by 0.8% to €4,330 million (2011: 4,297). Addressed mail items in the Netherlands declined 9.0% (2011: 7.2%). Parcels experienced steady growth, with volumes in the Netherlands up 5.6% like-for-like. The number of working days had no impact when comparing the 2012 results to those of 2011.

Operating revenues increased organically by €20 million (0.5%), mainly due to a strong increase at International and Parcels, offset by a decrease in revenues at Mail in the Netherlands. The net negative acquisition and disposal effect of -€41 million resulted mainly from the acquisition of trans-o-flex in 2012, the disposals in 2011 of the Belgische Distributiedienst, Lifecycle Marketing, RSM Italy, Telepost S.p.A. and the international activities in Eastern Europe, and discontinued businesses in Germany and Italy. Foreign exchange rate changes (mainly the euro against the British pound) accounted for an increase of €54 million in operating revenues.

Other income decreased to €32 million (2011: 53). This consisted mainly of the sale of real estate for a net amount of €14 million and the negative goodwill of the trans-o-flex acquisition for an amount of €15 million.

Total operating income decreased by €126 million (-30.2%) to €291 million, mainly affected by weaker performance at Mail in the Netherlands and negative value adjustments of the stake in TNT Express, partly offset by improved performance at Parcels, International and PostNL Other.

In 2012, PostNL's total operating margin was 6.7% (2011: 9.7%).

Compared to 2011, the profit for the period attributable to the equity holders of the parent decreased by €1,059 million. The profit for the year excluding TNT Express increased by €3 million to €241 million, which is in line with the development of operating income when adjusted for TNT Express.

PostNL operating expenses

Year ended at 31 December	2012	2011
Cost of materials	187	195
Work contracted out and other external expenses	2,140	1,937
Salaries, pensions and social security contributions	1,293	1,429
Depreciation, amortisation and impairments	250	112
Other operating expenses	201	260
Total operating expenses	**4,071**	3,933

(in € millions)

In 2012, operating expenses increased by €138 million (3.5%) to €4,071 million. The organic growth in operating expenses was 3.1%, mainly due to cost increases within Parcels and International. Foreign exchange rate changes accounted for an increase of €53 million in operating expenses. The effect from acquisitions and disposals/discontinued business accounted for a net decrease of €35 million.

Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, rent and leases. In 2012, the total amount of work contracted out and other external expenses increased by €203 million (10.5%) compared to 2011. This is mainly explained by increased use of subcontractors due to higher volumes and revenues in Parcels, and additional costs for inefficiency and restoring quality at Mail in the Netherlands.

In 2012, costs of salaries, pensions and social security contributions decreased by €136 million to €1,293 million (-9.5%). This was mainly due to Master Plan savings following the restructuring programme in the Netherlands (€39 million), the release of part of the Master Plan III restructuring provision (€46 million) and lower pension expenses (€70 million). The decrease in the pension expense is mainly explained by lower costs following the settlement of liabilities related to TNT Express, increased expected return on plan assets following the higher than expected actual return and this year's curtailment gain.

Total depreciation, amortisation and impairment costs increased by €138 million compared to 2011, mainly due to the negative value adjustment of the stake in TNT Express of €135 million and a €9 million impairment of customer contact services.

Other operating expenses include items such as IT, communication, advisory and marketing expenses, office costs and various other operating costs. In 2012, other operating expenses decreased by €59 million (-22.7%) compared to 2011, mainly due to the lower resizing costs in International and the non-recurring demerger costs of 2011.

PostNL underlying (cash) operating income development
Management monitors the financial performance of the Group and the relating segments via the earnings measure 'underlying cash operating income' as this focuses on the underlying cash 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 (defined benefit plans) 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.

In the tables below, the segments are presented as Mail in the Netherlands, Parcels and International. PostNL Other represents head office entities, including the difference between the recorded IFRS pension expense for the defined benefit pension plans and the actual cash contributions.

From reported to underlying operating income
Underlying operating income totalled €408 million in 2012 (2011: 426). Underlying operating income excludes non-recurring and exceptional items, which amounted to €117 million in 2012 (2011: 9).

In 2012, the non-recurring and exceptional items were:

- rebranding costs of €12 million in Mail in the Netherlands (€5 million) and PostNL Other (€7 million),
- restructuring-related charges of -€26 million in Mail in the Netherlands (-€35 million, which is the net effect of restructuring charges of €11 million and a release of €46 million), International (€1 million) and PostNL Other (€8 million),
- value adjustments of assets held for sale of -€144 million, which related to the customer contact services in Mail in the Netherlands (-€9 million) and the TNT Express stake in PostNL Other (-€135 million),
- the effect of the top up payments in Mail in the Netherlands (€78 million) and Parcels (€4 million) offset by PostNL Other (-€82 million)*,
- a net pension curtailment gain of €11 million, reported in Mail in the Netherlands (€8 million), Parcels (€4 million) and PostNL Other (-€1 million), and
- a positive effect from foreign exchange rate changes of €1 million in International and dividend received from TNT Express of €1 million in PostNL Other.

** All segments record the top up invoices paid as pension expenses. As these top up payments do not represent IFRS-based pension expenses, PostNL Other records the reverse effect.*

In 2011, the non-recurring and exceptional items were:

- demerger-related costs of €23 million in Mail in the Netherlands (€1 million) and PostNL Other (€22 million),
- rebranding costs in PostNL Other of €9 million,
- restructuring-related charges at Mail in the Netherlands of €7 million,
- book gain on the divestment of Belgische Distributiedienst of €38 million,
- costs of €13 million for resizing International, and
- €5 million pension cash contribution received from Express for the first five months of 2011.

Compared to 2011, PostNL's underlying operating income of 2012 decreased by €18 million. Adjusted for the lower (underlying) pension expenses of €64 million, the decrease in underlying operating income amounted to €82 million. This decrease is mainly explained by weaker performance at Mail in the Netherlands, largely affected by the decline in addressed mail volume, higher autonomous and other costs, partly offset by Master Plan savings.

From underlying operating income to underlying cash operating income

Underlying cash operating income in 2012 amounted to €130 million, 40.9% lower than in 2011. The underlying cash operating income margin was 3.0% in 2012 (2011: 5.1%).

The changes in provisions of €77 million in 2012 (2011: 68) represents the difference between the recorded underlying net additions for restructuring and other provisions of €9 million (2011: 11) and the actual cash settlements of €86 million (2011: 79). In 2012, the withdrawals from provisions of €111 million included an amount of €25 million related to termination agreements for which the actual cash payments are expected in 2013. The cash out for restructuring programmes related mainly to Master Plan III and the disentanglement of Postkantoren B.V.

The changes in pension liabilities of €201 million in 2012 (2011: 138) are the difference between the recorded underlying pension expenses of €63 million (2011: 127) and the underlying cash payments of €265 million (2011: 265), which exclude €83 million of top up payments.

The decrease of €90 million in underlying cash operating income comprises a decrease at Mail in the Netherlands (€136 million), and increases at Parcels (€8 million), International (€22 million) and PostNL Other (€16 million). See chapters 4 to 7 for further details on the performance of the segments.

PostNL underlying (net) cash income

Year ended at 31 December	2012	2011
Underlying cash operating income	**130**	220
as % of operating revenues	3.0	5.1
Tax expenses	(80)	(78)
Net financial expense	(104)	(101)
Underlying net cash income	**(54)**	41

(in € millions)

From reported to underlying (cash) operating income 2012

Year ended at 31 December	Reported operating income	Rebranding PostNL	Restructuring related charges	Value adjustments Assets held for sale	Top up payments pensions	Pension curtailments	Other	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	86	5	(35)	9	78	(8)		135	(76)	(41)	18
Parcels	96				4	(4)		96	2	2	100
International	27		1				(1)	27	(1)	1	27
PostNL Other	82	7	8	135	(82)	1	(1)	150	(2)	(163)	(15)
Total 2012	**291**	12	(26)	144	0	(11)	(2)	**408**	(77)	(201)	**130**

(in € millions)

From reported to underlying (cash) operating income 2011

Year ended at 31 December	Reported operating income	Demerger related costs	Rebranding PostNL	Restructuring related charges	Book gains	Resizing International	Pensions	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	234	1		7				242	(64)	(24)	154
Parcels	88							88	1	3	92
International	(9)					13		4	3	(2)	5
PostNL Other	104	22	9		(38)		(5)	92	(8)	(115)	(31)
Total 2011	**417**	23	9	7	(38)	13	(5)	**426**	(68)	(138)	**220**

(in € millions)

PostNL's underlying net cash income amounted to -€54 million in 2012 (2011: 41). The decrease of €95 million is mainly explained by lower underlying cash operating income of €90 million.

PostNL net financial expenses

Year ended at 31 December	2012	2011
Interest and similar income	6	20
Interest and similar expenses	(110)	(121)
Net financial expense	**(104)**	(101)

(in € millions)

Interest and similar income of €6 million in 2012 relates to interest on banks, loans and deposits, and a change in the fair value of hedges.

Interest and similar expenses of €110 million in 2012 relates to interest on long-term borrowings of €98 million (2011: 97), interest on provisions of €4 million (2011: 8) and interest on bank overdrafts of €2 million (2011: 4).

PostNL income taxes

Year ended at 31 December	2012	2011
Current tax expense	27	(59)
Changes in deferred taxes	(107)	(19)
Total income taxes	**(80)**	(78)

(in € millions)

PostNL's income taxes amounted to €80 million (2011: €78), an increase of 2.6% compared to 2011, mainly due to an increase in profit before taxes. The movement in deferred taxes is mainly due to timing differences resulting from changes in provisions and depreciation of fixed assets. In 2012, the effective tax rate before the impact of the stake in TNT Express was 24.9% (2011: 24.7%), which is slightly lower than the statutory income tax rate of 25.0% in the Netherlands. For further details, see note 22 of the consolidated financial statements.

Financial position

Summary statement of financial position

At 31 December	2012	2011
Non-current assets	2,224	2,807
Current assets	1,002	1,259
Assets classified as held for sale	1,430	52
Total assets	**4,656**	4,118
Equity	1,080	414
Non-current liabilities	2,378	2,368
Current liabilities	1,187	1,336
Liabilities related to assets classified as held for sale	11	
Total liabilities and equity	**4,656**	4,118

(in € millions)

The financial position as presented above includes the stake in TNT Express. In 2012, the stake is presented as assets classified as held for sale. In 2011, the stake was part of the non-current assets (investments in associates).

Total equity increased to €1,080 million as at 31 December 2012, of which €1,069 million equity was attributable to shareholders.

The non-current assets of €2,224 million as at 31 December 2012 consisted mainly of goodwill of €111 million (largely related to Mail in the Netherlands and International), other intangibles of €57 million (mainly related to IT software), property, plant and equipment of €536 million (mainly related to land, depots and sorting machinery) and pension assets of €1,487 million.

The current assets of €1,002 million as at 31 December 2012 consisted mainly of trade accounts receivable of €432 million, prepayments and accrued income of €116 million and cash and cash equivalents of €391 million (2011: 668).

Off-balance sheet items

PostNL's off-balance sheet arrangements are disclosed in note 27 to the consolidated financial statements.

Cash flow data

Liquidity and capital resources

PostNL's capital resources include funds provided by PostNL's operating activities and capital raised in the financial markets.

The following table provides a summary of cash flows from continuing operations.

Statement of cash flows from continuing operations

Year ended at 31 December	2012	2011
Cash generated from operations	**83**	321
Interest paid	(99)	(101)
Income taxes paid	(40)	(98)
Net cash (used in)/from operating activities	**(56)**	122
Net cash from other investing activities	7	14
Net cash from acquisitions and disposals	14	108
Net cash used for capital investments and disposals	(177)	(75)
Net cash (used in)/from investing activities	**(156)**	47
Net cash used for dividends and other changes in equity	(2)	(86)
Net cash from debt financing activities	(64)	518
Net cash (used in)/from financing activities	**(66)**	432
Changes in cash and cash equivalents	**(278)**	601

(in € millions)

Net cash from operating activities

Net cash from operating activities decreased by €178 million from €122 million in 2011 to -€56 million in 2012. The decrease was mainly due to lower cash generated from operations of €238 million, partly offset by lower taxes paid of €58 million.

The decrease in cash generated from operations of €238 million can be explained by the decrease in underlying cash operating income (€90 million), the top up invoices paid to the pension fund (€83 million) and working capital (€40 million).

In 2012, income taxes paid were €40 million, compared to €98 million in 2011. The tax cash outflow was €58 million lower due to relatively high taxes paid in 2011 as a result of payments related to prior years and higher preliminary payments in 2011.

Net cash used in investing activities
In 2012, net cash used in investing activities amounted to -€156 million (2011: 47). Net cash from other investing activities of €7 million in 2012 related mainly to interest received (€11 million), partly offset by changes in non-controlling interests of -€4 million.

Net cash from acquisitions and disposals of €14 million in 2012 mainly related to the cash proceeds from the acquisition of the Dutch and Belgian activities of trans-o-flex within Parcels. In 2011, the €108 million net cash from acquisitions and disposals mainly related to the disposal of the Belgische Distributiedienst, Lifecycle Marketing, RSM Italy S.r.l., Telepost S.p.A. and the international activities in Eastern Europe, and the acquisition of Formula Certa Delivery S.r.l.

Capital expenditures/proceeds

Year ended at 31 December	2012	2011
Property, plant and equipment	(175)	(104)
Other intangible assets	(29)	(33)
Cash out	(204)	(137)
Proceeds from sale of property, plant and equipment	27	62
Net cash used for capital investments and disposals	**(177)**	(75)

(in € millions)

In 2012, capital expenditure on property, plant and equipment and other intangible assets amounted to €204 million, an increase of €67 million compared to 2011, mainly due to the investments in the new logistical infrastructure and Master Plan-related projects. The capital expenditures in 2012 related to machinery and equipment (€80 million), information technology (€29 million) and housing (€95 million). Significant investments were made in the new logistical infrastructure within Parcels (€64 million) and in the Master Plan-related projects (€63 million).

Net cash used in financing activities
In 2012, share-based payments amounted to €2 million (2011: 6) and related to the buyout of minority interests in subsidiaries of TNT Post UK. During 2012, no cash dividend was paid (2011: 80).

In 2012, the net cash from debt financing activities of -€64 million (2011: 518) mainly related to the repayment of the short-term part of a long-term loan and the net of increases and decreases on outstanding local short-term debt.

Dividend
In 2012, the corporate profit for the period attributable to the equity holders of the parent amounted to €389 million. As at 31 December 2012, total corporate equity amounted to €2,306 million, of which €722 million is distributable.

Dividend proposal 2012
PostNL will propose to the Annual General Meeting of Shareholders the distribution of a 2012 dividend of €0.181 per ordinary share, which has been fully paid in shares as an interim dividend. We will not pass through the €0.03 dividend per ordinary share of TNT Express over 2012 (subject to approval of the Annual General Meeting of TNT Express), as PostNL expects negative distributable corporate equity in April 2013, which restricts the company from paying any dividend. Accordingly, the final dividend will be nil.

Dividends paid in 2012
On 8 May 2012, PostNL paid the 2011 final dividend of €0.193 per ordinary share fully in shares, for which 21,791,073 shares have been issued.

On 13 August 2012, PostNL paid the 2012 interim dividend of €0.181 per ordinary share fully in shares, for which 25,880,782 shares have been issued.

Extract from the articles of association on appropriation of profit
Under PostNL's articles of association, the dividend specified in article 31, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of PostNL's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (article 31, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the Annual General Meeting of Shareholders (articles 31, paragraph 3). No dividend shall be paid on shares held by PostNL in its own capital (article 31, paragraph 6). Preference shares B were not issued in 2012.

Appropriation of profit
The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €389 million out of profit to the reserves. Following this appropriation, there remains an amount of €0 million in profit that is at the disposal of the Annual General Meeting of Shareholders. Subject to the adoption of PostNL's financial statements by the Annual General Meeting of Shareholders, the proposed 2012 dividend has been set at €0.181 per ordinary share of €0.08 nominal value. After adjusting for the 2012 interim dividend of €0.181 per ordinary share as fully paid out in shares in August 2012, the final dividend will be €0.00 per ordinary share. The dividend in shares was paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

Upon approval of this proposal, corporate profit will be appropriated as follows.

Appropriation of corporate profit

	2012
Profit attributable to the shareholders	389
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 35, par.2)	(389)
Dividend on ordinary shares	**0**
Interim dividend paid in cash	0
Final dividend	**0**

(in € millions)

Group companies of PostNL N.V.
The list containing the information referred to in article 379 and article 414 of book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in The Hague.

Subsequent events

Stake in TNT Express

In January 2013, the European Commission prohibited the proposed acquisition of TNT Express by UPS, which was followed by the withdrawal of the offer by UPS. Under IAS 10, the withdrawal of the offer by UPS, which resulted in a significant decline in the TNT Express share price, qualifies as a non-adjusting event considering that any uncertainties were reflected in the 31 December 2012 share price of TNT Express. The closing share price of TNT Express on 22 February 2013 was €5.56. Continuation of this level will have a significant negative impact on the consolidated result and equity of PostNL.

We expect that our stake in TNT Express will be monetised in the medium term to create better value for the shareholders, after stability has returned to TNT Express. Accordingly, the stake in TNT Express will no longer meet the criteria under IFRS 5 to be classified as asset held for sale and will therefore, as of the following reporting period, be accounted for as investments in associates using the equity method.

Collective labour agreement for Mail Netherlands

On 29 January 2013, the labour unions approved the collective labour agreement in principle for Mail Netherlands. The collective labour agreement applies from 1 January 2012 to 31 March 2013. The Social Plan will be extended by one year from 1 January 2013 to 31 December 2013. The main features of the new agreement are a 1.7% salary increase, and additionally 0.4% after the definitive approval of the new pension arrangement on which PostNL and the labour unions are jointly in talks with the pension fund. The material financial effects of the new collective labour agreement on 2012 have been included in the consolidated financial statements.

No appeal to verdict of disputes committee on top up payments

On 15 February 2013, PostNL announced it will not appeal the verdict of the disputes committee about the necessity of top up payments to supplement the coverage deficit of the pension funds. This was decided upon partly because PostNL aims to come to a sustainable solution for the pensions in dialogue with the main pension fund. This is in the interest of all parties involved. PostNL expects to pay the remaining invoiced top up payments of €64 million in Q1 2013.

Outlook 2013

	Revenues		Underlying cash operating income/margin	
	Adjusted 2012	Underlying 2013	Adjusted 2012	Outlook 2013
Mail in NL	2,270[1]	- mid single digit	0.9%[1]	-2 to 0%[2]
Parcels	730	+ high single digit	13.7%	11 to 13%
International	1,624	+ mid single digit	1.7%	1 to 3%
Total	**4,330**	**stable**	**130**	**20 to 60**
			3.0%	0 to 2%

1 Actuals 2012 adjusted for transfer of customer contact services from Mail in NL to PostNL Other.
2 Subject to pension arrangement.

Indicators 2013

- Expected volume decline addressed mail of 8% – 10% (2012: 9.0%)
- Cost savings of €40 – €60 million (2012: 39)
- Implementation costs of €40 – €60 million (2012: 67)
- Cash outflow from provisions of around €110 – €130 million, of which €100 – €120 million related to Master Plan implementation (2012: 86, of which 72 related to Master Plans)
- Regular employer pension contributions of around €240 million (2012: 265), excluding top up payments
- Employer pension expenses of around €150 million (2012: 63, adjusted for curtailment gain); around €130 million will be recognised in operating income and around €20 million in financial expenses
- Cash capital expenditures of around €150 million (2012: 204)
- Net financial expenses of around €125 million, of which around €20 million net interest costs for pensions (2012: 104)
- Rebranding costs related to International of around €5 million (2012: 12, related to Mail in the Netherlands and PostNL Other)

4 Mail in the Netherlands

Mail in the Netherlands is the segment of PostNL that is responsible for the mail business in the Netherlands, and for data and document management services.

Market developments

The mail market in the Netherlands is changing rapidly. As communication becomes increasingly digital, addressed mail volumes continue to decline. Transaction-related items such as bank statements and invoices are increasingly moving online. At the same time, mail senders continue to strive to minimise costs and substitution of traditional mail by e-mail is an ongoing process. The economic crisis amplifies this effect, leading to lower communications spending.

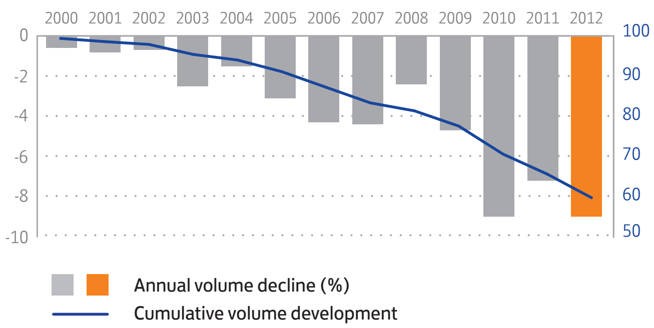
Mail is increasingly becoming a communications channel that is used in combination with digital communication. A leaflet or brochure is intended to attract consumers to webshops. The traditional next-day delivery on five or six days a week has lost its relevance for these mail segments in the last decade. Competitors to PostNL, with a business model built around a mail delivery of two days a week, specifically target these customers.

Driven by continued mail volume decline and the legal obligation for market entrants to improve labour conditions (see chapter 10), the competitive landscape has changed. The market exit of SelektMail and Netwerk VSP addressed mail in 2011 resulted in a normalisation of the competitive landscape in 2012. Today, the Dutch addressed mail market has two nationwide mail companies, PostNL and Sandd, and a number of smaller regional players. In 2012, PostNL's competitors had a market share of 19%, most of which is represented by Sandd, whose market share is growing and concentrated in the direct mail and periodical segments.

The above-mentioned effects were clearly visible in 2012, as the addressed mail volume delivered by PostNL decreased by 9.0%.

Volume development PostNL

(in %)



Business developments

Consumer mail services

To sustain the value perception of mail, PostNL is actively promoting the joy of sending and receiving mail to consumers through promotions and campaigns. This includes innovative stamps, such as a pop-up stamp, to stimulate demand. In cooperation with Kinderpostzegels, a stamp was designed featuring the three young royal princesses. In addition, the new online KaartWereld offers the sender the convenience of e-mail and a wide range of cards while the receiver still experiences the value of a physical card.

As the small office/home office (SOHO) grows in importance, we are targeting this market segment with a tailored marketing and sales approach for both mail and parcels. Ease of use is stimulated by a number of initiatives to improve accessibility, including the new website postkantoor.nl. This website offers our customers all services online for which they formerly had to visit the post office.

Local retail presence

In 2012, all postal services were delivered via the 2,600 'shop-in-shop' post offices, after the last traditional post office in the Netherlands was closed in 2011. These shops are located in shopping areas. In combination with the new online initiatives, this ensures that the service of PostNL is always nearby for the consumer at the time and place that suits them. Specifically for the SOHO market, all locations are equipped with a modern pay desk system including online shipping modules for parcels. With our 2,600 shop-in-shop post offices, we are the largest retailer in the Netherlands.

Multi-channel communication

PostNL has introduced services that meet customers' requests for a combination of physical and digital communication. For example, we have introduced an application that allows augmented reality to be added to a direct mail item, and online services to design and send direct marketing campaigns (through our acquisition of Marvia). For our customers, combining mail with other technologies is far more effective in generating a response than using online marketing channels only.

Unaddressed mail

After the market exit of its main competitor Interlanden, PostNL subsidiary Netwerk VSP – as the market leader in unaddressed mail – succeeded in increasing volumes, despite a slight decline in the market as a whole. Netwerk VSP introduced new services related to specific moments such as Mothers' Day, as well as a dedicated approach for specific customer groups such as e-tailers.

The online leaflet concept folders.nl continues to grow. With these initiatives, PostNL aims to sustain the popularity of the physical leaflet, striving to maintain the profitability of the organisation.

Products & services

For our customers, mail items never stand alone. They are part of a marketing & communications, billing or e-commerce value chain. Alongside standard mail services, PostNL offers a range of services to support this value chain, generating mail and parcel volume to feed the networks.

Pricing policy
In 2012, PostNL completed the customer transition to a more flexible Basic product based on delivery with peak and off-peak days. This product offers business customers the choice of day-certain delivery of non time-sensitive business mail three days a week. By the end of 2012, all non time-sensitive business mail had shifted from traditional products to this Basic product.

As well as introducing the Basic product, we reviewed our product and pricing policy for large customers. New tariff lines, including size-based tariffs, were introduced and the rate structure was substantially simplified.

The tariffs for single-item mail stayed within the price cap and the permitted framework of the regulator in 2012. The base rate for a stamp for single items up to 20 grammes increased by €0.04 on 1 January 2012, and by a further €0.04 on 1 January 2013. The tariffs of franking machines stayed in line with the tariffs for stamps. The tariffs for bulk mail are being increased above inflation in 2013 as a result of the normalisation of the competitive situation and the ongoing volume decline.

In our price setting, we balanced an expected additional shift to online alternatives. We continue to seek further simplifications in the product portfolio and alignment with changes in operations. This will allow PostNL to improve revenue and save costs while maintaining customer satisfaction by improving ease of use and transparency.

Business portal
In 2012, PostNL introduced a new business gateway for online postal products and services for business customers, called Mijnpost. Mijnpost, similar to MijnPakket in the Parcels segment, provides a platform for preparing shipments of bulk mailings, parcels and registered mail, allowing customers to view order details. It also offers standard reporting. The portal was officially launched on 1 January 2012, and is currently used by 43,000 customers, representing more than 50% of all business orders and of revenue.

E-commerce supporting services
PostNL is directly affected by the strong development of the internet, which causes mail volumes to decline and parcel volumes to grow. That is why PostNL has made it part of its strategy to play an important role in the development of e-commerce solutions. (See chapter 2)

An integrated e-commerce offering goes beyond the logistics services of delivery; it also includes marketing, invoicing and return solutions. PostNL's e-commerce portfolio includes individual parts of the chain, such as fulfilment, and can be extended to managing the entire value chain from webshop to distribution. This enables customers to become more successful through their online sales channel. In 2012, we gave more organisational focus to these activities. (See chapter 5)

Marketing communication services
Under the brands PostNL, EuroMail and Cendris, a multitude of marketing communication solutions were developed that improve both the effectiveness and the efficiency of marketing & sales processes. Customers are offered advice on the design of their multi-channel marketing campaigns, data analysis, support in selecting the proper target groups and communication channels and tools to improve data quality, print and fulfilment. At the back end, customer contact services are provided through call centres, including web-based solutions such as webcare, social media and community management. An example is the tailor-made solution we developed for pension funds to reduce small liabilities, including data capturing, printing, traditional mailings, online and call centre back office and reporting activities.

Billing services
Various billing and e-billing solutions are offered under the brand PostNL. These range from physical invoice printing to different e-billing solutions and debt management.

Operational developments

New operational model
In 2010 and 2011, the foundations were laid for a more flexible operational model that will enable PostNL to deal with declining mail volumes. This plan includes concentration of collection of mail, introduction of new mail separation machines, reorganisation of the sorting centres and concentration of preparation of mail at central preparation sites. The latter also included closure of local distribution offices, and the replacement of these offices with depots where part-time mail deliverers pick up their fully prepared mail bags. In addition, a dedicated Auto Unit (Autobedrijf) was created, and registered mail was integrated in the Parcels segment to achieve cost savings.

In January 2012, PostNL started the pre-implementation of the new central preparation sites at the first site to be opened, in Nieuwegein. We decided to follow up this pre-implementation with a first implementation wave from March 2012. This included the concentration of the mail preparation activities of six offices in the newly-opened central preparation sites in Utrecht and Den Bosch. Following implementation issues with negative customer and quality effects, it was decided to place the further rollout of the central preparation sites temporarily on hold from April 2012.

The remainder of the year was used to analyse the issues, define and test alternatives and to produce improvement plans, in cooperation with the works councils. Our clear conclusion was that we had underestimated the complexity of the reorganisation. Too many changes were implemented at the same time, with limited tests in real practice and more inexperienced new personnel than expected.

The reorganisation of all aspects of the reorganisation not related to the central preparation sites was pursued as scheduled. This resulted in a more efficient retail and collection process and optimised transportation throughout the organisation. Furthermore, significant steps were taken towards an integrated backbone for mail and parcels, including registered mail. Improvement plans to return our quality of service to desired levels also had an effect. Quality was back at the target of at least

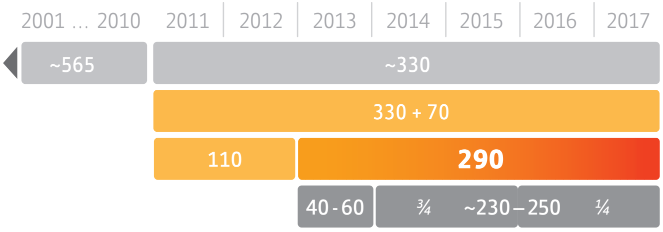
95% in October and we had a solid Christmas period, despite a full-year quality score below the target of 95%.

As an alternative to the central preparation sites, we successfully tested the integration of five former distribution offices in one large location in the area of Alkmaar. This test was successful in terms of quality, cost savings and employee motivation. As of 2013, we will adopt a step-wise approach to the reorganisation of the preparation and distribution of mail by centralising mail preparation to around 125 locations. This will enable us to ensure that our quality stays at the required level. It will also help us to limit the number of forced redundancies. The implication of this choice is that cost savings will be delayed in operations. We will compensate this to a large extent by additional cost savings in support staff, management, sales and head office.

Increased cost savings from €330 to €400 million

Limited additional expenses

Cost savings *(in € millions)*



(in € millions)	Previous outlook 2011 – 2017	Realised 2011 – 2012	New outlook 2011 – 2017
Restructuring cash out	325 – 375	137	~325 – 375
Implementation costs	175 – 225	132	~225 – 275
Capex	130	95	~130

Transition to a new labour force

Smooth transition from the current operational labour force to a new, sustainable labour force structure remains crucial to the success of the new operational model. In 2012, we made further progress in moving from a mainly full-time organisation towards a part-time operational organisation. With the help of the Mobility organisation, around 1,200 people found a new future outside PostNL in 2012. The Mobility organisation has helped more than 7,000 former employees in total since 2006.

Our new labour force in Operations has fundamentally changed. Coming from a traditionally mainly full-time organisation, we employed over 33,000 part-timers in our mail delivery operations in 2012. Part-timers represent 92% of our delivery staff, equivalent to 72% FTE in delivery.

Key financial results

Operating income Mail in NL

Year ended at 31 December	2012	variance %	2011
Total operating revenues	2,305	(5.1)	2,429
Other income	14		17
Total operating expenses	(2,233)	(0.9)	(2,212)
Operating income	**86**	(63.2)	234
Underlying cash operating income	**18**	(88.3)	154
as % of operating revenues	0.8		6.3

(in € millions, except percentages)

Operating expenses Mail in NL

Year ended at 31 December	2012	variance %	2011
Cost of materials	132	(0.8)	133
Work contracted out and other external expenses	797	6.7	747
Salaries, pensions and social security contributions	1,043	(2.0)	1,064
Depreciation, amortisation and impairments	65	(1.5)	66
Other operating expenses	196	(3.0)	202
Total operating expenses	**2,233**	0.9	2,212

(in € millions, except percentages)

Operating statistics Mail in NL

Year ended at 31 December	2012	variance %	2011
Single items	783	(10.0)	870
Bulk mail	2,654	(8.7)	2,907
Addressed postal items delivered	3,437	(9.0)	3,777
per Netherlands delivery address (items)	425	(11.7)	481
per Netherlands inhabitant (items)	205	(9.2)	226
per FTE (thousands of items)[1]	153	(7.6)	166
per delivery day (millions)	11.2	(9.0)	12.3
average percentage of national mail sorted automatically (%)	83	1.2	82

[1] The FTE (full-time equivalent) definition is based on a 37-hour work week.

Mail in the Netherlands experienced a continued decline in addressed mail volumes in 2012. This was primarily due to a decline in single items and reduced demand for bulk mail as a result of cost-saving programmes initiated by some of PostNL's key customers, as well as to continued substitution by electronic media. In 2012, loss of volumes to competition was limited.

In total, the number of addressed mail items in the Netherlands decreased by 9.0%. The volume of unaddressed mail items increased by 3.3%, mainly due to increased market share.

Besides volume development, prices are a key factor in PostNL's financial performance. With respect to rates and conditions, OPTA has to set rates for the universal postal services every four years, which shall not lead to a return on sales (RoS) that exceeds the cap of 10%. Following each OPTA rate setting, PostNL is allowed to set rates and increased tariffs as of 1 January 2012 and 1 January 2013. The adjustments to the rates have been reviewed by OPTA and are within the tariff development limits.

As of 1 January 2012, the base domestic mail rate for the Netherlands increased to €0.50 (+8.7%) and the base rate for mail to other European destinations increased to €0.85 (+7.6%). The rate for mail sent outside Europe remained unchanged at €0.95. There are no fixed prices for bulk mail and other mail items. The price/mix effect for bulk mail was slightly positive compared to last year with price increases largely offset by mix effects including the shift to the Basic product.

The delay in the implementation of the Master Plan initiatives resulted in lower than anticipated savings and additional costs to enhance the delivery quality and level of productivity. In 2012, of the €39 million Master Plan savings, €30 million were achieved within Mail in the Netherlands.

Operating revenues for Mail in the Netherlands decreased by €124 million (-5.1%) in 2012 compared to 2011. This revenue decrease is mainly due to volume decline in addressed mail items, offset by a positive price/mix effect.

Mail in the Netherlands' operating expenses increased by €21 million in 2012 compared to 2011. Work contracted out increased by €50 million, mainly due to increased use of subcontractors. The cost of salaries, pensions and social security contributions decreased by €21 million, mainly due to the release of the Master Plan III restructuring provision of €46 million in 2012. The pension costs included an amount of €70 million for top up payments and curtailment. The costs for depreciation, amortisation and impairments include an amount of €9 million for the impairment of customer contact services, whereas in 2011 an impairment charge on real estate (€12 million) was recorded.

In 2012, Mail in the Netherlands' underlying cash operating income decreased from €154 million to €18 million. The main items that explain the decline are the 9.0% volume decline of addressed mail in the Netherlands, higher restructuring cash-out, quality and inefficiency costs, increased autonomous and other costs, partly offset by Master Plan savings and price increases.

5 Parcels

PostNL's Parcels segment operates parcels businesses and logistics services in the Netherlands and in Belgium. It has also developed an advanced international network with partners across Europe.

Market developments

The parcel market has developed rapidly over the last few years, particularly driven by the continued growth in domestic and international e-commerce. Increasingly, consumers want to be in control of when and where they receive their parcels. They require real-time information via all devices, a wide range of delivery options and convenient return solutions. Mobile solutions are used with increasing frequency by shoppers and are developing into a mature channel that can also be used for a variety of delivery solutions.

What is more, the expansion of e-commerce into more product categories leads to a growing need for special delivery solutions such as secure delivery of high-value products, two-man delivery for large shipments such as washing machines or furniture, and pick-up solutions at convenient locations. In addition to pure web players, webshops that combine clicks and bricks are strongly positioned to leverage existing high street brands online.

The e-commerce market is consolidating. Large webshops are taking over successful smaller webshops. Virtual shop-in-shop concepts are achieving higher growth. This puts pressure on delivery prices in the market, as larger webshops will negotiate lower distribution prices. In addition, webshops increasingly offer free delivery as Dutch consumers appear highly sensitive to delivery costs. This development puts further pressure on the prices webshops are willing to pay for distribution services.

Online shopping does not stop at national borders. The result is growth in cross-border parcel services, driven both by a push from successful webshops attracting customers outside their domestic market and a pull from consumers seeking products unavailable in their home markets, or looking for lower-priced offers.

The Belgian e-commerce market is catching up with developments in neighbouring countries. Belgian online shoppers are highly internationally oriented. This makes the Belgian market very attractive for Dutch webshops and is leading to growth in inbound parcel market volumes.

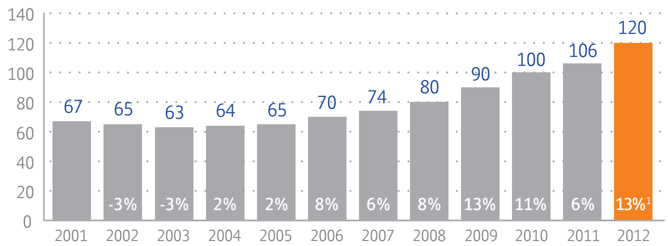
The B2B market for parcels and road transport is more integrated at a Benelux level than the 2C market, which is more national. A large portion of B2B shipments is international. The growth rate of this market is slightly higher than GDP growth, with a trend towards further internationalisation, and a slight decline in domestic shipments.

The fast growth in e-commerce that stimulates growth in 2C shipments is causing a shift from physical retail to the web. This in turn fuels a decline in domestic 2B shipments. As a result, large retailers are looking for cost savings. The tendency is for them to outsource their dedicated distribution networks, shift from express to standard shipping and optimise their stock. This leads to reduced shipment sizes.

PostNL is market leader in the Dutch 2C market, with a market share of 74%. The 2B market is more fragmented. PostNL is one of the leading providers in the Dutch 2B market, with a market share of 15%.

Volume development PostNL

(millions of parcels, excl. Belgium, excl. Cargo and Transport)



[1] Excluding registered mail items growth was +5.6%.

Business developments

2C market

As the market leader in the 2C market in the Netherlands, PostNL is in a strong position to benefit from the growth in e-commerce. PostNL facilitates 85% of all Dutch webshops, stimulating their businesses with continuous product innovation and tailored delivery services to their customers. With dedicated IT-driven initiatives in the 2C market, PostNL has increased its lead in the fast-growing Dutch 2C parcels market.

In Belgium, our 2C delivery service was upgraded last year to full e-commerce distribution, with track and trace services comparable to the Dutch standard – unmatched in the Belgian market. PostNL is the number two in the Belgian market.

2B market

In the Benelux 2B market, PostNL has a strong position in delivery of standard parcels to retail. PostNL benefits from the market trend of outsourcing retail distribution networks to third parties. The acquisition of trans-o-flex Benelux boosted PostNL's market position, especially in the healthcare and pharma verticals in Belgium.

The main focus in the 2B segment is delivery to retail. Growth is stimulated by the outsourcing trend previously mentioned. The distribution network of PostNL is in the process of being further developed for inbound and outbound retail logistics. For high-value delivery (jewellery, phone shops) PostNL has specific solutions through Mikropakket.

The acquisition of Valid Express in 2012 added courier services to the range of PostNL 2B services.

International partnerships
PostNL operates an international network to support and stimulate cross-border parcel deliveries and (reverse) logistics for its customers. In 17 European countries, the new ERS (Easy Return Solution) is offered to support return handling for international e-commerce. This complements the IBRS (International Business Reply Service) existing return service offered by our Mail in the Netherlands segment.

The international parcels business of PostNL integrates the resources, capabilities and technology of its own organisation and its partners. This is done by means of a central IT platform to inform customers of the status of their parcel. At the same time, it enables performance measurement across the total chain. We aim to offer customers the best locally-available delivery solutions, both on a country-by-country and flow-by-flow basis. An example is the introduction of our new product eYouPack (eyoupack.com), which enables European online shoppers to make online purchases outside the EU with all costs covered in advance, including import duty and VAT.

For international B2B deliveries (into and our of the Benelux), PostNL is a member and shareholder of the Eurodis network, a B2B network for parcels and cargo shipments that connects 34 countries in Europe.

Products & services

Receiver services
In 2012, the internet portal MijnPakket reached 1.6 million registered online shoppers. This portal gives consumers control and choice for orders to be delivered by PostNL. It provides an overview of all online purchases, including the place and day of delivery and the time slot in which the parcel will be delivered. It also allows the recipient to change the delivery time.

We have improved the existing pickup propositions at our retail outlets (see chapter 4) and are testing takeaway lockers that can be used 24 hours a day. To secure delivery, PostNL has introduced a Code Validation service. Receiving customers are offered a personal code via e-mail or SMS, which can guarantee the delivery of a shipment to a unique person at a specified address.

E-commerce logistics
To tap into the growth segments in the e-commerce market, PostNL develops services for specific segments and trends, as well as integrated chain solutions including fulfilment. With the development of e-commerce, consumers are buying more white goods, such as washing machines and fridges, over the internet. Extra@Home enables our customers to receive delivery of these large items at home, through a service that includes disposal of packaging, installation and the return of discarded electrical equipment. In addition, PostNL offers dedicated solutions for goods that require special treatment and are increasingly ordered online, such as wine and valuable goods.

The new Premium Service for webshops facilitates late ordering by consumers while maintaining next-day delivery. The latest cut-off time for this service is 1.00 a.m. This enables webshops to respond to consumer demand for next-day delivery, regardless of the time the order is placed.

A smart return solution was introduced for used coffee cups, aimed at recycling the aluminium. Consumers can return their used cups in a special package to the driver when receiving the new order, or hand them in at a PostNL retail outlet.

In order to service customers better throughout their entire value chain, PostNL offers fulfilment of parcels for the 2C market through TopPak, which is certified for packed food fulfilment and electronics. As the fulfilment market in the Netherlands is highly fragmented, PostNL specifically targets customers who require an integrated solution.

2B service offerings
Key in the 2B segment are tailored solutions for customers. Besides this, product development in 2B is mainly sector-oriented. For example, in the health segment, PostNL offers cold chain distribution (GPD guidelines) and has developed a wholesale service in which shipments are consolidated on consignee level.

In 2012, PostNL acquired the distribution of deliveries for a large Dutch drugstore retailer. This was in line with previous insourcing projects relating to magazine and travel agency delivery to shops.

Operational developments

State-of-the-art logistics: new logistical infrastructure
To absorb future growth, PostNL is redesigning its operational infrastructure through the ‘new logistical infrastructure’ programme. Up until 2011, the company operated a ‘hub and spoke’ model with three large sorting centres and a countrywide network of depots. This proved, however, to offer limited flexibility and capacity in a rapidly growing market.

The new infrastructure will combine sorting and distribution activities in 18 hybrid depots throughout the country. Parcel deliverers, mainly subcontractors, pick up the parcels for their delivery rounds from the sorter, sort them directly into their van and then start delivery. This solution minimises the loading time of a van, requires less physical effort from the driver and reduces mis-sorting. The overall concept offers Parcels the opportunity to grow while at the same time reducing costs and retaining the flexibility to adapt to market developments.

The transition from the old to the new structure will be a gradual process, continuing until 2015. Up to and including 2012, PostNL opened seven depots. The creation of this new logistical infrastructure requires an investment of about €240 million in total, of which €170 million relates to replacement and €70 million to expansion of the present infrastructure. In 2012, €64 million was spent on this investment. Up to and including 2012, €130 million has been spent on the new logistical infrastructure.

As described in chapter 4, steps were taken in 2012 to further integrate with the operational networks of Mail in the Netherlands, leading to synergies and cost efficiencies. Registered mail is being transferred and integrated into the Parcels network, and the services at our retail outlets are being further improved. Parcels also operates the transport fleet for both mail and parcels.

Key financial results

Operating income Parcels

Year ended at 31 December	2012	variance %	2011
Total operating revenues	730	20.1	608
Other income	16		0
Total operating expenses	(650)	(25.0)	(520)
Operating income	**96**	9.1	88
Underlying cash operating income	**100**	8.7	92
as % of operating revenues	13.7		15.1

(in € millions, except percentages)

Operating expenses Parcels

Year ended at 31 December	2012	variance %	2011
Cost of materials	18	12.5	16
Work contracted out and other external expenses	439	27.2	345
Salaries, pensions and social security contributions	154	17.6	131
Depreciation, amortisation and impairments	11	22.2	9
Other operating expenses	28	47.4	19
Total operating expenses	**650**	25.0	520

(in € millions, except percentages)

Operating statistics Parcels

Year ended at 31 December	2012	variance %	2011
Domestic	109	7.9	101
International	11	120.0	5
Total	**120**	13.2[1]	106

(in millions of parcels, except percentages)

[1] excluding registered mail items growth was +5.6%.

Parcels continued to improve its revenue and volumes in 2012. Revenues increased by €122 million (20.1%) compared to 2011. Acquisitions in 2012 had a net positive effect of €30 million (4.9%) on operating revenues. Adjusted for the shift of registered mail from Mail in the Netherlands to Parcels (€29 million), an increase in subcontractor work for Mail in the Netherlands (€35 million) and growth in other internal revenues (€9 million), organic growth amounted to €19 million (3.6%). This was mainly realised within the Netherlands through volume growth, partly offset by lower average prices, and within Belgium, through Cargo, Extra@Home and Mikropakket.

Volume growth of Parcels within the Netherlands benefited from the e-commerce trend, resulting in 13.2% overall growth in volumes. Excluding the internal transfer of the sorting and distribution of registered mail items, underlying volume growth within the Netherlands amounted to 5.6%. Volume growth was especially visible during the summer period and the fourth quarter of 2012. The overall trend in average revenue per parcel continued to be less favourable, mainly due to competition between service providers within the bulk segment and increased customer focus on delivery costs. Price pressure had a negative impact of 2% on revenues.

The negative goodwill of €15 million arising from the 2012 acquisition of trans-o-flex has been recognised as a gain in other income. Parcels envisages that the negative goodwill will more than compensate the operational losses and restructuring costs of trans-o-flex.

Parcels' operating expenses increased by €130 million (25%) in 2012 compared to 2011, of which €37 million (7.1%) related to acquisitions and the remaining €93 million (17.9%) flowed from the growth in volumes. Work contracted out is the main contributor (€94 million), largely due to increased volumes and increased use of subcontractors. In 2012, the percentage of parcel volumes delivered by subcontractors remained at 86%. Salaries, pensions and social security contributions increased by €23 million following the increase in staff due to the 2012 acquisitions, volume growth and shift of registered mail. Other operating expenses increased by €9 million, mainly due to the 2012 acquisitions, temporary implementation costs for the new logistical infrastructure and volume growth.

Underlying cash operating income increased by €8 million (8.7%) to €100 million, mainly due to the net impact from acquisitions of €8 million. Temporary implementation costs for the new logistical infrastructure negatively affected underlying cash operating income by €6 million due to running parts of the old and new network simultaneously. Additionally, other one-off costs totalled €1 million, resulting in a like-for-like improvement of €7 million, mainly due to volume growth and efficiency improvements.

6 International

PostNL is active in three of the largest European mail markets – the United Kingdom, Germany and Italy – and in cross-border mail.

International overview

Opportunities in the European mail market

PostNL has concentrated its international activities in the countries that are most attractive from both a regulatory and a mail volume perspective: the United Kingdom, Germany and Italy. Together, these countries have around 92 million households, compared with more than seven million in the Netherlands. These countries also have a degree of liberalisation in which PostNL can operate as a challenger to the incumbent, even within current regulatory restrictions. All international activities are frequently judged against their contribution to the future objectives of PostNL.

Although the postal markets in all these countries are officially liberalised, the former incumbent still enjoys regulatory advantages. In 2012, PostNL continued to have intensive discussions on value-added tax (VAT) exemptions, USO definitions and other privileges that the incumbent has historically enjoyed. PostNL is dedicated to pursuing a level playing field in each of the countries in which it operates. (See chapter 10)

Challenge strategy

PostNL has built from scratch its international businesses in each of the countries where it is active; they have grown exponentially. Building these businesses has allowed us to design streamlined, efficient operations that can compete effectively.

PostNL is the number two player in each of the three markets, leading the challenge against the incumbent postal operator. PostNL's business approach and mentality are entirely customer-focused. The international businesses are constantly looking to grow revenues and profitability, innovating and creating new services in order to seize opportunities quickly.

Combining synergies with local customer approach

European postal markets remain essentially local in character. The operations in the United Kingdom, Germany and Italy are driven by strong local management teams, with deep understanding of their local markets. Based on operational structures that have much in common, local products targeted at local market characteristics are being developed. For more details on the local market approach, see below.

Although market opportunities and regulatory room for manoeuvre are different in each country, PostNL approaches the countries in which it operates using a model of sharing expertise and experiences.

In all countries, a hub-and-spoke model is the basis for the operational structure. Experience gained in Italy from the Formula Certa service is being used in Germany and the United Kingdom. Conversely, the A/B delivery structure, whereby each postal code area is serviced every other day, was initiated in Germany before being implemented in Italy. In downstream access, the United Kingdom and Germany share their strong experience to foster their specific market position amid consolidation.

On top of this, all countries benefit from the knowledge and experience of operational experts in PostNL's home country, the Netherlands. There is cooperation, for instance, in sorting, printing and other technology knowledge-sharing. Prime Vision, a globally-active subsidiary of PostNL in the Netherlands, is the partner selected by TNT Post UK for its postal automation programme.

Rebranding

In the Netherlands, the rebranding to PostNL started in May 2011. However, at the time of the demerger it was agreed that the activities outside the Netherlands would be rebranded more gradually. As a consequence, PostNL still operates under the name TNT Post in those countries. By mid-2014, the process of rebranding is expected to be completed.

United Kingdom

Market developments

The mail market in the United Kingdom is showing moderate decline. However, the downstream access (DSA) market, where competitors to Royal Mail collect and sort mail before passing it to Royal Mail centres for final processing and local delivery to the end-customer, remains stable. The market continued to evolve in 2012 as a consequence of e-substitution and due to the opportunities presented by the significant growth in e-commerce. Mail volume declined, while parcels volume increased. The regulatory environment was clarified after Ofcom fulfilled its first full year of industry regulation and published regulatory conditions in April 2012. Royal Mail continued its modernisation process and is expected to seek private shareholders. TNT Post UK, as the major challenger to Royal Mail, has continued to be the voice of competition within the United Kingdom.

As per December 2012, within the total mail market in the United Kingdom, 43.7% of all mail was delivered under a downstream access service. TNT Post UK has a market share of 53% in the DSA market, and thus an overall market share of 23%.

Business developments

In 2012, the business in the United Kingdom experienced its eighth year of growth, taking the volume carried to over 3.8 billion items. We consolidated our position as the largest private postal operator.

The most significant development for TNT Post UK was the launch of its end-to-end delivery service in London, recruiting 600 new mail deliverers in five delivery units. This is the first significant and viable alternative delivery service to Royal Mail. We are now providing a six-days-a-week service, delivering to more than 300,000 households and businesses.

We took further steps to enter the packages and parcels market in 2012. We strengthened our sales team to widen our reach across the various industry sectors and implemented a robust quality control reporting mechanism for customers to highlight our service level within the market.

Products and services

TNT Post UK's dominant activity in 2012 remained downstream access: TNT Post UK collects and sorts mail before passing it to Royal Mail centres for final processing and local delivery to the end-customer.

TNT Post UK has a broad range of clients at national and regional level, both in the private and public sector. With our packets service offering, we grew substantially in 2012. We won new customers in the e-commerce, mail order and retail sectors. In addition to the addressed service, TNT Post UK offers an unaddressed service, door-drop marketing, which delivers leaflets, flyers, coupons, brochures, catalogues, directories and samples in a targeted manner.

With a customer base of more than 8,000 customers, and opportunities within the small and medium-sized enterprise (SME) sector, a strong opportunity for growth remains within the packets and parcels sector and in e-commerce.

Operational developments

In 2012, TNT Post UK began a pilot of end-to-end delivery. This included a new household and business delivery service, with every mail deliverer carrying a scanner enabling every letter posted to be scanned and tracked. The basis of this technology was the Formula Certa concept of TNT Post Italy. It allows the company to provide enhanced management information for customers which can include proof of delivery. In addition, the GPS technology allows the company to locate delivery operatives at any point in the day, which provides further information to help the company respond clearly and accurately to customer queries. What is more, TNT Post UK has also invested in state-of-the-art sorting machinery that enables the sequencing of mail by round for its delivery service. This saves time and thus increases operational efficiency.

Germany

Market developments

The German mail market is declining slightly. With around 16 billion letters sent every year and some €9 billion of revenues, the German mail market still has huge potential and is the market declining most slowly of all major European countries. The main challenge is the ongoing competitive pressure, especially in the business customer segment.

TNT Post Deutschland is the major competitor to market leader Deutsche Post, and is in a continuous effort to level the competitive playing field. In 2012, we reached a market share of around 7 – 8% in volume, covering all business lines.

Business developments

Foundations laid in 2011 were used as building blocks in 2012. The result was clear progress, with reorganisation targets met. The focus now is on attracting volume to fill the network.

Last year, we strengthened our focus on key businesses, key functions and key strategic regions. In the regions, the entrepreneurial model, where local entrepreneurs were made fully responsible for local business, took effect. Adjusted for discontinued last-mile operations in 2011 and 2012, we achieved volume and revenue growth in these regions.

Products and services

TNT Post Deutschland won more than 80% of all public tenders for which it competed last year.

In the key account segment, TNT Post GmbH & Co. KG takes over supply chain management and manages digital sorting according to the specific delivery structures prior to printing. This cuts out costly physical sorting. It channels volumes for large customers in the telecom, financial, mail order and other industries. Relevant customers were won or secured in 2012, such as insurance companies and telecom providers.

For regional customers in our key regions (Ruhr, Rhineland and Frankfurt), local end-to-end delivery services are offered. Successful implementation of major new customers in the public sector increased the customer and revenue base. The new value-added product for document service and cooperation with franking machine manufacturers further stimulated volume growth.

PostCon, with its 14 nationwide sorting centres, broadened its offering through cross-selling with the regional last-mile organisations and renowned parcel companies.

The carbon-neutral '100pro Klima' product was marketed further, confirming PostNL's sense of environmental responsibility.

Operational developments

The German business model is based on four pillars:

- national key account sales and operations via TNT Post GmbH & Co. KG,
- last-mile operations for SMEs and local authorities via RegioService and 19 equity investments throughout Germany,
- consolidation and sorting services via PostCon, and
- system partnership for the exchange of inter-regional volumes via Mail Alliance. This asset-free venture groups some 130 local partners and provides one nationwide uniform logistics and clearing system. PostNL is co-founder and major shareholder.

The business lines interact with each other, offering complementary services and partly sharing resources.

Several quality and performance improvement programmes were implemented in all business lines: systematic and structured quality enforcement programmes along the total logistics supply chain and programmes to increase sorting productivity. Sorting activities have been optimised, resulting in a reduction in the number of sorting facilities while simultaneously improving quality.

Italy

Market developments

The Italian mail market is showing moderate decline. The financial crisis strongly affected mail volumes during 2011 and caused large senders, mainly banks and utilities, to reduce volumes and to rationalise their processes. After this demand shock, mail volume decline in 2012 was less severe.

TNT Post Italia is the largest competitor to market leader Poste Italiane. The market share of TNT Post Italia in the addressed mail market in Italy was around 10% in 2012. TNT Post Italia managed to grow, despite the decline in overall mail volumes and increased local competition due to market liberalisation.

Business developments

TNT Post Italia has the ambition to be the key supplier to meet customers' business communications needs through three main channels: Formula Certa, the printing operation and digital services. Full exploitation of the synergy potential among the three channels allowed TNT Post Italy to deliver high-end, professional communications for business customers throughout the whole document lifecycle. The high quality level of Formula Certa, 97% on time, is unique in the Italian postal market. With Formula Certa, a certified mail service delivering postal items with track and trace, TNT Post Italia is also active in the registered mail market segment, the highest-value product in the postal market.

In order to sustain its position in the registered letter mail market, TNT Post Italia entered into a cooperation with retail chains Buffetti (the main provider of office products in Italy) and MBE (Mail Boxes Etc.) to open TNT Post Italia stock points and shops within Buffetti and MBE stores. This allows customers to pick up TNT Post Italia registered mail from a wide number of service points. In 2012, 120 outlets in total were opened. The ultimate aim is to have outlets in at least 400 stores in Italy in order to reach national coverage for 75% of all households within six kilometres. As well as the development of the retail channel, new business developments in certified mail include the launch of electronic certified mail: a means of communication that looks like an e-mail but has the legal value of a registered letter.

TNT Post Italia strengthened its position in the top segment of the business market: financial services companies, the telecom sector and large utilities. In addition, TNT Post Italia intensified its penetration in the small and medium-sized enterprise (SME) and small office/home office (SOHO) market, as well as in the public sector.

TNT Post Italia has started to enter the domestic B2C parcel delivery market, using the last quarter of 2012 to set up the new service operations.

Products and services

The development of Hybrid Office Mail and the new Enterprise Portal were specifically targeted at the SME and SOHO markets. Through Hybrid Office Mail, customers can log on to the TNT Post Italia website to send mail, buy cards or print via the TNT Post Italia printing centre. The Enterprise Portal is a 'virtual postal office' where customers can easily buy a wide range of TNT Post services, including single sign-on and online payments. The establishment of this portal improved service to customers. In addition, TNT Post Italia is explicitly targeting the SME and SOHO markets. This is beginning to bear fruit: volume in these markets grew by 30% compared to 2011. Taking Formula Certa as a starting point, TNT Post Italia also targeted the promising Local Public Administration (PAL) market during 2012 and realised 50% growth in Formula Certa volumes in parts of this market.

Operational developments

During 2012, TNT Post Italia took a further step forward in the optimisation of the operational structure, processes and IT platform developed between 2009 and 2011. New sorting technology was implemented and processes standardised. As a result, TNT Post Italia reduced the average time required to reach delivery points from mail collection points. TNT Post Italia particularly focused on registered mail processes. New tracking systems and improved security enabled us to enhance performance and create further growth in this high-end service. Almost 70% of households are now covered by the network, which includes all the big cities, the most important rural areas and the whole of certain regions such as Lombardy, Puglia and Sicily. In 2012, TNT Post Italia invested in high-speed inserting and folding machines to expand production capacity and to cope with printing volumes growth.

Spring Global Mail

Market developments

Spring Global Mail is a global mail company offering cross-border mail distribution solutions to business customers. The traditional core business of Spring Global Mail, the cross-border letter market, is declining at a rate of around 2% per year. The market for cross-border packets and small parcels is offering growth opportunities, however, driven by an increase in e-commerce and online shopping. Moreover, customers are seeking cross-border return solutions.

PostNL holds 67.55% in Spring Global Mail, with the remaining 32.45% held by Royal Mail. Spring is organised into the regions Europe, North America and Asia, operating in 15 countries and offering international mail services in more than 200 countries. Through Spring Global Mail, PostNL has created a position in servicing international customers by offering cross-border mail solutions and enabling them to operate their businesses more efficiently and cost-effectively.

Business developments

In 2012, the Spring business experienced revenue growth of 6%. The main growth was due to growth in distance selling, direct mail, e-commerce volumes and new customers. Spring's focus is on maintaining a significant share of existing cross-border mail volumes, distance selling and direct mail, and at the same time transforming itself into an e-commerce service partner.

Products and services

As well as maintaining and growing existing customers and products, Spring is focusing on positioning itself as an e-commerce services partner, particularly for cross-border forward and reverse loop solutions. Spring has refocused its reverse logistics business to accommodate increased customer demand.

A new IT platform, RADAR, has been developed and implemented to meet the requirements of existing and new customers.

Key financial results

Operating income International

Year ended at 31 December	2012	variance %	2011
Total operating revenues	1,624	10.7	1,467
Other income	1		(3)
Total operating expenses	(1,598)	(8.5)	(1,473)
Operating income	**27**		(9)
Underlying cash operating income	**27**		5
as % of operating revenues	1.7		0.3

(in € millions, except percentages)

Operating expenses International

Year ended at 31 December	2012	variance %	2011
Cost of materials	22	(31.3)	32
Work contracted out and other external expenses	1,306	14.6	1,140
Salaries, pensions and social security contributions	221	(3.9)	230
Depreciation, amortisation and impairments	12	9.1	11
Other operating expenses	37	(38.3)	60
Total operating expenses	**1,598**	8.5	1,473

(in € millions, except percentages)

Underlying operating revenues International

Year ended at 31 December	2012	variance %	2011
United Kingdom	699	14.4	611
Germany	506	(0.8)	510
Italy	203	6.8	190
Spring and other (including intercompany)	162	3.8	156
Underlying revenues	**1,570**	7.0	1,467
Foreign exchange rate differences	54		
Total operating revenues	**1,624**	10.7	

(in € millions, except percentages)

International

Revenues at International grew by €157 million or 10.7% to €1,624 million in 2012. Adjusting for €50 million in passed-on Royal Mail price increases, a €25 million disposal and discontinued businesses effect and a €54 million upward exchange rate impact (of which €50 million related to the United Kingdom and €4 million to Spring), the revenue increase was €78 million or 5.3%.

Operating expenses at International rose by €125 million or 8.5% to €1,598 million in 2012. Adjusting for €50 million in Royal Mail price increases on the delivery services rendered to us, a €28 million disposal and discontinued businesses effect and a €53 million upward exchange rate impact, operating expenses rose €50 million or 3.4%.

Underlying cash operating income improved by €22 million to €27 million in 2012. The improvement mainly related to growth in the addressed business in the United Kingdom, disposal and discontinuance of loss-making activities and cost savings in Germany, volume growth of Formula Certa in Italy and a better performance by Spring.

United Kingdom

In the United Kingdom, revenue from the downstream access business grew with the acquisition of new nationwide customers, the launch of packets and passed-on Royal Mail price increases on the delivery services rendered to us in May 2011 and April 2012. Adjusted for €50 million in passed-on Royal Mail price increases and a €1 million disposal effect, underlying revenues increased by €39 million or 6.4%. As a result of the volume growth and efficiencies throughout the network, underlying cash operating income increased in 2012.

Germany

National revenues increased through new national customers and new products. Regional revenues, adjusted for disposal effects and discontinued businesses, were increased thanks to a focus on the core regions. Adjusted for a €10 million disposal and discontinued businesses effect, the revenue increase was €6 million or 1.2%. Mainly as a result of the disposal and discontinuance of loss-making activities and the restructuring measures taken in 2011, underlying cash operating income improved considerably in 2012.

Italy

Adjusted for a €14 million disposal and discontinued businesses effect, Italy saw a revenue increase of €27 million or 14.2%, mainly due to the continued strong growth in Formula Certa. Coverage of Formula Certa increased and reached 68% of all Italian households.

Underlying cash operating income rose, mainly as a result of Formula Certa's strong volume growth.

Spring

Revenues in the United Kingdom grew 36% as a result of e-commerce volumes and new customers. Germany revenues decreased by 20% due to a general downturn in trading. Other countries grew 7% on average. The underlying revenues of Spring increased by 6%. As a result of the revenue growth and the restructuring measures taken in 2011, underlying cash operating income improved substantially and was positive in 2012.

7 PostNL Other

PostNL Other comprises various head office and shared service activities and activities that are classified as held for sale. PostNL Other reports central and non-allocated costs, including the difference between the recorded IFRS employer pension expense for the PostNL-sponsored defined benefit plans and the actual cash payments received from the other segments.

PostNL Other overview

The head office costs include Board of Management and shareholder costs, rebranding costs and costs related to the stake in TNT Express. The shared services relate to finance, purchasing, human resources and IT. These costs are charged to the other segments and reported as internal revenues. The results from assets held for sale represent the negative value adjustments of the stake in TNT Express, due to a decrease in the share price in 2012. The PostNL Other results include the difference between the recorded IFRS employer pension expense for PostNL-sponsored defined benefit plans and the actual cash payments received from other segments.

In 2012, all staff departments began the design and implementation of a Master Plan Overhead restructuring programme. The programme contains efficiency measures, outsourcing and mergers, all aimed at cost reductions. The first plans were implemented in 2012. The targeted savings are expected to be realised mainly in 2013 and 2014.

Key financial results

Operating income PostNL Other

Year ended at 31 December	2012	variance %	2011
Held for sale	0		47
Non-allocated	248	4.2	238
Total operating revenues	248	(13.0)	285
Other income	1	(97.4)	39
Total operating expenses	(167)	24.1	(220)
Total operating income	**82**	(21.2)	104
of which Held for sale	0		40
of which Non-allocated	82	28.1	64
Underlying cash operating income	**(15)**	51.6	(31)
as % of operating revenues	(6.0)		(10.9)

(in € millions, except percentages)

Operating revenues of €248 million (2011: 285) relate to shared service centre and head office activities that were charged to the underlying segments. The decline in revenues of €37 million is mainly explained by the revenues of €47 million related to the International business sold in 2011.

In 2012, other income of €1 million related to dividend received from the stake in TNT Express. In 2011, other income included the book gain of €38 million on the sale of International business.

Operating expenses decreased by €53 million from €220 million in 2011 to €167 million in 2012. This decrease can be explained by business and non-business effects.

The business effects that impacted operating expenses in 2012 mainly include:
- higher shared services costs compared to 2011 of €9 million,
- a higher recharge of head office costs to other segments compared to 2011 of -€11 million,
- Master Plan savings of -€9 million, and
- higher costs for strategic projects (end-to-end and connect-me) compared to 2011 of €5 million.

The non-business effects impacting operating expenses in 2012 mainly include:
- lower expenses related to the International business sold in 2011 of -€45 million,
- lower demerger and rebranding costs compared to 2011 of -€24 million,
- higher restructuring-related charges compared to 2011 of €8 million,
- a negative value adjustment of the stake in TNT Express of €135 million, and
- lower pension expenses compared to 2011 of -€122 million.

In 2012, the net pension income of PostNL Other of €211 million was €122 million higher than the previous year (2011: 89). In PostNL Other, a benefit is recorded of €245 million (2011: 120), which is the difference between the recorded expenses in all segments and the overall IFRS pension expense of €52 million (2011: 122) for the PostNL-sponsored plans.

	Mail in NL	Parcels	International	PostNL Other	Total segments	PostNL Other (IFRS difference)	Total	PostNL Other (total)
Expenses 2012								
Main pension plans	174	21	2	27	224	(245)	(21)	(218)
Transitional and other plans	57	5	4	7	73		73	7
Total plans	**231**	**26**	**6**	**34**	**297**	**(245)**	**52**	(211)
Cash 2012								
Main pension plans	174	21	2	27	224		224	27
Transitional and other plans	103	6	8	7	124		124	7
Total plans	**277**	**27**	**10**	**34**	**348**		**348**	34
Expenses 2011								
Main pension plans	100	14	1	24	139	(120)	19	(96)
Transitional and other plans	79	9	8	7	103		103	7
Total plans	**179**	**23**	**9**	**31**	**242**	**(120)**	**122**	(89)
Cash 2011								
Main pension plans	100	14	1	24	139		139	24
Transitional and other plans	103	6	10	7	126		126	7
Total plans	**203**	**20**	**11**	**31**	**265**		**265**	31

A reconciling overview of the recorded pension expenses in the segments and in PostNL Other is presented in the table above. All segments record the cash contributions paid for their active participants in the Dutch main pension plans toward the sponsoring employer PostNL N.V. as pension expenses. For the transitional and other plans, all segments record the IFRS pension expenses.

Total operating income for PostNL Other amounted to €82 million (2011: 104). The decline in operating income of €22 million is mainly explained by:

- higher non-recurring and exceptional items of -€156 million compared to 2011,
- higher costs for strategic projects of -€5 million,
- a lower contribution from assets held for sale of -€2 million, partly offset by
- lower net pension expenses of €122 million,
- a higher recharge of head office costs to other segments of €11 million, and
- Master Plan savings of €9 million.

The increase in non-recurring and exceptional items of €156 million compared to 2011 consisted of:

- a book gain of €38 million related to the sale of International business in 2011,
- lower demerger and rebranding costs of -€24 million,
- higher restructuring related charges of €8 million, and
- a net result on the stake in TNT Express of €134 million, consisting of a negative value adjustment of €135 million and dividend received of €1 million.

In 2012, PostNL Other's underlying cash operating income amounted to -€15 million (2011: -31). The improvement of €16 million resulted mainly from a higher recharge of head office costs to other segments of €11 million and Master Plan savings of €9 million, partly offset by higher costs for strategic projects of €5 million and a lower contribution of €2 million from assets held for sale.

Stake in TNT Express

As a result of the UPS offer, the stake in TNT Express was transferred from investments in associates to assets held for sale, effective 31 March 2012. The share price of TNT Express decreased from €9.26 on 31 March 2012 to €8.43 on 31 December 2012. As a result, the value of the stake in TNT Express decreased by €135 million to its carrying value of €1,367 million as at 31 December 2012. The impairment charge has been reported within 'Depreciation, amortisation and impairments'.

8 Employees

With over 65,000 employees, PostNL is a people company. In the Netherlands, we are one of the largest private employers. PostNL acknowledges the importance of our employees and we want to go the extra mile to treat employees well and see to it that they feel part of the company. Detailed figures on employees can be found in chapter 18.

A people company

People are at the heart of PostNL. Thanks to the efforts of all our employees, PostNL can offer customers high-quality products and services and deliver customer satisfaction. PostNL is in the midst of transforming into a different type of organisation. This is in response to changing market conditions. We have been and will continue to implement restructuring plans that affect all employees. We offer mobility programmes to help employees find a new future outside PostNL when necessary and are proud that many people have been successfully guided to other jobs. Furthermore, we have dedicated training and development programmes to equip people to new ways of working during the transformation. Employee motivation is monitored and followed up with action plans if necessary. To retain PostNL's position as an attractive employer for talented employees, we have management development programmes and promotion opportunities in place. PostNL respects all employees, regardless of ethnicity, gender or sexual orientation.

Responsible redesign

PostNL continues to face declining mail volumes. This is due to increasing digitisation and more competition since the full liberalisation of the postal market. New business models in our organisation require a more flexible workforce and a shift from mostly full-time jobs to part-time, while still using permanent employees. In 2012, this redesign led to a decrease of more than 2,000 mainly full-time mail delivery jobs while the number of part-time mail deliverers increased by over 4,500. The organisational redesign takes into account the increasing importance of e-commerce solutions and the continued growth in the parcel business.

The cost savings and efficiency programmes are not limited to blue collar workers. A long-term restructuring programme was initiated to further reduce costs at our Dutch head office. The first plans were implemented in 2012. We intend to accomplish this transformation in a socially responsible way by transferring our employees from work to work and avoiding compulsory redundancies as much as possible. These restructuring plans have a significant impact on the employees involved as jobs and responsibilities change and there is a considerable reduction in the number of full-time jobs within the operational unit. This migration demands significant energy and effort from the organisation.

To accomplish the transformation in a socially responsible way, PostNL has a social plan in place that focuses on stimulating voluntary dismissal. This social plan helps us mitigate the effects of the reorganisations. We are pleased that PostNL and the trade unions have agreed to extend the current social plan until 1 January 2014.

Guiding people from work to work

For several years now, PostNL has helped employees affected by reorganisations to find new jobs through our Mobility (assisted voluntary re-employment) programme. Since 2006, the programme has successfully supported over 7,000 employees from work to work. In 2012, it helped more than1,200 employees in their search for new jobs outside PostNL. The Mobility programme includes workshops, training and outplacement, and prepares candidates for job interviews. The in-house Mobility organisation has proven to be successful. It has contacts with branches where operational PostNL staff are likely to find new positions, and organises events where candidates can meet employers, such as 'Baan zoekt Medewerker' (Job Seeks Worker).

A specific programme for professional staff was developed in 2012 to support them in finding a new job. Called Mobility PRO, it is aimed at counselling highly educated people in their search for a new job. We expect many professional employees will participate in this new programme due to further reductions at the Dutch head office in the coming years.

New ways of working

Due to the transition of the Dutch mail organisation to a model using mainly part-time staff, PostNL uses an in-house recruitment department to select and recruit staff. Part-time mail deliverers can combine their work with other employment, study, leisure or family activities. We also put much effort into retaining these new employees and stimulating their connection to PostNL, making them feel welcome and a part of our organisation. We do this through a successful marketing campaign, loyalty programmes and modern communications channels such as Facebook. Managers on the work floor are advised and supported on ways to retain this new part-time target group and connect to the workforce. These activities are encapsulated in the prize-winning recruitment campaign 'Part of your life', which won an award for its proven effectiveness.

Cooperation with local government agencies

Some operational tasks at PostNL are suitable for more vulnerable people within the Dutch labour force – either as a job, or to give them the opportunity to gain skills to qualify for a career opportunity elsewhere. PostNL is committed to providing work for 1,200 vulnerable people within our hybrid Parcels depots in 2014 as part of our long-term cooperation with Locus, a national organisation of local social agencies, sheltered labour companies and large private companies. In 2012, over 400 people with limited access to the labour market were given jobs within the new Parcels hybrid sorting and distribution depots.

Training for new positions

While the redesign in the Netherlands makes some staff redundant, it significantly changes other positions at PostNL. Employees whose jobs have changed due to the restructuring are trained and coached to prepare them for their new roles. In 2012, much effort was put into developing functional training programmes as part of the operational redesign. We increasingly use digital learning and modules as the basis to train new and existing employees.

Recruitment and career development

There is more to redesigning PostNL than employee reductions. PostNL recognises the importance of attracting new talent and focusing on career development. That is why we put effort into recruiting and retaining young talent and experienced professionals that excel in their jobs. A development curriculum is in place and our recruitment department focuses on highly educated candidates. PostNL constantly connects with professionals through a new state-of-the-art career website and social media. In this way, we succeed in building a strong inner core of experienced employees for all disciplines in the labour market.

We believe that stimulating the development of our employees leads to more motivated people and simultaneously develops future managers. To adjust to the changed market conditions and the current challenges, PostNL has defined new leadership competencies that support the required cultural changes: connecting, directing, trust, delivering and entrepreneurship. These new competencies will be further translated into relevant human resource tools.

Career development

The Young Executive Programme (YEP) exists for graduates. In 2012, PostNL recruited 38 trainees and modified the programme. In addition to general management development, the YEP programme now allows young professionals to specialise in specific areas such as business, logistics, IT or finance.

In 2012, a management catalogue was designed, which offers various learning opportunities for new and experienced managers. A new programme called Nexus allows a selected group of managers and specialists with international responsibilities to develop their management skills in a more international setting.

Employees receive feedback in the annual performance cycle. In the 2012 talent review we evaluated 1,500 employees to identify future leaders and specialists within the company and prepare them for their next assignments.

PostNL Academy

The PostNL Academy is directly available online and offers staff in the Netherlands a variety of programmes focusing on training and development, functional and organisational excellence, personal development and career development. In 2012, the PostNL Academy was improved and further developed. In addition, PostNL offers employees a series of skills and competence-related training, including personal coaching through an internal coaching platform comprising qualified and trained staff.

Engagement

Engaged employees form the core of PostNL and enable us to provide high quality services day after day. PostNL is convinced that engaged employees will lead to satisfied and loyal customers.

Annual survey

In 2012, PostNL employees were invited to participate in the annual VOICE engagement survey questionnaire. Overall employee engagement stabilised in 2012 compared to 2011. The results of VOICE allow us to recognise the themes that influence the level of engagement. PostNL acknowledges that we still have a lot to do in this area, also due to the challenging environment.

Psychosocial job demands

Previous surveys conducted in 2011 and at the end of 2010 informed management that employees are driven by receiving the space, support and confidence to take responsibility and to show professionalism. In 2012, we continued our action plans and activities and in November a new survey was held. While leadership proved to be very important in employee involvement, a new module was added regarding the perceived leadership style of management. Results of this survey will be available in the first quarter of 2013.

Recognition

PostNL aims to reward employees for performance according to market practice. We acknowledge that recognition and reward are not solely a financial issue. That is why we organise the annual internal Master Awards, among other initiatives. The PostNL Master competition looks for initiatives or projects that contribute to the successful future of PostNL, regardless of whether they impact a small or large part of the organisation. A total of 29 initiatives were presented. Of these, 12 made it through to the finals, where each team presented its case to the Executive Committee. The winners of the four categories – customers, operational excellence, innovations and culture – were announced and received their Masters trophies at our annual senior management meeting in January 2013.

Works council and trade unions

Works councils and trade unions are crucial to the process of preparing our company for the future. PostNL invests in the relationship with our works councils and trade unions as we acknowledge the power of dialogue with these partners and the impact this has on the decision-making processes. Numerous consultations and intense negotiations took place in 2012 regarding the reorganisation of the company, the social plan and the collective labour agreements.

In December 2012, PostNL and the trade unions finalised a new collective labour agreement for Mail Netherlands, which was approved by the members of the participating unions. As part of this agreement, PostNL and the trade unions jointly initiated a new pension arrangement, which will be further discussed with the PostNL pension fund in 2013. This new pension arrangement, to be communicated to members of the unions, will lead to a reduction in risk and cash out.

After the demerger of TNT Express in 2011, both the Board of Management and the works councils of PostNL concluded that the works councils should be revitalised and adapted to the company's current situation. A joint study group prepared new regulations, which will be adopted and signed by all parties once several aspects have been implemented in practice and subsequently evaluated. In 2012, PostNL and the European works council (EWC) agreed on the new terms and conditions of the PostNL-EWC agreement. This contract will be signed by both parties in early 2013.

Diversity & inclusion

Multicultural organisation

Employees are a mirror of the environment PostNL operates in, particularly in operations and also increasingly in our head office. As PostNL's workforce is multicultural, we place strong emphasis on diversity and inclusion in the workplace. Our operational managers are trained to work with and connect to staff from other cultural backgrounds through a multicultural masterclass, and we actively look for talented managers from all cultural backgrounds.

Female talent

PostNL welcomes talented women to higher positions, and actively seeks to promote and sponsor female talent. Our Young Executive Programme attracts about the same number of female and male candidates each year. Yet, in higher management positions, men are still over represented. In 2012, 23% of our management was female, compared to 44% of the total workforce. In 2012, Management Development and the PostNL Women's Inclusion Network (WIN) investigated why female high potentials are less represented in higher management positions. Several talented women were mentored by a director (male or female) to help them reach their career goals. Participants in this mentoring programme have said it delivers an important contribution to reaching their goals. Next to mentoring, the WIN network organises workshops and feedback sessions around specific issues, such as self promotion and work-life balance.

Connection and pride

Everyone who qualifies for a job at PostNL should feel welcome and respected, regardless of their ethnicity, gender or sexual orientation. PostNL believes people can only function optimally if they can be who they really are on the work floor and not have to hide their private interests and preferences. PostNL actively promotes respect and pride in the workplace and visibly sponsors activities through the PostNL Pride employee network for lesbians, gays, bisexuals and transgenders, for example by participating with a company boat in the annual Gay Pride Canal Parade in Amsterdam and at the 'Coming Out day'.

9 Corporate responsibility, strategy and performance summary

PostNL has been delivering mail and parcels for the past 200 years, and during that period corporate responsibility (CR) has increasingly become a way of life within the company, embedded at every level, and central to interactions with internal and external stakeholders. PostNL's ambition is to be a responsible leader by going beyond managing the impact of the business on society and the environment.

CR strategy

The Board of Management (BoM) of PostNL has created a CR Committee (CRC), which acts as a sounding board in giving strategic advice and sharing expertise, bringing emerging issues, policies and trends that could impact PostNL to the attention of the BoM. In order to improve the integration of CR within the business, CRC members are primarily senior business managers as well a member of Young PostNL, the network for high potential, entry-level employees.

CR strategy PostNL

PostNL's CR strategy revolves around four areas where it can draw on its specific expertise and experience to really make a difference. These areas were identified as the most material aspects for PostNL during former multi-stakeholder dialogues. Please find a detailed description of the 2012 stakeholder dialogue and results in chapter 18. PostNL based its CR strategy, policy and reporting on these four areas.

As a solid foundation to PostNL's CR activities, it follows several globally-recognised management standards across the company. These are:

- OHSAS 18001, for safety in the workplace,
- Investors in People (IiP), for the personal growth of employees,
- ISO 9001, for the quality of work, and
- ISO 14001, for environmental management.

Corporate responsibility performance in 2012

PostNL continued to integrate CR into its existing business systems, including the financial planning and control cycle. We continued our dialogue with stakeholders, in order to review the CR strategy and results and to better understand stakeholders' perspectives and concerns regarding the risks and responsibilities resulting from operations.

Some of the most successful programmes of 2012 were:

- The Parcels segment started a pilot project three years ago in cooperation with sheltered workshop companies to outsource part of the daily sorting process. Due to the success of this pilot, PostNL decided to extend this project to all new parcels depots. There are currently around 400 disabled employees working in the seven new locations. When all 18 new depots are in use, they will employ 1,200 disabled employees. Mail in the Netherlands is also exploring the possibilities of outsourcing part of their processes to sheltered workplaces.

- PostNL acquired Valid Express, which is an express company staffed by disabled people. The goal of Valid Express is to enable chronically sick and handicapped people to earn their own money. Valid Express specialises in same-day delivery services and is now integrated with some of the special services of PostNL.

- PostNL was successfully recertified for the ISO 9001, ISO 14001, OHSAS 18001 and Investors in People management systems.

- The fifth annual PostNL Drive Me Challenge was held in October. Drivers were tested on the fuel efficiency of their driving behaviour in combination with safety, speed and awareness. Lessons learned are implemented among our drivers. The International Postal Corporation (IPC) has adopted the Drive Me Challenge and made it a competition for all European postal operators. The PostNL team won the first edition of this international competition.

- Our Philippine partner SPi Global performs the video coding for letters and parcels where the address cannot be read by PostNL's sorting machines. As part of the contract, PostNL invests an amount of money to build local houses. During 2012, 22 new houses were built by the local community. The final goal is to build 50 houses, 10 of which will function as a Youth & Development centre. This project offers the people an alternative to their current housing and stimulates the development of the local economy.

- By supporting the Giving Back foundation, PostNL stimulates talented and ambitious students from diverse backgrounds to enter the labour market so they can use their talents and fulfil their ambitions. Senior PostNL managers are coaching 19 students. For the PostNL managers, this initiative enables them to broaden their multicultural experience.

- PostNL colleagues offered voluntary help over the Christmas and New Year peak period at the end of the year. Instead of being paid as wages, the money was invested in the school feeding project of the World Food Programme, which paid for more than 100,000 school meals.

For more detailed information about PostNL's CR performance in 2012, please see chapter 18 of this report.

Benchmarking our CR activities with industry peers helps PostNL to focus on activities to retain our leading position:

- PostNL was named Sector Leader for Industrial Transport in the 2012 Dow Jones Sustainability Indexes (DJSI). PostNL is included in the DJSI Europe and DJSI World indexes, which represent the top 10% of leading sustainable companies among the 2,500 largest companies of the Dow Jones Global Stock Market Index.

- PostNL received two Sustainability Gold Class & Sector Leader Awards for its sector leadership and supersector leadership in the DJSI in 2011.

- PostNL achieved a number four ranking in the International Postal Corporation benchmark on CO_2 efficiency.

- PostNL was ranked number 19 in the Transparency benchmark organised by the Dutch Ministry of Economic Affairs, Agriculture and Innovation. This means PostNL is recognised as a frontrunner on CR reporting.

- PostNL Parcels won the Lean & Green award 2012 for its contribution to improving the environmental performance of road freight transport in Europe.

Employees

Employees are an important stakeholder group for PostNL, as described in chapter 8. Engaged employees are the core of PostNL and enable us to provide high-quality services day after day. PostNL is convinced that engaged employees will lead to satisfied and loyal customers. As explained in chapter 18, employee engagement stabilised at 56%.

Due to increased digitisation, Dutch mail volumes have declined over the years. This has forced Mail in the Netherlands to transform itself into a new type of organisation based on part-time employment. PostNL helps those employees affected by the reorganisation to find a new job through its mobility programme. Employees are supported in their search to find a new job outside PostNL. Please see chapter 8 for further details.

Managing absenteeism and preventing accidents and fatalities from operations are the two focus areas as far as health and safety are concerned.

Absenteeism increased slightly to 5.5% (2011: 5.4%), with short-term absence decreasing, while long-term absenteeism remained relatively high. Short-term absenteeism is actively managed through return to work interviews and regular contact during absence. About half of total absenteeism is due to long-term absenteeism, which is influenced by the relatively high average age (42) of the Mail Netherlands population. In 2012, there was a focus on reducing and preventing long-term absenteeism.

Various initiatives are implemented with the aim to prevent accidents and fatalities. These include assessing the safety risks of all new/changed processes, focusing more intensely on safe driving behaviour, and ongoing efforts to maintain an acceptable level of work pressure so as to minimise safety risks in the workplace and in traffic. Safety is also a main priority of the annual Drive Me challenge. Despite these initiatives, regrettably two PostNL employees and one pedestrian died in three separate road traffic accidents in 2012.

Stakeholders

Customer satisfaction is one of the main indicators for PostNL. The results of customer satisfaction research are used to formulate plans to improve the services and products of PostNL, with the goal of raising the level of customer satisfaction.

The on-time delivery result for Mail in the Netherlands declined to 93.9% (unaudited) (2011: 96.1%), due to the impact of the rollout of the restructuring plans. It was decided to postpone the rollout, after which the quality of results was restored.

Social and environmental responsibility come together for customers in product innovations such as Groene Post (Green Post), which enables customers to offset the CO_2 impact of their mail. PostNL supports the Milieukeurmerk Post foundation (milieukeurmerkpost.nl), which sets sustainability criteria in areas such as paper use and processing.

Suppliers and subcontractors are vital links in our business chain. By acknowledging our responsibility in the supply chain, PostNL connects its CR strategy to the business strategy. The volumes outsourced to subcontractors are increasing. As part of the subcontractor strategy, special programmes have been established to encourage subcontractors to drive safely, efficiently and in an environmentally-friendly manner. One example is that new subcontractors must drive trucks with at least Euro 4 engines to be allowed to work for PostNL. By 2015, all subcontractors must comply with this rule.

CR aspects are part of PostNL's dealings with suppliers. By professionalising our procurement processes, PostNL has become one of the main players in terms of sustainable procurement standards.

Environment

Reducing relative carbon dioxide (CO_2) emissions related to our fleet and buildings is the cornerstone of PostNL's environment strategy.

A target is set on the CO_2 efficiency index. The index combines the performance of core operational activities, road transport and building operations into one indexed metric. The index uses 2007 as the baseline (2007 index = 100).

In 2010, TNT (Mail and Express) announced an ambitious target, which included that PostNL (the former TNT Post) strives to reach a CO_2 efficiency index of 45 by 2020, compared with the 2007 baseline. Quantitative CO_2 targets are set annually and included in management contracts.

Besides technological solutions to improve operational performance, the focus is on managing CO_2 emissions by encouraging behavioural change. Engaging employees is key to implementing an effective CO_2 strategy. Two distinct groups need to be targeted: management (to create role models and build credibility) and drivers (to sensitise them to fuel-efficient driving behaviour, ensure acceptability and provide advice and technical solutions).

For 2012, PostNL's CO_2 efficiency index was 61.8, compared to 64.5 in 2011. This is in line with the aim to reach a CO_2 index of 45 in 2020. Please see chapter 18 for further details on PostNL's CO_2 efficiency.

PostNL actively participates in the International Post Corporation (IPC), which aims to cut the global postal sector's carbon emissions by 20% in 2020 compared to the baseline in 2008.

Green innovations

In order to cut CO_2 emissions further, PostNL started innovative experiments, such as using boats and bicycles to deliver parcels, which also helps to reduce inner city congestion. The Parcels segment uses biogas as fuel for vehicles and electric cars. These, combined with the possibilities of driving on green electricity, are being piloted. Part of the strategy of the newly-established Auto Unit is making more efficient use of operational vehicles as well as outsourcing activities to subcontractors. This has led to a decrease of 682 older vehicles in the operational fleet, thereby improving CO_2 efficiency.

The flexible working concept that was introduced in 2011 for administrative staff, for example in PostNL's head office in The Hague, stimulates more effective use of the office space by introducing open areas. As an added social benefit, it improves cooperation among colleagues as well as contact between managers and staff. Flexible working also helps to reduce traffic jams and pollution by encouraging people to work from home.

Social responsibility

For PostNL, corporate responsibility goes beyond dealing responsibly with employees, stakeholders and the environment. PostNL also looks for other ways to bring CR to life. We do this through our partnership with the United Nations World Food Programme (WFP).

PostNL is committed to supporting WFP in its efforts to meet the number one Millennium Development goal: to end poverty and child hunger by 2015. Both parties benefit from this partnership: WFP benefits from the knowledge, skills, resources and donations PostNL provides, while PostNL benefits from increased employee engagement and employee and management development. One of the goals of the WFP partnership is to raise money to sponsor meals. In 2012, PostNL and its employees sponsored more than three million meals.

One of the most successful projects to raise attention and money for the WFP partnership is the annual cookery book "Master Chefs for Home Chefs". The sixth edition was published in 2012, with voluntary input from top chefs. Every book sold counts for 40 meals, resulting in 1.8 million meals sponsored in 2012. Over the years, the cookbook project has sponsored more than 13 million meals.

Several activities were organised by PostNL employees. As an example, one of our mailmen cycled from the Netherlands to Malawi, covering 13,000 kilometres and sponsoring 90,000 meals.

Ambitions 2013

PostNL will concentrate on the following objectives:

Employees

- strive for zero fatalities by continuing to raise awareness of safety in the workplace and in traffic,
- reduce absenteeism despite of the impact of the Master Plans, and
- improve the level of employee engagement by analysing the 2012 results and developing and implementing improvement plans.

Stakeholders

- increase customer satisfaction by intensively managing the improvement plans based on the 2012 results, and
- achieve on-time delivery of next-day mail in the Netherlands of above 95%.

Environment

- improve the CO_2 index to stay in line with the 2020 goal.

Social Responsibility

- continue the WFP partnership and our activities to share knowledge, raise awareness among employees and focus on fundraising for the school feeding project.

10 Regulatory environment

Mail is a strongly regulated industry, with global, European and national regulations. As a consequence, PostNL is confronted with complex regulatory requirements in many jurisdictions.

International postal regulation

Universal Postal Union
The Universal Postal Union is responsible for the worldwide regulation of cross-border letter mail and parcel services. The applicable rules are laid down in the UPU Convention and its regulations. The UPU has established the terminal dues system for mutual payments for delivery of cross-border letter mail. There is a different compensation scheme for parcel mail. Since 1 January 2006, the letter mail terminal dues system distinguishes between 'target' countries (mostly industrialised countries), which pay each other country-specific rates linked to domestic postal tariffs, and 'transition' countries (mostly developing countries), which pay and receive a fixed kilogramme rate, based on worldwide average costs. Transition countries are expected to move gradually towards the target system. The 2012 Doha UPU Congress decided upon a terminal dues system for the period 2014 – 2017, which will lead to modest and acceptable increases in terminal dues.

REIMS
Most European postal operators view the UPU terminal dues system as inadequate. Therefore most are party to the multilateral REIMS V agreement, where terminal dues calculations are based on a higher percentage of domestic tariffs and in return, higher service quality. PostNL did not enter into the REIMS V agreement because we believe this agreement, although more market oriented than previous REIMS agreements, still does not reflect market reality. It constrains PostNL's ability to compete successfully in our highly competitive home market. Instead, we have concluded more cost-effective bilateral agreements with most of the major European postal operators.

EU postal regulation

Since 1 January 2011, the current regulatory framework – the EU Postal Directive 2008/6/EC (latest amendment) – includes a harmonised set of minimum obligations for universal postal services (mandatory postal services) that all Member States must comply with. This has led to funding through various methods such as tendering, public funds and compensation funds. Eleven Member States have been permitted to delay opening up their markets until January 2013.

Security
At the end of 2011, postal organisations were confronted with additional security requirements on shipments to the US. In 2012, the postal sector held a constructive dialogue with EU and US government bodies and other stakeholders, which has led to workable arrangements.

Postal regulation in the Netherlands

Since 1 April 2009, the key legislation regulating PostNL's activities, both mail and parcels, is the Dutch Postal Act 2009. This act requires a designated postal provider to perform the universal postal services in the Netherlands. By separate decree, Koninklijke PostNL BV (Koninklijke PostNL) has been designated as provider of the universal postal services. The Dutch Postal Act 2009 sets the requirements for the universal postal services.

Based on the Dutch Postal Act 2009, the Dutch Postal Regulation 2009 specifies regulation on tariffs for the universal postal services and transparency of the financial accounting of these services according to the EU Postal Directive. It also contains obligations to provide a report on accessibility and quality of domestic universal postal services and on costs and revenues of the universal postal services. The Dutch Postal Act 2009 also includes obligations for other postal operators, as well as obligations for postal operators in relation to each other. In practice, these latter obligations, such as accessibility of P.O. boxes and postal codes, are requirements solely for PostNL.

OPTA, the Independent Post and Telecommunications Authority, established by the Dutch government, supervises the postal market and Koninklijke PostNL's performance of the universal postal services. OPTA is expected to merge with the Dutch Consumer Authority (CA) and Dutch Competition Authority (NMa) to become the Consumer & Market Authority (ACM). The responsibility for postal policy remains under the authority of the Minister of Economic Affairs.

The universal postal services
Scope
The domestic universal postal services consist of the conveyance against payment of standard single rates of:
- all items of correspondence with a maximum individual weight of two kilogrammes,
- postal parcels with a maximum individual weight of 10 kilogrammes, and
- registered, registered insured and registered value declared items.

The Dutch Postal Act 2009 does not require Koninklijke PostNL to offer domestic services for the delivery of bulk parcels, bulk mail or unaddressed mail items. On the other hand, international outbound bulk mail and parcels are also part of the universal postal services. For international inbound and outbound mail the rules of the UPU apply to Koninklijke PostNL.

Regulatory conditions for the provision of universal postal services
With respect to service levels, the Dutch Postal Act 2009 requires Koninklijke PostNL to provide nationwide services and to perform a delivery round every day, delivering on average no less than 95% of all standard single-rated domestic letters posted the day before, except on Sundays and public holidays. Koninklijke PostNL is required to maintain a network of service points (letter boxes, postal outlets) for access by the general public to the

universal postal services. The Postal Regulation 2009 mainly deals with detailed tariff regulation, cost and revenue accounting, financial administration and reporting. Other than the universal postal services, none of PostNL's postal services are subject to specific governmental control. In October 2012, parliament voted in favour of amending the Dutch Postal Act 2009 to increase the supervisory tools of OPTA, with regards to gathering of information and ability to issue fines for USO service level breaches.

Tariff regulation

With respect to rates and conditions, OPTA has to set rates for the universal postal services every four years, which shall not lead to a return on sales (RoS) that exceeds the cap of 10%. This cap applies both to parcels and letters separately. Following each OPTA rate setting, Koninklijke PostNL is allowed to set rates. The price cap system limits tariff developments for letters and parcels separately to the development of the general Consumer Price Index. Koninklijke PostNL increased tariffs for both consumer mail and small business mail as of 1 January 2012 and 1 January 2013. The rate adjustments were reviewed by OPTA and are within the tariff development limits. None of the components of tariff regulation implies a correction for the decrease of mail volume.

Accounting and other financial obligations

Koninklijke PostNL's obligations on reporting include a system for allocating costs and revenues to the universal postal services, divided into parcels and mail. Based on this system, a financial report on the annual performance of the universal postal services has to be submitted to OPTA, accompanied by an independent auditor's opinion, designated by OPTA, to certify Koninklijke PostNL's financial accounting system complies with these obligations and is adjusted well.

Net costs of the universal service obligations

The EU Postal Directive as well as the Dutch Postal Act 2009 both provide net cost regulation. The Dutch approach is based upon the financial deficit of the universal postal services, while the Postal Directive approach is based upon a comparison between the costs of a postal provider with a universal postal service obligation and the costs of that postal provider without a universal postal service obligation. On 28 June 2012, Koninklijke PostNL submitted an application to OPTA for compensation of €107 million net costs for 2011. OPTA intends to apply the Dutch approach, and is currently reviewing the application.

Evaluation of universal postal services obligations and preparing a new long-term policy

On 20 November 2012, the Minister of Economic Affairs announced his intention to ask parliament to amend the six-day delivery to five days. Furthermore, the Ministry of Economic Affairs started an evaluation of the main issues of the Postal Regulation 2009, i.e. cost allocation and tariff regulation of the universal postal services.

Significant market power

The Minister of Economic Affairs sent parliament a proposal on 12 December 2012, which intends to stimulate competition and protect consumers in the postal sector. The intention is to give the supervisory authority additional tools and the means to regulate private operators with significant market power. PostNL formally disagrees with the need for further regulation, because we consider the present regulation sufficient.

Value-added tax on postal services

At present, Koninklijke PostNL is not allowed to charge value added tax (VAT) on postal items forming part of the universal postal services. Consequently, we cannot deduct VAT amounts paid to purchase services and goods related to the universal postal services. For all other postal services, Koninklijke PostNL is required to charge VAT, similar to our competitors, thereby resulting in a level playing field.

Competitors and their labour conditions

Based on the current Order in Council (AMvB), every postal operator has to work on the basis of 100% employment agreements, unless it has joined a collective labour agreement, which leads to at least 80% employment agreements. The current Order in Council will be replaced by a new one, which will also contain the new development path mentioned in the collective labour agreement of new postal operators: 10% from 31 December 2011, 25% from 30 June 2012, 40% from 31 December 2012, 60% from 30 June 2013 and 80% from 30 September 2013. All our post deliverers have employment agreements and therefore PostNL is exempt.

Postal regulation in other EU Member States

In contrast to the Netherlands, other EU Member States have defined the scope of the universal postal service more extensively. As universal postal services in principal can be exempt from VAT, in most of those countries the VAT advantages connected to the universal postal service are considerably larger than in the Netherlands. In addition to this VAT distortion, PostNL faces hindrance of competition in Germany, United Kingdom and Italy due to a variety of different regulations.

United Kingdom

PostNL subsidiary TNT Post UK Ltd initiated a procedure in March 2006 regarding the VAT exemption of Royal Mail in the United Kingdom. In this procedure the Court of Justice of the European Union (CJEU) declared that 'public postal services' must be regarded as operators, whether public or private, who undertake to provide all or part of the universal postal service in a Member State. The CJEU furthermore stated that only the supply by the public postal services acting as such, in their capacity as the provider of the universal postal service, is exempt. The exemption does not apply to supplies of services or of goods incidental thereto for which the terms have been individually negotiated. Following the declaration of the CJEU, the VAT exemption on Royal Mail's bulk mail retail services was removed in April 2012 but remains on universal postal services and downstream access services. It is against these downstream access services that TNT Post UK's delivery services seek to compete but, as TNT Post UK must charge VAT, it is at a competitive disadvantage when selling to customers who cannot recover VAT, such as banks and insurance companies. A complaint is also currently pending before the European Commission.

A significant part (43.7%) of the UK letter mail volume is fed via downstream access into Royal Mail's downstream network for final sortation and delivery. The regulatory authority Ofcom pointed out that an increase from the currently low level of end-to-end competition could make a new regulatory scheme necessary to guarantee the provision of the universal service. In spring 2013, Ofcom intends to issue definitive guidelines about its processes for reviewing the effect of delivery competition on the provision of the universal postal service and the possible measures it might take to safeguard the universal postal service. Royal Mail's discussion document on proposals for new downstream access terms for letters and large letters ended on 16 November 2012. Royal Mail has reviewed the responses to its consultation and published the new access contract terms and the access prices for services provided under the existing and new contracts on 20 January 2013.

Germany

The German postal market is characterised by strong competition and limited regulation. A year-on-year ongoing series of legal procedures makes competition difficult and keeps the market share of competition on a stable 10%.

Deutsche Post appealed against the decision of the competent court ("Oberverwaltungsgericht") in the First Mail case and is challenging the fact that regional price differences are seen as abuse of its dominant position. Deutsche Post also states in this appeal that the prices of First Mail were above the variable costs and therefore can not be predatory. The court agreed that PostNL with its German subsidiary is party in this case.

PostNL initiated a procedure at the German postal regulator ("Bundesnetzagentur") concerning the misuse of so called "Infopost tariffs" for bulk letter mail. The regulator concluded that "Infopost tariffs" only may be used for Direct Mail. Statements of loyalty programmes may also be interpreted as advertising direct mail. All other non-advertising bulk mail should be handled against the higher letter mail tariffs. This decision should be fully implemented by the end of 2012. Deutsche Post appealed against this ruling by the regulator. The court agreed that PostNL with its German subsidiary is party in this case.

The German Ministry of Economic Affairs has proposed to change the postal legislation. The main purpose of this change is to widen the supervising power of the regulator, resulting in more and effective competition.

Italy

In 2009, PostNL filed complaints with the Italian national competition authority (AGCM) against Poste Italiane concerning abuse of its dominant position. The AGCM sustained PostNL's claims on 15 December 2011, and imposed a fine of €39.4 million on Poste Italiane. Poste Italiane appealed the decision and the court ruled it null and void. The AGCM and TNT Post Italia are both appealing the court's decision.

An additional problem in the Italian postal market is the universal postal services perimeter resulting in distortive effects of the universal postal services-related VAT exemption, plus the government subsidy as a compensation for the universal postal services obligation. Considering its nature, domestic bulk letters (representing about 50% of the overall volume of the universal postal services) should be excluded from the universal postal services perimeter. As long as this is not the case, it seems to result in possible misuse of a dominant market position within the Italian bulk letter market. In this context the AGCM has started proceedings against Poste Italiane, which are expected to close in early 2013.

Competition law

PostNL is subject to competition rules in the jurisdictions in the countries in which it operates. The most relevant rules stem from:

European competition law

The European Court of Justice (ECJ) has explicitly confirmed that the rules of EU competition law also apply to the national universal postal service of the Member States. The EU published a Notice in 1998 describing the application of competition rules to the postal sector and on the assessment of certain state measures. In particular, PostNL is subject to the competition rules contained in articles 101 and 102 of the EU Treaty and to preventative control of mergers and acquisitions as regulated in the EC Merger Control Regulation.

PostNL is also subject to the competition rules laid down in the Agreement of the European Economic Area (EEA), which corresponds to the rules of EU competition law. The EEA rules for competition are enforced by the European Commission and the EFTA Surveillance Authority.

Dutch competition law

The services PostNL provides in the Netherlands, including the universal postal service, fall within the scope of the Dutch Competition Act. This act stipulates a similar structure and set of rules as the rules of EU competition law on the prohibition of cartels, the prohibition of abuse of a dominant position and the preventive control on mergers and acquisitions. Compliance with the Dutch Competition Act is monitored by the Dutch Competition Authority (NMa). Sandd lodged a complaint with the NMa in 2007 regarding alleged predatory pricing and conditional sale through PostNL's subsidiary Netwerk VSP Geadresseerd. The NMa concluded that PostNL did not abuse its position in any way, but Sandd continues to object. Currently, Sandd has an appeal lodged at the Rotterdam Court against the NMa's earlier decision. Sandd has presented its position and NMa has submitted a written defence.

11 Risks

Implementing PostNL's business and financial strategies is not without risk. The Board of Management believes, however, that these strategies contain manageable execution risks as they are based on PostNL's core strengths.

PostNL's risk management framework has been designed to identify and prioritise key risks and to develop appropriate risk responses. This framework is in line with the Enterprise Risk Management – Integrated Framework (2004) of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and the Dutch Corporate Governance Code.

This chapter outlines the key risks and risk responses to PostNL's strategic, operational, legal and regulatory and financial objectives.

PostNL's management reviewed the risk profile regularly throughout 2012 and will continue to do so during 2013. For those risks deemed to be material, the Board of Management develops and reviews comprehensive risk response plans. Events and new circumstances impacting risks and the risk responses are fostered as triggers to align risk responses, such as the set back of the Master Plans and the outcome of the discussion on pensions with our social partners.

All operational units are engaged in a comprehensive risk identification process. The outcome of this process is reported to the relevant Group and functional management, including the Board of Management, and is shared and discussed with the Supervisory Board and the audit committee of the Supervisory Board.

The risks described in this chapter cover the main risks to PostNL businesses. However, it cannot be considered as an all-inclusive list of risks.

The risk responses as described are meant to provide a high-level overview of possible and initiated action points in response to the risks identified and are not to be interpreted as a comprehensive list of risk responses within PostNL.

Understanding strategic, operational, legal and regulatory and financial risks is a vital element of PostNL management's decision-making process. 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 our business and business environment or that our 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 following 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 annual report.

Risk	Risk response
Strategic risks	
USO regulation As designated provider of the universal postal service, changes in USO regulation could have an adverse impact on PostNL's ability to adapt to market developments and changes in customer demand in a timely and effective way.	PostNL is in a continuous dialogue with government decision makers and regulators to enhance our position as designated provider.
Substitution The increasing substitution of alternatives for PostNL's delivery services could reduce revenues and profitability.	We continuously and consistently take commercial initiatives to slow down or adapt to substitution. Furthermore, we develop operational processes to adapt more flexibly to future volume decreases.
Competition Competition may put downward pressure on market share, volumes and prices, which could have an adverse effect on PostNL's revenues and profitability.	Commercial initiatives are in place such as differentiation in service levels, (new) products and adequate pricing.
Exit certain businesses or markets PostNL 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.	The decision to exit, if contemplated, is reviewed by the Board of Management and the Supervisory Board, after which, if approved, an exit plan is made to limit the (financial) impact for relevant stakeholders involved.

Operational risks

Execution of Master Plans Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the results intended, could cause labour unrest or a deterioration in quality of services and/or products, and could adversely affect PostNL's reputation, revenues and profitability.	Master Plan projects are executed by an enhanced programme of management organisation and are monitored continuously. Mechanisms to adjust to changing circumstances have been implemented and are reviewed periodically.
Business continuity A significant accidental or intentional adverse event (for example impacting critical IT systems, key accounts or key staff) could negatively impact PostNL's critical businesses, which could adversely affect our reputation, revenues and profitability.	At a strategic and tactical level PostNL constantly assesses whether there are adequate operational capabilities and we update our processes around business continuity management to ensure the organisation is well prepared for adverse changes.

Legal and regulatory risks

Self-employed status of subcontractors A change in the self-employed status of subcontractors across some European countries due to changes in labour laws and regulations could impact operating expenses and reduce profitability.	PostNL continuously monitors developments in this area and is, where opportune, in dialogue with the authorities to reach or maintain agreement on the status. Furthermore, PostNL agrees upon relevant contractual terms and conditions with our subcontractors in order to comply with these developments, where necessary.
Misconduct Employee and even (sub)contractor and supplier misconduct could result in financial losses, the loss of customers and the payment of monetary penalties or other sanctions imposed by national and local governments (and other regulators) of the countries in which PostNL operates. Besides these actions, misconduct might harm PostNL's reputation.	PostNL has implemented a robust integrity programme intended to protect the company against risks relating to misconduct.
Legal and regulatory requirements PostNL is confronted with complex legal and regulatory requirements in the countries in which we operate. These include but are not limited to tariff regulation, competition (including significant market power) and postal law requirements. These regulatory requirements may increase given the expanding scope of regulatory authorities (e.g. OPTA, NMa). Failure to comply with the requirements may have a material adverse effect on business operations and on PostNL's revenues and profitability.	PostNL implements appropriate policies, processes and procedures, which limit our exposure with respect to complex legal and regulatory requirements.

Financial risks

Stake in TNT Express Following the demerger, PostNL holds a stake in TNT Express N.V. Since the initial recognition, PostNL has had to write down its stake by a net amount of €201 million. Due to the current volatile capital markets, and the business performance of TNT Express, additional impairments on that stake may occur. As a consequence, PostNL's equity and funding positions could be negatively impacted and this could hinder the payout of a (cash) dividend.	As a major shareholder of TNT Express, PostNL will fulfil this role in the best interests of PostNL and our shareholders. We expect that we will monetise the stake in the medium term to create better value for shareholders, after we have seen stability return to TNT Express. PostNL continuously monitors the performance of TNT Express in order to optimise the value of our stake. Pay out of a (cash) dividend is linked to a positive consolidated equity and certainty of a BBB+/Baa1 credit rating.
IAS 19R implementation A combination implementing the revised IAS 19R on 1 January 2013 and volatile capital markets will result in a significant write down of the current pension asset, impacting PostNL's equity. As a consequence, PostNL's equity position will be negatively impacted and this will hinder the pay out of a (cash) dividend. As future actuarial results have to be recognised immediately, both the consolidated and corporate equity will show fluctuations when actual developments differ from assumptions.	Pay out of a (cash) dividend is linked to a positive consolidated equity and certainty of a BBB+/Baa1 credit rating.

Collective labour agreements

The risk that no agreement will be reached with the unions in the Netherlands to adopt the collective labour agreements (among others, structurally decreasing the employer's contribution to the pension funds), may lead to high labour costs and impact profitability.

A new short-term collective labour agreement was reached for Mail in the Netherlands. This will expire on 31 March 2013, resulting in a new round of collective labour negotiations. In addition, new collective labour agreements have to be concluded in 2013 for Parcels and Mail Delivery. PostNL aims to have constructive discussions with the social partners to reach acceptable conclusions.

Additional funding to pension funds due to drop in coverage levels/ratio

The coverage ratios of the pension funds in the Netherlands could drop below the minimum required levels.
A downturn in the capital markets and/or a decline in interest rates may reduce the coverage ratios, which could result in multi-year additional funding by PostNL.

PostNL intensively reviews the development of funding requirements and coverage ratios of the pension funds.
Together with the unions, PostNL aims to come to a mutual agreement with the pension fund board on ways to limit the funding exposure of PostNL.

Liability for loss or damage

PostNL is exposed to claims for loss or damage. Some of these are covered under conventions such as the United Postal Union, the Warsaw Convention or the Convention on the Contract for the International Carriage of Goods by Road and PostNL's general terms and conditions.
Claims for loss or damage not covered under these conventions and/or PostNL's general terms and conditions may negatively affect PostNL's profitability.

PostNL maintains insurance policies in relation to our business and assets with reputable underwriters and/or insurance companies against claims for loss or damage to the extent not covered by conventions, and to such extent as is usual for companies like ours.

Currency and interest rate fluctuations

PostNL is exposed to currency and interest rate fluctuations that could have an adverse effect on our financial position and results.

Both currency and interest rate risks are hedged in accordance with the relevant Group policies (see note 28 to the consolidated financial statements).

Decline of asset values

Changes in markets, useful lives of assets and PostNL's business plans could result in impairment of the carrying value of assets, thereby reducing net income and impacting equity.

PostNL performs regular impairment tests for intangible and tangible assets based on business planning and strategic forecasts and whether impairment triggers occur.

Downgrade in credit rating

A downgrade in the credit rating of PostNL may increase financing costs and harm our ability to finance operations and/or acquisitions, which could negatively affect revenues and profitability in the medium and long term.

Credit ratings are closely monitored and actively managed based on actual and expected performance and other relevant factors.

Impact of economic downturn

Apart from the effect of the TNT Express N.V. stake and the pension results, an economic recession in Europe, including unforeseeable developments regarding the stability of the euro, could negatively affect PostNL's business results. This may also trigger impairment on PostNL investments in the corporate financial statements. As a consequence, PostNL's equity and funding position could be negatively impacted, hindering the pay out of (cash) dividend.

PostNL has a balanced portfolio, of which some parts are more cyclical in nature than others. In addition, corrective plans have been developed to potentially counter the impact of an economic downturn.

12 Board of Management compliance statement

The management of risks, internal control, integrity and compliance forms an integral part of business management within PostNL. It is embedded within PostNL's business objective-setting process and its operations and is continuously strengthened and improved.

Risk management, internal control, integrity and compliance

This chapter provides an overview of PostNL's approach to risk management, internal control, integrity and compliance. It includes the disclosures required by the Dutch Corporate Governance Code and chapter 5.1a of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht). The key risks PostNL faces in executing its strategy and business processes are described in chapter 11.

PostNL has embedded the Enterprise Risk Management – Integrated Framework (2004) of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the foundation of its risk management, internal control, integrity and compliance systems. Built upon this framework is a comprehensive portfolio of Group policies and controls which direct and instil discipline in the company's business processes. This supports the Board of Management in its statutory and fiduciary obligations vis-à-vis stakeholders in developing and achieving its strategic, operational and financial objectives. The head office functions are responsible for ensuring that the legal and regulatory compliance objectives are achieved and that decision-making is facilitated and supported by transparent, accurate and relevant information.

The Supervisory Board, its audit committee and other designated committees perform an oversight role, while the PostNL Internal Audit department and the company's external auditor support the Board of Management and the Supervisory Board in monitoring the effectiveness and efficiency of the risk management, internal control, integrity and compliance framework.

Risk management

PostNL has a comprehensive risk management framework in place. This framework targets the detection of and response to the main risks that PostNL encounters in the realisation of its objectives.

Internal control over financial reporting (ICFR)

Throughout 2012, PostNL continued to invest the resources required to document and evaluate the design of internal controls over financial reporting, as well as continuing its comprehensive programme of testing the operational effectiveness of these internal controls. PostNL further strengthened its system of company-wide controls, which are applicable to all entities.

In 2012, the Internal Audit department performed specific review procedures relating to internal control over financial reporting in the entities within the scope of PostNL's ICFR programme.

Integrity

PostNL is committed to sound business conduct. It therefore manages its business according to applicable laws and regulations and according to the PostNL Business Principles, which provide guidance in relationships with colleagues, customers, business partners and society in general. A company-wide Integrity Programme ensures that the Business Principles, which are published on the PostNL corporate website, are applied consistently throughout the organisation.

The PostNL integrity committee is charged with advising and assisting in developing, implementing and monitoring Group policies and procedures aimed at enhancing integrity and ethical behaviour and at preventing fraud throughout the company. The integrity committee oversees and coordinates investigations based on reports of possible breaches filed under the PostNL Business Principles, the PostNL Group Procedure on Whistleblowing and the PostNL Group Policy on Fraud Prevention. The committee advises and makes recommendations regarding the guidelines for disciplinary actions. Furthermore, it advises and provides recommendations to the Board of Management and line management on the mitigation of fraud risk and on ethical and anti-corruption matters. The integrity committee reports regularly to the Board of Management and every six months to the Supervisory Board.

Compliance

PostNL's Group policies and procedures reflect and define the tone at the top and the manner in which PostNL conducts its business.

Performance and compliance are monitored regularly in discussions between the appropriate line management and the Board of Management, through the Letter of Representation (signed by the managing directors and finance directors of PostNL's Group entities and company level management that report directly to the Board of Management), via internal audits and through the monitoring duties of PostNL committees.

Board of Management responsibility statement under Dutch Corporate Governance Code

The Dutch Corporate Governance Code requires the Board of Management to provide a description of the main strategic, operational, legal, regulatory, financial and financial reporting risks.

The Board of Management confirms that it is responsible for PostNL's risk management, internal control, integrity and compliance systems and has reviewed the design and the operational effectiveness of these systems for the year ended 31 December 2012. The outcome of this review and analysis has been shared with the audit committee and the Supervisory Board and has been discussed with PostNL's external auditor.

Based on the outcome of the PostNL-specific approach to risk management, internal control, integrity and compliance as outlined above, the Board of Management believes to the best of its knowledge that PostNL's internal control over financial reporting worked effectively over the year ended 31 December 2012 and provides reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

The above, however, does not imply that PostNL can provide certainty as to the realisation of strategic business and financial objectives. Nor can PostNL's approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of laws or regulations.

In view of the above and based on the outline of the key risks and risk responses mentioned in chapter 11 (Risks), the Board of Management believes it is in compliance with best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code.

Board of Management responsibility statement under Financial Markets Supervision Act (Wet op het financieel toezicht)

With reference to section 5.25c paragraph 2 under c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), the Board of Management confirms to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2012 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL and its consolidated companies, and
- the additional management information disclosed in the annual report gives a true and fair view of PostNL and its group companies as at 31 December 2012, the state of affairs during the financial year to which the report relates, together with a description of the key risks facing PostNL.

The Hague, 25 February 2013

Herna Verhagen – Chief Executive Officer
Jan Bos – Chief Financial Officer

13 Corporate governance

General

PostNL N.V. is a company (***structuurvennootschap***) falling under the large company regime (***structuurwet***).

It has adopted a two-tier system of governance, comprising a board of management entrusted with the executive management under the supervision of an independent supervisory board.

Under the large company regime, certain resolutions of a board of management of a large company such as PostNL N.V. require the prior approval of a supervisory board. Both the supervisory board and the board of management are accountable to the general meeting of shareholders for the performance of their duties.

Members of the board of management are appointed and can be suspended or dismissed by the supervisory board. The decision of the supervisory board to dismiss a member of the board of management can only be taken after the general meeting of shareholders has been consulted on the intended dismissal. Members of the supervisory board are appointed by the general meeting following nomination by the supervisory board. The general meeting can dismiss the supervisory board as a whole by an absolute majority of the votes cast representing at least one-third of the issued share capital.

For further details on the appointment and dismissal of (members of) the Board of Management and/or the Supervisory Board see articles 17, 24 and 25 of PostNL's articles of association.

Board of Management

The Board of Management is collectively responsible for setting PostNL's mission, vision and strategy and the implementation thereof, for the management of PostNL as a whole and for all decisions taken in this respect. Furthermore, the Board of Management takes responsibility for PostNL's overall results.

As of 24 April 2012, the Board of Management of PostNL N.V. consisted of three members: the chairman and chief executive officer (CEO) Ms H.W.P.M.A. Verhagen, the chief financial officer (CFO) Mr J.P.P. Bos and Group HR director Mr G.T.C.A. Aben. Mr Aben resigned as member of the Board of Management on 1 November 2012. Until 19 April 2012, Mr H.M. Koorstra was chairman of the Board of Management and CEO.

PostNL's reporting structure in 2012 was in line with the management structure of the three segments: Mail in the Netherlands, Parcels and International.

Under the Board of Management and directly responsible to it is the executive committee, which has been in place in its current composition since September 2012. The executive committee comprises the members of the Board of Management and the directors of the PostNL segments: Mr G. Mastenbroek, responsible for Parcels; Mr M.J.M. Krom, responsible for International and ICT; Mr A.G. Rodenboog, responsible for Operations Mail in the Netherlands; Mr A.C. van Bijnen, responsible for Marketing & Sales Mail in the Netherlands; and Mr R.P.J.M. Muys, responsible for Group HR as of 1 November 2012.

Until September 2012, Mr P. Berendsen, Mr G.H.N.M. Jacobs and Mr P.H. Kunz were members of the executive committee.

The directors of PostNL's segments are primarily responsible for developing and executing the business strategy and operational performance of each of their respective segments within the framework set by PostNL's corporate strategy.

As of 1 January 2013, the Act on Management and Supervision ("Wet Bestuur en Toezicht") came into effect. With this act, statutory provisions were introduced to ensure a balanced representation of men and women in boards of management and supervisory boards of companies governed by this act.

Balanced representation of men and women on a board of management is deemed to exist if at least 30% of the seats are filled by men and at least 30% are filled by women. Within PostNL, 50% of the seats in the Board of Management are held by women.

The act also set outs new provisions on supervision and management limiting the number of supervisory positions that managing and supervisory board directors may hold in so-called "large entities".

PostNL meets the criteria set out in the act to qualify as a "large entity". On page 47 the number of positions that need to be taken into account under this new legislation have been mentioned for each member of the Board of Management.

Duties of the Board of Management

The Board of Management is charged with the management of PostNL. This entails, among other things, that it is responsible for setting and achieving PostNL's objectives and strategy (which shall be initiated by the CEO) and the associated risk profile, the development of results, as well as corporate responsibility issues relevant to PostNL.

The Board of Management acts in accordance with the interests of PostNL and to that end is required to consider all appropriate interests associated with the company. The Board of Management is firmly committed to managing the company in a structured and transparent way. PostNL aims to provide stakeholders with a clear view on corporate decisions and decision-making processes. The responsibility of day-to-day decisions regarding the segments are decentralised within established standards, processes, requirements and guidelines.

PostNL's Board of Management is responsible for complying with all relevant primary and secondary legislation, the risk profile associated with the strategy, the corporate responsibility issues relevant to the company, its financing, and for its external communications. The Board of Management is required to report developments on the aforementioned topics to, and discusses the internal risk management and control systems with PostNL's Supervisory Board and its audit committee.

PostNL's Board of Management has formed the following bodies to ensure compliance with applicable corporate governance requirements: a disclosure committee, an integrity committee and a corporate responsibility council.

The disclosure committee advises and assists the Board of Management in ensuring that PostNL's disclosures in all press releases are accurate and complete and are, where available and appropriate, supported by accurate and reasonable detailed records, fairly represent the condition of the company in all material respects and are – if necessary – communicated to the AFM in compliance with the relevant laws and regulations.

The integrity committee advises and assists the Board of Management in developing, implementing and monitoring Group policies aimed at enhancing integrity and ethical behaviour and at preventing fraud throughout PostNL. The integrity committee oversees and coordinates investigations based on reports of possible breaches under the PostNL Business Principles and related policies.

The corporate responsibility council (CR council) advises and assists the Board of Management in deploying the CR strategy, provides guidance on the CR direction, issues and opportunities, and how to integrate CR in daily operations. It also supports the Board of Management in developing and achieving its CR strategic objectives by the Group and segmental functions and departments. These functions and departments – CR Reporting, Group Integrity, Procurement, Human Resources and Group Communications – are responsible for ensuring that the legal and regulatory compliance objectives are achieved.

The by-laws of the Board of Management and the terms of reference of the disclosure committee can be viewed on PostNL's corporate website, postnl.com.

The Board of Management performs its activities under the supervision of the Supervisory Board. The Board of Management provides the Supervisory Board with the information necessary to properly perform its duties in a timely manner. In addition, the Board of Management is required to provide the means to allow the Supervisory Board and its individual members to obtain all information necessary to be able to function as the supervisory body of PostNL. The Board of Management seeks full transparency in its communication with the Supervisory Board.

Members of the Board of Management

H.W.P.M.A. (Herna) Verhagen (1966, Dutch)

Chief Executive Officer

Ms Verhagen became chief executive officer on 24 April 2012. Prior to this, Ms Verhagen served as a member of the Board of Management of PostNL N.V. since 31 May 2011. Ms Verhagen joined TNT Post in 1993 as a sales manager. Following roles as marketing & sales director TNT Post and coordinating managing director Mail NL in the Mail division of TNT N.V., Ms Verhagen was appointed managing director Group HR of TNT N.V. in 2007.

Ms Verhagen's portfolio includes corporate strategy, public affairs, communications, corporate responsibility, human resources and internal audit. She is responsible for Mail in the Netherlands, Parcels, International (TNT Post UK, TNT Post Italy, TNT Post Germany and Spring) and Group IT.

Ms Verhagen's term is up for renewal in April 2015.

Ms Verhagen is a member of the supervisory boards of SNS Reaal N.V. and Nutreco N.V. She is a member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO-NCW) and a member of the board of Rijkswaterstaat (agent of the Ministry of Infrastructure and the Environment). Ms Verhagen holds two positions as a member of a supervisory board of a legal entity as referred to in article 2:132a of the Dutch Civil Code and therefore – in her capacity as board member of PostNL – complies with article 2:132a, paragraph 1 of the Dutch Civil Code.

J.P.P. (Jan) Bos (1965, Dutch)

Chief Financial Officer

Mr Bos was appointed chief financial officer and a member of the Board of Management of PostNL N.V. effective 31 May 2011. Mr Bos joined the Mail division of TNT NV in 1997 as controller of its international business unit. He was director finance & control of the Mail division since 2007. Mr Bos is responsible for legal, finance & people services, Group procurement, real estate & facilities, Group control, investor relations & treasury, tax, reporting & consolidation.

Mr Bos' term is up for renewal in April 2015.

Mr Bos is a member of the association for registered controllers (VU Amsterdam). Mr Bos holds no positions as a supervisory board member of a legal entity as referred to in article 2:132a of the Dutch Civil Code and therefore – in his capacity as board member of PostNL – complies with article 2:132a, paragraph 1 of the Dutch Civil Code.

H.M. (Harry) Koorstra (1951, Dutch)

Former Chief Executive Officer

Mr Koorstra stepped down as chief executive officer and chairman of the Board of Management of PostNL N.V. on 19 April 2012. Mr Koorstra was appointed to this position effective 31 May 2011. Before this position Mr Koorstra was managing director of the Mail division of TNT N.V. and a member of the Board of Management of TNT N.V.

G.T.C.A. (Gérard) Aben (1950, Dutch)

Former Director Group Human Resources

Mr Aben stepped down as director Group Human Resources and member of the Board of Management of PostNL N.V. on 1 November 2012. Mr Aben will stay on as a special advisor until March 2013 and will then retire. He was appointed to this position effective 31 May 2011. Mr Aben joined the Mail division of TNT N.V. in 1991 as HR director. Before joining PostNL Mr Aben worked for Sara Lee/Douwe Egberts as HR director and for Royal Dutch Shell plc.

Supervisory Board

Duties of the Supervisory Board

Information on the duties of the Supervisory Board is given in chapter 14 (Report of the Supervisory Board).

Securities owned by Board members

The members of the Supervisory Board, the Board of Management and PostNL's other senior management are subject to the PostNL Group Policy on Prevention of Insider Trading, which contains rules of conduct to prevent trading in PostNL's financial instruments when in possession of inside information.

PostNL's Supervisory Board has adopted a policy concerning the ownership of and transactions in securities other than PostNL's financial instruments by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and the by-laws of the Supervisory Board and requires that each member of the Board of Management and Supervisory Board gives periodic notice, at least quarterly, to PostNL's compliance officer, of any changes in his or her holding of securities in Dutch-listed companies.

A member of the Board of Management or the Supervisory Board who invests exclusively in listed investment funds, or who has transferred the discretionary management of his or her securities portfolio to an independent third party by means of a written mandate, is exempt from compliance with these internal notification requirements.

Share ownership is not required to qualify as a member of the Supervisory Board. The total number of shares held by each member of the Board of Management and the Supervisory Board, other than shares allocated under PostNL's performance share plan, bonus and/or matching plan and/or share option plan, are listed in table below.

Shareholders and their rights

General Meetings of Shareholders

Annual General Meeting of Shareholders held on 24 April 2012

On 24 April 2012, PostNL held its Annual General Meeting of Shareholders in the Hague, the Netherlands. The attendance rate was 66.4% of the total outstanding share capital, compared to 66.0% in 2011.

At the Annual General Meeting of Shareholders the following resolutions were adopted:

- 2011 financial statements,
- 2011 dividend of €0.407 per ordinary share, of which €0.214 per ordinary share was paid in August 2011 as interim dividend and the final dividend of €0.193 was fully payable in ordinary shares,
- to release the Board of Management and Supervisory Board from liability for the performance of their respective duties during the financial year,
- the reappointment of Mr P.C. Klaver as a member of the Supervisory Board, the appointment of Mr F.H. Rövekamp as a member of the Supervisory Board, and the resignation of Mr R.J.N. Abrahamsen as a member of the Supervisory Board,
- extension of the designation of the mandate to the Board of Management to issue ordinary shares until 24 October 2013 (limited to 10% issued capital at time of issue and 10% issued capital at time of issue in case of mergers or acquisitions),
- extension of designation of the mandate to the Board of Management to limit or exclude pre-emptive right to issue ordinary shares until 24 October 2013 (limited to 10% issued capital at time of issue and 10% issued capital at time of issue in case of mergers or acquisitions), and
- authorise the Board of Management to have the company acquire its own shares to a maximum of 10% of the issued capital until 24 October 2013 (see page 51).

The agenda, resolutions and voting results for each resolution, as well as the presentations given during the meeting, are available on PostNL's external website from a few days after the meeting. Minutes of the meeting are available in Dutch on PostNL's corporate website. The webcast of the meeting is available in Dutch and English.

PostNL shares held by members of the Board of Management and Supervisory Board

[1]	PostNL		TNT Express	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Current members of Board of Management[2]				
Herna Verhagen	41,744	16,205	5,395	15,392
Jan Bos	38,251	13,936	6,187	6,187
Former members of Board of Management[3]				
Harry Koorstra	17,956	42,105	-	-
Gérard Aben	23,122	6,405	-	-
Members of Supervisory Board				
Piet Klaver[4]	20,950	18,681	3,667	3,666

1 This table does not include any granted rights on shares allocated to the members of the Board of Management under PostNL's participation in the variable compensation scheme. See note 18 to the consolidated financial statements and chapter 15 under actual remuneration in 2012. The information in this table is publicly available at www.afm.nl

2 The number of TNT Express shares held on 31 December 2011 had been adjusted slightly due to a transfer of the shares to private equity accounts by the end of 2011.

3 No information is available on shares of other companies held on private accounts.

4 The number of TNT Express shares increased due to the payment of a stock dividend.

Frequency and venue
PostNL is required to hold an Annual General Meeting of Shareholders within six months after the end of the financial year in order to adopt the financial statements and to decide on, among other things, any proposal concerning dividends. In accordance with Dutch law, the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year are also agenda items for this meeting. This release only covers liability for matters reflected in the financial statements or otherwise disclosed to the General Meeting prior to the adoption of the financial statements.

Other General Meetings of Shareholders are held as often as the Board of Management or the Supervisory Board deem necessary, and shall in principle be convened if the Board of Management proposes to take a decision that will result in a significant change in the identity or character of PostNL or its business.

Furthermore, in the event that shareholders jointly representing at least 10% of the outstanding share capital make a written request to the Supervisory Board and the Board of Management to convene a General Meeting of Shareholders, stating their proposed agenda in detail, a General Meeting of Shareholders shall in principle be convened.

General Meetings of Shareholders may be held in Amsterdam, the Hague, Hoofddorp or in the municipality of Haarlemmermeer (Schiphol).

Agenda
One or more shareholders holding shares representing at least 1% of PostNL's issued share capital have the right to request that the Board of Management or the Supervisory Board place items on the agenda of the General Meeting of Shareholders. Such a request has to be honoured by the Board of Management or the Supervisory Board, provided that the request is received by the Board of Management or the Supervisory Board in writing at least 60 days before the date of such General Meeting of Shareholders.

In the event a request is made by one or more shareholders to either convene a meeting or to place an item on the agenda of a General Meeting of Shareholders that may result in a change to the company's strategy, the Board of Management shall be given the opportunity to stipulate a reasonable period in which to respond, which shall not exceed 180 days.

The central works council of PostNL has the right to form an opinion with respect to proposals to determine or modify the policy on the remuneration of the Board of Management, proposals that entail a significant change in the identity or character of the company or its business and proposals to appoint a member of the Supervisory Board. The central works council has the right to explain its position in the General Meeting of Shareholders.

Notice to convene
General Meetings of Shareholders are convened by at least 42 days' prior notice published on PostNL's website.

Admission to and voting rights at the meeting
Each shareholder has the right to attend General Meetings of Shareholders, either in person or by written or electronic proxy, to address the meeting and to exercise voting rights, subject to the provisions of PostNL's articles of association. An eligible shareholder has the aforementioned rights if registered as a shareholder on the applicable record date to the extent described by law.

Each of the shares in PostNL's share capital carries the right to cast one vote. Unless otherwise required by Dutch law or PostNL's articles of association, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting.

Under PostNL's articles of association there are no limitations to the rights of Dutch, non-resident or foreign shareholders to hold or exercise voting rights in respect of PostNL's securities.

Liquidation rights
In the event of PostNL's dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses are to be distributed in the following order of preference: firstly, to the holders of all outstanding preference shares B (if any), the nominal amount paid up on these shares plus accumulated dividends for preceding years that have not yet been paid, and secondly, to holders of the ordinary shares in proportion to their shareholdings.

Changes to the rights of shareholders
Rights of shareholders may change pursuant to an amendment of the articles of association, a statutory merger or demerger within the meaning of book 2 of the Dutch Civil Code or dissolution of the company. A resolution of the General Meeting of Shareholders is required to effect these changes. Under PostNL's articles of association, such a resolution may only be adopted upon a proposal by the Board of Management that has been approved by the Supervisory Board.

Major shareholders
To PostNL's knowledge, PostNL is not directly or indirectly owned or controlled by another company or by any government. PostNL does not know of any arrangements of which the operation might, at a subsequent date, result in a change of control, except as described under 'Foundation Continuity PostNL and preference shares B' below.

The Financial Markets Supervision Act (Wet op het financieel toezicht) imposes a duty to disclose percentage holdings in the capital and/or underlying financial instruments and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Dutch Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

Articles of association, share acquisition, reduction and increase of issued share capital

Amendments to the articles of association
Amendments to PostNL's articles of association can be made upon a proposal by the Board of Management, approved by the Supervisory Board and adopted by the General Meeting of Shareholders. A proposal to amend the articles of association must be stated in a notice convening a General Meeting of Shareholders and announced in such manner as shall be permitted by law at any time. The proposal shall be passed upon an absolute majority of the votes cast in the General Meeting of Shareholders. PostNL's current articles of association and the by-laws of the Supervisory Board can be viewed on PostNL's corporate website, postnl.com.

At the Annual General Meeting of Shareholders to be held in April 2013, PostNL shall table new articles of association for approval, among others to incorporate changes necessary due to the enactment of the Act on Management and Supervision as per 1 January 2013.

Ability of the company to acquire its own shares
In order to execute share buy-back programmes, PostNL must be allowed to acquire its own shares. Under its articles of association, PostNL may acquire its own shares, provided that they are fully paid up. If such shares are acquired for consideration, the following conditions apply:

- PostNL's shareholders' equity less the purchase price may not fall below the sum of the paid-up capital and any reserves required to be maintained by Dutch law or pursuant to the articles of association, and
- following the share acquisition, PostNL may not hold shares with an aggregate nominal value exceeding half of its issued share capital.

The acquisition of shares in its capital may be effected by a resolution of the Board of Management, subject to the approval of the Supervisory Board.

In addition to the above, the Board of Management requires prior authorisation by the General Meeting of Shareholders to acquire shares in the company for consideration. This authorisation may be valid for a period not exceeding 18 months from the date of the meeting and must specify:

- the number of shares that may be acquired,
- the manner in which shares may be acquired, and
- the price limits within which shares may be acquired.

The articles of association provide for the possibility to request a mandate to the General Meeting to acquire a maximum of 50% of its own shares. This extended mandate was requested by PostNL N.V. in case of a return of all or part of the proceeds to its shareholders as a result of a full or partial sale of the 29.8% shareholding in TNT Express N.V. The public offer made by UPS on TNT Express N.V. was withdrawn on 14 January 2013. The possibility of an actual return of all or part of the proceeds to PostNL's shareholders in the short or medium term is therefore no longer realistic. The mandate to acquire a maximum of 50% of its own shares will therefore not be proposed for renewal.

Authorisation by the General Meeting of Shareholders is not required if PostNL's own shares are acquired for the purpose of transferring those shares to PostNL employees pursuant to any arrangements applicable to such employees.

Reduction of issued share capital in general
Issued share capital can be reduced by the cancellation of shares following a repurchase. PostNL's issued share capital may also be reduced if the nominal value of its shares is lowered by amendment of PostNL's articles of association. The resolution to reduce PostNL's issued share capital has to be agreed by the General Meeting of Shareholders. Pursuant to PostNL's articles of association, such resolution may be taken, by a proposal of the Board of Management that has been approved by the Supervisory Board. The latter requirement is more stringent than is required by Dutch law.

Increase of issued share capital by issuance of shares/pre-emptive rights
PostNL's Board of Management has been designated as the body competent to resolve to issue shares in PostNL and to grant rights to subscribe for ordinary shares, including options and warrants. Pursuant to PostNL's current articles of association, such resolution is subject to the approval of the Supervisory Board. The scope and duration of this authority of the Board of Management is determined by the General Meeting of Shareholders. Under PostNL's articles of association, the scope relates at most to all shares in its authorised share capital that have not been issued. The duration of the authority shall be for a period of five years at most.

Extension of the term of designation of the Board of Management as the body competent to issue shares may also be effected by amending PostNL's articles of association. If no extension is given, the issue of shares or granting of rights to subscribe for ordinary shares requires a resolution of the General Meeting of Shareholders. Such a resolution may only be taken upon a proposal by the Board of Management that has been approved by the Supervisory Board.

In principle, each holder of ordinary shares has a pre-emptive right to any issue of ordinary shares or the granting of rights to subscribe for these shares. Registered holders of American Depositary Shares (ADS) and holders holding their ADS through a broker or a nominee evidenced by American Depositary Receipts do not qualify as holders of ordinary shares in this respect.

Pursuant to PostNL's articles of association, shareholders' pre-emptive rights may be restricted or excluded by a resolution of the Board of Management, provided and as long as the Board of Management has been designated as the body competent to resolve to issue shares. Such resolution is subject to the approval of the Supervisory Board. Pursuant to PostNL's articles of association, the provisions with respect to the scope and duration of the authority to issue shares and grant rights to subscribe for ordinary shares are also applicable to the scope and duration of the authority to exclude or restrict pre-emptive rights.

Foundation Continuity PostNL and preference shares B

Stichting Continuïteit PostNL (Foundation Continuity PostNL) was formed to safeguard PostNL's interests and the enterprises connected with PostNL and all interested parties. It does so by, among other things, preventing as far as possible any influences that could threaten PostNL's continuity, independence and identity contrary to such interests. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by any other legal person.

PostNL's articles of association provide for protective preference shares B that can be issued to Foundation Continuity PostNL to serve these interests. The preference shares B have a nominal value of €0.08 and have the same voting rights as PostNL's ordinary shares.

PostNL and Foundation Continuity PostNL have entered into a call option agreement, which enables Foundation Continuity PostNL to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Continuity PostNL. The call option agreement is meant as a preventive countermeasure against influences that might threaten the continuity, independence and identity contrary to such interest. Preference shares B will be outstanding no longer than is strictly necessary. There are currently no preference shares B issued.

The exercise price with respect to the call option is the nominal value of €0.08 per preference share B, although upon exercise only €0.02 per preference share B is required to be paid. The additional €0.06 per preference share B is due at such time as PostNL makes a call for payment by a resolution of its Board of Management and is subject to the approval of the Supervisory Board. Foundation Continuity PostNL has credit facilities in place to enable it to pay the exercise price.

Six months after the issuance of preference shares B, Foundation Continuity PostNL may require PostNL to convene a General Meeting of Shareholders to discuss cancellation of these shares. However, if within these six months Foundation Continuity PostNL should receive a demand for repayment under the credit facilities referred to above, it may also require PostNL to convene a General Meeting of Shareholders. In accordance with PostNL's articles of association, a General Meeting of Shareholders must ultimately be convened 12 months after the first date of issuance of any preference shares B to Foundation Continuity PostNL. The agenda for that meeting shall include a resolution relating to the repurchase and/or cancellation of the preference shares B.

PostNL has granted to Foundation Continuity PostNL the right to file an application for an inquiry into the policy and conduct of PostNL's business with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer), whereby the Enterprise Chamber may determine immediate provisions if necessary.

The members of the Board of Foundation Continuity PostNL are Mr R. Pieterse (chairman), Mr J.H.M. Lindenbergh, Mr W. van Vonno and Mr M.P. Nieuwe Weme. All members of the Board of Foundation Continuity PostNL are independent from PostNL.

This means that Foundation Continuity PostNL is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Dividend

The Board of Management may determine, subject to approval by the Supervisory Board, that any dividend on ordinary shares be paid wholly or partly in PostNL ordinary shares rather than in cash, or that any dividend in ordinary shares be paid by giving the shareholders the option to choose between dividend paid in PostNL ordinary shares or in cash (optional dividends).

If and when dividends are declared, PostNL pays dividends out of profits, or by exception out of the distributable part of its shareholders' equity as shown in PostNL's financial statements. PostNL is not allowed to pay dividends if the payment would reduce shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or its articles of association.

The Board of Management may, subject to approval by the Supervisory Board and to provisions of Dutch law, distribute one or more interim dividends.

No dividend shall be paid on shares held by PostNL in its own capital. Such shares shall not be included for the computation of the profit distribution, unless the Board of Management resolves otherwise. Such a resolution is subject to the approval of the Supervisory Board.

Under PostNL's articles of association, if preference shares B have been issued, PostNL has to pay dividends on the paid-up portion of the nominal value of the preference shares B. Payment is made at a rate of the average 12-month EURIBOR (Euro Interbank Offered Rate), weighted to reflect the number of days for which the payment is made, plus a premium to be determined by the Board of Management, subject to approval by the Supervisory Board, of at least one percentage point and at most three percentage points.

The Board of Management then determines, subject to approval by the Supervisory Board, the part of the remaining profits to be appropriated to reserves. The profit that remains after appropriation is at the disposal of the General Meeting of Shareholders.

The PostNL Reserves and Dividend Guidelines can be viewed on PostNL's corporate website, postnl.com. Any changes to these guidelines shall be explained as a separate agenda item at the Annual General Meeting of Shareholders.

Auditor

PostNL's external auditor, PwC, is appointed by the General Meeting of Shareholders. PostNL's audit committee has the sole authority, subject to confirmation by the Supervisory Board, to recommend to the General Meeting of Shareholders the appointment or replacement of the external auditor. The audit committee is directly responsible for overseeing the work of the external auditor on behalf of the Supervisory Board, including resolution of disagreements between management and the external auditor regarding financial reporting.

The audit committee, supported by the Group director Internal Audit, is required to pre-approve all services the external auditor will provide to ensure these do not impair the auditor's independence from PostNL. The audit committee grants a general pre-approval for certain routine services every year. Significant non-audit services require a tender process, and certain services are prohibited outright. In its approval-granting process, the audit committee considers the applicable regulations and stock exchange rules on auditor independence. The audit committee also considers the ratio between the total fees for audit and audit-related services and the total fees for non-audit services. See note 20 to the consolidated financial statements of PostNL N.V. for the fees paid to PwC and the distribution of the fees between audit-related services and non-audit services.

The audit committee requires a formal written statement from the external auditor confirming its independence.

Conflicts and potential conflicts of interest between the external auditor and PostNL are resolved in accordance with the terms of reference of the audit committee and in particular the annex 'PostNL Group Policy on Auditor Independence and Pre-Approval', which can be viewed on PostNL's corporate website, postnl.com.

All services performed by the external auditor in 2012 followed the pre-approval process.

Once every three years, the audit committee and the Board of Management are required to conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The most recent assessment was held in 2010. The main conclusions of this assessment were communicated during the 2010 Annual General Meeting of Shareholders. The lead (signing) partner and the concurring (review) partner of the external auditor are rotated after a maximum period of seven years. In 2011, Mr R. Dekkers was succeeded by Mr H.C. Wüst. A new assessment will take place in 2013 and will be reported on during the Annual General Meeting of Shareholders in April 2013.

PostNL's internal audit function provides independent and objective assurance to the Board of Management and the Supervisory Board on the effectiveness of the internal control framework, supports the external auditor in its assignment to audit the annual accounts of PostNL and provides consulting services to the businesses on the aforementioned issues. Audits are scheduled in close cooperation with the business concerned and organised in such a way that the external auditor can take maximal reliance on the internal audit activities. On each audit a formal audit report is issued to the management responsible. Adequate follow-up on audit findings is assured. A summary report of audit-related topics (findings, follow-up, etc.) is issued every quarter to the Board of Management and the audit committee. The audit planning, the quality and the professionalism of the audit team, and the effectiveness and efficiency of the execution of the audits, is supervised by the Board of Management and consented by the audit committee. The Internal Audit department reports to the CEO with an open communication link to the CFO and the audit committee.

Dutch Corporate Governance Code

PostNL applies the principles and best practices of the Dutch Corporate Governance Code published on 10 December 2008 and designated on 3 December 2009 as a code of conduct, as referred to in article 391, paragraph 5, book 2 of the Dutch Civil Code (the Code), except for the following best practice provisions below that are not fully complied with:

- *Provision II.2.5 of the Code states, among other things, that shares granted without financial consideration to members of the Board of Management shall be retained for a period of at least five years or until the end of the employment, if this period is shorter*.

Under PostNL's incentive programme, the process for the members of the Board of Management has been such that if and when vesting of the right on shares takes place, which happens in any event not earlier than three years from grant of the right, enough of the shares are sold for the purpose of using the proceeds to pay for the tax relating to the grant of these shares. Reference is made to chapter 17 note 18 under bonus/matching share plan. Any shares delivered in relation to the annual performance bonus shall be retained for a period of five years (reference is made to chapter 17 note 18 under accrued for short-term incentive).

- *Provision II.2.8 of the Code states that remuneration in the event of dismissal of members of the Board of Management may not exceed one year's salary (the 'fixed' remuneration component). In the event that one year's salary would be manifestly unreasonable, the severance pay may not exceed twice the annual salary.*

Severance payments other than related to a change of control for members of the Board of Management are one year base salary or a maximum of two years' base salary in the first four years. Both Ms Verhagen and Mr Bos are in their first four-year term as members of the Board of Management and were employed by PostNL before 2011. This was true for Mr Aben as well. Mr Aben resigned as a member of the Board of Management on 1 November 2012. For Ms Verhagen, Mr Bos and Mr Aben the contractual severance pay in case of dismissal in their first four-year term has been set at twice the annual salary. In his capacity as a member of the Board of Management Mr Aben did not get severance pay. He will retire on 1 March 2013.

Employment contracts entered into after 2004 need to be brought in line with provision II.2.8 of the Code; contracts entered into prior to 2004 remain unchanged. There are currently no members of the Board of Management who have contracts entered into prior to 2004 with severance arrangements not in conformity with provision II.2.8.

Severance payments in case of a change of control equal the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two. PostNL is of the opinion that such payment is realistic taking into account the special position of members of the Board of Management in a change of control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.

- *Provision II.2.13(f) of the Code states that the remuneration overview in the remuneration report of the Supervisory Board shall in any event contain a description of the performance criteria on which the performance-related component of the variable remuneration is dependent, insofar that disclosure would not be undesirable because the information is competition-sensitive.*

PostNL discloses quantified financial and non-financial targets which are published in general terms. The actual targets are specific and thus contain competition-sensitive information, and are therefore not disclosed. See chapter 15 under Remuneration Policy 2012.

PostNL shall propose a new remuneration policy to its shareholders at the Annual General Meeting of Shareholders in April 2013. This new policy does not contain changes to the above.

In the chapter sections referred to above, PostNL explains why it does not comply with these best practice provisions. Material future corporate or other developments might justify further deviations from the Code at the moment of occurrence. Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Code shall be submitted to the General Meeting of Shareholders for discussion.

The full text of the Code and the corporate governance statement can be viewed on PostNL's corporate website, postnl.com. Information on the composition and functioning of the Board of Management, the composition and functioning of the Supervisory Board and its committees, the functioning of the General Meeting of Shareholders and its key capacities, and the rights of shareholders and how these rights can be exercised is included in this statement.

For the Board of Management's statement pursuant to chapter 5.1a of the Dutch Financial Markets Supervision Act please refer to chapter 12.

14 Report of the Supervisory Board

Message from the Chairman of the Supervisory Board

Dear stakeholders,

It is my pleasure to present to you the report on the activities of the Supervisory Board during the financial year 2012. Our report aims to give you a clear insight into the way we do our work.

The year 2012 was PostNL's first full year as an independent listed company. It was a year of challenging developments in several areas. The composition of the Board of Management changed: in April, Mr Koorstra resigned and Ms Verhagen was appointed chief executive officer. At the end of 2012, the Board of Management consisted of Herna Verhagen as chief executive officer and Jan Bos as chief financial officer.

The Supervisory Board is happy with a two-person managing board. This simplifies communication and makes the lines to the business shorter. Valuable support is provided by an executive committee composed of the "business" direct reports to the Board of Management and the HR director.

The increased decline in mail volumes emphasises the need to reduce costs. It was disappointing that part of the Master Plans had to be put on hold, as this caused more problems than it aimed to solve. An adjusted plan has been designed and the implementation will begin soon. In the meantime, quality levels are returning to desired standards.

The parcel business grew as expected and further growth is foreseen. The company's investments in the new sorting centres are delivering the expected results. In our International business, the Italian operation outperformed. The overall result for the year was within the expected range.

In an open and transparent way, the Supervisory Board had intensive discussions with the Board of Management on important subjects. These included the issues surrounding the execution of the Master Plans and the need to create an entrepreneurial culture, to focus on efficiency throughout the organisation, to achieve quality and so serve our customers and stimulate open dialogue within the organisation. Developments with respect to our stake in TNT Express N.V. were followed closely. The company's cash generation and equity position are monitored constantly. The necessary reduction of pension risks and the progress in the collective labour agreement negotiations are also a fixed part of the agenda. These issues are work in progress. It goes without saying that our corporate responsibility was and remains high on the agenda. The same is true for human resources, management development and succession planning.

It is unfortunate that the equity position and credit rating of PostNL do not allow for a dividend in cash.

We hope this report proves informative to our stakeholders.

Kind regards,

P.C. Klaver

Chairman of the Supervisory Board of PostNL N.V.

Supervision

This chapter describes the duties of the Supervisory Board and the manner in which it performed these duties, as well as identifying the key issues. It also sets out the internal organisation and states the acknowledgement of the 2012 financial statements.

Supervisory duties – general

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL, as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management, as well as the general and financial risks and the internal risk management and control systems. Members of the Supervisory Board may take points of view different from those of the Board of Management.

In performing its duties, the Supervisory Board acts in accordance with the interests of PostNL. It takes into account the relevant interests of the company's stakeholders, and, to that end, considers all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the business of the company. PostNL's Supervisory Board is responsible for the quality of its own performance, which is reviewed annually. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

Meetings of the Supervisory Board

At every meeting, the Supervisory Board discussed business and market developments and the results and developments in PostNL's business segments. Strategic, regulatory and corporate social responsibility issues were recurring topics, as were the financial position of PostNL and the development of the stake in TNT Express N.V. A new remuneration policy was discussed several times. Pensions were a recurring item at almost every meeting. The Supervisory Board mandated several of its members to discuss pension matters more regularly than in meetings of the Supervisory Board. Meetings on this topic took place seven times during 2012.

Discussions were held on the subject of dividend. This resulted in approval by the Supervisory Board of the proposal by the Board of Management to distribute €0.181 per ordinary share fully paid out in shares in August 2012 from the freely distributable reserves.

The agenda for PostNL's Annual General Meeting of Shareholders held on 24 April 2012 was tabled. Appointment of future members of the Supervisory Board was discussed. Quarterly, half-yearly and annual results were shared with the Supervisory Board, as were monthly (business) updates and the outlook.

The Supervisory Board discussed the 2011 auditors' report by PostNL's external auditor PwC, the 2011 integrated annual report (including financial statements) and corporate responsibility report.

Labour-related issues were discussed: labour conditions (including collective labour agreement negotiations), pensions (accounting issues, coverage ratios, top up payments, the relationship with the pension fund and legal proceedings with the dispute committee), management development & succession planning, the reputation of PostNL, the rating of PostNL in the Dow Jones Sustainability Index and the Master Plan.

The Supervisory Board discussed compliance with primary and secondary legislation and the resulting obligations both in its board and in its sub-committees. The possible amendment of the Postal Act introducing the term Substantial Market Power ("*Aanmerkelijke Markt Macht*") was frequently discussed in the second half of 2012, including the possible consequences of the introduction of SMP on PostNL.

Succession planning was discussed frequently in the first half of 2012 due to the resignation of Mr Koorstra as CEO and chairman of the Board of Management of PostNL on 19 April 2012. The Supervisory Board appointed Ms Verhagen as CEO on 19 April 2012 (effective 24 April 2012).

The Supervisory Board discussed the design and composition of an executive committee reporting to the Board of Management.

The chairman of the Supervisory Board, as well as some individual members, had several meetings with the central works council during the year.

Of the 18 meetings, 11 were held together with the Board of Management. Almost all meetings were attended by the full Supervisory Board. (for attendance percentages, see page 60)

PostNL's objectives were frequently discussed. Two meetings were devoted solely to the corporate strategy and objectives and how to achieve these in 2013 – 2017. The strategic plans for each business segment and for PostNL as a whole, the financial objectives and outlook and main risks to PostNL achieving its objectives were discussed. A summary of these risks can be found in chapter 11 (risks).

Consolidation of PostNL's current product portfolio was an important topic in strategic discussions. The business segments Mail in the Netherlands, Parcels and International presented their business plans. The financial strategy and the Group strategy were reviewed and new products and potential areas for growth in the Netherlands and in the countries where we operate were discussed.

The outcome of the risk management process, the key risks identified and the mitigation plans in place to manage these risks in the short to medium term were shared with the audit committee of the Supervisory Board and the Supervisory Board.

The Act on Management and Supervision that came into effect on 1 January 2013 ("Wet Bestuur en Toezicht") also sets provisions on the number of supervisory positions that managing and supervisory board directors may hold in certain companies. The Act prohibits a person as of 1 January 2013 from being appointed as member of the Supervisory Board of more than five large entities, whereby a chairmanship position counts twice. Positions held can be maintained but – if they exceed five – must be reconsidered at the moment of reappointment. PostNL meets the criteria set out in the Act to qualify as a so-called "large entity". In the paragraph Internal Organisation, the number of positions that must be taken into account under the new legislation is mentioned for each member of the Supervisory Board, under Bio data.

Twice a year, an overview is given of the claims against PostNL and litigation as claimant and defendant (whereby a threshold is taken into account of €250,000). An update on the Integrity Programme (including the fraud & whistleblower report) is provided twice a year.

PostNL endeavours to stay in contact with its shareholders as frequently as is legally possible. The CEO and/or the CFO meet with shareholders four times a year during road shows and conduct individual meetings and calls during the year.

Communication takes place with governance institutions representing shareholder groups before the Annual General Meeting of Shareholders and also during the year. For the design of its remuneration policy for 2013, the company held dialogue with several important governance organisations in the Netherlands.

PostNL does not have a specific policy to introduce members of the Supervisory Board to PostNL shareholders.

The Supervisory Board and the public affairs committee of the Supervisory Board perform an oversight role with respect to corporate responsibility issues, supported by PostNL's Internal Audit department and the company's external auditors, who monitor the CR governance structure and reporting.

Meetings of the committees of the Supervisory Board

PostNL's Supervisory Board has formed an audit committee, a remuneration committee, a nominations committee and a public affairs committee from among its members. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch Corporate Governance Code. The terms of reference of these committees can be viewed on PostNL's corporate website.

The powers of the committees are based on a mandate from the Supervisory Board, which does not include the right to decision-making.

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board. The information on the composition and functioning of the Supervisory Board and its subcommittees will be included in the corporate governance statement as made publicly available on PostNL's corporate website postnl.com under Corporate Governance.

Audit committee

The audit committee is charged with assisting the Supervisory Board in advising on and monitoring aspects such as the integrity of PostNL's financial and corporate responsibility reporting and reporting process, its financing and finance-related strategies, its system of internal control and financial reporting and its system of risk management. The committee reviews the independence of the external auditor and the functioning of internal audit, its tax planning and compliance with relevant primary and secondary legislation and codes of conduct. The audit committee has the authority to retain independent advisors as it deems appropriate. PostNL will bear the associated costs.

The audit committee met five times in 2012. All meetings were attended by the CFO, director audit & security, director reporting & consolidation and Group director control and by the external auditor, PwC. The CEO attended the meetings when half-year and full-year figures were discussed.

The audit committee discussed with PwC PostNL's 2011 annual results and the first-quarter, half-year and third-quarter 2012 results. The audit committee discussed reports on internal control over financial reporting and enterprise risk management (whose reports are, if necessary, also discussed in the Supervisory Board). It reviewed press releases and compliance with PostNL's Group policy on auditor independence and pre-approval, as well as internal control over financial reporting and risk management. The reports of PostNL's Internal Audit function were discussed each quarter. The audit committee also reviewed proposals for the 2011 full-year dividend and the 2012 interim dividend.

The external audit fees were discussed and approved. Implications of the amendment of the Act on the Accountant's profession (Wet op het Accountantsberoep) were evaluated. The main factors influencing the financials of the strategic plan (volume development, pricing, Master Plan, pensions, collective labour agreement, regulatory issues, TNT Express) were discussed. The dividend guidelines, 2011 full-year dividend and 2012 interim dividend were discussed. Updates on pensions and accounting implications of IAS19 were tabled and comments from analysts and shareholders on the development of the share price were discussed. An update on integrity issues (including the fraud & whistleblower report) and claims and litigation was given.

The audit committee reviewed the 2013 budget and the internal audit plan 2013. The impact of the economic downturn on PostNL's financial position and on the position of the pension funds' coverage ratios was discussed at almost every meeting of the audit committee. An evaluation of the risk management process took place (including risk assessment). Possible restraints on investments and the debt structure within PostNL were also addressed. The financials underlying the corporate strategy and objectives were discussed several times.

Remuneration committee

The remuneration committee proposes the remuneration of the individual members of the Board of Management for adoption by the Supervisory Board. It also proposes a remuneration policy, including schemes under which rights to shares are granted for members of the Board of Management, which is submitted for adoption to the General Meeting of Shareholders. The remuneration committee prepares a proposal for the remuneration of the individual members of the Supervisory Board. Furthermore, the remuneration committee prepares the allocation by the CEO after approval by the Supervisory Board of rights to shares in PostNL N.V.'s share capital to other senior management within PostNL.

In 2012, the remuneration committee held seven meetings. Payout of the 2011 targets and 2012 targets for the Board of Management of PostNL were discussed, as were equity plans for 2013. As indicated during the Annual General Meeting of Shareholders on 24 April 2012, the remuneration committee designed a new remuneration policy for 2013, which will be submitted for approval to shareholders on 16 April 2013 at the Annual General Meeting of Shareholders.

See chapter 15 for further details on remuneration for the Board of Management and the Supervisory Board, including a further explanation of the remuneration policy and actual remuneration and the relationship between remuneration and performance of members of the Board of Management for 2012.

Nominations committee

The nominations committee is appointed by the Supervisory Board to draw up selection criteria and appointment procedures for members of the Supervisory Board and members of the Board of Management, to set up procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates, and to assess the size and composition of the Supervisory Board and the Board of Management. It makes proposals for the profile of the Supervisory Board, assesses the functioning of individual members of the Supervisory Board and the Board of Management and reports this to the Supervisory Board. Finally, the nominations committee makes proposals for nominations, appointments and reappointments. At least annually, the size and composition of the Supervisory Board and the Board of Management and the functioning of the individual members are assessed by the nominations committee and discussed by the Supervisory Board.

The nominations committee held five meetings in 2012. Supervisory Board appointments and reappointments were discussed. Succession planning relating to the Supervisory Board and its subcommittees was discussed. Recommendations to reappoint Mr P.C. Klaver as member and chairman of the Supervisory Board of PostNL and to appoint Mr F.H. Rövekamp as member were made. The profile of the Supervisory Board was discussed, as was its rotation plan. Succession planning relating to the Board of Management, the managerial top structure and management & development issues were tabled. The composition of the Board of Management changed in two ways: Mr H.M. Koorstra resigned as chief executive officer and chairman of the Board of Management and Mr G.T.C.A. Aben resigned as Group HR director. In addition, the number of seats in the Board of Management was reduced from four to two. The HR function was placed within the executive committee. The composition of the executive committee also changed (see chapter 13).

Public affairs committee

The public affairs committee acts as a sounding board and advisory committee for the Board of Management with respect to (i) formulating, developing and monitoring PostNL's public affairs policy governing the relationships between PostNL and national and international public/semi-public bodies, including but not limited to governments, ministries, parliaments, industry supervising authorities (e.g. OPTA), works councils, trade unions and antitrust authorities, and (ii) formulating and developing PostNL's social and environmental policies.

The public affairs committee met five times in 2012. National postal regulatory developments were frequently tabled, as were discussions and the relationship with OPTA (the Independent Supervisory Authority for Post and Telecommunications).

The committee reviewed PostNL's 2011 CR performance and reporting and the realisation of the 2012 CR targets. The Dow Jones Sustainability rating, the results of Voice (PostNL's employee engagement survey) and quality levels of mail delivery within the Dutch mail operations were discussed.

The committee discussed the social consequences of the Master Plans, health and safety issues (including fatalities) and initiatives to reduce the number of fatalities. Updates on the collective labour agreements (and related social implications) and pensions were given. Regulatory issues were discussed, as were relations between the Supervisory Board, Board of Management and works councils. The long-term vision of the company on the Dutch mail market was discussed, as was the reputation of PostNL among its customers, its employees and as an organisation operating in Dutch society at large. Measures to improve PostNL's reputation both internally and externally were discussed.

Internal organisation

Composition of the Supervisory Board

PostNL's articles of association require the Supervisory Board to consist of a minimum of three members. Taking this requirement into account, the Supervisory Board has discretion on the number of its members. At present, PostNL's Supervisory Board consists of seven members.

The Supervisory Board has prepared a profile of its size and composition, taking into account the nature of PostNL's business and activities and the desired expertise, background and gender of the members of the Supervisory Board. The Supervisory Board evaluates the profile annually and discusses the profile during the Annual General Meeting of Shareholders and with PostNL's central works council when amendments to the profile are made. The Supervisory Board profile has been amended to reflect the requirements resulting from the Act on Management and Supervision with regard to diversity and quota.

The composition of the Supervisory Board changed in 2012. At the Annual General Meeting of Shareholders held on 24 April 2012, Mr R. Abrahamsen resigned as he had served the maximum of three terms of four years as member of the Supervisory Board. Mr Klaver was reappointed as member and Mr Rövekamp was appointed as new member of the Supervisory Board.

Mr Klaver was also reappointed chairman of the Supervisory Board. Mr Rövekamp was appointed as member of the audit committee and the remuneration committee and Ms Menssen was appointed chairman of the audit committee.

At the Annual General Meeting of Shareholders in April 2013, Ms P.M. Altenburg is not available for reappointment as member of the Supervisory Board.

Bio data

In accordance with the Act on Management and Supervision, members of a supervisory board will not hold more than five positions in supervisory boards of large entities (including PostNL), to be determined at the moment of reappointment. Supervisory Board members holding more than the maximum number of positions on 1 January 2013 are not obliged to resign from certain positions, but positions need to be reconsidered at

Composition Supervisory Board and committees per 1 January 2013

Name	Nationality	Appointed	Term expires	Committee membership
Mr P. C. Klaver	Dutch	April 2008	2016	Nominations (chair), remuneration
Mr J. Wallage	Dutch	April 2010	2014	Remuneration (chair), public affairs
Ms P.M. Altenburg	Dutch	April 2009	2013	Audit, public affairs
Mr M.A.M. Boersma	Dutch	May 2011	2015	Audit, nominations
Mr W. Kok	Dutch	April 2003	2015	Public affairs (chair), nominations
Ms T. Menssen	Dutch	May 2011	2015	Audit (chair), remuneration
Mr F.H. Rövekamp	Dutch	May 2012	2016	Audit, remuneration

the time of reappointment. Compliance of each member of the Supervisory Board with this provision is indicated below.

P.C. (Piet) Klaver (1945, Dutch)
Mr Klaver was appointed member of the Supervisory Board on 11 April 2008. He has been chairman of the Supervisory Board since 1 January 2009 and was reappointed on 24 April 2012. His current term expires in 2016.

Mr Klaver is chairman of the supervisory boards of Koninklijke Dekker B.V., Dura Vermeer Groep N.V., Blokker Holding B.V. and Credit Yard Group B.V. He is a member of the supervisory boards of ING Group N.V. and SHV Holdings N.V. (vice-chairman). Mr Klaver is a member of the board of African Parks Foundation. Formerly, Mr Klaver held various positions at SHV Holdings N.V., most recently as chairman of the executive board of directors.

Mr Klaver holds nine positions as referred to in article 2: 142a of the Dutch Civil Code.

P.M. (Nelly) Altenburg (1952, Dutch)
Ms Altenburg was appointed member of the Supervisory Board on 8 April 2009. Her current term expires in 2013. Ms Altenburg is director of PMA consult (consultancy firm) and a member of the supervisory boards of MSD B.V. and KONI B.V. Since 1 July 2012, she has been chairperson of the supervising body of the pension fund for cooperative building societies. She is chairperson of the "Duidingscommissie Pakket" of the Healthcare Insurance Board (until 1 January 2013) and vice-chairperson of the Netherlands Institute of Psychologists. Formerly, Ms Altenburg held various positions at trade union FNV and was member of the board of ABVAKABO FNV. She was member of the boards of Dutch pension funds ABP and PGGM.

Ms Altenburg holds five positions as referred to in article 2: 142a of the Dutch Civil Code.

W. (Wim) Kok (1938, Dutch)
Mr Kok was appointed as member of the Supervisory Board on 1 April 2003. His current term expires in 2015. Mr Kok is president of the Club of Madrid, member of the board of trustees of the International Crisis Group and chairman of the Anne Frank Foundation. Mr Kok was formerly Prime Minister of the Netherlands, Minister of Finance, member of the Dutch Parliament, chairman of the Confederation of Dutch Trade Unions and the European Trade Union Confederation, member of the supervisory boards of ING Group N.V., Royal Dutch Shell plc, KLM Royal Dutch Airlines N.V. and Stork N.V., chairman of the board of trustees of the National Ballet and of the Dutch Cancer Institute and vice-chairman of the board of trustees of the Rijksmuseum.

Mr Kok holds one position as referred to in article 2: 142a of the Dutch Civil Code.

J. (Jacques) Wallage (1946, Dutch)
Mr Wallage was appointed member of the Supervisory Board on 8 April 2010 and vice-chairman of the Supervisory Board in 2011. His current term expires in 2014. For over 12 years, Mr Wallage was member of the Dutch Parliament and served as a junior minister at the Ministry of Education and Sciences and as a junior minister at the Ministry of Social Affairs. He was mayor of the city of Groningen from 1998 until 2009. Mr Wallage is, among others, chairman of the boards of the Nationale Reisopera, the Council for Public Administration, the joint board of HEC/ROI (Het Expertise Centrum/ Rijksopleidingsinstituut) and chairman of the advisory council of the "Sociale Verzekeringsbank". He is a professor at the University of Groningen (integration and public administration).

Mr Wallage holds one position as referred to in article 2: 142a of the Dutch Civil Code.

T. (Thessa) Menssen (1967, Dutch)
Ms Menssen was appointed member of the Supervisory Board on 25 May 2011. Her current term expires in 2015. Ms Menssen is chief financial officer of the Royal BAM Group and, until 30 September 2012, was chief operating officer of the Port of Rotterdam Authority. Ms Menssen is member of the supervisory board of Vitens N.V., Maritiem Museum Rotterdam and Rotterdam Philharmonic Orchestra.

Ms Menssen holds two positions as referred to in article 2: 142a of the Dutch Civil Code.

M.A.M. (Michiel) Boersma (1947, Dutch)
Mr Boersma was appointed member of the Supervisory Board on 25 May 2011. His current term expires in 2015. Mr Boersma was CEO of Essent N.V. and president of Shell Global Solutions International B.V. Mr Boersma is, among others, non-executive member of the board of Neste Oil Corporation, chairman of the supervisory board of ProRail, KEMA N.V. (until March 2012) and Telegraaf Media Groep, chairman of the supervising body of VieCuri Medisch Centrum Noord-Limburg and member of the board of foundation protection Fugro N.V. and of Stichting Jeroen Bosch 500.

Mr Boersma holds seven positions as referred to in article 2: 142a of the Dutch Civil Code.

F.H. (Frank) Rövekamp (1955, Dutch)
Mr Rövekamp was appointed member of the Supervisory Board on 24 April 2012. His current term expires in 2016. Mr Rövekamp is member of the supervisory board of UNIT4, chairman of the board of SimonsVoss Technologies AG and member of the boards of Kasteel de Haar, Koninklijk Theater Carré and Vereniging Vluchtelingenwerk Nederland.

Mr Rövekamp was member of the executive committee and group CMO of Vodafone Group Plc, president and CEO of Beyoo (European travel agency) and senior vice president (marketing and revenue management) of KLM Royal Dutch Airlines.

Mr Rövekamp holds two positions as referred to in article 2: 142a of the Dutch Civil Code.

R.J.N. (Robert) Abrahamsen (1938, Dutch)
Mr Abrahamsen was appointed member of the Supervisory Board on 9 May 2000. He resigned as member of the Supervisory Board on 29 April 2012 since he had served for three four-year terms.

The Supervisory Board expresses its gratitude to Mr Abrahamsen for his long commitment as a Supervisory Board member to TNT N.V. and, as of 25 May 2011, to PostNL.

Profile
Each member must be capable of assessing the broad outline of the overall policy and should have the specific expertise required to fulfil the duties assigned to their designated role within the framework of the profile. Each member should have sufficient time available for the proper performance of his or her duties.

The Supervisory Board has ensured that its composition meets the required profile and is as independent and diverse as possible. The profile can be found on PostNL's website, postnl.com.

Chairman and corporate secretary
The chairman of the Supervisory Board determines the agenda and presides over meetings of the Supervisory Board. The chairman is responsible for the proper functioning of the Supervisory Board and its committees. Furthermore, the chairman arranges an induction and training programme for new members of the Supervisory Board and initiates the evaluation of the performance of the members of the Supervisory Board and the Board of Management. The chairman of the Supervisory Board may not be a former member of PostNL's Board of Management.

The Supervisory Board is assisted by PostNL's corporate secretary. All members of the Supervisory Board have access to the advice and services of the corporate secretary, who is responsible for ensuring that Supervisory Board procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations under the articles of association. The corporate secretary is appointed and can be dismissed by the Board of Management, following the approval of the Supervisory Board.

At PostNL, the corporate secretary is secretary to the Board of Management and to the Supervisory Board.

Diversity
With the Act on Management and Supervision ("Wet Bestuur en Toezicht"), statutory provisions were introduced to ensure a balanced representation of men and women in boards of management and supervisory boards of companies governed by this Act.

According to the Act, a balanced representation of men and women on a supervisory board consisting of individuals is deemed to exist if at least 30% of the seats are taken by men and at least 30% are occupied by women. PostNL currently has seven members, of which two are female, meaning that 28.6% of the seats on the Supervisory Board are held by women.

Since PostNL does not comply with the law in this respect, it has looked into the reasons for non-compliance. The Supervisory Board considered for its new positions the candidacy of several women. It considered the capacities of all candidates on an equal scale and has nominated for appointment the two most qualified candidates as it will continue to do for future potential candidates to the Supervisory Board. As evidenced by its profile, the Supervisory Board considers for its positions candidates from throughout society.

PostNL adheres to best practice provision III.1.3 of the Code, which states that information must be given in the annual report on the individual members of the Supervisory Board. The Supervisory Board has explicitly included in the information given on its members the number of women in the Supervisory Board together with information on nationality, age, expertise and social background.

All members have the Dutch nationality. The average age is 62 and the ages range between 45 and 74. The majority of the members possess a university degree or the equivalent of this. The field of expertise ranges from administration/public administration and general management to members who are experienced in (Dutch) labour issues or have a commercial background.

Evaluation of the Supervisory Board

The Supervisory Board is responsible for the quality of its own performance. For this purpose, it annually reviews its performance. All members of the Supervisory Board have demonstrated that they have enough time to fulfil their duties as members of the Supervisory Board in an adequate manner.

The Supervisory Board discussed its own functioning and that of its committees and members. The process of evaluation consists of an annual review by questionnaire (profile, rotation plan, dynamics, accountability, effectiveness as Supervisory Board as a whole plus subcommittees) combined with individual interviews by the chairman. It was decided to seek the assistance of an external party to assist in the evaluation process of the Supervisory Board once every three years. The evaluation process was conducted without the presence of the Board of Management.

As a general comment, the members noted that the dynamics within the Supervisory Board allowed for sufficient open discussion and critical thinking between each other, as well as with members of the Board of Management present. Points for improvement were discussed and agreed upon.

Independence and reporting of conflict of interest
The Supervisory Board discussed changes in its composition as part of its succession planning and in relation to the profile of the Supervisory Board. Some minor amendments to the profile were made in 2012.

According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. PostNL's articles of association provide that members of the Supervisory Board shall resign periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to avoid, as far as possible, a situation in which appointments and/or reappointments occur simultaneously. Both profile and rotation plan can be viewed on PostNL's corporate website postnl.com.

The Supervisory Board confirms that all members of the Supervisory Board are independent in the sense of best practice provision III.2.2 of the Code. The Supervisory Board is responsible for deciding how to resolve a conflict of interest between members of the Board of Management, members of the Supervisory Board and/or the external auditor on the one hand and the company on the other hand.

A member of the Board of Management or a member of the Supervisory Board is required to report immediately and provide all relevant information to the chairman of the Supervisory Board and to the other members of the Board of Management (if it concerns a member of that board) about any conflict of interest or potential conflict of interest that may be of significance, material or not, to the company and/or to the relevant member. If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and provide all relevant information. In both situations, this includes information concerning a spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree.

In the event of a conflict between PostNL and a member of its Board of Management, the company will be represented by another member of the Board of Management or a member of the Supervisory Board appointed by the Supervisory Board for this purpose.

A decision to enter into a transaction involving a conflict of interest with a member of the Board of Management or a member of the Supervisory Board that is of significance, material or not, to the company or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2012, so compliance with best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.3 inclusive of the Code did not arise for discussion. The same applies for provision III.6.4 of the Code.

The by-laws of the Board of Management and the Supervisory Board also include a provision that a member of the Board of Management or of the Supervisory Board does not participate in any discussion or decision-making that involves a subject or transaction in relation to which the member has a conflict of interest with the company. During 2012, there were no cases whereby conflict of interest occurred. No decisions were taken by the Supervisory Board that did not comply with its by-laws.

Induction and training

As new member of the Supervisory Board, Mr Rövekamp attended a full-day induction programme (meeting with commercial directors and staff) and also met separately with commercial directors. He visited PostNL sites in the Netherlands and in the United Kingdom. Mr Rövekamp had meetings with the CEO and the CFO and with representatives of the central works council.

The Supervisory Board visited two PostNL sites, TNT Post Italy and Parcels in Waddinxveen. Some members of the Supervisory Board paid individual visits to business units of PostNL.

Information by external parties

There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice at PostNL's expense, if so required.

Attendance

	Attendance percentage
Supervisory Board	94%
Audit Committee	100%
Remuneration Committee	95%
Nominations Committee	94%
Public Affairs Committee	100%
Total attendance	**96%**

Adherence to the Dutch Corporate Governance Code – Principles and Best Practices

Key elements of the governance within PostNL including the level of adherence to the Dutch Corporate Governance Code can be found in chapter 13.

Financial statements

This annual report and the 2012 consolidated financial statements, audited by PwC, were presented to the Supervisory Board in the presence of the Board of Management and the external auditor. PwC's report can be found on page 147 of chapter 17.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code. The members of the Board of Management have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Financial Markets Supervision Act (Wet op het financieel toezicht). See also chapter 12 on page 44.

The Supervisory Board recommends that the General Meeting of Shareholders adopt the 2012 consolidated financial statements of PostNL. The General Meeting will be asked to release the members of the Board of Management and of the Supervisory Board from liability for the exercise of their duties. The appropriation of profit approved by the Supervisory Board can be found on page 148.

The Supervisory Board endorses the Board of Management's view on 2012. The Supervisory Board approves the proposal by the Board of Management to the General Meeting of a distribution of €0.181 per ordinary share, which has been made fully available to PostNL's shareholders out of the freely distributable reserves as an interim dividend.

The Supervisory Board wishes to thank the Board of Management and all employees of PostNL for their outstanding contributions in 2012.

Supervisory Board PostNL N.V.

The Hague, 25 February 2013

15 Remuneration

The remuneration committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy for the members of the Board of Management. The Supervisory Board approves the proposal and submits, in the event of policy changes, the proposed remuneration policy to the Annual General Meeting of Shareholders for adoption.

General

Following some general information on the remuneration committee, the second part of this chapter outlines the 2012 remuneration policy and the different compensation elements for the members of the Board of Management.

The third part of this chapter outlines the remuneration policy for the members of the Board of Management for 2013. The fourth part reflects the actual remuneration of the members of the Board of Management in 2012. Finally, the 2012 remuneration of the members of the Supervisory Board is described.

Remuneration committee

The remuneration committee prepares its remuneration proposal independently after careful consideration. The remuneration policy is prepared in accordance with all relevant Dutch legal requirements and is compliant.

Since May 2012, the remuneration committee has four members: Mr Wallage (chairman as of 25 May 2011), Mr Klaver, Ms Menssen and Mr Rövekamp. In 2012, the remuneration committee met seven times.

The remuneration committee consulted professional internal and external advisors.

Remuneration policy 2012

The 2012 remuneration policy is based on the 2010 remuneration policy as adopted by the 2010 Annual General Meeting of Shareholders of TNT N.V. The remuneration policy has the objective to retain, motivate and attract qualified members of the Board of Management of the highest calibre essential for the successful leadership and effective management of a large company.

The 2012 remuneration policy focuses on the absolute level of compensation and the directors' performance as regards the different compensation elements. It aims to stimulate well-balanced management behaviour.

The remuneration policy is:
- supportive to the sustainable development of the company,
- aligned with stakeholders' interests and introduces a multi-stakeholder approach,
- responsible and risk-controlling,
- performance-related for reasonable variable compensation,
- reflective of a commitment to value creation, and
- motivating and transparent.

To provide a consistent review of the level and structure of the total remuneration at median market level, which is aligned with best market practice, all remuneration components for the members of the Board of Management are reviewed and benchmarked against a Dutch peer group. All comparisons are made on a euro basis. Scenario analyses and internal pay relations analyses have been performed in accordance with provision II.2.2 of the Dutch Corporate Governance Code.

Dutch peer group (AEX index companies)

Akzo Nobel	KPN
ASML	Randstad
BAM Groep	Reed Elsevier
Royal Boskalis Westminster	SBM Offshore
DSM	TomTom
Fugro	Wolters Kluwer

The remuneration package consists of a base salary, a variable component of a maximum of 100% of the base salary and a pension scheme.

Remuneration policy 2012: base salary

In line with the 2011 annual report, the annual base salaries for members of the Board of Management were €700,000 for Mr H.M. Koorstra, CEO, €425,000 for Mr J.P.P. Bos, CFO, €450,000 for Ms H.W.P.M.A. Verhagen and €350,000 for Mr G.T.C.A. Aben. The annual base salary of Ms Verhagen was also increased in the course of 2012 to an amount of €625,000 to account for her appointment as CEO on 24 April 2012. The salary of Ms Verhagen is in line with the remuneration policy of 2012 and also in line with the proposed 2013 remuneration policy.

Remuneration policy 2012: variable remuneration
The variable remuneration 2012 has the following characteristics:

- the total variable remuneration potential is capped at 100% of base salary per year. There is no stretch opportunity,
- it is a short-term plan, in which the members of the Board of Management have the opportunity to earn an incentive, based on annual targets,
- the Supervisory Board has the discretionary authority to amend targets/objectives in the event of substantial adjustments to the strategic plan, and
- all targets and objectives are quantitative and different measurement techniques are used to take into account variations in targets and objectives.

The variable remuneration represents a multi-stakeholder approach with four focus areas:

- financial (60%): targets such as underlying cash operating income PostNL, adjusted net cash flow from operating and investing activities PostNL, underlying net cash income PostNL and strategic PostNL financial targets
- non-financial (40%): the non-financial targets include three focus areas:
  - employees – targets are based on achieving engagement survey objectives, absenteeism, health and safety objectives,
  - environment – targets are based on achieving CO_2 efficiency improvement, and
  - customers – targets are based on improving customer focus and quality.

The Board of Management is rewarded with the immediate (yearly) payment of the realised incentive with a deferred element of 50% of the corresponding cash value. This corresponding 50% cash value is, after the deduction of income tax, delivered in PostNL shares. The shares delivered are banked and are restricted shares to be held for a total of five years, which is in accordance with the Dutch Corporate Governance Code.

Pension
The pension scheme applicable to the current members of the Board of Management is a career average scheme. The main features of the career average scheme are:

- retirement age at 65 years,
- pensionable income based on average annual base salary only,
- annual accrual rate for the old age pension of 2.25%,
- offset for state pension at fiscal minimum,
- benefits conditionally indexed during accrual, and
- an employee contribution of 6%.

In 2006, both the pension scheme and the retirement age for TNT N.V. Board of Management members were changed. Board of Management members who had contractual arrangements dating from before 2004 were entitled to an annual compensation payment following the change of their pension scheme in 2006. The last compensation in this respect was paid to Mr H.M. Koorstra in 2012 as he was the last member of the Board of Management to fall within the scope of this arrangement.

The pension arrangements for all current members of the Board of Management include entitlement to a pension in the event of illness or disability and a pension for a spouse and/or dependent in the event of the member's death.

Severance payments
The contractual severance payments for the current members of the Board of Management are summarised as follows:

- as a policy, severance payments, other than those related to a change of control, are one year base salary (12 months of base salary) **or** a maximum of two years base salary (24 months of base salary) for members of the Board of Management who are dismissed in their first four-year term of appointment, and
- severance payments in the event of a change of control equal to the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two.

The company does not grant loans, including mortgage loans. Nor have guarantees been provided to the members of the Board of Management.

Other
The Supervisory Board introduced a 'claw-back' clause, effective as of 2008, for a situation where the financial information on which the payout of variable remuneration was based is determined to be incorrect.

For all current members of the Board of Management, in the event of a change of control of the company, the Supervisory Board may, at its discretion, allow all or part of the allocations of performance shares and/or matching shares to vest on the date on which control of the company passes.

However, in the event of a change of control, the proceeds of any share grant will be capped at the level of the sum of:

- the average of the closing prices of the PostNL share according to the Official Price List for a period of five trading days prior to the date when the first announcement of a public offer was made, and
- 50% of the difference between the ultimate share price paid by the buyer and the price as calculated under the previous bullet point.

The Supervisory Board has the discretionary authority to decide on one-off payments to members of the Board of Management in special circumstances. Such payments are always disclosed in the notes to the financial statements.

The Supervisory Board has the discretionary authority to adjust the value of variable pay components originally awarded if the outcome proves to be unfair as a result of exceptional circumstances during the performance period.

Remuneration policy for 2013

As announced at the 2012 Annual General Meeting of Shareholders, the remuneration committee analysed the current remuneration policy during 2012. Discussions conducted with various PostNL internal and external stakeholders were part of this analysis and the recommendations made by stakeholders were carefully considered during the development of the 2013 remuneration policy.

Sobriety was the guiding principle in the design phase of the 2013 remuneration policy. Other major principles closely followed were:

- base salary based on median market levels,
- moderate variable remuneration with focus on both short-term and long-term objectives,
- long-term compensation supportive to the attainment of PostNL's strategy,
- responsible and risk-controlling, and
- variable remuneration with payout in cash and in shares.

In line with these principles and with a view to moderate the remuneration level, the 2013 remuneration policy proposal results in the following:

- the amended benchmark peergroup, including AMX and AEX companies, results in a decrease of the total direct remuneration level of the board members when set at median level,
- the base salary is €75,000 lower for the new CEO when compared to the former CEO,
- the level of variable income is decreased from 100% to 75%, and
- 50% of the variable income is a long-term (three year) incentive plan, linked to the achievement of long-term targets and delivers shares.

Furthermore, the proposal is prepared in accordance with all relevant Dutch legal requirements and is compliant with the Dutch Corporate Governance Code. The 2013 remuneration policy will be submitted to the approval of the Annual General Meeting of Shareholders to be held op 16 April 2013.

Remuneration policy 2013: peer group

In creating a new remuneration policy, an important step is deciding which companies to use as peers for benchmark purposes. A comparability study was conducted based on the following indicators:

- companies included in either the AEX or AMX index,
- companies of Dutch origin or with their registered office in the Netherlands, and
- scope indicators: revenue, number of employees, total assets, market capitalisation and net profits.

Based on this comparability study, the remuneration committee suggested and the Supervisory Board agreed to an amended peer group consisting of companies that have a more domestic orientation and whose size is more in line with that of PostNL. As a result, a peer group that comprises a balanced mix of both AEX and AMX companies was selected.

Dutch peer group

Arcadis	KPN
CSM	Mediq
Fugro	Nutreco
Imtech	Royal Boskalis Westminster
BAM Groep	USG People
DSM	Wolters Kluwer

To provide a consistent review of the level and structure of the total remuneration at median market level, which is aligned with best market practice, all remuneration components for the members of the Board of Management are reviewed and benchmarked at least every three years against a Dutch peer group. All comparisons are made on a euro basis. Scenario analyses and internal pay relations analyses have been performed in conformity with provision II.2.2 of the Dutch Corporate Governance Code.

The remuneration package consists of a base salary, a variable compensation component and a pension scheme.

Remuneration policy 2013: base salary

The amended benchmark peergroup, which combines AEX and AMX companies, results in a lower level of total remuneration at median level. In line with median market levels of the new peer group, the annual base salary of the CEO is €625,000 and that of the CFO €475,000. The CEO salary was implemented in 2012 to account for the new appointment of Ms Verhagen as CEO. The base salary of the CEO is in line with the 2012 remuneration policy and the proposed 2013 remuneration policy. The 2013 CFO base salary is the final result of a gradual increase towards median level that was started and approved at the 2011 Annual General Meeting of Shareholders.

Remuneration policy 2013: variable remuneration

The next step of the remuneration policy focuses on the total level of compensation for members of the Board of Management. As well as the new peer group leading to a more moderate level of base salary, the Supervisory Board agreed on a second form of moderation by choosing an adjusted variable remuneration. The proposed remuneration policy has the following characteristics:

- the total variable remuneration potential is capped at 75% of the annual base salary. There is no stretch opportunity,
- the current variable remuneration is fully based on short-term targets. However, in line with stakeholder requests, the new remuneration policy proposes a combined short-term and long-term incentive plan in which the members of the Board of Management have the opportunity to earn an incentive based on annual targets (STI) and three-year targets (LTI). Both STI and LTI are capped at 37.5% of annual base salary, and
- due to the intentional transition from a short-term incentive to a combined short-term incentive and long-term incentive plan, a significant moderation of the disposable income of members of the Board of Management will occur. Therefore, a temporary transition plan is proposed.

Remuneration policy 2013: short-term incentive

The short-term incentive represents a potential reward of 37.5% of the annual base salary which is based on challenging but achievable annual targets. Individual targets can only contribute to the STI payout if they are fully met, which means there is no stretch and no threshold on the annual targets. This short-term incentive plan will be rewarded with a yearly cash payment of the realised incentive. The focus areas for the short-term incentive are in line with the current remuneration policy and represent a multi-stakeholder approach with 60% financial targets and 40% non-financial targets.

Remuneration policy 2013: short-term incentive

	2013
Underlying cash operating income PostNL	30%
Adjusted net cash flow from operating/investing activities	30%
Total financial targets	60%
Employees	
Employee engagement	10%
Customers	
Customer satisfaction	10%
Quality score	10%
Environment	
CO_2 reduction	10%
Total non-financial targets	40%

Remuneration policy 2013: long-term incentive

The long-term incentive represents a potential reward of 37.5% of the annual base salary and is based on a performance share plan that contains long-term (internal) financial targets. The long-term incentive plan contains the following characteristics:

- it is a conditional share plan based on three-year internal financial targets,
- shares will be conditionally allocated to the members of the Board of Management from 2013 onwards. A conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares,
- the conditional shares and their conditional dividend equivalents will vest after a performance period of three years,
- vesting is subject to the extent to which the long-term targets have been achieved,
- the vested shares delivered will remain restricted following the three-year performance period for a period of two years, which is in accordance with the Dutch Corporate Governance Code, and
- if a member of the Board of Management leaves the company during the performance period and is defined as a bad leaver, any accrued rights on the long-term incentive plan are void.

Remuneration policy 2013: long-term incentive

	2013 - 2015
Underlying net cash income PostNL	33.3%
Cost savings	33.3%
New growth initiatives	33.3%
Total financial targets	100.0%

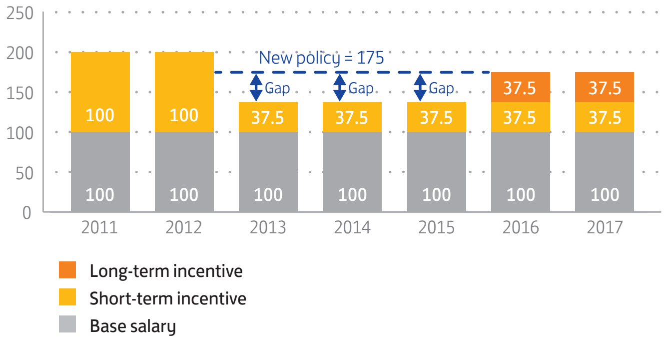
Remuneration policy 2013: temporary transition plan

The new remuneration policy will have a significant impact on the disposable income of the members of the Board of Management both in absolute terms as well in terms of timing. The absolute moderation is an intentional effect that is the result of reducing the total maximum variable remuneration potential from 100% to 75% of the annual base salary.

The moderation in time is an unintentional side-effect due to the introduction of a long-term incentive plan via a performance share plan. As the first long-term incentive plan will not actually be paid out until early 2016, an income gap will arise in the next few years amounting to 37.5% per year, as the graph below shows.

Remuneration transition plan

(in %)



From 2016 onwards, this gap will dissipate as the restrictions on the first grant of the long-term incentive plan shares (allocated in 2013) will be lifted in that year.

The Supervisory Board agreed on a proposal made by the remuneration committee to compensate this temporary drop in disposable income with the introduction of a temporary transition plan. The proposal suggests compensating the gap arising in years 2013 – 2015 with a temporary restricted share plan. This plan provides for an annual award of restricted shares during three years, subject to the provision of continued employment. The restricted shares are awarded on the basis of the same annual targets applicable to the short-term incentive. This method is comparable to the current method, by which the total variable compensation is allocated in cash and shares on a 50/50 basis in proportion with the realised annual targets.

Pensions, severance payments and other

The proposed 2013 remuneration policy does not anticipate any changes in the pension scheme, the contractual severance payments and the claw back and change in control provisions. As a result, the 2012 remuneration policy remains in place for these topics.

Discretionary authority

In a general sense, the Supervisory Board has the authority to adjust upwards or downwards the remuneration of members of the Board of Management. Use of this authority may be considered in exceptional situations. If and when such a discretionary adjustment is invoked, a transparent substantiation will be provided, explaining the Supervisory Board's motivation for making use of this discretionary authority.

Actual remuneration in 2012

Former CEO

Mr H.M. Koorstra decided to leave the company as of 19 April 2012. Due to the contractual notice period of six months, Mr Koorstra's contract ended on 1 November 2012. Mr Koorstra did not receive any severance payments.

New CEO

Following the resignation of Mr Koorstra, the Supervisory Board appointed Ms H.W.P.M.A. Verhagen to the position of CEO, effective 24 April 2012. In November 2012, the Supervisory Board approved a new base salary for Ms Verhagen effective as of her appointment date. The new base salary has been adjusted retroactively to an annual base salary of €625,000, which is lower than the level of base salary of the former CEO. The new base salary is in line with the 2012 policy and also in line with the proposed 2013 remuneration policy.

New CFO salary

The 2013 CFO base salary is increased to €475,000. This is the final step in a gradual increase towards median level that was started and approved at the 2011 Annual General Meeting of Shareholders.

Retirement of Mr Aben

As has been announced, Mr Aben will retire as of 1 March 2013. In light of his upcoming retirement, Mr Aben resigned as member of the Board of Management as of 1 November 2012. Until his retirement date, Mr Aben is acting as an advisor to the Board of Management.

Actual remuneration 2012

The table below summarises the 2012 remuneration elements of the members of the Board of Management of PostNL calculated in accordance with IFRS. Note that IFRS amounts do not necessarily represent the actual compensation payout.

For detailed disclosure on the remuneration of the members of the Board of Management, see note 18 to the consolidated financial statements.

During the 2012 Annual General Meeting of Shareholders, Ms Verhagen clarified the decision of the Board of Management to waive the variable remuneration opportunity for 2012 for each individual member. Therefore, no variable remuneration has been awarded to the members of the Board of Management for 2012.

	2012	target
General financial targets		
Underlying cash operating income PostNL	√	above
Adjusted net cash flow from operating activities	-	below
Underlying net cash income PostNL	√	above
Strategic financial targets	-	below
General non-financial targets		
Employees		
Engagement survey (Voice)	√	above
Absenteeism PostNL	√	above
Customers		
Customer satisfaction	-	below
Quality score	-	below
Environment		
CO_2 reduction	√	above
Strategic non-financial targets	-	below

The scorecard contains a summary of the 2012 variable remuneration targets achievement of the members of the Board of Management. PostNL discloses quantified financial and non-financial targets in general terms. The actual target outcomes are specific and thus contain competition-sensitive information. These are therefore not disclosed. This also applies to the strategic financial and non-financial targets.

Actual remuneration 2012

		Base salary	Accrued for short-term incentive 2012[1]	Accrued for long-term incentive 2012[2]	Other periodic compensation[3]	Pension costs	Total 2012	Total 2011[4]
Herna Verhagen	Chief Executive Officer[5]	570,069			167,851	85,232	823,152	491,747
Jan Bos	Chief Financial Officer	425,000		3,218	128,320	69,669	626,207	450,303
Total current members		**995,069**	**0**	**3,218**	**296,171**	**154,901**	**1,449,359**	**942,050**
Harry Koorstra	Chief Executive Officer[6]	583,333			601,489	224,560	1,409,382	2,015,870
Gérard Aben	member[7]	350,000			114,059	115,295	579,354	428,572
Total former members		933,333	0	0	715,548	339,855	1,988,736	2,444,442
Total remuneration		**1,928,402**	**0**	**3,218**	**1,011,719**	**494,756**	**3,438,095**	**3,386,492**

(in €)

1 The members of the Board of Management waived their rights to the 2012 incentive.
2 The amount of €3,218 related to the share-based payments costs for Mr Bos under the one-off Investment/Matching plan.
3 Other periodic compensation included company costs related to tax and social security, company car and other costs. It also included a total of €441,706 crisis tax ("crisisheffing") charged on salaries above €150,000 in 2012 for all current and former members of the Board of Management members. The other periodic compensation of Mr Koorstra included a salary allowance of €196,205 to compensate for his changed pension scheme from 2006 onwards and €167,264 as cash compensation for his accumulated vacation days.
4 The year 2011 represented only seven months following the demerger, except for Mr Koorstra, who acted as member of the Board of Management during the whole of 2011.
5 Ms Verhagen was appointed to the position of CEO as of 24 April 2012; the base salary has been adjusted retrospectively to a base salary of €625,000 as of the appointment date.
6 Due to the notice period of six months, Mr Koorstra's contract ended on 1 November 2012. The figures presented relate to the period January-October 2012.
7 Mr Aben resigned as member of the Board of Management on 1 November 2012, in connection with his retirement on 1 March 2013. As advisor to the Board of Management, no changes were made to his contractual arrangements prior to his retirement date. .

Members of the Board of Management

Term of employment

Members of the Board of Management have entered into employment contracts for an indefinite period of time. The employment contract ends either on the date of retirement or by notice of either party. Termination of the contractual arrangements of the Board of Management requires a written notice period of six months.

Term of appointment

Members of the Board of Management are appointed to the Board of Management for a period of four years. On expiry of the four-year term, a member of the Board of Management may be reappointed for a successive term of four years. Details on each member's appointment are set out below.

Appointment details

	Employed since	Term of employment	Board member since	Year of (re)appointment	Term of appointment
Herna Verhagen	June 1993	Indefinite	2011	2015	Four years
Jan Bos	January 1997	Indefinite	2011	2015	Four years

Remuneration of members of the Supervisory Board

The remuneration of the current members of the Supervisory Board comprises base pay and a meeting fee linked to attendance of the meetings of the committees of the Supervisory Board. The members of the Supervisory Board receive no compensation related to performance and/or equity and accrue no pension rights with the company. The members of the Supervisory Board receive no severance payments in the event of termination. PostNL does not grant loans, including mortgage loans, advance payments, guarantees and options or shares to any member of the Supervisory Board.

Remuneration of Supervisory Board

		Annual base fee
	Chairman	55,000
	Member	40,000
Committees		Meeting fee
Audit and remuneration	Chairman	2,500
	Member	1,500
Nominations and public affairs	Chairman	1,500
	Member	1,000

(in €)

For detailed disclosure on the remuneration of individual members of the Supervisory Board, see note 18 to the consolidated financial statements.

16 Investor relations and shareholder information

Contact with our financial stakeholders is taken care of by the members of our Board of Management and PostNL's investor relations professionals. The investor relations department ensures timely, consistent and accurate disclosure of information to the financial community.

Investor relations

Our investor relations programme includes meetings with analysts and investors, conference calls, roadshows and investor conferences. The CFO has primary responsibility for investor relations, with active involvement by the CEO. The Investor Relations department ensures timely, consistent and accurate disclosure of information to the financial community. PostNL's policy is to provide the financial community with the same information simultaneously about matters that may be price sensitive.

Contact between the Board of Management on the one hand and financial analysts, current and potential investors, and the press on the other, is carefully handled and structured. The company will not compromise the independence of analysts in relation to the company and vice versa. Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the company. In 2012, PostNL visited investors in major financial cities in Europe and North America.

Explanation by the Board of Management on quarterly results is given either at group meetings or teleconferences, which are accessible by telephone and on the corporate website, postnl.com. Meetings with institutional investors may be held to ensure the investment community receives a balanced and complete view of the company's performance and the issues faced by the business. In addition, PostNL communicates with the financial community through press releases, the publication of the annual report, General Meetings of shareholders and the company's corporate website. Analyst meetings are broadcast via webcasting. The corporate website provides all relevant information with regard to dates of analyst meetings and procedures concerning webcasting. For further information visit PostNL's corporate website, postnl.com.

We are always prepared to have a constructive dialogue with our shareholders and strive to achieve open and honest relationships with them.

PostNL does not pay any fees to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies.

The Board of Management has adopted investor relations and media guidelines that all members of the Board of Management must abide with unless explicitly exempted by the CEO.

Contact with our financial stakeholders is taken care of by the members of the Board of Management, PostNL's investor relations professionals and, less frequently, by other PostNL employees specifically mandated by the Board of Management.

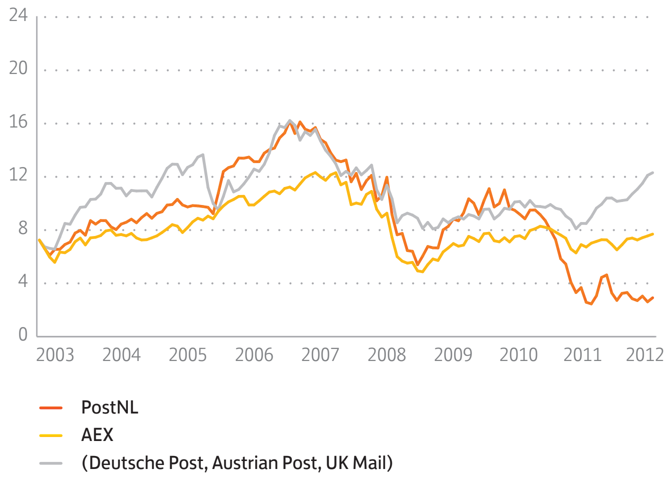
Share information and performance

Shares and listing

The shares of PostNL N.V. (ticker: PNL) are listed on NYSE Euronext Amsterdam and included in the AEX index, which normally consists of the top 25 companies in the Netherlands, ranked on the basis of their turnover on NYSE Euronext Amsterdam and free-float adjusted market capitalisation.

In 2012, 1,051 million PostNL shares were traded on NYSE Euronext Amsterdam (2011: 702 million, including turnover of the TNT N.V. shares before demerger). The market capitalisation of PostNL was €1,285 million at the end of 2012 (2011: €965 million).

Annual relative performance to the Euronext Amsterdam (AEX)

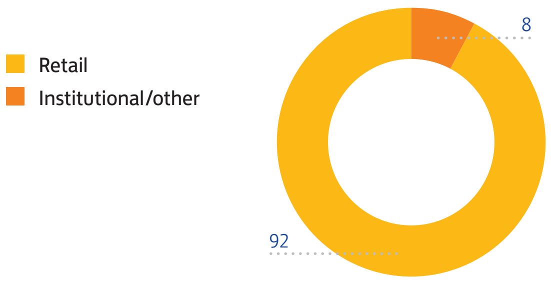


PostNL's authorised share capital is divided into 1,500,000,000 shares of €0.08 each and consists of 750,000,000 ordinary shares and 750,000,000 preference shares B.

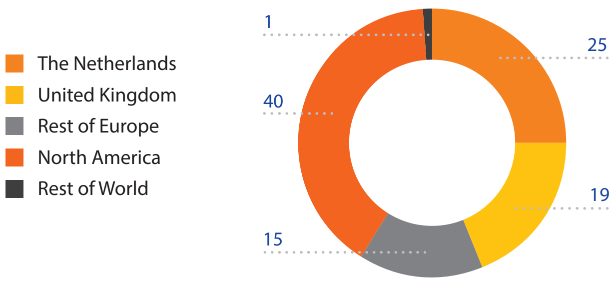
The number of issued and outstanding ordinary shares increased from 392,301,442 on 31 December 2011 to 439,973,297 on 31 December 2012. No preference shares B were issued and outstanding. For more information on PostNL's equity, see note 9 to the consolidated financial statements.

The majority of PostNL ordinary shares are in bearer form, therefore the analyses of shareholding by region and investor type are best estimates based on the information available to PostNL through various market sources. Estimates on 31 December 2012, and shown as a percentage of total shares outstanding (excluding shares held by the company) on that date are:

Shareholders by sector
(in %)



Shareholders by country
(in %)



Shareholders by sector and by country

The split of shareholders by sector did not change compared to 2011. In 2012, Dutch shareholders held 25% of the outstanding shares of PostNL, up from 19% in 2011. This was mainly balanced by shareholders from North America holding fewer shares.

Major shareholders

Pursuant to the Financial Markets Supervision Act (*Wet op het financieel toezicht*), shareholders must disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Dutch Financial Markets Authority (AFM) without delay. The company is notified by the AFM.

Overview of substantial shareholders

Date of notification	Company	(Indirect) Holding	Holding of (indirect) voting rights)
30 September 2011	Causeway Capital Management LLC	6.76%	5.02%
18 November 2011	Mackenzie Financial Corporation	8.52%	10.07%
15 March 2012	Manning&Napier Advisors LLC	5.48%	4.93%
20 December 2012	ING Investment Management	9.18%	9.49%

Since November 2012, investors also have to disclose short positions in the company that exceed 0.5% of outstanding shares.

Overview short positions

Date of notification	Company	Net short position in %
5 November 2012	Oxford Asset Management	0.72%
27 December 2012	Canada Pension Plan Investment Board	0.50%

Dividend

Dividend 2012

The final 2011 dividend of €0.193 per ordinary share was fully paid in shares in May 2012. PostNL issued 21,791,073 ordinary shares as a stock dividend related to the final 2011 dividend.

In August 2012, PostNL paid an interim 2012 dividend of €0.181 per ordinary share, fully paid in shares. 25,880,782 ordinary shares were issued as a stock dividend related to the interim 2012 dividend.

PostNL will propose to the Annual General Meeting of Shareholders, to be held on 16 April 2013, to distribute a 2012 dividend of €0.181 per ordinary share, to be paid fully in shares, as an interim dividend. We will not pass through the 2012 €0.03 dividend per ordinary share of TNT Express (subject to approval of the Annual General Meeting of TNT Express), as PostNL expects negative distributable corporate equity in April 2013, which restricts the company from paying any dividend. Accordingly, the final dividend will be nil.

Dividend policy

PostNL will not be able to pay a cash dividend for 2013. Our focus is on bringing PostNL back into a situation where we can resume paying a cash dividend as soon as possible.

It is PostNL's intention to pay out a dividend per share, which develops substantially in line with the development of our operational performance. PostNL will aim for a dividend pay out of around 75% of the underlying net cash income. PostNL anticipates paying interim and final dividends annually in an election dividend, which means that the shareholders can decide whether they want to receive cash or shares. The interim dividend set will be set at 75% of the underlying net cash income over the first half of the year. The conditions for paying out a dividend are positive consolidated equity and certainty of a BBB +/Baa1 credit rating.

The underlying net cash income is defined as 'profit attributable to equity holders of the parent' adjusted for significant one-off and special items, cash out from provisions and additional cash pension contributions. This normalisation adjustment is based on the underlying cash operating income, separately reported as one of the key performance indicators of the company.

PostNL considers the ordinary shares it holds in TNT Express as a purely financial stake. Until a cash dividend is restored, PostNL will not return to shareholders any dividends or net dividends received on its TNT Express shares.

The Reserves and Dividend Guidelines are available on PostNL's corporate website, postnl.com.

Other information

Website
For the latest and archived press releases, corporate presentations, share price information and other company information, such as PostNL's online annual report and interim reports, please visit the corporate website, postnl.com.

PostNL investor relations
Through the company's investor relations activities, PostNL aims to provide shareholders with accurate and timely information. PostNL proactively and openly communicates with institutional and retail investors and with intermediary groups such as analysts and financial journalists.

In addition to the quarterly, half-yearly and yearly result presentations, PostNL maintains regular contacts with financial analysts and investors through meetings, roadshows, conference calls and company visits.

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Mailing address
PostNL Investor Relations
PO 30250
2500 GG The Hague
The Netherlands

Telephone: +31 88 868 61 61
E-mail: ir@postnl.nl
Website: postnl.com

Financial calendar 2013

25 February	Publication of 2012 fourth quarter and full year results
16 April	Annual General Meeting of Shareholders
7 May	Publication of 2013 first quarter results
5 August	Publication of 2013 second quarter/half year results
4 November	Publication of 2013 third quarter results

17 Financial statements

PostNL N.V. Consolidated Financial statements

PostNL N.V. Corporate Financial statements

Consolidated statement of financial position

At 31 December	Notes	2012	2011
ASSETS			
Non-current assets			
Intangible assets	1		
Goodwill		111	121
Other intangible assets		57	55
Total		168	176
Property, plant and equipment	2		
Land and buildings		303	238
Plant and equipment		140	112
Other		42	32
Construction in progress		51	69
Total		536	451
Financial fixed assets			
Investments in associates	3	6	940
Other loans receivable		4	2
Deferred tax assets	22	23	20
Other financial fixed assets			1
Total		33	963
Pension assets	10	1,487	1,217
Total non-current assets		**2,224**	**2,807**
Current assets			
Inventory	4	9	9
Trade accounts receivable	5	432	417
Accounts receivable	5	50	41
Income tax receivable	22	4	3
Prepayments and accrued income	6	116	121
Cash and cash equivalents	7	391	668
Total current assets		**1,002**	**1,259**
Assets classified as held for sale	8	1,430	52
Total assets		**4,656**	**4,118**
LIABILITIES AND EQUITY			
Equity	9		
Equity attributable to the equity holders of the parent		1,069	400
Non-controlling interests		11	14
Total		1,080	414
Non-current liabilities			
Deferred tax liabilities	22	451	341
Provisions for pension liabilities	10	193	219
Other provisions	11	117	201
Long-term debt	12	1,615	1,607
Accrued liabilities		2	
Total		2,378	2,368
Current liabilities			
Trade accounts payable		233	219
Other provisions	11	91	132
Other current liabilities	13	240	291
Income tax payable	22	28	94
Accrued current liabilities	14	595	600
Total		1,187	1,336
Liabilities related to assets classified as held for sale	8	11	
Total liabilities and equity		**4,656**	**4,118**

(in € millions)

The accompanying notes form an integral part of the financial statements.

Consolidated income statement

Year ended at 31 December	Notes	2012	2011
Net sales	15	4,317	4,283
Other operating revenues	16	13	14
Total revenues		4,330	4,297
Other income	17	32	53
Cost of materials		(187)	(195)
Work contracted out and other external expenses		(2,140)	(1,937)
Salaries, pensions and social security contributions	18	(1,293)	(1,429)
Depreciation, amortisation and impairments	19	(250)	(112)
Other operating expenses	20	(201)	(260)
Total operating expenses		(4,071)	(3,933)
Operating income		**291**	**417**
Interest and similar income		6	20
Interest and similar expenses		(110)	(121)
Net financial expense	21	(104)	(101)
Results from investments in associates	3	1	(25)
Reversal of/(impairment of) investments in associates	3	570	(636)
Profit/(loss) before income taxes		**758**	**(345)**
Income taxes	22	(80)	(78)
Profit/(loss) from continuing operations		**678**	**(423)**
Profit from discontinued operations			2,159
Profit for the year		**678**	**1,736**
Attributable to:			
Non-controlling interests		1	
Equity holders of the parent		**677**	**1,736**
Earnings per (diluted) ordinary share (in € cents)[1]	30	153.9	402.7
Earnings from continuing operations per (diluted) ordinary share (in € cents)	30	153.9	(98.1)
Earnings from discontinued operations per (diluted) ordinary share (in € cents)	30		500.8

(in € millions)

[1] Earnings per (diluted) ordinary share are in 2012 based on an average of 439,973,297 outstanding (diluted) ordinary shares (2011: 431,046,838).

Consolidated statement of comprehensive income

Year ended at 31 December	2012	2011
Profit for the year	**678**	**1,736**
Continued operations		
Gains/(losses) on cashflow hedges, net of tax	(1)	9
Currency translation adjustment, net of tax	1	
Impact changes other comprehensive income associates	(5)	22
	(5)	31
Discontinued operations		
Gains/(losses) on cashflow hedges, net of tax		22
Currency translation adjustment, net of tax		49
		71
Total other comprehensive income for the year	**(5)**	**102**
Total comprehensive income for the year	**673**	**1,838**
Attributable to:		
Non-controlling interests	1	
Equity holders of the parent	672	1,838

(in € millions)

The accompanying notes form an integral part of the financial statements.

Consolidated statement of cash flows

Year ended at 31 December	Notes	2012	2011
Profit/(loss) before income taxes		**758**	**(345)**
Adjustments for:			
Depreciation, amortisation and impairments		250	112
Share-based payments		0	9
(Profit)/loss on assets held for sale		(14)	(17)
(Profit)/loss on sale of Group companies/joint ventures		(1)	(33)
Negative goodwill on acquisition of Group companies		(15)	
Interest and similar income		(6)	(20)
Interest and similar expenses		110	121
(Reversal of) impairments and results of investments in associates		(571)	661
Investment income		(497)	712
Pension liabilities		(296)	(143)
Other provisions		(132)	(64)
Changes in provisions		(428)	(207)
Inventory		0	(1)
Trade accounts receivable		(9)	0
Other accounts receivable		(8)	(3)
Other current assets		4	(20)
Trade accounts payable		10	60
Other current liabilities excluding short-term financing and taxes		3	4
Changes in working capital		0	40
Cash generated from operations		**83**	**321**
Interest paid		(99)	(101)
Income taxes paid		(40)	(98)
Net cash (used in)/from operating activities	23	**(56)**	**122**
Interest received		11	7
Dividend received		2	7
Acquisition of subsidiaries and joint ventures (net of cash)		15	(2)
Disposal of subsidiaries and joint ventures			110
Investments in associates		(1)	
Capital expenditure on intangible assets		(29)	(33)
Capital expenditure on property, plant and equipment		(175)	(104)
Proceeds from sale of property, plant and equipment		27	62
Other changes in (financial) fixed assets		(2)	1
Changes in non-controlling interests		(4)	(1)
Net cash (used in)/from investing activities	24	**(156)**	**47**
Cash settlement of share-based payments		(2)	(6)
Proceeds from long-term borrowings		4	1
Repayments of long-term borrowings		0	(2)
Proceeds from short-term borrowings		0	29
Repayments of short-term borrowings		(67)	(4)
Repayments of finance leases		(1)	(4)
Dividends paid			(80)
Financing related to discontinued business			498
Net cash (used in)/from financing activities	25	**(66)**	**432**
Total change in cash		**(278)**	**601**
Cash at the beginning of the year		**668**	**65**
Exchange rate differences		1	2
Total change in cash		(278)	601
Cash at the end of the year		**391**	**668**

(in € millions)

The accompanying notes form an integral part of the financial statements.

Consolidated statement of changes in equity

	Issued share capital	Additional paid-in capital	Translation reserve	Hedge reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2010	**180**	**869**	**(41)**	**(43)**	**1,167**	**292**	**2,424**	**19**	**2,443**
Total comprehensive income			49	31	22	1,736	1,838	0	1,838
Appropriation of net income					248	(248)	0		0
Demerger Express		(867)			(2,929)		(3,796)		(3,796)
Reduction nominal value	(152)	152					0		0
Second interim dividend 2010	2	(2)				(44)	(44)		(44)
Interim dividend current year	1	(1)				(36)	(36)		(36)
Share-based compensation					16		16		16
Other					(2)		(2)	(5)	(7)
Total direct changes in equity	(149)	(718)	0	0	(2,667)	(328)	(3,862)	(5)	(3,867)
Balance at 31 December 2011	**31**	**151**	**8**	**(12)**	**(1,478)**	**1,700**	**400**	**14**	**414**
Total comprehensive income			1	(1)	(5)	677	672	1	673
Appropriation of net income					1,091	(1,091)	0		0
Final dividend previous year	2	(2)					0		0
Interim dividend current year	2	(2)					0		0
Other					(3)		(3)	(4)	(7)
Total direct changes in equity	4	(4)	0	0	1,088	(1,091)	(3)	(4)	(7)
Balance at 31 December 2012	**35**	**147**	**9**	**(13)**	**(395)**	**1,286**	**1,069**	**11**	**1,080**

(in € millions)

Notes to the consolidated financial statements

General information and description of the business

PostNL N.V. is a public limited liability company with its registered seat and head office in The Hague, the Netherlands. The consolidated financial statements include the financial statements of PostNL N.V. and its consolidated subsidiaries (hereafter referred to as 'PostNL', 'Group' or 'the company'). Following the demerger of Express in 2011, PostNL holds a share of 29.8% in TNT Express N.V. ('TNT Express'). Both PostNL and TNT Express are listed on NYSE Euronext in Amsterdam.

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

The consolidated financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 25 February 2013 and are subject to adoption at the Annual General Meeting of Shareholders on 16 April 2013.

Shareholding in TNT Express

On 19 March 2012, United Parcel Service, Inc. ('UPS') and TNT Express announced their agreement on a recommended public offer of €9.50 per ordinary share to be made by UPS for TNT Express. PostNL signed an irrevocable undertaking with UPS to tender all TNT Express shares held by it under the offer of UPS subject to customary undertakings and conditions.

As a result of the UPS offer and PostNL's irrevocable undertaking, the stake in TNT Express was transferred at the end of March 2012 from investments in associates to assets held for sale. IFRS 5 'Assets held for sale' requires assets to be valued at the lower of their fair value less cost to sell and their carrying value. Before the transfer, PostNL's share in net earnings and direct equity movements of TNT Express was included in the consolidated income statement using the equity method, taking into account additional depreciation and amortisation ('purchase price adjustments'). Fair value less cost to sell is based on PostNL's share interest in TNT Express' market value, represented by the number of shares held multiplied by the TNT Express share list price.

As a result of the UPS offer, the share price of TNT Express increased from €5.77 on 30 December 2011 to €9.26 on 30 March 2012. This increase resulted in a partial reversal of the 2011 impairment charge on the stake in TNT Express of €570 million and increased its carrying value to €1,502 million as at 31 March 2012. Since its classification as asset held for sale, the share price of TNT Express declined from €9.26 to €8.43 on 31 December 2012, resulting in an impairment of €135 million and reducing the value of the stake in TNT Express to its market value of €1,367 million as at 31 December 2012. The fair (market) value has been determined by multiplying the closing share price at 31 December 2012 of €8.43 by the total number of issued ordinary shares held by PostNL of 162,130,035.

For detail on the subsequent events in relation to PostNL's shareholding in TNT Express, refer to note 34 to the consolidated financial statements.

Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise. All amounts included in the financial statements are presented in euros, unless stated otherwise.

Basis of preparation

The consolidated financial statements of PostNL have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS), related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments.

The preparation of financial statements in accordancey with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying PostNL's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in 'Critical accounting estimates and judgements in applying PostNL's accounting policies'.

Going concern
In 2012, PostNL's consolidated equity increased from €414 million as at 31 December 2011 to €1,080 million as at 31 December 2012. This was partially due to the net increase in the book value of the stake in TNT Express. Corporate equity increased from €1,918 million as at 31 December 2011 to €2,306 million as at 31 December 2012.

In 2013, the impact of the revised IAS 19 'Employee Benefits' and the reduction in value of the stake in TNT Express, resulting from the prohibition of the acquisition by the European Commission followed by the cancellation of the bid by UPS, will lead to negative consolidated equity. Corporate equity will remain positive. Furthermore, not receiving the cash proceeds from the anticipated sale of the stake in TNT Express impacts the company's liquidity and delays the anticipated reduction of debt. If the coverage ratio of PostNL's main pension fund remains below the minimum required level, top up payments may put further pressure on the company's liquidity.

In the light of measures already taken or planned, management is confident it will be able to sufficiently strengthen liquidity and shareholders' equity and return to positive equity. Measures aimed at improving the company's liquidity and solvency include additional cost savings to cover the volume declines within Mail in the Netherlands by further enhancing operational synergies through a successful restart of the implementation of the remaining part of the Master Plans, overhead reduction and potential increases in sales prices. The company will limit and control capital expenditures and refrain from major acquisitions. The company will also refrain from (cash) dividend distributions in the near future. These actions will contribute to positive cash flows and recovery towards a positive equity balance.

The negative consolidated equity does not impact the company's operations, the timing of debt reductions, access to the available credit facility or the stock exchange listing. As at 31 December 2012, the balance of cash and cash equivalents amounted to €391 million and the company has an undrawn multi-currency revolving credit facility of €570 million. Its financing arrangements do not include financial covenants and the first bond repayments are not due until 2015. The company has an investment in TNT Express which can be monetised over time, and although the company remains vulnerable to interest rate changes in relation to its pension obligations, it can also benefit from an environment of increasing interest rates. Based on the cash flow-generating capability of the company, the current finance structure and the company's ability to realise its assets and discharge its liabilities in the normal course of business, PostNL's financial statements have been prepared under the assumption of going concern.

Changes in accounting policies and disclosures
The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments thereof, and the IFRIC has issued certain interpretations. The impact of changes, when adopted by the EU, on PostNL's consolidated financial statements, has been assessed.

a) New and amended standards adopted by the Group:
There are no IFRS standards or IFRIC interpretations taking effect for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not adopted early by the Group:
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group intends to adopt IAS 1 no later than the accounting period beginning on 1 January 2013 and expects no material impact on the Group from its adoption.

- In 2011, the IASB issued the revised IAS 19 'Employee Benefits'. The revised IAS 19 was endorsed by the European Union on 5 June 2012 and will take effect on 1 January 2013. The impact of the revised IAS 19 on the 2013 consolidated financial position and consolidated income statement of PostNL will be significant.

  The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses immediately. As at 31 December 2012, the consolidated net pension asset amounted to €1,294 million (1 January 2012: 998). This includes net actuarial losses totalling €1,829 million (1 January 2012: 922). If these net actuarial losses as per 31 December 2012 had been recognised immediately, this would have negatively affected consolidated equity of PostNL by a net amount of around €1,370 million (1 January 2012: around 690). As future actuarial results also have to be recognised immediately and are heavily dependent on interest rate movements, consolidated equity will show fluctuations when actual developments differ from expected developments.

  The impact of the revised IAS 19 on the consolidated income statement resulting from the replacement of the expected return on plan assets by the lower discount rate and the cancellation of the amortisation of the unrecognised losses, would have affected the 2012 consolidated income statement by an estimated increase in pension expenses of around €20 million (based on the parameters as at 1 January 2012).

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed.

- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of IFRS 10 and intends to adopt IFRS 10 no later than the accounting period beginning on 1 January 2014.

- IFRS 11 'Joint Arrangements' and IAS 28 'Associates and joint ventures' will take effect on 1 January 2014. IFRS 11 puts more focus on the rights and obligations of the arrangement than on its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures will no longer be allowed. IAS 28 includes the requirements for associates and joint ventures that have to be equity-accounted following the adoption of IFRS 11. The Group is yet to assess the full impact of IFRS 11 and IAS 28 and intends to adopt IFRS 11 and IAS 28 no later than the accounting period beginning on 1 January 2014.

- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group is yet to assess the full impact of IFRS 12 and intends to adopt IFRS 12 no later than the accounting period beginning on 1 January 2014.

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group intends to adopt IFRS 13 no later than the accounting period beginning on 1 January 2013 and expects no material impact on the Group from its adoption.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Consolidation
The consolidated financial statements include the financial numbers of PostNL N.V. and its subsidiaries, associates and joint ventures and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. A complete list of subsidiaries, associates and joint ventures included in PostNL's consolidated financial statements is filed for public review at the Chamber of Commerce in The Hague. This list has been prepared in accordance with the provisions of article 379 (1) and article 414 of book 2 of the Dutch Civil Code.

Subsidiaries
A subsidiary is an entity controlled directly or indirectly by PostNL N.V. Control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether PostNL controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to PostNL and are de-consolidated from the date on which control ceases.

PostNL uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes also the fair value arising from contingent consideration arrangements. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date irrespective of the extent of any minority interest.

The excess of the consideration transferred over the fair value of PostNL's share of the identifiable net assets of the subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of PostNL's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

The non-controlling interest is initially measured at the proportion of the non-controlling interest in the recognised net fair value of the assets, liabilities and contingent liabilities. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against PostNL's interests, except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Associates
An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and financial policy decisions PostNL has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity.

PostNL's share in the results of associates is included in the consolidated income statement using the equity method. The carrying value of PostNL's share in associates includes goodwill on acquisition and includes changes to reflect PostNL's share in net earnings of the respective companies, reduced by dividends received. When PostNL's share of accumulated losses in an associate exceeds its interest in the associate, the book value of the investment is reduced to zero and PostNL does not recognise further losses unless PostNL is bound by guarantees or other undertakings in relation to the associate.

Joint ventures
A joint venture is a contractual arrangement whereby PostNL and one or more parties (together with PostNL 'the ventures') undertake an economic activity that is subject to joint control. A joint venture often involves the establishment of a legal entity. The ventures share the full economic ownership and are entitled to a share of the financial result of the activities of the joint venture rather than individual assets or obligations for expenses of the venture. Joint ventures in which PostNL participates with another party/other parties are consolidated proportionately. In applying the proportionate consolidation

method, PostNL's percentage share of the balance sheet and income statement items is included in PostNL's consolidated financial statements.

Functional currency and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is PostNL's functional and presentation currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using year-end exchange rates. Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement except for qualifying cash flow hedges and qualifying net investment hedges that are directly recognised in other comprehensive income.

Foreign operations
The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities are translated at the closing exchange rates,
- income and expenses are translated at average exchange rates, and
- the resulting exchange rate differences based on the different ways of translating between the balance sheet and the income statement are recognised as a separate component of equity (translation reserve).

Foreign currency exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the translation reserve. When a foreign operation is sold, such exchange differences are recycled in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of acquisition over the fair value of PostNL's share of the identifiable net assets acquired and is recorded as goodwill. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is not separately recognised or tested for impairment. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately-recognised goodwill arising on acquisitions is capitalised and subject to an annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

Other intangible assets
Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Apart from software, other intangible assets mainly include customer lists, assets under development, licences and concessions. Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

An asset under construction is transferred to its respective intangible asset category at the moment it is ready for use and is amortised using the straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment.

Property, plant and equipment
Property, plant and equipment is valued at historical cost using a component approach, less depreciation and impairment losses. In addition to costs of acquisition, the company also includes costs of bringing the asset to working condition, handling and installation costs and non-refundable purchase taxes. Under the component approach, each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Land is not depreciated. System software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate, because the estimated useful life is inextricably linked with the estimated useful life of the associated asset.

Leases of property, plant and equipment are classified as finance leases if the company has substantially all the risks and rewards of ownership. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long-term debt. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Impairment of goodwill, investments in associates, intangible assets and property, plant and equipment

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset might be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows, being the cash-generating units where a cash-generating unit is not at a higher level than an operating segment. If the recoverable value of the cash-generating unit is less than the carrying amount of the cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific cash-generating units before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the cash-generating unit under review. For impairment testing of goodwill, the cash-generating unit is defined as the lowest level where goodwill is monitored for internal purposes. This level may be higher than the level used for testing other assets, but is not at a higher level than an operating segment. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Investment in associates

PostNL will assess on each reporting date whether there is objective evidence that the investment in associates may need to be impaired. If the recoverable value of an associate is less than its carrying amount, the carrying amount of the associate is reduced to its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. The fair value less costs to sell of an associate is reviewed based on observable publicly available market data. A significant or prolonged decline in the fair value is an important quantitative triggering event for impairment of PostNL's stake in TNT Express. Possible impairment charges may be reversed if there is an indication that the impairment no longer exists or has been reduced.

Finite-lived intangible assets and property, plant and equipment

At each balance sheet date, the Group reviews the carrying amount of its finite-lived intangible assets and property, plant and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the assets is estimated in order to determine the extent, if any, of the impairment loss. An asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in the income statement. Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. A reversal of an impairment loss is recognised immediately in the income statement.

Financial assets and liabilities

PostNL classifies financial assets and liabilities into the following categories:

- financial assets and financial liabilities at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments,
- available-for-sale financial assets, and
- financial liabilities measured at amortised cost.

The classification depends on the purpose for which the financial asset or liability was acquired. Management determines the classification of PostNL's financial assets and liabilities at initial recognition.

Financial assets and financial liabilities at fair value through profit or loss include derivatives and other assets and liabilities that are designated as such upon initial recognition.

Measurement at fair value requires disclosure of how this measurement has been determined in relation to the following fair value measurement hierarchy:

1. quoted prices (unadjusted) in active markets,
2. inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from quoted prices), and
3. inputs not based on observable market data.

Financial assets and financial liabilities at fair value through profit or loss are initially recorded at fair value net of transaction costs incurred and subsequently re-measured at fair value on the balance sheet. PostNL designates certain derivatives as:

- hedges of the fair value of recognised assets and liabilities of a firm commitment (fair value hedge),
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge), or
- hedges of a net investment in a foreign operation (net investment hedge).

If a derivative is designated as a cash flow hedge or net investment hedge, changes in its fair value are considered to be effective and recorded in a separate component in equity until the hedged item is recorded in income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

At the inception of the transaction, PostNL documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

Unrealised gains and losses arising from changes in the fair value of financial assets and financial liabilities at fair value through profit and loss are directly recorded in the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which PostNL has no intention of trading. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables are included in trade and other receivables in the balance sheet, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities which PostNL has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months as from the balance sheet date. Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as a gain or a loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), PostNL establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

PostNL assesses on each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity instruments recognised in the income statement are not reversed through equity.

Financial liabilities measured at amortised cost are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

Inventory
Inventories of raw materials and finished goods are valued at the lower of historical cost or net realisable value. Historical cost is based on weighted average prices.

Accounts receivable
Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of accounts receivable is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the loss is recognised in the income statement. Any reversal of the loss is included in the income statement on the same line as where the original expense was recorded.

Cash and cash equivalents
Cash and cash equivalents are valued at fair value. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents. Bank overdrafts are not netted off from cash and cash equivalents.

Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell. Assets held for sale are no longer amortised or depreciated from the date they are classified as such. Accounting for assets classified as held for sale requires the use of significant assumptions and estimates. In line with IFRS 5, management assessed the compliance with these statements and the assumptions used in the fair value calculations as well as the estimated costs to sell.

Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases PostNL's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity.

Provisions for pension liabilities
The obligation for all pension and other post-employment plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. PostNL uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial

assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as the expected long-term return on plan assets). The discount rate is determined by reference to market rates using high-quality corporate bonds.

Cumulative unrecognised actuarial gains and losses are included in the balance sheet. The portion of the cumulative unrecognised actuarial gains and losses that exceed the higher of 10% of the obligation or 10% of the fair value of plan assets (corridor approach) is recognised in the income statement over the employee's expected average remaining service years.

Past service costs, if any, are recognised on a straight-line basis over the average vesting period of the amended pension or early retirement benefits.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised on the date of the curtailment or settlement.

Pension costs for defined contribution plans are expensed in the income statement when incurred or due.

Other provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation on the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The gross-up of the provision following the discounting of the provision is recorded in the profit and loss statement as interest expense.

Provisions are recorded for employee benefit obligations, restructuring, onerous contracts and other obligations.

The provision for employee benefit obligations includes long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within 12 months after the end of the period, profit-sharing, bonuses and deferred compensation. The expected costs of these benefits are recognised over the period of employment. Actuarial gains and losses and the impact of changes in actuarial assumptions are charged or credited to income in the period such a gain or loss occurs. Related service costs are recognised immediately.

The provision recorded for restructuring largely relates to termination benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. PostNL recognises termination benefits when the company has committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or provides termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

The provision for other obligations mainly concerns provisions for legal and contractual obligations and received claims.

Trade accounts payable

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the income statement is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised. Deferred tax assets and liabilities within the same tax group where a legally enforceable right to offset exists are presented net in the balance sheet.

Revenue recognition
PostNL's normal business operations consist of the provision of logistics services. Revenues are recognised when services are rendered, goods are delivered or work is completed. Revenue is the gross inflow of economic benefits during the current year that arise from ordinary activities and result in an increase in equity, other than increases relating to contributions from equity participants.

Revenues of delivered goods and services are recognised when:

- the company has transferred to a buyer the significant risks and rewards of ownership of the goods,
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods sold,
- the amounts of revenue are measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the company,
- the costs to be incurred in respect of the transaction can be measured reliably, and
- the stage of completion of the transaction at the balance sheet date can be measured reliably.

Contracted services that have not yet been rendered by PostNL on the balance sheet date, as well as outstanding customer prepayments for stamps and frankings, are designated as deferred income.

Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers or goods are delivered.

Net sales
Net sales represent revenues from the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales. Accumulated experience is used to estimate and provide for the discounts and return shipments.

Other operating revenues
Other operating revenues relate to the sale of goods and rendering of services not related to PostNL's normal trading activities and mainly include rental income of temporarily leased-out property and custom clearance income.

Other income
Other income includes net gains or losses from the sale of property, plant and equipment and book results following the divestment of activities.

Profit-sharing and bonus plans
The company recognises a liability and an expense for cash-settled bonuses and profit-sharing, based on a calculation that takes into consideration the profit attributable to its shareholders after certain adjustments in accordance with contractual arrangements.

Share-based payments
Following the cash-settled unwinding of the TNT equity plans in 2011, no 'legacy plans' remained after demerger for the company. The Supervisory Board had decided to apply a voluntary one-off investment/matching plan in which the cash proceeds from the unwinding of the former TNT bonus/matching plan, performance share plan and option plan could be invested in PostNL shares.

After the demerger of Express, PostNL installed a new bonus/matching plan where the participants can use a percentage of their yearly gross bonus to buy PostNL shares (bonus shares). Participants are granted matching shares and these matching shares are delivered for each bonus share that has been retained for three years and if all other conditions are met. The matching shares are settled in cash.

Both the one-off investment/matching plan and the bonus/matching plan are cash-settled share-based compensation plans where at each reporting date the related liability is re-measured resulting in a corresponding impact on the income statement.

Interest income and expense

Interest income and expense are recognised on a time-proportionate basis using the effective interest method. Interest income comprises interest income on borrowings, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedged items. Interest expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and changes in the fair value of financial assets at fair value through profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they can be capitalised as cost of a qualifying asset.

Government grants

Government grants are recognised initially as income when there is reasonable assurance that they will be received and PostNL has complied with the conditions associated with the grant. Grants that compensate PostNL for expenses incurred are recognised in the income statement on a systematic basis in the same period in which the expenses are recognised. Grants that compensate PostNL for the cost of an asset are deducted from the historical value of the asset and recognised in the income statement on a systematic basis over the useful life of the asset.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement as incurred during the period of the lease.

Dividend distribution

Dividend distribution to PostNL's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders. If PostNL offers its shareholders dividends or the choice of dividends in additional shares, the additionally issued shares are recognised at their nominal amount.

Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the statement of cash flows. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of subsidiaries, associates and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

Operating segment information

PostNL reports three operating segments: Mail in the Netherlands, Parcels and International. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Board of Management of PostNL that makes strategic decisions.

Critical accounting estimates and judgements in applying PostNL's accounting policies

The preparation of PostNL's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of PostNL's financial statements. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PostNL makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation investment in TNT Express

After the demerger of Express in 2011, PostNL initially held a 29.9% stake in TNT Express which was accounted for using the equity method, taking into account purchase price adjustments. The recoverable value of the investment in TNT Express was assessed at each reporting date to determine whether there was objective evidence that the investment in TNT Express might be impaired. The recoverability of the investment in TNT Express was reviewed based on observable publicly available market data and the share price development of TNT Express. A significant or prolonged decline in the share price of TNT

Express was an important quantitative triggering event for impairment. Judgement was required in order to assess whether a significant or prolonged decline is present.

During 2011, the share price of TNT Express was volatile and declined significantly from €9.77, the opening share price on 1 June 2011, to €5.77 on 30 December 2011. This resulted in a net impairment charge of €636 million. Resulting from the UPS offer and PostNL's irrevocable undertaking, the share price of TNT Express increased from €5.77 on 30 December 2011 to €9.26 on 30 March 2012. This increase resulted in a partial reversal of the 2011 impairment charge on the stake in TNT Express of €570 million and increased its carrying value to €1,502 million as at 30 March 2012.

As a result of the UPS offer, the stake in TNT Express was transferred from investments in associates to assets held for sale. IFRS 5 'Assets held for sale' requires assets to be valued at the lower of their fair value less cost to sell and their carrying value. Fair value less cost to sell is based on PostNL's share interest in TNT Express' market value, represented by the number of shares held multiplied by the TNT Express share list price. Impairment charges are recognised for any subsequent write-downs of the asset to fair value less costs to sell. Gains on any subsequent increases in fair value less cost to sell are recognised to the extent that they reverse previous impairments, either under IFRS 5 or the previously applicable IAS 36. Since its classification as asset held for sale, the share price of TNT Express declined from €9.26 to €8.43 as at 31 December 2012, resulting in an impairment charge of €135 million and decreasing the value of the stake in TNT Express to its market value of €1,367 million as at 31 December 2012.

For details of the subsequent events relating to PostNL's shareholding in TNT Express, refer to note 34 to the consolidated financial statements.

Employee benefits
Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires the company to make assumptions regarding variables such as the discount rate, the rate of benefit increase, the expected return on assets and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For details of the current funded status and a sensitivity analysis with respect to defined benefit plan assumptions, see note 10 to the consolidated financial statements.

Restructuring
Restructuring charges mainly result from restructuring operations and/or relocations of operations, changes in PostNL's strategy or managerial responses to declining demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, reduction of excess facilities, contract settlements and tangible asset impairments. Actual experience has been and may continue to be different from these estimates. In 2010, PostNL announced the further restructuring of its operations in the Netherlands with the Master Plan III programme. The scope and measurement of the related restructuring provision highly depends on the projected cash outflows over the years, which are mainly driven by the estimated number of staff that will either be made redundant or apply for a mobility arrangement. In 2012, PostNL changed the rollout plan of the Master Plan III restructuring programme within operations, expected to result in substantially lower employee redundancies,which resulted in a partial release of the restructuring provision. For details on the current Master Plan III restructuring provision, see note 11 to the consolidated financial statements.

Impairment of assets
In determining impairments of intangible assets including goodwill, tangible fixed assets and financial fixed assets, management must make significant judgements and estimates to determine whether the recoverable amount is less than the carrying value. The recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. Determining cash flows requires the use of judgements and estimates that have been included in PostNL's strategic plans and long-term forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which make it necessary to estimate revenue growth rates and profit margins.

Depreciation and amortisation of tangible and intangible fixed assets
Tangible and intangible fixed assets, except for goodwill, are depreciated or amortised using a straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life are based on PostNL's best estimates and are reviewed, and adjusted if required, at each balance sheet date.

Impairment of receivables
The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. The assumptions and estimates used to determine the valuation allowance are reviewed periodically.

Deferred revenues from stamps
PostNL has to estimate the deferred revenues from stamps sold but not yet used by its customers. The company uses a seasonal model based on historical figures in order to account for the seasonal effects on sales from stamps (for example, stamp sales for Christmas greetings in November and December).

Income taxes
The company is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision and liability for income taxes. PostNL recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. In cases where the tax determination is uncertain, the company assesses the potential consequences based on its own internal analyses, supported by external advice, and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

PostNL recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the company operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that the company may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact PostNL's financial position and net profit.

Contingent liabilities
Legal proceedings covering a range of matters are pending against the company in various jurisdictions. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against the company often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, PostNL consults with legal counsel and certain other experts on matters related to litigation.

PostNL recognises a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

Notes to the consolidated statement of financial position

1 Intangible assets

Intangible assets: 168 million (2011: 176)

Statement of changes

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	329	170	41	540
Accumulated amortisation and impairments	(209)	(138)	(27)	(374)
Balance at 31 December 2010	**120**	**32**	**14**	**166**
Changes in 2011				
Additions	2	12	21	35
Disposals	(2)			(2)
Internal transfers/reclassifications		7	(7)	
Exchange rate differences	1			1
Amortisation		(21)	(2)	(23)
Impairments			(1)	(1)
Total changes	1	(2)	11	10
Historical cost	310	198	53	561
Accumulated amortisation and impairments	(189)	(168)	(28)	(385)
Balance at 31 December 2011	**121**	**30**	**25**	**176**
Changes in 2012				
Additions	1	12	17	30
Internal transfers/reclassifications		27	(27)	
Amortisation		(25)	(2)	(27)
Transfers to assets held for sale	(11)			(11)
Total changes	(10)	14	(12)	(8)
Historical cost	293	230	44	567
Accumulated amortisation and impairments	(182)	(186)	(31)	(399)
Balance at 31 December 2012	**111**	**44**	**13**	**168**

(in € millions)

As at 31 December 2012, intangible assets consisted of goodwill totalling €111 million (2011: 121) and software and other intangible assets totalling €57 million (2011: 55).

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) and tested for impairment. The CGUs correspond to an operation in a particular country or region and the nature of the services provided.

Compared to 2011, the CGU structure has slightly changed. In 2012, management decided to organise the activities of Data and Document Management services as part of Mail in the Netherlands. As a result, the goodwill allocated to CGU Data and Document Management services was transferred to CGU Mail in the Netherlands.

The total goodwill balance at 31 December 2012 amounted to €111 million (2011: 121), of which PostNL has allocated €57 million (2011: 67) to CGU Mail in the Netherlands , €3 million (2011: 3) to CGU Parcels and €51 million (2011: 51) to International CGUs (€18 million to CGU United Kingdom, €31 million to CGUs Germany and €2 million to CGU Italy).

In 2012, the additions to goodwill amounted to €1 million arising from the acquisition of Marvia B.V. within Mail in the Netherlands. Goodwill totalling €11 million relating to customer contact services within Mail in the Netherlands was transferred to assets held for sale. In 2012, no goodwill impairment charges were recorded (2011: 0).

Based on 2012 financial performance, a detailed review has been performed of the recoverable value of each CGU. The recoverable value is the higher of the value in use and fair value less costs to sell. Fair value less costs to sell represents the best estimate of the amount PostNL would receive if it sold the CGU. The value in use has been estimated on the basis of the present value of future cash flows.

For both mature markets and non-mature markets, the estimated future net cash flows are based on a nine-year forecast and business plan, as management considers these forecasts reliable based on past experience.

For markets considered non-mature, no steady state has been achieved to date. The applied growth rate does not exceed the long-term average growth rate of the related operation and market. The cash flow projections based on financial budgets have been approved by management.

PostNL determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used in the CGU valuations varies between 10% and 13% (pre-tax).

Key assumptions used to determine the recoverable values for each individual CGU are the following:
- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of capital expenditure in network-related assets,
- level of operating income largely impacted by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale, and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

Management has carried out an impairment test for each individual CGU and concluded that the recoverable amount of the individual CGUs is higher than the carrying amount. Due to current market circumstances and related uncertainty, a sensitivity analysis has been applied for the CGU United Kingdom. This sensitivity analysis included the individual impact of the following items which are considered to be most critical when determining the recoverable value:
- an increase in the discount rate of 1% and 2%, and
- a decrease in operating income of 5% per year.

The sensitivity analyses showed there is limited headroom present for the CGU United Kingdom, which covers goodwill totalling €18 million as at 31 December 2012. The future profitability of the current business is under pressure. Management intensively reviewed the strategic business forecasts, resulting in a reduced forecast for the CGU United Kingdom for the period 2013 – 2021. Centralisation and further optimisation of operational and administrative processes are key areas of attention.

As at 31 December 2012 and based on the latest strategic business forecast with a forecast period of nine years, the goodwill of the CGU United Kingdom is recoverable with the recoverable value exceeding the carrying amount by around €6 million. The key parameter in the sensitivity analyses is the applied discount rate and the development of operating income. If the discount rate were to increase by 1%, the headroom would be around -€4 million (+2%: -€13 million). If operating income were to decline by 5% per year, the headroom would be around nil.

Software
As at 31 December 2012, the software balance of €44 million (2011: 30) included internally-generated software with a book value of €33 million (2011: 23). The additions to software of €12 million related to self-produced software of €7 million and purchased software of €5 million. They mainly concerned IT investments in the new logistical infrastructure within Parcels and software licences for Microsoft and SAP applications. The reclassification of €27 million from other intangibles was due to finalised IT projects.

Other intangibles
As at 31 December 2012, the other intangible assets of €13 million (2011: 25) related to customer lists of €4 million (2011: 5) and software under construction of €9 million (2011: 20).

The estimated amortisation expenses for software and other intangible assets for the next five years are:
- 2013: €27 million,
- 2014: €17 million,
- 2015: €10 million,
- 2016: €1 million,
- 2017: €1 million, and
- thereafter: €1 million.

PostNL does not conduct significant research and development activities and therefore does not incur research and development costs.

2 Property, plant and equipment

Property, plant and equipment: 536 million (2011: 451)

Statement of changes

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Depreciation percentage	0%-10%	4%-33%	7%-25%	0%	
Historical cost	737	542	183	53	1,515
Accumulated depreciation and impairments	(443)	(423)	(150)		(1,016)
Balance at 31 December 2010	**294**	**119**	**33**	**53**	**499**
Changes in 2011					
Capital expenditure in cash		20	7	77	104
Capital expenditure in financial leases		1			1
Disposals	(18)	(2)	(1)	(1)	(22)
Internal transfers and reclassifications	46	5	9	(60)	0
Depreciation	(29)	(31)	(16)		(76)
Impairments	(12)				(12)
Transfers to assets held for sale	(43)				(43)
Total changes	(56)	(7)	(1)	16	(48)
Historical cost	666	545	168	69	1,448
Accumulated depreciation and impairments	(428)	(433)	(136)		(997)
Balance at 31 December 2011	**238**	**112**	**32**	**69**	**451**
Changes in 2012					
Capital expenditure in cash	4	17	11	143	175
(De)consolidation		1	2		3
Disposals	(6)	(1)	(1)		(8)
Internal transfers and reclassifications	103	45	13	(161)	
Depreciation	(30)	(32)	(15)		(77)
Impairments	(2)				(2)
Transfers to assets held for sale	(4)	(2)			(6)
Total changes	65	28	10	(18)	85
Historical cost	736	545	177	51	1,509
Accumulated depreciation and impairments	(433)	(405)	(135)		(973)
Balance at 31 December 2012	**303**	**140**	**42**	**51**	**536**

(in € millions)

Capital expenditures of €175 million (2011: 104) mainly concerned investments within Mail in the Netherlands of €40 million, within Parcels of €68 million and within PostNL Other of €56 million. The investments mainly concerned buildings and equipment related to the Master Plans, vehicle replacements and land, buildings and sorting machinery for the new logistical infrastructure (NLI) within Parcels. Higher investments related to the Master Plans and NLI explain the higher capital expenditures compared to 2011.

(De)consolidation of €3 million mainly related to assets acquired with the acquisition of the Belgian activities of trans-o-flex.

The disposals of €8 million mainly related to the sale of real estate in the Netherlands. In 2011, the disposals of €22 milion mainly related to the sale of furnishings of the head office building and related equipment to TNT Express.

The internal transfers and reclassifications of €161 million from construction in progress to land and buildings, plant and equipment and other were caused by the finalisation of central preparation locations, NLI depots within Parcels and sorting machinery.

In 2012, depreciation costs amounted to €77 million and were in line with 2011 (€76 million).

In 2012, impairment charges amounted to €2 million (2011: 12) and related to real estate in the Netherlands which is part of the reportable segment Mail in the Netherlands. Given the current overall downward pressure on real estate, management reviewed the recoverability of the real estate portfolio and concluded that some individual buildings should be impaired. The recoverable value of the buildings was based on the fair value less costs to sell, supported by valuations from external professional valuators.

In 2012, the transfers to assets held for sale related to buildings in the Netherlands totalling €4 million and to equipment relating to customer contact services totalling €2 million. In 2011, the transfers to assets held for sale related to buildings within Mail in the Netherlands totalling €37 million and in PostNL Other totalling €6 million.

Finance leases included in the property, plant and equipment balance as at 31 December 2012, amounted to €13 million (2011: 17), of which €13 million (2011: 13) concerns land and buildings and €0 million (2011: 4) concerns plant and equipment. The minimum lease payments to be paid under these contracts represent the discounted value.

Included in land and buildings under financial leases are leasehold rights and ground rent. The book value of the leasehold rights and ground rent is €13 million (2011: 13), comprising a historical cost of €19 million (2011: 18) with accumulated depreciation of €6 million (2011: 5).

Leasehold rights and ground rents expiring:
- between 1 and 5 years amount to €0 million (2011: 0),
- between 5 and 20 years amount to €5 million (2011: 4), and
- between 20 and 40 years amount to €8 million (2011: 9).

There are no leasehold and ground rent contracts with indefinite terms. The leasehold rights and ground rent contracts related to land and buildings in the Netherlands.

There is no material temporarily idle property, plant or equipment as at 31 December 2012 (2011: 0).

3 Investments in associates

Investments in associates: 6 million (2011: 940)

Stake TNT Express

With a 29.9% shareholding in TNT Express as per 1 June 2011, PostNL obtained significant influence in TNT Express and classified the stake in TNT Express initially as an investment in associates, accounted for based on the equity method. Following the UPS offer, effective 31 March 2012, the stake in TNT Express was transferred from investments in associates to assets held for sale.

The following table presents the movement in the carrying value of the stake in TNT Express since its initial valuation.

Stake TNT Express

	2012	2011
Initial recognition at 1 June 2011		**1,583**
Balance at 1 January	**936**	
Share in net result	5	(16)
Purchase price adjustments	(4)	(9)
Share in direct equity movements	(5)	20
Dividend received		(6)
Reversal impairments	570	(636)
Transfer to assets held for sale	(1,502)	
Balance at 31 December	**0**	**936**

(in € millions)

The initial value of the stake in TNT Express was based on the fair value of TNT Express at 9:00 CET on 1 June 2011 of €5,296 million, based on a share price of €9.77, and amounted to €1,583 million. During 2011, due to a decline in share prices, impairment charges were recorded of €636 million, reducing the value of the stake in TNT Express on 31 December 2011 to €936 million based on a share price of €5.77.

The share in the net result and direct equity movements of TNT Express, respectively €5 and -€5 million (2011: -16 and 20), are derived from the first-quarter 2012 report of TNT Express, as published on 2 May 2012. The purchase price adjustments of -€4 million (2011: -9) include the net amortisation charge of the identified intangibles for the first quarter of 2012.

As a result of the UPS offer, the share price of TNT Express increased to €9.26 as at 30 March 2012, resulting in a partial reversal of the impairment charges in 2011 of €570 million. Following the UPS offer, effective 31 March 2012, the stake in TNT Express amounting to €1,502 million was transferred from investments in associates to assets held for sale.

Other investments in associates

As at 31 December 2012, all other investments in associates amounted to €6 million (2011: 4) and included €3 million of goodwill (2011: 3). These investments mainly related to a 40% share in Scoupy B.V. (€1 million) within the segment Mail in the Netherlands and to minority shareholdings in Germany (€5 million) within the segment International. They included total assets of €26 million (2011: 21), revenues of €94 million (2011: 74) and net profit of €3 million (2011: 1).

4 Inventory

Inventory: 9 million (2011: 9)

Inventory

At 31 December	2012	2011
Raw materials and supplies	2	2
Finished goods	7	7
Total	**9**	9

(in € millions)

Total inventory of €9 million (2011: 9) is valued at historical cost at a total of €11 million (2011: 11) and is stated net of provisions for obsolete items of €2 million (2011: 2). No inventories are pledged as security for liabilities as at 31 December 2012 (2011: 0). In 2012 and 2011, no material write-offs relating to inventories occurred. The balance of inventories expected to be recovered after 12 months is €0 million (2011: 0).

5 (Trade) accounts receivable

(Trade) accounts receivable: 482 million (2011: 458)

(Trade) accounts receivable

At 31 December	2012	2011
Trade accounts receivable - total	445	430
Allowance for doubtful debt	(13)	(13)
Trade accounts receivable	**432**	417
VAT receivable	36	24
Other accounts receivable	14	17
Accounts receivable	**50**	41
Total (trade) accounts receivable	**482**	458

(in € millions)

As at 31 December 2012, the trade accounts receivable amounted to €445 million (2011: 430), of which €182 million (2011: 171) was past due but not individually impaired. The average payment term within PostNL is around 25 days. The total allowance for doubtful debt amounted to €13 million (2011: 13). The main part of the allowance related to a collective loss component established for groups of similar trade accounts receivable balances. This collective loss component is largely based on the ageing of the trade accounts receivable and is reviewed periodically. The credit quality of trade accounts receivable that are neither past due nor individually impaired is in general considered to be good. The total amount of write-offs is in general limited and totalled €4 million in 2012 (2011: 5). Major customers are financial institutions, publishers, large retailers and the government.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. PostNL did not pledge the outstanding balances as collateral. The concentration of the trade accounts receivable per customer is limited. The top 10 trade accounts receivable account for 9% of the outstanding balance as at 31 December 2012 (2011: 7%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: the Netherlands €221 million (2011: 242), United Kingdom, Germany and Italy €192 million (2011: 163) and the rest of the world €19 million (2011: 12). For the non-trade accounts receivable, no allowance for doubtful debt was required.

The fair value of the total (trade) accounts receivable approximated its carrying value. The balance of the total (trade) accounts receivable that is expected to be recovered after 12 months is €1 million (2011: 6).

The ageing analysis of the trade accounts receivable past due but not individually impaired is presented below.

Ageing trade accounts receivable past due, not impaired

At 31 December	2012	2011
Up to 1 month	116	93
2-3 months	46	52
3-6 months	10	13
Over 6 months	10	13
Total	**182**	171

(in € millions)

The movements in the allowance for doubtful debt of trade accounts receivable were as follows:

Statement of changes in the allowance for doubtful debt of trade accounts receivable

	2012	2011
Balance at 1 January	**13**	13
Provided for during financial year	4	5
Receivables written off during year as uncollectable	(4)	(5)
Balance at 31 December	**13**	13

(in € millions)

6 Prepayments and accrued income

Prepayments and accrued income: 116 million (2011: 121)

Prepayments and accrued income included amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. As at 31 December 2012, prepayments amounted to €26 million (2011: 21) and accrued income to €90 million (2011: 100).

The balance of prepayments and accrued income that is expected to be recovered after 12 months is €0 million (2011: 0).

7 Cash and cash equivalents

Cash and cash equivalents: 391 million (2011: 668)

As at 31 December 2012, cash and cash equivalents comprised cash at bank and in hand of €96 million (2011: 95), short-term bank deposits of €75 million (2011: 573), cash placed into money market funds of €120 million (2011: 0) and cash placed on an on-call deposit account of €100 million (2011: 0) .

During 2012:

- The effective interest rate on the short-term bank deposits was 0.14% (2011: 0.75%) and the average outstanding amount was €61 million (2011: 426). The individual deposits had an average maturity of 1.4 days (2011: 1.4).
- The effective interest rate on the money market funds was 0.14% and the average outstanding amount was €148 million (2011: 0).
- The effective interest rate on the on-call deposit account was 0.35% and the average outstanding amount was €100 million (2011: 0).

As at 31 December 2012, included in cash and cash equivalents was €25 million (2011: 39) of restricted cash.

The fair value of cash and cash equivalents approximated the carrying value.

8 Assets classified as held for sale

Assets classified as held for sale: 1,430 million (2011: 52) and liabilities related to assets classified as held for sale: 11 million (2011: 0)

As at 31 December 2012, assets classified as held for sale amounted to €1,430 million (2011: 52). The stake in TNT Express accounted for €1,367 million. The other assets classified as held for sale of €63 million (2011: 52) related for €51 million (2011: 52) to buildings held for sale in the Netherlands and for €12 million to customer contact services. The liabilities related to assets classified as held for sale of €11 million related to customer contact services. In 2012, an impairment of €9 million related to customer contact services was recorded to align the carrying value to fair value less cost to sell.

Stake TNT Express

In 2012, the transfers from investments in associates as at 31 March 2012 of €1,502 million related to PostNL's stake in TNT Express, following the UPS offer in March 2012 (see note 3 to the consolidated financial statements).

IFRS 5 'Assets held for sale' requires assets to be valued at the lower of their fair value less costs to sell and their carrying value. As from 31 March 2012, the share price of TNT Express decreased from €9.26 to €8.43 as at 31 December 2012 resulting in an impairment charge of €135 million and reducing the value of the stake in TNT Express to its market value of €1,367 million as at 31 December 2012. The impairment charge has been reported within 'Depreciation, amortisation and impairments'. The fair (market) value has been determined by multiplying the closing share price at 31 December 2012 of €8.43 by the total number of issued ordinary shares held by PostNL of 162,130,035.

The following table presents summarised financial information of TNT Express, as reported by TNT Express N.V. in its 2012 Annual Report, published on 18 February 2013.

Condensed information TNT Express

At 31 December	2012	2011
Non-current assets	2,587	2,846
Current assets	1,902	1,855
Equity	2,717	2,812
Non-current liabilities	377	396
Current liabilities	1,395	1,493
Year ended at 31 December	2012	2011
Net sales	7,162	7,156
Operating income	89	(105)
Profit/(loss) attributable to the shareholders	**(83)**	(270)
Net cash from operating activities	271	191
Net cash used in financing activities	(84)	(158)
Net cash used in investing activities	(36)	(589)
Changes in cash and cash equivalents	**151**	(556)

Property, plant and equipment

In 2012, the transfers from property, plant and equipment of €6 million related for €4 million to buildings that are planned to be disposed of in 2013 and for €2 million to customer contact services. The book value of the buildings sold in 2012 amounted to €5 million, which wholly related to the sale of buildings in the Netherlands.

9 Equity

Equity: 1,080 million (2011: 414)

The consolidated statement of changes in equity can be found on page 74. Consolidated equity consisted of equity attributable to the equity holders of PostNL of €1,069 million (2011: 400) and non-controlling interests of €11 million (2011: 14).

Equity attributable to the equity holders of PostNL consisted of the following items:

Authorised share capital

As of 4 August 2011, the company's authorised share capital amounted to €120 million, divided into 750,000,000 ordinary shares and 750,000,000 preference shares B, both of €0.08 nominal value each.

Form of shares

The ordinary shares are in bearer or in registered form. Ordinary shares in bearer form are represented by a global note held by the Dutch clearing system Euroclear Netherlands (formerly known as NECIGEF) and are transferable through Euroclear Netherlands' book entry system. ADRs represent ordinary shares in bearer form represented by the note held by Euroclear Netherlands. Ordinary shares in registered form are transferred by means of a deed of transfer and PostNL's written acknowledgement of the transfer. PostNL does not have share certificates for ordinary shares represented by the global note. The preference shares B are in registered form.

Issued share capital

As at 31 December 2012, the issued share capital amounted to €35 million (2011: 31). The increase in issued share capital of €4 million related to stock dividend resulting from the issuance of 21,791,073 shares following the final 2011 stock dividend, and of 25,880,782 shares following the 2012 interim dividend.

The number of authorised, issued and outstanding shares by class of share is as follows:

Shares

Before proposed appropriation of profit	2012	2011
Authorised by class		
Ordinary shares	750,000,000	750,000,000
Preference shares B	750,000,000	750,000,000
Total authorised	1,500,000,000	1,500,000,000
Issued and outstanding		
Per 1 January of the reported year	392,301,442	376,339,096
Issued for stock dividend	47,671,855	15,962,346
Per 31 December of the reported year	439,973,297	392,301,442
Issued and outstanding per 31 December by class		
Ordinary shares	439,973,297	392,301,442
of which held by the company to cover share plans	0	62,114
of which the company only holds the legal title	773,765	488,559
Preference shares B	0	0

Repurchase of shares to cover share plans

In 2012, the company purchased no ordinary shares (2011: 0) to cover its obligations under the existing management share grants. As at 31 December 2012, the total number of shares held for this purpose was nil (2011: 62,114). PostNL shares held by the company are not entitled to receive dividends and have no voting rights. The company held no ordinary shares for cancellation as at 31 December 2012 (2011: 0).

Incentive scheme

For administration and compliance purposes, PostNL currently has an omnibus securities account with UBS Bank, Geneva, Switzerland, holding the shares belonging to its employees under its incentive schemes. PostNL legally owns the shares while the beneficial ownership of the shares is vested in the employees, who are also entitled to dividend received by PostNL on their behalf. As at 31 December 2012, the number of PostNL shares involved amounted to 773,765 shares with a nominal value of €0.08 per share, which have no voting rights.

Foundation Continuity PostNL and preference shares B

'Stichting Continuiteit PostNL' ('Foundation Continuity PostNL' or 'The Foundation') was formed to safeguard PostNL's interests and the enterprises connected with PostNL and all interested parties, by, among other things, preventing as far as possible any influences that would threaten PostNL's continuity, independence and identity contrary to such interests. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by any other legal person.

PostNL's articles of association provide for protective preference shares B that can be issued to Foundation Continuity PostNL to serve these interests. The preference shares B have a nominal value of €0.08 and have the same voting rights as PostNL's ordinary shares.

PostNL and Foundation Continuity PostNL have entered into a call option agreement, which enables Foundation Continuity PostNL to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Continuity PostNL. The call option agreement is meant as a preventive countermeasure against influences that might threaten the continuity, independence and identity contrary to such interest. Preference shares B will be outstanding no longer than is strictly necessary. There are currently no preference shares B issued.

The exercise price with respect to the call option is the nominal value of €0.08 per preference share B, although upon exercise only €0.02 per preference share B is required to be paid. The additional €0.06 per preference share B is due at such time as PostNL makes a call for payment by resolution of its Board of Management, and is subject to the approval of the Supervisory Board. Foundation Continuity PostNL has credit facilities in place to enable it to pay the exercise price.

Six months after the issuance of preference shares B, Foundation Continuity PostNL may require PostNL to convene a General Meeting of Shareholders to discuss cancellation of these shares. However, if within these six months Foundation Continuity PostNL should receive a demand for repayment under the credit facilities referred to above, it may also require PostNL to convene a General Meeting of Shareholders. In accordance with PostNL's current articles of association, a General Meeting of Shareholders must ultimately be convened 12 months after the first date of issuance of any preference shares B to Foundation Continuity PostNL for the first time. The agenda for that meeting shall include a resolution relating to the repurchase and/or cancellation of the preference shares B.

PostNL has granted to Foundation Continuity PostNL the right to file an application for an inquiry into the policy and conduct of PostNL's business with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer) whereby the Enterprise Chamber of the Amsterdam Court of Appeal may determine immediate provisions, should these be necessary.

The members of the board of the Foundation are R. Pieterse (chairman), J.H.M. Lindenbergh, W. van Vonno and M.P. Nieuwe Weme. All members of the board of the Foundation are independent from PostNL. This means that the Foundation is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act (Wet op het financieel toezicht).

Additional paid-in capital

As at 31 December 2012, additional paid-in capital of €147 million (2011: 151) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company. The decrease in additional paid-in capital of €4 million related to the issuance of stock dividend, which increased the issued share capital by the same amount.

Translation reserve

As at 31 December 2012, the translation reserve amounted to €9 million (2011: 8), reflecting the movement in exchange rate differences on converting subsidiaries in the United Kingdom within the International segment into euros.

Hedge reserve

As at 31 December 2012, the hedge reserve amounted to -€13 million (2011: -12) and consisted of the fair value timing difference of -€9 million (2011: -6) on the £450/€568 million and £13/€16 million cross-currency swaps and the fair value timing difference of -€4 million (2011: -€6) on the forward starting swaps, unwound in 2008, to be recycled in the income statement until 2015 (net of taxes).

The £450/€568 million cross-currency swap has been entered into to hedge foreign currency exposure on the £450 million eurobonds that were issued in 2008. The £13/€16 million cross-currency swap has been entered into to mitigate the interest exposure on the £13 million loan provided to a group company in 2012.

Movements in the hedge reserve during 2012 amounted to €1 million, of which €3 million related to the £450/€568 million cross-currency swap and -€2 million related to the forward starting swaps that were recycled from the hedge reserve to the income statement.

The 2012 tax impact on the cashflow hedges is €4 million (2011: 4).

For more information on the cross-currency swaps, refer to note 29 to the consolidated financial statements.

Other reserves

As at 31 December 2012, the other reserves amounted to -€395 million (2011: -1,478). In 2012, the other reserves increased by €1,083 million. This increase was mainly due to the appropriation of net income from 2011 of €1,091 million, the share in other comprehensive income of TNT Express of -€5 million, an amount of -€2 million related to the buy-out of minority interests in subsidiaries of TNT Post UK and -€1 million related to various other items.

Retained earnings

As at 31 December 2012, retained earnings amounted to €1,286 million (2011: 1,700). In 2012, retained earnings decreased by €414 million. This decrease was due to the appropriation of the net income from 2011 of €1,091 million, partly offset by the total comprehensive income of €677 million in 2012.

The Board of Management has proposed to add €389 million (2011: 1,091) to the other reserves. Refer to 'Other information' on page 148 for more details on this proposal.

10 Pension assets / Provisions for pension liabilities

Pension assets: 1,487 million (2011: 1,217) and provisions for pension liabilities: 193 million (2011: 219)

PostNL operates a number of post-employment benefit plans in Europe. Most of PostNL's non-Dutch post-employment benefit plans are defined contribution plans. The majority of the Dutch post-employment benefit plans are defined benefit pension plans and consist of a main plan, transitional plans and other pension plans.

PostNL's main Dutch pension plan (main plan), which is externally funded in 'Stichting Pensioenfonds PostNL' (main fund), covers the employees who are subject to PostNL's collective labour agreement and staff with a personal labour agreement arranged as from 2007 in the Netherlands. The majority of all PostNL's Dutch employees are subject to the collective labour agreement. The plan covers around 89,000 PostNL participants, including around 20,000 pensioners and around 39,000 former employees. By Dutch law, the plan is managed by an independent legal entity, Stichting Pensioenfonds PostNL, which is not owned or controlled by any other legal entity and which falls under the supervision of De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM).

As required by Dutch law, PostNL and its pension funds have agreed on an execution agreement mainly stipulating the financial terms and conditions relevant for the execution of the pension plan. These terms and conditions include the financial consequences of a coverage ratio below the minimum funding requirement. Currently, such a funding shortage has to be solved within a maximum of 12 quarters (three years), whereby PostNL has an obligation for unlimited top up payments. The actual development of the coverage ratio is included in the decision and calculation of the invoicing top up payments.

The transitional plans consist of an early retirement scheme and additional arrangements that were agreed between the company and employees following a revision of fiscal regulations applying to Dutch pension plans in 2006.

Further details of the main plan

In the main plan, both the employer and staff with a personal labour agreement arranged as from 2007 contribute to the pension fund (staff as of February 2012). The contributions are based on actuarial calculations per active participant. The total employer contribution to the main fund amounted to €212 million (2011: 129), including top up payments of €81 million as a result of the coverage deficit (2011: 0).

By the end of 2012, the coverage ratio of the main fund increased to 102.5% (2011: 99.8%), including the outstanding top up payments considered receivable from PostNL. The increased coverage ratio was mainly due to a positive contribution from the return on plan assets, partly offset by a decrease in the long-term interest rate and increased longevity outlook. The fund's coverage ratio as at 31 December 2012 includes the latest longevity outlook, based on recent statistical studies performed by the Dutch Actuarial Association ('Actuarieel Genootschap').

During 2012, the coverage ratio of the main fund remained below the minimum funding requirement of 104.1%. As at 31 December 2012, PostNL had been invoiced top up payments of around €147 million in total (including €2 million interest), of which around €2 million is paid by the joint venture partner of Postkantoren B.V.

PostNL disputed the necessity of the top up payments. In 2012, PostNL and the main fund installed a disputes committee to resolve the dispute. In December 2012, the verdict of the disputes committee ruled that top up payments were already necessary, regardless of the question of whether the main fund can also recover in time without top up payments. As the disputes committee ruled in favour of the main fund, the verdict entailed payment of the top up invoices up to 30 June 2012 by PostNL. The verdict left PostNL with the possibility to appeal the payment of all additional invoices as of 30 June 2012. In February 2013, PostNL decided that it would not appeal the verdict. PostNL expects to pay the remaining invoiced top up payments of €64 million in Q1 2013.

At the coverage ratio of 102.5% as at 31 December 2012, around €94 million of the coverage deficit of the main pension fund is allocated to PostNL. If the coverage ratio is still below the minimum funding requirement by the end of Q1 2013, PostNL will be invoiced an additional top up payment of around €13 million.

In 2012, PostNL and the trade unions reached an agreement on the collective labour agreement for Mail Netherlands. The following agreements were reached with regard to the main Dutch pension plan.

- Parties have submitted a joint proposal to the main fund for a sustainable pension arrangement acceptable to both employer and employees. The changes to the arrangement will have to result in a reduction in pension (cash) costs and reduce the risk of top up payments. The implementation and feasibility will be tested by the main fund in the coming months, after which the unions will present the proposal to their members for approval.
- As of 1 January 2013, a pension contribution of 6% is introduced for new employees; employees already employed on 31 December 2012 pay a pension contribution of 2% as of 1 January 2013.
- PostNL refrains from proportionally curtailing the transitional arrangements for employees that start working part-time. The unions refrain from further litigation. In exchange, the unions accepted a reduction of the transitional arrangements in line with the original intentions in 2006.

As at 31 December 2012, the weight of equity and equity derivatives investments amounted to 17%, the weight of fixed interest investments amounted to 61%, the weight of real estate and alternative investments amounted to 15% and the weight of swaps and swaptions investments amounted to 7%. The plan assets may from time to time include investments in PostNL's own financial instruments through indirect holdings by mutual funds.

Until 2011, the main fund reported its investment mix and results on the basis of exposure. As of 2012, the main fund reports these on the basis of the actual characteristics of the investments. Consequently, the reporting classification of the bond investments accompanying the equity derivative strategy changed from "Equity and equity derivatives (including the accompanying bonds)" to "Fixed interest and inflation-linked bonds". Although reported differently, the main fund's overall investment strategy and exposure has not materially changed. It includes equity derivatives to preserve part of the upward potential on equity and at the same time be protected against substantial decreases in equity valuations. In addition, the main fund uses interest rate derivatives to reduce the net interest exposure on its assets and liabilities.

Asset mix / returns of main pension plan

At 31 December	Actual mix 2012	Strategix mix 2012	Return 2012
Equities and equity derivatives	17%	17%	25.1%
Fixed interest and inflation linked bonds	61%	68%[1]	9.4%
Real estate and alternative investment	15%	15%	2.1%
Swaps and swaptions / Contribution to the return	7%		1.3%
Total / total weighted average	**100%**	100%	**10.9%**

1 Including the 7% actual 2012 investment in swaps and swaptions.

In 2012, the return on the plan assets was 10.9% (2011: 6.6%), comprising 1.3% direct return of swaps and swaptions and 9.6% weighted average return of the other asset classes. As at 31 December 2012, the average return on the plan assets since inception of the plan was 7.6%, which is based on the actual return of the investments in combination with their relative weight per year. This weight can vary based on the actual mix.

Coverage ratio and top up payments related to 'Stichting Ondernemingspensioenfonds TNT'

PostNL is also the sponsoring employer of the pension plan covering the staff members in the Netherlands who have a personal labour agreement before 2007, which is externally funded in 'Stichting Ondernemingspensioenfonds TNT'. During 2012, this fund recovered from a coverage deficit on 31 December 2011 to a coverage ratio above the minimum funding requirement on 31 December 2012. The verdict of the disputes committee also holds for this fund. In December 2012, PostNL paid €2 million of top up invoices.

Defined benefit pension costs recognised in the income statement

The valuation of PostNL's pension obligation and the determination of its pension cost are based on key assumptions that include employee turnover, mortality rates and retirement ages, discount rates, expected long-term returns on plan assets, pension increases and future wage increases, which are updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions, giving rise to a different pension liability at year-end. The differences between the projected pension liability based on the assumptions and the actual pension liability at year-end are reflected in the balance sheet as part of the unrecognised actuarial gains and losses. Until 2012, if the cumulative unrecognised actuarial gains and losses exceed the corridor, the excess will be amortised over the employee's expected average remaining service years and reflected as an additional profit or expense.

As per 1 January 2013, in accordance with the revised IAS 19 'Employee Benefits', these unrecognised actuarial gains and losses have to be recognised immediately. If the net actuarial losses as per 31 December 2012 had been recognised immediately, this would have affected consolidated equity negatively by a net amount of around €1,370 million. As future actuarial results also have to be recognised immediately and are heavily dependent on interest rate movements, consolidated equity will show fluctuations when actual developments differ from assumptions.

In accordance with IAS 19.34a, PostNL, as the sponsoring employer for two Dutch pension plans, recognises in its corporate financial statements the contributions received from the relevant Group companies as a benefit that offsets the defined benefit pension expense. The relevant Group companies recognise in their financial statements the costs equal to the contribution payable for the period.

In 2012, PostNL's expense for defined benefit post-employment plans was €47 million (2011: 117), including a net curtailment gain of €11 million (2011: 0). The expenses for defined contribution plans were €5 million (2011: 5). Including these charges for defined contribution plans, PostNL's total expense for post-employment benefit plans amounted to €52 million (2011: 122).

The total expense of €52 million is included in 'Salaries, pensions and social security contributions' in the income statement (refer to note 18 to the consolidated financial statements).

In 2012, total employer cash contributions for defined benefit post-employment plans amounted to €343 million (2011: 260), including top up payments of €83 million as a result of the coverage deficit (2011: 0). As of February 2012, the Board of Management and staff with a personal labour agreement started paying employee contributions. Including the cash outflow for defined defined contribution plans, PostNL's total cash contributions amounted to €348 million (2011: 265).

Statement of changes in provision for defined benefit plans

	Balance at 1 January 2012	Post-employment benefit income/ (expenses)	Contributions / Other	Balance at 31 December 2012
Main pension plan in the Netherlands	1,125	17	234	1,376
Transitional plan in the Netherlands	(212)	(58)	85	(185)
Other pension plans	92	(3)	21	110
Provision for pension liabilities	1,005	(44)	340	1,301
Other post-employment benefit plans	(7)	(3)	3	(7)
Total provision for post-employment benefit plans	**998**	**(47)**	**343**	**1,294**

(in € millions)

The total net provision for defined benefit post-employment plans of €1,294 million at 31 December 2012 (2011: 998) consists of a pension asset of €1,487 million (2011: 1,217) and a pension liability of €193 million (2011: 219).

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the employer pension expenses of PostNL's defined benefit post-employment plans.

Detailed overview of changes in consolidated defined benefit plans

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	**(5,486)**	(5,663)
Settlement Express		360
Service costs	(96)	(108)
Interest costs	(262)	(283)
Curtailments/settlements	27	
Actuarial loss	(1,156)	(17)
Benefits paid	223	225
Benefit obligation at end of year	**(6,750)**	(5,486)
Change in plan assets		
Fair value of plan assets at beginning of year	**5,569**	5,517
Settlement Express		(371)
Actual return on plan assets	535	386
Express contributions		6
Employee contributions	1	
Employer contributions	340	256
Benefits paid	(223)	(225)
Fair value of plan assets at end of year	**6,222**	5,569
Funded status as per 31 December		
Funded status	(528)	83
Unrecognised net actuarial loss	1,826	918
Unrecognised prior service costs	3	4
Pension assets/(liabilities)	1,301	1,005
Other employee benefit plans	(7)	(7)
Netted pension asset/(liability)	**1,294**	998
Components of employer pension expense		
Service costs (net of employee contributions)	(95)	(108)
Interest costs	(262)	(283)
Expected return on plan assets	362	350
Amortisation of actuarial loss	(60)	(78)
Curtailment gain	11	
Other costs		(1)
Express contributions		6
Post-employment benefit income/ (expenses)	(44)	(114)
Other post-employment benefit plan expenses	(3)	(3)
Total post-employment benefit income/(expenses)	**(47)**	(117)
Weighted average assumptions as at 31 December		
Discount rate	3.7%	4.8%
Expected return on plan assets (for the year)	6.5%	6.5%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.5%	1.5%

(in € millions)

Assumptions

PostNL's pension expense is affected by the discount rate used to measure pension obligations and the expected long-term rate of return on plan assets. Management reviews these and other assumptions every year. The measurement date for PostNL's post-employment benefits is 31 December. Changes in assumptions may occur as a result of economic and market conditions. The impact of changes on the annual pension expense can be found in the table 'sensitivity employer pension expenses' below. If actual results differ from those assumed, this will result in actuarial gains or losses. Until 2012, these were amortised over the employee's expected average remaining service years if they exceed the corridor. As from 2013, actuarial results have to be recognised immediately.

The discount rate is based on the long-term yield on high-quality (AA) corporate bonds, taking into account the duration of the projected pension liabilities of around 19 years. In 2012, management improved the discount rate setting methodology. The high quality (AA-rated) corporate bond yield information is sourced from Bloomberg instead of iBoxx, taking into account a minimum outstanding amount and other defined selection criteria. By applying curve fitting procedures, a yield curve is generated. Using the full yield curve, the discounted value of the expected future benefit payments is matched with the comparable present value when using a single discount rate. The resulting discount rate is around 0.3% higher than based on the previous methodology. The positive impact of this on the benefit obligation as at 31 December 2012 is estimated at around €335 million.

Management considers various factors to determine the expected return on plan assets. The expected return is based on the current long-term rates of return on bonds and a suitable risk premium for the different asset components is applied to these rates. The premium is based on the plan's asset mix, historical market returns and current market expectations.

Returns are linked to the strategic investment policy of Stichting Pensioenfonds PostNL, as annually reported in the Asset Liability Management study of the main fund. They are calculated as the long-term geometric mean from 2,000 future scenarios that take into account the relevant standard deviations of, and correlations between, the various asset categories, as derived from historical evidence. The main fund controls around 95% of the PostNL Group plan assets. Ultimately, the long-term objective is to protect the assets from erosion of purchase power, and to provide long-term growth of capital without excessive exposure to risk. The duration of the plan liabilities determines the investment strategy. The assets are managed by external investment managers. The main fund establishes the investment policy and strategy, including the selection of investment managers, setting long-term strategic targets and monitoring. The strategic asset mix is a target and not a limitation. The fund may approve components of the asset mix above or below the targeted range. The fund may decide to rebalance or change the asset mix periodically. As at 31 December 2012, the strategic asset mix for 2013 is not expected to be materially different to 2012.

Assumptions regarding future mortality are based on advice, published statistics and experience per country. The majority of the defined benefit obligation relates to participants in the Netherlands. In the Netherlands, the average prospective life expectancy of men after retiring at the age of 65 is 21.8 years (2011: 21.4). The equivalent expectancy for women is 23.5 years (2011: 23.2). The 2011 comparatives are adjusted to include prospective longevity outlook. The applied mortality rates are derived from the mortality table 'GBM/GBV 2012 – 2062 + CVS experience rates, starting rates 2013 and age corrections 0/0 (male/female)', as applied by the main fund.

The actuarial loss of €1,156 million in the change of the defined benefit obligation during 2012 is mainly the result of a decrease in the assumed discount rate and an increase in the assumed longevity outlook.

The net curtailment gain of €11 million includes a curtailment loss resulting from the change in the rollout plan of the Master Plan III restructuring programme within operations with substantially lower expected employee redundancies, more than offset by a curtailment gain resulting from the agreement on the collective labour agreement for Mail Netherlands. The main pension adjustment within the collective labour agreement affecting the 2012 benefit obligations is the alignment of the transitional arrangements with their original intentions.

Funded status defined benefit plans

The table below reconciles the opening and closing balances of the present value of the defined benefit obligations and the fair value of plan assets with the provision for post-employment benefit plans. Included in the provision for pension liabilities are the unfunded defined benefit Trattamento di Fine Rapporto ('TFR') in Italy of €7 million (2011: 7).

The amounts recognised in the balance sheet are determined as follows:

Details balances defined benefit plans

At 31 December	2012	2011
Present value of funded benefit obligations	(6,331)	(5,023)
Fair value of plan assets	6,222	5,569
Funded status of funded benefit obligations	**(109)**	546
Present value of unfunded benefit obligations	(419)	(463)
Unrecognised liability	1,829	922
Other employee benefit plans	(7)	(7)
Netted pension asset/(liability)	**1,294**	998
of which included in pension assets	1,487	1,217
of which included in provisions for pension liabilities	(193)	(219)

(in € millions)

The table below shows the sensitivity of the employer pension income of 2012 to deviations in assumptions (applied in the year-end 2011 valuations). The absolute impact of an upward or downward adjustment of the same assumption may substantially deviate due to its impact on the amount of unrecognised losses and the amortisation costs thereof in the employer pension expense.

Sensitivity employer pension expenses

	%-change in assumptions	change in employer pension income
Post-employment benefit income/ (expenses) 2012		**(44)**
Discount rate	+ 0.5%	26
Expected return on plan assets (for the year)	+ 0.5%	28
Rate of compensation increase	+ 0.5%	(2)
Rate of benefit increase	+ 0.5%	(112)
Post-employment benefit income/ (expenses) 2012		**(44)**
Discount rate	- 0.5%	(81)
Expected return on plan assets (for the year)	- 0.5%	(28)
Rate of compensation increase	- 0.5%	4
Rate of benefit increase	- 0.5%	53

(in € millions)

The table below shows the defined benefit obligation, fair value of plan assets and experience adjustments thereof for the current annual period and previous four annual periods. The experience adjustment is the difference between the expected and actual position at the end of the year, excluding the impact of changes in assumptions.

Historical overview funded status defined benefit plans

At 31 December	2012	2011	2010	2009	2008
Funded and unfunded defined benefit obligation	(6,750)	(5,486)	(5,663)	(4,659)	(4,215)
Experience adjustment gain/(loss)	-0.7%	0.0%	1.3%	-0.7%	0.7%
Fair value of plan assets	6,222	5,569	5,517	4,890	4,104
Experience adjustment gain/(loss)	2.8%	0.4%	6.0%	9.5%	-20.5%
(Un)funded status	**(528)**	83	(146)	231	(111)

(in € millions)

The table below shows the expected future benefit payments per year related to PostNL's Dutch plans for the coming five years. The benefits include all expected payments by the Dutch pension funds to the pensioners and by PostNL to employees for the Dutch transitional plans.

Expected benefit payments

Year	Amounts
2013	214
2014	205
2015	204
2016	218
2017	234

(in € millions)

11 Other provisions

Other provisions: 208 million (2011: 333)

Statement of changes

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Non-current other provisions	18	171	4	8	201
Current other provisions	5	102	17	8	132
Balance at 31 December 2011	**23**	**273**	**21**	**16**	**333**
Changes in 2012					
Additions	4	21	4	6	35
Withdrawals	(1)	(102)	(4)	(4)	(111)
Releases		(49)	(1)	(3)	(53)
Interest		4			4
Total changes	3	(126)	(1)	(1)	(125)
Non-current other provisions	21	69	17	10	117
Current other provisions	5	78	3	5	91
Balance at 31 December 2012	**26**	**147**	**20**	**15**	**208**

(in € millions)

As at 31 December 2012, the total other provisions amounted to €208 million and the estimated utilisation in 2013 is €91 million, in 2014 €61 million, in 2015 €25 million and in 2016 and thereafter €31 million.

Other employee benefit obligations

As at 31 December 2012, the other employee benefit obligations related to jubilee payments of €18 million (2011: 18) and other employee benefits of €8 million (2011: 5).

Restructuring

As at 31 December 2012, the provision for restructuring programmes amounted to €147 million (2011: 273). The provision related mainly to the Master Plan III restructuring programme for a total of €134 million, restructuring within the joint venture Postkantoren B.V. for €7 million and other smaller restructuring programmes for a total of €6 million.

The additions of €21 million related mainly to the Master Plan III restructuring programme (€17 million) and to a restructuring within Data & Document Management (€3 million). The main part of the additions to the Master Plan III provision relates to the restructuring of the overhead and head office departments (in total €14 million). The remaining additions to the Master Plan III provision of €3 million resulted from the periodical reassessment of the projected cash costs during 2012.

The Master Plan III provision for the restructuring of the overhead and head office departments commenced in 2012. This programme relates to a number of different departments. As some departments have not yet finalised their preparations, the current provision only relates to part of the overall overhead programme. The provision recorded as at 31 December 2012 is expected to relate to 66 employees.

The restructuring provision within Data & Document Management resulted from the announcement to restructure part of its activities, where cost savings are needed to adjust to the adverse developments in market conditions (price pressure and strong competition). The restructuring is expected to affect 48 employees.

The withdrawals of €102 million concerned severance payments for 1,340 FTEs under the Master Plan III programme totalling €85 million, settlement payments within Postkantoren B.V. of €11 million, payments for other initiatives within Mail in the Netherlands of €3 million and within other business lines of €3 million.

The release of €49 million related for €46 million to the change in the rollout plan of the Master Plan III restructuring programme within operations. Compared to the previous rollout plan, the adjusted plan focuses on a more controlled rollout, resulting in a more phased manner of the centralisation of preparation locations. As the organisational model will remain more locally-organised for a longer period, management expects a substantially lower number of redundancies (around 720 FTE fewer).

The restructuring provisions are discounted against an average discount rate of 1.8% (2011: 2.6%) as they are expected to be utilised mainly during the period 2013 – 2016. The related interest charges of €4 million have been recorded as part of financial expenses.

In 2012, the settlements withdrawn from the restructuring provision related to a total of 1,529 FTEs (2011: 1,075).

Claims and indemnities

The provision for claims and indemnities includes provisions for claims from third parties with respect to PostNL's ordinary business activities, as well as indemnities and disputes related to the sale of PostNL's discontinued operations. More detailed information relating to these provisions is not provided as such information could prejudice the company's position with respect to these claims and indemnities.

Other

Other provisions consist of anticipated contributions to the postal fund for unemployment, onerous contracts, dilapidation cost in relation to restructurings and guarantees provided to third parties. The additions of €6 million related to the sector's unemployment fund (€3 million) and to onerous contracts (€3 million). The withdrawals from the other provisions of €4 million related mainly to the settlement of onerous contracts within Postkantoren B.V. of €2 million.

12 Long-term debt

Long-term debt: 1,615 million (2011: 1,607)

Carrying amounts and fair value

	2012		2011	
At 31 December	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds	1,575	1,817	1,557	1,668
Financial leases	1	1	2	2
Other loans	10	10	8	8
Derivatives	29	29	40	40
Total long-term debt	**1,615**	**1,857**	1,607	1,718

(in € millions)

The fair value of long-term interest-bearing debt, net of its current portion, has been determined by calculating the discounted value of the future cash flows (redemption and interest) using the interbank zero coupon curve, adjusted for the basis swap spread. The carrying amounts of the current portion of long-term debt approximated their fair value.

The long-term eurobonds with a carrying amount of €1,575 million include a £450 million bond. The related foreign exchange risk is covered by a cross-currency swap. The derivatives of €29 million consist of the fair value valuations of the £450/€568 million and the £13/€16 million cross-currency swaps.

The table below sets out the carrying amounts of interest-bearing long-term liabilities (including the current portion) during each of the next five years and thereafter.

Total borrowings

	Eurobonds	Financial leases	Other loans	Derivatives	Total
2013		2	1		3
2014		1	10		11
2015	390				390
2016					
2017	637				637
Thereafter	548			29	577
Total borrowings	**1,575**	**3**	**11**	**29**	**1,618**
of which included in long-term debt	1,575	1	10	29	1,615
of which included in other current liabilities		2	1		3

(in € millions)

For the underlying details of the financial instruments, see notes 28 and 29 to the consolidated financial statements.

13 Other current liabilities

Other current liabilities: 240 million (2011: 291)

Other current liabilities

At 31 December	2012	2011
Short-term bank debt		31
Other short-term debt	3	32
Total current borrowings	3	63
Taxes and social security contributions	150	139
Expenses to be paid	8	10
Other	79	79
Total	**240**	291

(in € millions)

As at 31 December 2012, short-term bank debt represented the year-end overdraft position of €0 million (2011: 31). The other short-term debt consisted of the current portion of outstanding finance lease liabilities of €2 million (2011: 2) and the current portion of long-term loans of €1 million (2011: 30).

Taxes and social security contributions of €150 million (2011: 139) consisted of VAT payable of €112 million (2011: 101) and social security contributions payable of €38 million (2011: 38).

As at 31 December 2012, the other liabilities of €79 million mainly related to payables with joint venture partners (€15 million), payments in advance received from customers (€45 million) and payables to business partners (€6 million).

There are no balances at 31 December 2012 that are expected to be settled after 12 months (2011: 0).

14 Accrued current liabilities

Accrued current liabilities: 595 million (2011: 600)

Accrued current liabilities

At 31 December	2012	2011
Amounts received in advance	111	113
Expenses to be paid	306	290
Vacation days/vacation payments	102	110
Terminal dues	74	83
Other accrued current liabilities	2	4
Total	**595**	600

(in € millions)

As at 31 December 2012, amounts received in advance mainly included €60 million (2011: 57) for deferred revenue for stamps that were sold but not yet used, deferred revenues from franking machines of €30 million (2011: 32) and rental of mailboxes of €13 million (2011: 14).

Expenses to be paid mainly included payables to subcontractors of €43 million (2011: 43), interest payables on PostNL's interest-bearing debt of €42 million (2011: 39), wages and salaries payable of €37 million (2011: 41) and the accrual for voluntary termination agreements of €25 million (2011: 3). The amount further included the accrual for employee profit-sharing over 2011 and the accrual for the salary increase by 1.1% per 1 December 2012 resulting from the agreement on the collective labour agreement for Mail Netherlands.

Of the total accrued current liabilities, an amount of €37 million is expected to be settled after 12 months (2011: 51).

Notes to the consolidated income statement

15 Net sales

Net sales: 4,317 million (2011: 4,283)

The net sales of PostNL arose from rendering postal and related services to businesses and consumers in the Benelux, United Kingdom, Germany and Italy. Net sales is allocated by the nature of the services provided and geographical area in which the entity records sales and is detailed in note 33 to the consolidated financial statements.

16 Other operating revenues

Other operating revenues: 13 million (2011: 14)

Other operating revenues covers the sale of goods and rendering of services not related to PostNL's regular business activities. In 2012, these revenues mainly related to customs and administration revenue for €5 million (2011: 3), rental income on temporarily leased-out property for €2 million (2011: 3) and IT advisory revenue for €2 million (2011: 1).

17 Other income

Other income: 32 million (2011: 53)

Other income in 2012 mainly included book profits from the sale of property, plant and equipment (mostly within Mail in the Netherlands) for a net amount of €14 million (2011: 17) and negative goodwill arising from the 2012 acquisition of trans-o-flex (within Parcels) for an amount of €15 million (2011: 33, related to the book profit from the sale of international business within PostNL Other). Other income in 2012 also included the received dividend from TNT Express of €1 million.

18 Salaries, pensions and social security contributions

Salaries, pensions and social security contributions: 1,293 million (2011: 1,429)

Salaries, pensions and social security contributions

Year ended at 31 December	2012	2011
Salaries	1,080	1,144
Defined benefit plans	47	117
Defined contribution plans	5	5
Pension charges	52	122
Share-based payments	0	9
Social security charges	161	154
Total	**1,293**	1,429

(in € millions)

In 2012, salaries of €1,080 million decreased by €64 million from €1,144 million in 2011, which is mainly due to the impact of the net release of provisions of €23 million in 2012 compared to a net addition of €10 million in 2011. The pension expenses in 2012 included a net curtailment gain of €11 million related to the Master Plan III restructuring and the agreement of the collective labour agreement of Mail Netherlands. In 2012, the social security charges increased by €7 million compared to 2011, mainly due to higher contributions to the sector's unemployment fund.

Labour force

[1]	2012	2011
Employees		
Mail in the Netherlands	55,370	55,622
Parcels	3,510	2,907
International	6,274	5,777
PostNL Other	1,257	1,202
Total at year end	**66,411**	65,508
Employees of joint ventures	2,527	2,996
External agency staff at year end	8,391	9,367
Full-time equivalents (FTEs)		
Mail in the Netherlands	23,930	24,780
Parcels	2,839	2,575
International	5,323	5,323
PostNL Other	1,192	1,149
Total year average	**33,284**	33,827
FTEs of joint ventures	1,964	2,496

[1] Including temporary employees on our payroll; joint ventures are additonal and on a 100% basis as are the external agency staff.

The reported employees match the number of personnel paid through payroll, excluding personnel carrying the majority of economic risks themselves.

During 2012, the total headcount of PostNL increased by 903 employees compared to 31 December 2011. This mainly related to an increase within Parcels of 603 employees (mainly due to the acquisition of trans-o-flex) and within International of 497 employees (mainly due to the end-to-end pilot in the United Kingdom for 401 employees and an increase in Germany of 99 employees), partly offset by the reduction within Mail in the Netherlands of 252 employees (due to the implementation of the Master Plans).

At the end of 2012, there were 2,527 people (2011: 2,996) employed by joint ventures, of whom 535 employees (2011: 860) were on the payroll of Dutch companies, primarily within Postkantoren B.V., and 1,992 employees (2011: 2,136) were on the payroll of HIM Holtzbrinck in Germany.

Apart from the headcount of employees, the labour force is also measured in FTEs based on the hours worked divided by the local standard. In 2012, the average number of FTEs decreased by 543 FTEs compared to 2011. In the segment Mail in the Netherlands, the reduction in FTEs is higher than the reduction in headcount, which is mainly caused by the substitution of full-time employees by part-time employees.

Remuneration of members of the Supervisory Board

For the year 2012, the remuneration cost of the current and former members of the Supervisory Board amounted to €411,333 (2011: 441,331) as shown in the below table.

Remuneration Supervisory Board

	Base compensation	Meeting fees[1]	Total remuneration
Mr P. C. Klaver	55,000	16,500	71,500
Mr J. Wallage	40,000	22,500	62,500
Ms P.M. Altenburg	40,000	12,500	52,500
Mr M.A.M. Boersma	40,000	12,500	52,500
Mr W. Kok	40,000	12,500	52,500
Ms T. Menssen	40,000	20,500	60,500
Mr F.H. Rövekamp[2]	30,000	13,500	43,500
Total current members	**285,000**	**110,500**	**395,500**
Mr J.N. Abrahamsen[3]	13,333	2,500	15,833
Total former members	13,333	2,500	15,833
Total 2012	**298,333**	**113,000**	**411,333**
Total 2011	328,331	113,000	441,331

(in €)

1 Payments relating to number of Supervisory Board committee meetings attended.
2 Appointed as of 1 April 2012.
3 Retired as of 1 May 2012.

No loans, advance payments, guarantees, options or shares were granted to members of the Supervisory Board in 2012 (2011: nil). None of the members of the Supervisory Board accrued any pension rights with the company.

Remuneration of members of the Board of Management

Resignation former CEO

Mr H.M. Koorstra decided to leave the company as of 19 April 2012. Due to the contractual notice period of six months, Mr Koorstra's contract ended on 1 November 2012. Mr Koorstra did not receive any severance payments.

Appointment new CEO

Following Mr Koorstra's resignation, the Supervisory Board appointed Ms H.W.P.M.A. Verhagen to the position of CEO as of 24 April 2012.

Resignation and retirement Mr Aben

As announced in a press release, Mr G.T.C.A. Aben will retire as of 1 March 2013. In relation to his upcoming retirement Mr Aben resigned as a member of the Board of Management as of 1 November 2012. Until his retirement date, Mr Aben will act as an advisor to the Board of Management.

Total remuneration Board of Management

In 2012, the total remuneration of the Board of Management consisted of:

- base salary,
- variable remuneration,
- other periodic compensation, and
- pension costs.

The total 2012 remuneration of the Board of Management, including pension, social security contributions and other costs, amounted to €3,438,095. A total of €1,449,359 related to the current members of the Board of Management and €1,988,736 to the former members. The remuneration of Mr Koorstra included the base salary and pension costs for the period January to November 2012.

Remuneration Board of Management in 2012

	Fixed remuneration	Variable remuneration				
	Base salary	Accrued for short-term incentive 2012[1]	Accrued for long-term incentive 2012[2]	Other periodic compensation	Pension costs	Total 2012
Herna Verhagen [3]	570,069			167,851	85,232	823,152
Jan Bos	425,000		3,218	128,320	69,669	626,207
Total current members	**995,069**	**0**	**3,218**	**296,171**	**154,901**	**1,449,359**
Harry Koorstra[4]	583,333			601,489	224,560	1,409,382
Gérard Aben [5]	350,000			114,059	115,295	579,354
Total former members	933,333	0	0	715,548	339,855	1,988,736
Total remuneration	**1,928,402**	**0**	**3,218**	**1,011,719**	**494,756**	**3,438,095**

(in €)

1 The members of the Board of Management waived their rights to the 2012 incentive.
2 The amount of €3,218 related to the share-based payments costs for Mr Bos under the one-off Investment/Matching plan.
3 Ms Verhagen was appointed to the position of CEO as of 24 April 2012; the base salary has been adjusted retrospectively to a base salary of €625,000 as of the appointment date.
4 Due to the notice period of six months, Mr Koorstra's contract ended on 1 November 2012. The figures presented relate to the period January-October 2012.
5 Mr Aben resigned as member of the Board of Management on 1 November 2012, in connection with his retirement on 1 March 2013. As advisor to the Board of Management, no changes were made to his contractual arrangements prior to his retirement date. .

The 2011 remuneration of the Board of Management, including pension, social security contributions of €6,681,420 and the settlement cost of €3,331,899 amounted to €10,013,319. A total of €3,386,492 related to the 2011 current members of the Board of Management and €6,626,827 to the 2011 former members.

The remuneration elements of the 2011 current members of the Board of Management of PostNL are summarised in the table below for the seven months as of June 2011, except for Mr Koorstra, who acted for the full year 2011 as a member of the Board of Management. The total remuneration of the 2011 former members of the Board of Management of TNT is included for the five months up to demerger.

Remuneration Board of Management in 2011

	Fixed remuneration	Variable remuneration				
	Base salary	Accrued for short-term incentive 2011	Accrued for long-term incentive 2011[1]	Other periodic compensation[2]	Pension costs	Total 2011
Harry Koorstra[3]	670,833	528,281	182,022	361,842	272,892	2,015,870
Jan Bos	204,167	191,407	885	18,121	35,723	450,303
Herna Verhagen	239,167	188,344		21,635	42,601	491,747
Gérard Aben	204,167	163,334		16,753	44,318	428,572
Total current members	**1,318,334**	**1,071,366**	**182,907**	**418,351**	**395,534**	**3,386,492**
Total former members [4]	825,000	464,075	1,451,530	264,623	289,700	3,294,928
Total 2011	**2,143,334**	**1,535,441**	**1,634,437**	**682,974**	**685,234**	**6,681,420**

(in €)

1 Costs included unwinding costs of the 2009 and 2010 Bonus/Matching plans (€48,443) and Performance Share plans (€1,242,504).
2 Other periodic compensation included company costs related to tax and social security, company car and other costs. The costs for Mr Koorstra included a retrospective salary adjustment for the years 2008-2011 of €61,500, a discretionary bonus over 2010 of €23,000 and salary allowances made as compensation for the change in pension system of €100,657.
3 Related to the whole year, acting as member of the Board of Management.
4 Remuneration for Peter Bakker, Bernard Bot and Marie-Christine Lombard, excluding settlement arrangement and related payroll taxes of €3,331,899.

Base salary

As presented at the 2011 Annual General Meeting of Shareholders on 25 May 2011, the 2012 annual base salaries for members of the Board of Management were set at €700,000 for Mr Koorstra, CEO, €425,000 for Mr Bos, CFO, €450,000 for Ms Verhagen and €350,000 for Mr Aben.

At the 2012 Annual General Meeting of Shareholders on 24 April 2012, the chairman of the Supervisory Board announced the appointment of Ms Verhagen to the position of CEO after the decision by Mr Koorstra to leave the company. In November 2012, the Supervisory Board approved a new base salary for Ms Verhagen as of her appointment date. The base salary has been adjusted retrospectively to a new base salary of €625,000 as of 24 April 2012. The new base salary is in line with the current remuneration policy and the proposed remuneration policy 2013 and represents a base salary that is below the 2012 base salary of the former CEO.

Accrued for short-term incentive

PostNL accounts for bonus payments on the basis of the accrued bonuses for the performance of the year reported. At the 2012 Annual General Meeting of Shareholders, Ms Verhagen clarified the decision of the Board of Management to waive its variable remuneration opportunity for 2012. Therefore no variable remuneration has been awarded to the members of the Board of Management for 2012.

In 2012, an amount of €1,071,366 relating to the 2011 performance bonus was paid to members of the Board of Management. Of this, 50% was paid in shares and 50% in cash, except for Mr Koorstra who received 100% of the 2011 performance bonus in cash. On behalf of the Board of Management the company purchased shares on the basis of the NYSE Euronext Amsterdam share price of PostNL on the date prevailing at the time of the allotment.

In compliance with the Dutch corporate governance code, the current and former members of the Board of Management may not sell their PostNL shares before the earlier of five years from the date of purchase or the end of their employment, although any sale of shares for the purpose of using the proceeds to pay for the tax relating to the purchase of these shares is exempted. For compliance reasons a sale of shares may not occur earlier than six months after termination of the employment agreement.

Accrued for long-term incentive

The total share-based payment costs for the members of the Board of Management amounted to €3,218 (2011: 1,634,437) and related for 2012 to the one-off Investment/Matching plan as shown below for Mr J.P.P. Bos. The 2011 total share-based payments costs included costs related to the unwinding of the 2009 and 2010 Performance Share plans of the various members of the Board of Management amounting to €1,242,504.

One-off Investment/Matching plan Board of Management 2012

	Grant year	Outstanding 1 Jan 2012[1]	Vested or settled during 2012	Outstanding 31 Dec 2012
Jan Bos	2011	3,503		3,503
Total current members		**3,503**	**0**	**3,503**

(in rights)

1 The fair value of the one-off Investment/Matching plan grants, based on the NYSE Euronext Amsterdam share price of PostNL on the date the grants were made, amounted to €5.43.

In 2011, the Supervisory Board decided to apply a voluntary one-off Investment/Matching plan in which the cash proceeds from the unwinding of the TNT Bonus/Matching plan, Performance Share plan and Option plan could be invested in PostNL shares. The participants could elect to invest from their net unwinding cash compensation an amount equal to 25% or 50% of their total gross unwinding-related sum (but not more than the net proceeds thereof) in PostNL shares. On the same date these shares were purchased, the participant received, free of charge, a matching right in shares, representing the value in cash of half of the number of investment shares (matching on a 1: 0.5 basis). This matching right will vest and the cash value of the shares comprising the matching right will be paid after three years, provided that the participant has remained an employee throughout and still owns at least 50% of his/her investment shares. If, prior to vesting, the participant sold more than half of his/her investment shares, the matching right will forfeit in full. If the participant sold 50% or fewer of his/her investment shares, the number of shares comprising the matching right will be reduced proportionally. The cash sum of the matching rights will be subject to any applicable payroll withholding taxes.

The fair value of the one-off Investment/Matching plan grants based on the NYSE Euronext Amsterdam share price of PostNL on the reporting date amounted to €2.92 (2011: 2.46). The liabilities arising from the share-based payment transaction, taking into account the terms and conditions upon which the rights were granted and the extent to which the employee had rendered service, amounted to €4,103 as at 31 December 2012 (2011: 885).

Other periodic compensation

Other periodic compensation included company costs related to tax and social security, company car and other costs. It also included a total of €441,706 crisis tax ("crisisheffing") charged on salaries above €150,000 in 2012 for all current and former members of theBoard of Management.Other periodic compensation to Mr Koorstra included a salary allowance of €196,205 to compensate for his changed pension scheme as from 2006 onwards and €167,264 as cash compensation for his accumulated vacation days over the past years.

Pension costs

The pension costs consist of the service costs for the reported year, net of employee contributions. All members of the Board of Management are participants in a career average defined benefit scheme. The pensionable age of all members of the Board of Management is 65 years.

Loans, advance payments or guarantees

No loans, advance payments or guarantees were granted to members of the Board of Management in 2012 (2011: nil).

Remuneration of senior management

Bonus/Matching share plan

As of 2011, all senior management may, on a voluntary basis, participate in a new Bonus/Matching plan. In such a case, they are paid 100% of their bonus in cash and can convert 25% as a grant of PostNL shares with an associated matching right if at least 50% of the shares are kept for three years. The company sees the bonus/matching plan as part of the remuneration package for the members of its senior management, and it is particularly aimed at further aligning their interests with the interests of the shareholders. Based on the discretion of the Supervisory Board, grants are made on an annual basis in accordance with the Bonus/Matching plan, which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- bonus shares are purchased from the participant's net income using 25% of the gross bonus amount and bonus shares are delivered upon the grant of the right on matching shares,
- the number of bonus shares is calculated by dividing 25% of an individual's gross annual bonus relating to the preceding financial year by the share price on the NYSE Euronext Amsterdam on the date the grant is made (2012: €3.34 per share; 2011: €6.76 per share),
- the rights on matching shares are granted free of charge and the number of shares is equal to the number of bonus shares (job level A) or twice the number of bonus shares (job level B and above),
- the matching rights vest three years after the delivery of the bonus shares. The cash value of the shares comprising the matching rights will be paid out for each bonus share that has been retained for three years,
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect,
- where a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death), the right to matching shares will vest immediately and he/she can exercise his/her right pro rata, and
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned.

The exercise of the rights on matching shares is subject to the PostNL rules concerning the prevention of use of inside information. All awards under this plan are cash-settled.

The table below summarises the status of the number of outstanding rights on the Bonus/Matching plan (and the limited amount of rights on the one-off Investment/Matching plan) granted to senior managers in the PostNL Group.

Bonus/Matching plan senior management PostNL 2012

	Year	Number outstanding 1 Jan 2012	Granted during 2012	Settled during 2012	Forfeited during 2012	Number outstanding 31 Dec 2012
Matching rights	2011	200,507		(5,623)	(1,965)	192,919
	2012		351,786			351,786
Total		**200,507**	**351,786**	**(5,623)**	**(1,965)**	**544,705**

The fair value of the Bonus/Matching plan rights based on the NYSE Euronext Amsterdam share price of PostNL on the reporting date amounted to €2.92 (2011: 2.46). The liabilities arising from the share-based payment transactions, taking into account the terms and conditions upon which the rights were granted and the extent to which the employees had rendered service, amounted to €260,357 (2011: 96,663) for the 2011 Bonus/Matching plan and €193,896 (2011: 0) for the 2012 Bonus/Matching plan as at 31 December 2012.

Fair value assumptions and hedging

PostNL operates a number of cash-settled share-based compensation plans. They involve a cash payment to employees for amounts that are based on the price of PostNL's shares and which is equal to the gain that would have been made by exercising the notional options and immediately selling the shares in the market. The corresponding liability for the cash-settled plans is measured, initially and at each reporting date until settled, at the fair value of the rights, taking into account the terms and conditions upon which the rights were granted and the extent to which the employees have rendered service to date. Any changes in fair value are recognised in the income statement. Non-market performance and service conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, PostNL revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to liabilities.

As all awards under the one-off Investment/Matching plan for the Board of Management and senior management and the Bonus/Matching plan for senior management are cash-settled, the company no longer needs to manage the risk in connection with the obligations the company had under the former equity-settled plans by purchasing shares on the market. As a result, the company did not purchase any additional shares in 2012 to cover its obligations under the existing cash-settled plans.

19 Depreciation, amortisation and impairments

Depreciation, amortisation and impairments: 250 million (2011: 112)

Depreciation, amortisation and impairments

Year ended at 31 December	2012	2011
Amortisation of intangible assets	27	23
Depreciation property, plant and equipment	77	76
Impairment of intangible assets		1
Impairment of property, plant and equipment	2	12
Value adjustment of assets held for sale	144	
Total	**250**	112

(in € millions)

In 2012, the amortisation of intangible assets of €27 million (2011: 23) related to software for €25 million (2011: 21) and other intangibles for €2 million (2011: 2). In 2011, the impairment of intangible assets of €1 million related to an IT write-off in the United Kingdom.

The 2012 impairment of property, plant and equipment of €2 million (2011: 12) related to impaired real estate within Mail in the Netherlands.

The 2012 value adjustment of assets held for sale of €144 million related to the stake in TNT Express for €135 million and to an impairment of the customer contact services within Mail in the Netherlands for €9 million (see note 8 to the consolidated financial statements).

20 Other operating expenses

Other operating expenses: 201 million (2011: 260)

The other operating expenses consist of IT communication, office, travel, consulting and training expenses and other shared services costs.

In 2012, total PwC fees amounted to €2.7 million (2011: 3.5).

The table below presents the total PostNL Group incurred fees, which can be divided into the following categories:

Audit fees

Year ended at 31 December	2012	2011
Audit fees	2.4	2.9
Audit related fees	0.3	0.5
Tax advisory fees	0.0	0.0
Other fees	0.0	0.1
Total	**2.7**	3.5

(in € millions)

Audit fees include fees from the audit of the financial statements, the corporate responsibility reports and the regulatory audit. Audit-related services include specific audit procedures for employee benefit plan audits, due diligence related to mergers and acquisitions and consultation concerning financial accounting and reporting matters not classified as audit. Fees for tax services include tax compliance and tax advice, including all services performed by the auditor's professional staff in its tax division, except those rendered in connection with the audit. Fees for other services include consultancy services.

In accordance with the Dutch legislation, article 2:382a, the total audit and audit-related fees charged by the auditor PwC. based in the Netherlands amounted to €2.5 million (2011: 3.4).

21 Net financial expenses

Net financial expenses: 104 million (2011: 101)

Net financial expenses

Year ended at 31 December	2012	2011
Interest expenses	(107)	(119)
Hedge reserve recycled to profit and loss	(2)	(2)
Net foreign exchange gains	(1)	0
Interest and similar expenses	(110)	(121)
Interest and similar income	6	20
Net financial expenses	**(104)**	(101)

(in € millions)

Interest and similar expenses: 110 million (2011: 121)
In 2012, the interest and similar expenses of €110 million (2011: 121) mainly consisted of interest expenses of €107 million (2011: 119). This amount mainly consisted of external interest expenses of €105 million (2011: 111) related to interest expenses on long-term borrowings of €98 million (2011: 97), interest expenses on provisions of €4 million (2011: 8), interest expenses on bank overdrafts and bank loans of €2 million (2011: 4), attributable to a gross-up of interest on notional cash pools, and interest on taxes of €1 million (2011: 2). Interest expenses further included bank charges of €2 million (2011: 3). In 2011, interest expenses included €5 million interest expenses paid to Express in the first five months of 2011.

Interest and similar income: 6 million (2011: 20)
In 2012, the interest and similar income amounted to €6 million (2011: 20). This amount included interest income on banks, loans and deposits of €3 million (2011: 8), of which €2 million (2011: 4) related to a gross-up of interest on notional cash pools, and interest on taxes of €0 million (2011: 5). In 2012, similar income of €3 million (2011: 0) represented the change in the value of fair-value hedges. In 2011, the interest income included €7 million interest income received from TNT Express in the first 5 months of 2011.

In accordance with IFRS, the 2012 interest income on cash pools of €2 million (2011: 4) and interest expense on cash pools for the same amounts are reported on a gross basis.

22 Income taxes

Income taxes: 80 million (2011: 78)

In 2012, income taxes amounted to €80 million (2011: 78), or 10.6% (2011: -22.6%) of the profit before income taxes of €758 million (2011: -345).

Effective income tax rate

Year ended at 31 December	2012	2011
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding effective income tax rates other countries	0.6	0.9
Weighted average statutory tax rate	**25.6**	25.9
Permanent differences:		
Non and partly deductible costs	0.6	1.0
Non and partly deductible impairments	0.7	
Exempt income		(3.0)
Other	(2.0)	0.8
Effective income tax rate - before impact stake Express	**24.9**	24.7
Impact stake Express	(14.3)	(47.3)
Effective income tax rate	**10.6**	(22.6)

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the profit before income taxes. The effective income tax rate was 10.6% (2011: -22.6%). The statutory income tax rate in the Netherlands is 25.0% (2011: 25.0%).

The effective income tax rate was significantly impacted by the stake in TNT Express (2012: €437 million; 2011: -661). Excluding the impact of the stake in TNT Express, the profit before tax would have been €321 million in 2012 (2011: 316) with a corresponding effective income tax rate of 24.9% (2011: 24.7%).

The effective income tax rate before the impact of the stake in TNT Express of 24.9% was mainly caused by the positive balance of differences between Dutch and local tax rates in other countries (0.6%), non and partly deductible costs (0.6%), a non deductible impairment on assets classified as held for sale relating to customer contact services (0.7%), and certain items included in the line 'Other' (-2.0%). The line 'Other' consists the combined impact of the non-taxable negative goodwill relating to the acquisition of the trans-o-flex activities (-1.2%), irrecoverable tax losses for which no deferred tax assets could be recognised (1.1%), reassessed tax losses and credits for which deferred tax assets have been recognised (-0.8%), and several prior year adjustments that positively impacted the effective income tax rate (-1.1%).

Income tax expense consists of the following:

Income taxes

Year ended at 31 December	2012	2011
Current tax expense	(27)	59
Changes in deferred taxes	107	19
Total income taxes	**80**	78

(in € millions)

The current tax expense amounts to -€27 million (2011: 59). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

At 31 December 2012, the income tax receivable amounted to €4 million (2011: 3) and the income tax payable amounted to €28 million (2011: 94). In 2012, PostNL paid income taxes for a total amount of €40 million (2011: 98); see note 23 to the consolidated financial statements.

The following table shows the movements in deferred tax assets in 2012:

Statement of changes deferred income tax assets

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2010		**2**	**6**	**13**	**21**
Changes charged directly to equity				(14)	(14)
Changes via income statement		(1)	6	8	13
Deferred tax assets at 31 December 2011	**0**	**1**	**12**	**7**	**20**
Changes via income statement	1		(2)	4	3
Deferred tax assets at 31 December 2012	**1**	**1**	**10**	**11**	**23**

(in € millions)

Of the deferred tax assets as at 31 December 2012 an amount of €6 million (2011: 5) is to be recovered within 12 months and an amount of €17 million (2011: 15) after 12 months.

Deferred tax assets and liabilities are presented net in the balance sheet if PostNL has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

The total accumulated losses available to carry forward at 31 December 2012 amount to €144 million (2011: 129). With these losses carried forward, future tax benefits of €42 million could be recognised (2011: 39). Tax deductible losses give rise to deferred tax assets at the statutory tax rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the realisation of such benefits, for example as a result of the expiration of tax losses carried forward and projected future taxable income. As a result PostNL has not recognised €32 million (2011: 27) of the potential future tax benefits and has recorded deferred tax assets of €10 million at the end of 2012 (2011: 12).

The expiration of total accumulated losses is presented in the table below:

Expiration of accumulated losses for carry forward arrangements income tax

2013	2
2014	0
2015	3
2016	0
2017 and thereafter	38
Indefinite	101
Total	**144**

(in € millions)

The following table shows the movements in deferred tax liabilities in 2012:

Statement of changes deferred income tax liabilities

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2010	**281**	**45**	**1**	**327**
Changes via income statement	21	9	2	32
(De)consolidation/demerger	(18)			(18)
Deferred tax liabilities at 31 December 2011	**284**	**54**	**3**	**341**
Changes via income statement	100	6	4	110
Deferred tax liabilities at 31 December 2012	**384**	**60**	**7**	**451**

(in € millions)

Of the deferred tax liabilities as at 31 December 2012 an amount of €6 million (2011: -13) is to be settled within 12 months and an amount of €445 million (2011: 354) after 12 months. The increase of the deferred tax liabilities mainly relates to the pensions and Master Plan provisions.

Notes to the consolidated statement of cash flows

23 Net cash (used in)/from operating activities

Net cash (used in)/from operating activities: -56 million (2011: 122)

Net cash from operating activities decreased by €178 million from €122 million in 2011 to -€56 million in 2012. The non-cash transactions in the statement of cash flows relate to depreciation, amortisation and impairments, share-based payments, investment income and changes in provisions.

Cash generated from operations

The cash generated from operations decreased from €321 million in 2011 to €83 million in 2012. The decrease of €238 million was mainly explained by:

- profit before income tax adjusted for the non-cash impact of depreciation, amortisation and impairments and the impairments and results of investments in associates of €9 million,
- change in pension liabilities of -€153 million,
- change in other provisions of -€68 million, and
- change in working capital of -€40 million.

The profit before income taxes of €758 million (2011: -345) adjusted for the non-cash impact of depreciation, amortisation and impairments of €250 million (2011: 112) and the impairments and results of investments in associates of -€571 million (2011: 661) amounted to €437 million and is €9 million higher compared to 2011 (€428 million).

The change in pension liabilities decreased by €153 million from -€143 million in 2011 to -€296 million in 2012 and reflects the difference between the total non-cash employer pension expense for the post-employment defined benefit plans of €47 million (2011: 117) and the comparable total cash contributions for a total amount of €343 million (2011: 260). In 2012, the cash contributions include top up payments of €83 million in total.

The change in other provisions decreased by €68 million from -€64 million in 2011 to -€132 million in 2012 and reflects the difference between the recorded costs for provisions (net amount of additions and releases) of -€21 million (2011: 14) and the withdrawals of €111 million (2011: 78). These withdrawals related mainly to restructuring settlements for Master Plan III and several other smaller restructuring programmes.

The change in working capital decreased by €40 million from €40 million in 2011 to €0 million in 2012. In 2012, the total working capital remained constant compared to year-end 2011 due to a continued focus on payment behaviour of customers and on payment terms of suppliers.

Interest paid

The total cash out for interest paid in 2012 amounted to €99 million (2011: 101). In 2012, interest paid mainly included interest on PostNL's long-term borrowings of €92 million (2011: 93), interest related to income taxes of €3 million (2011: 2) and other bank charges of €2 million (2011: 2). In addition, interest payments of €2 million (2011: 4) were included for short-term debt (which mainly related to a gross-up on notional cash pools, which was offset in the interest received).

In accordance with IFRS, the interest paid and received on notional cash pools is reported on a gross basis.

Income taxes paid

PostNL paid income taxes for a total amount of €40 million (2011: 98), which includes payments relating to prior years of €13 million (2011: 43).

24 Net cash (used in)/from investing activities

Net cash (used in)/from investing activities: -156 million (2011: 47)

Interest received

In 2012, interest received amounted to €11 million (2011: 7) and mainly included interest received on income taxes of €7 million (2011: 0) and interest received on short-term bank balances and deposits of €4 million (2011: 7), of which €2 million (2011: 4) related to a gross-up on notional cash pools, which is offset in the interest paid.

Dividend received

In 2012, the cash inflow for dividend of €2 million (2011: 7) mainly related to dividend received from the stake in TNT Express and from minority shareholdings in Germany.

Acquisition of subsidiaries and joint ventures (net of cash)
In 2012, the total cash inflow net of cash for acquisitions of Group companies amounted to €15 million (2011: -2) and mainly related to the acquisition of trans-o-flex.

Disposal of subsidiaries and joint ventures
In 2012, the net proceeds from the disposal of subsidiaries and joint ventures amounted to €0 million (2011: 110). In 2011, PostNL disposed of De Belgische Distributiedienst, Lifecycle Marketing, RSM Italy S.rl., Telepost SpA Italy and the international activities in Eastern Europe for a total amount of €110 million.

Investments in associates
In 2012, the investments in associates of €1 million (2011: 0) mainly related to the acquisition of a 40% share in Scoupy B.V.

Capital expenditure on intangible assets and property, plant and equipment
In 2012, capital expenditures on property, plant and equipment amounted to €175 million (2011: 104) and mainly related to the new logistical infrastructure within Parcels, Master Plan-related projects and replacements. The capital expenditures on other intangible assets of €29 million (2011: 33) mostly related to software. Capital expenditures are funded primarily by cash generated from operations and are part of strict cash control and review.

Proceeds from sale of property, plant and equipment
In 2012, proceeds from the sale of property, plant and equipment amounted to €27 million (2011: 62), which mainly related to the sale of several buildings from PostNL Real Estate B.V. and PostNL Real Estate Development B.V. (totalling €26 million, 2011: 57). In 2011, an amount of €35 million was included related to the sale of head office investments and a building in Belgium to Express prior to the demerger.

Other changes in (financial) fixed assets
In 2012, the other changes in (financial) fixed assets of -€2 million (2011: 1) mainly related to the non-consolidated part of a new loan to the joint venture in HIM Holtzbrinck.

Changes in non-controlling interests
In 2012, the changes in non-controlling interests of -€4 million (2011: -1) related to a repayment of capital of €3 million to TNT Post GmbH & Co. KG, a 71% investment of PostNL, and the buy-out of minority interests in subsidiaries of TNT Post UK of €1 million.

25 Net cash (used in)/from financing activities

Net cash (used in)/from financing activities: -66 million (2011: 432)

Cash settlement share-based payments
In 2012, share-based payments amounted to €2 million (2011: 6) and related to the buy-out of minority interests in subsidiaries of TNT Post UK (2011: 2).

Proceeds from and repayments of long-term borrowings
In 2012, the total net proceeds from and repayments of long-term borrowings amounted to €4 million (2011: -1) and mainly related to some small loans in International.

Proceeds from and repayments of short-term borrowings
In 2012, the total net proceeds from and repayments of short-term borrowings amounted to -€67 million (2011: 25) and mainly related to a repayment of €30 million of the short-term part of a long-term loan and to the net of increases and decreases on outstanding local short-term debt, of which -€31 million was in the United Kingdom (2011: proceeds of 29).

Repayments of finance leases
In 2012, the total repayments related to redemptions on finance lease contracts amounted to €1 million (2011: 4).

Dividends paid
In 2012, no dividend was paid in cash (2011: 80).

Financing related to discontinued business
In 2011, the cash inflow from financing related to discontinued business amounted to €498 million. This mainly consisted of final settlements of intercompany balances between PostNL and the discontinued Express activities over the first five months of 2011.

Additional notes

26 Business combinations

(No corresponding financial statement number)

In 2012, PostNL acquired 100% of shares in the Dutch and Belgian activities of trans-o-flex. Both entities operate in the business-to-business market for parcels and pallets with strong presence in the Pharmaceutical and Consumer Electronics verticals.

The negative goodwill arising from the trans-o-flex acquisitions amounted to €15 million, which represents the excess of the fair value of the net identifiable assets and liabilities of the acquired businesses over the total purchase consideration. The gain has been recognised in 'other income'. For the short term PostNL envisages operational losses and restructuring costs of the Dutch and Belgian activities. PostNL will adjust the provisional amounts, which have been recognised as part of the trans-of-flex acquisition, if required by new facts and circumstances noted during the measurement period.

In 2012, PostNL also acquired 100% of the shares of Marvia B.V. and Marvia IE B.V. ('Marvia'). Marvia provides self-service desktop publishing software as a service, targeting the franchise and retail market. The goodwill arising from the Marvia acquisition amounted to €1 million. The impact of the Marvia acquistion and other smaller acquisitions on the pro forma results of PostNL is not material.

Acquiree's results

In 2012, the acquiree's total net income attributable to shareholders accounted within PostNL, since acquisition date, amounted to -€5 million.

Pro forma results

The pro forma revenues of PostNL for 2012, as if the trans-o-flex acquisitions had taken place on 1 January 2012, would have increased to €4,350 million and the pro forma results would have decreased to €674 million. Pro forma results are not necessarily indicative of the future performance of PostNL.

Pro forma results business combinations

Year ended at 31 December	Pro forma results (unaudited) 2012	As reported 2012
Total revenues	4,350	4,330
Profit for the year from continuing operations	675	678
Profit attributable to the equity holders of the parent	674	677
Earnings per ordinary share (in € cents)[1]	153.2	153.9

(in € millions, unless otherwise indicated)

[1] Earnings per ordinary share are based on an average of 439,973,297 outstanding ordinary shares.

27 Commitments and contingencies

(No corresponding financial statement number)

Off-balance sheet commitments

At 31 December	2012	2011
Rent and operating lease	301	288
Capital expenditure	44	57
Purchase commitments	30	42
Pension top up invoices	64	

(in € millions)

As at 31 December 2012, €212 million of the commitments indicated above are of a short-term nature (2011: 169).

Rent and operational lease contracts

In 2012, operational lease expenses (including rental) in the consolidated income statement amounted to €124 million (2011: 123). There were no material individual lease contracts as at 31 December 2012.

Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment are as follows:

Repayment schedule rent/operational leases

At 31 December	2012	2011
Less than 1 year	99	90
Between 1 and 2 years	69	68
Between 2 and 3 years	50	45
Between 3 and 4 years	27	29
Between 4 and 5 years	18	16
Thereafter	38	40
Total	**301**	288
of which guaranteed by a third party/customers	1	1

(in € millions)

Capital expenditure

As at 31 December 2012, commitments in connection with capital expenditure amounted to €44 million (2011: 57) and related to property, plant and equipment. These commitments primarily relate to projects within the operations of Mail in the Netherlands (sorting machines) and to the new logistical infrastructure of Parcels.

Purchase commitments

As at 31 December 2012, PostNL had unconditional purchase commitments of €30 million (2011: 42), primarily related to various service and maintenance contracts. These service and maintenance contracts are primarily for information technology, security, salary registration and cleaning.

Commitments for pension top up invoices

As at 31 December 2012, the coverage ratio of the main pension fund of PostNL was 102.5%, below the minimum requirement of around 104%. The coverage ratio includes top up payments considered receivable from PostNL of €64 million. PostNL expects to pay the remaining invoiced top up payments of €64 million in Q1 2013.

As at 31 December 2012, the deficit of the main pension fund allocated to PostNL was around €94 million, resulting in a conditional invoice for a further top up payment from the pension fund of around €13 million, payable in Q2 2013 if the minimum required level of around 104% is not reached on 31 March 2013.

Contingent tax liabilities

Multinational groups of the size of PostNL are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. PostNL accounts for its income taxes on the basis of its own internal analyses, supported by external advice. PostNL continually monitors its global tax position, and whenever uncertainties arise, PostNL assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

Guarantees

As at 31 December 2012, PostNL, on behalf of its subsidiaries, had various parental and bank guarantees outstanding. However, none (2011: 0) resulted in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following their ordinary course of business.

Contingent legal liabilities

Ordinary course litigation

The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, subcontracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. PostNL does not expect any liability arising from any of these legal proceedings to have a material effect on its operational results, liquidity, capital resources or financial position. The company believes it has provided for all probable liabilities deriving from the normal course of business.

28 Financial risk management

(No corresponding financial statement number)

PostNL's activities expose the company to a variety of financial risks, such as market risks (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. All of these risks arise in the normal course of business and therefore PostNL uses various techniques and financial derivatives to mitigate these risks.

The following analyses provide quantitative information regarding PostNL's exposure to the financial risks described above. There are certain limitations and simplifications inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously, while at the same time, for example, the impact of changes in interest on foreign exchange exposures and vice-versa is ignored. In addition, the analyses are unable to reflect the complex market reactions that would normally arise from the market shifts assumed.

PostNL uses derivative financial instruments solely for the purpose of hedging currency and interest exposures. The company enters into contracts related to derivative financial instruments for periods commensurate with its underlying exposures and does not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

Financial risk management is carried out by Group Treasury under policies approved by the Board of Management. Group Treasury identifies, evaluates and hedges financial risk in close cooperation with operating units. The Board of Management provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, credit risk and liquidity risk. Periodic reporting on financial risks has been embedded in the overall risk framework and has been provided to the Board of Management in a structural way.

Interest rate risk

PostNL identifies interest rate risk associated with its financial assets and borrowings; for the financial effects from movements in interest rates on the company's pension obligations, reference is made to note 10 to the consolidated financial statements.
A minor part of PostNL's borrowings is against floating interest rates. These floating interest rates may fluctuate substantially and could have an adverse effect on PostNL's financial results in any given reporting period. Due to the minor size of floating interest borrowings in the total structure of PostNL's borrowings, such effect is considered virtually negligible. Borrowings that are issued at floating interest rates expose the company to the risk of increasing interest costs (cash flow interest risk). Borrowings that are issued at fixed rates expose the company to risk of incurring high interest costs should interest rates fall in future (fair value interest risk). PostNL's financial assets are on average of such short-term nature that they bear no significant fair value interest risk, but do cause cash flow interest rate risks. Group policy is to significantly limit the impact of interest fluctuations over a term of seven years as a percentage of earnings before interest, taxes, depreciation and amortisation. As at 31 December 2012, PostNL's gross interest-bearing borrowings, including finance lease obligations, totalled €1,618 million (2011: 1,670), of which €1,615 million (2011: 1,639) was at fixed interest rates.

Although PostNL generally enters into interest rate swaps and other interest rate derivatives in order to attempt to reduce its exposure to interest rate fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs. At the end of 2012 PostNL did not have any interest rate swaps open.

At 31 December 2012, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant, the profit before income tax would have been €4 million higher (2011: 6). As virtually all debts are at fixed rates, the increase in the rate will not affect the cost base. The potential profit increase is entirely contributable to interest income on the cash and cash equivalents. Equity would be impacted by €0 million (2011: 0), due to the change in the interest curve projection applied for the calculation of the fair value of the £450/€568 million cross-currency swap, as well as the €4 million (2011: 6) impact on profit before income taxes (see also note 29 to the consolidated financial statements).

Foreign currency exchange risk

PostNL does have international operations that generate foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than functional currencies of the respective business units of PostNL, irrespective of whether it is the euro (PostNL's functional and reporting currency) or another functional currency.

Group Treasury matches and manages the intragroup and external financial exposures. Although the company generally enters into hedging arrangements and other contracts to reduce its exposure to currency fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs.

The main currencies of PostNL's external hedges are the British pound and US dollar, of which the 2012 exchange rates to euro are shown below:

Exchange rates main foreign currency

	Year opening[1]	Year end closing[2]	Annual Average[3]
British pound	0.83514	0.81610	0.81098
US dollar	1.29350	1.31940	1.28828

(in €)

1 Source: European Central Bank, reference rate on the first day of the year.
2 Source: European Central Bank, reference rate on the last day of the year.
3 The annual average is calculated as the 12-months' average of the month-end-closing rates of the European Central Bank.

Management has set up a policy requiring Group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with Group Treasury, whereby a financing company operated by Group Treasury trades these foreign exchange derivatives with external banks. As at 31 December 2012, PostNL had no net investment hedges outstanding. Significant acquisitions and local debt are usually funded in the currency of the underlying assets.

As as 31 December 2012, if the euro had weakened 10% against both the British pound and the US dollar with all other variables held constant, the profit before income taxes on the foreign exchange exposure on financial instruments would have been €0 million lower (2011: 0). In 2012, the net income sensitivity to movements in euro/pound sterling and euro/US dollar exchange rates compared to 2011 did not change. Equity would have been impacted by €0 million (2011: 0).

Credit risk

Credit risk represents the losses that the company would incur if counterparties with whom PostNL enters into financial transactions are unable to fulfil the terms of those agreements. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions as well as credit exposures relating to customers. The company attempts to minimise, within its approved investment framework, its credit risk exposure by only transacting with financial institutions, ensuring established credit guidelines are met and by managing its customer portfolio.

In the current economic environment, PostNL emphasises proactive management of credit risk relevant to both customers and financial institutions. Several initiatives have been put forward by Group Treasury to widen the range of instruments and to minimise the exposure to individual financial institutions and commercial organisations.

As at the reporting date, there has been no significant concentration of credit risk across the customer portfolio. The top 10 PostNL customers accounted for 9% of the outstanding trade receivables as at 31 December 2012.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, PostNL attempts to maintain flexibility in funding by keeping committed credit lines available. A downgrade in PostNL's credit rating may negatively affect its ability to obtain funds from financial institutions and banks and increase its financing costs by increasing the interest rates of its outstanding debt or the interest rates at which the company is able to refinance existing debt or incur new debt. Furthermore, other non-PostNL specific adverse market conditions could also turn out to have a material adverse effect on the company's funding ability.

The PostNL Group has the following undrawn committed facilities with end term 1 June 2016:

Undrawn committed credit facilities

At 31 December	2012	2011
Multicurrency Revolving Credit Facilities	570	570

(in € millions)

The following table analyses PostNL's financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet to the contractual maturity date. The outgoing flows disclosed in the table are the contractual undiscounted cash flows that contain the redemptions and interest payments.

Maturity liquidity risks

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Outgoing flows based on the financial liabilities 2012					
Eurobonds	91	573	787	573	1,575
Other loans	1	10			11
Financial leases	2	1			3
Interest rate and cross-currency swaps - outgoing	40	96	80	579	29
Foreign exchange contracts - outgoing	8				0
Trade accounts payable	233				233
Other current liabilities	79				79
Total outgoing flows	**454**	**680**	**867**	**1,152**	**1,930**
Mitigation incoming flows based on the financial liabilities 2012					
Interest rate and cross-currency swaps - incoming	40	96	80	579	
Foreign exchange contracts - incoming	8				
Total liquidity risk 2012	**406**	**584**	**787**	**573**	**1,930**
Outgoing flows based on the financial liablities 2011					
Eurobonds	90	181	565	1,294	1,557
Other loans	31	7			38
Financial leases	2	2			4
Interest rate and cross-currency swaps - outgoing	71	81	81	690	40
Foreign exchange contracts - outgoing	31				0
Short-term bank debt	31				31
Trade accounts payable	219				219
Other current liabilities	79				79
Total outgoing flows	554	271	646	1,984	1,968
Mitigation incoming flows based on the financial liabilities 2011					
Interest rate and cross-currency swaps - incoming	70	81	81	690	
Foreign exchange contracts - incoming	34				
Total liquidity risk 2011	450	190	565	1,294	1,968

(in € millions)

Capital structure management

PostNL’s capital structure is managed along the following components: (I) an investment grade credit rating targeted at BBB+/Baa1; (2) an availability of €570 million of undrawn committed facilities; (3) structured funding through a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest; (4) cash-pooling systems facilitating optimised cash requirements for the Group and (5) a tax-optimal internal and external funding focused at optimising the cost of capital for the Group, within long-term sustainable boundaries.

A downgrade in PostNL’s credit rating may negatively affect its ability to obtain funds from financial institutions, retain investors and banks and increase its financing costs by increasing the interest rates of its outstanding debt or the interest rates at which the company is able to refinance existing debt or incur new debt. This could affect PostNL’s returns for shareholders and benefits for other stakeholders.

The terms and conditions of PostNL’s material long-term and short-term debts, as well as its material drawn or undrawn committed credit facilities do not include any financial covenants. There are also no opportunities to accelerate these material debts and committed facilities in the event of a credit rating downgrade. The debt and credit facility instruments vary on a case-by-case basis and mostly contain customary clauses as are generally observed in the market, such as negative pledge conditions, restrictions on the sale/the use of the proceeds of the sale of assets or businesses and in most cases change of control clauses.

29 Financial instruments

(No corresponding financial statement number)

Summary financial instruments

In line with IAS 39, the following categories of financial assets and financial liabilities can be distinguished.

Financial instruments - assets

At 31 December	Note	Loans and receivables	Financial assets at fair value through profit and loss	Held to maturity investments	Available for sale	Total
Assets as per balance sheet 2012						
Other loans receivable		4				4
Accounts receivable	5	482				482
Prepayments and accrued income	6	116				116
Cash and cash equivalents	7	391				391
Total		**993**	**0**	**0**	**0**	**993**
Assets as per balance sheet 2011						
Other loans receivable		2				2
Other financial fixed assets		1				1
Accounts receivable	5	458				458
Prepayments and accrued income	6	121				121
Cash and cash equivalents	7	668				668
Total		1,250	0	0	0	1,250

(in € millions)

Financial instruments - liabilities

At 31 December	Note	Financial liabilities measured at amortised costs	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet 2012					
Long-term debt	12	1,586	29		1,615
Trade accounts payable		233			233
Other current liabilities	13	82			82
Total		**1,901**	**29**	**0**	**1,930**
Liabilities as per balance sheet 2011					
Long-term debt	12	1,567	40		1,607
Trade accounts payable		219			219
Other current liabilities	13	142			142
Total		1,928	40	0	1,968

(in € millions)

The fair value of financial instruments is based on foreign exchange and interest rate market prices. 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 thereby grouped within level two of the fair value measurement hierarchy.

Eurobonds

As at 31 December 2012, the eurobonds of €1,040 million (2011: 1,040) and the pound sterling bond of £450 million (2011: £450) are measured at amortised cost of €1,575 million (2011: 1,557). This represents the nominal value corrected for the costs and issuance under par ('at a discount') that are still to be amortised. The book value is equal to the amortised cost value. The foreign exchange exposure on the £450 million eurobond is hedged via the £450/€568 million cross-currency swap (see 'Foreign currrency exchange contracts').

For the outstanding eurobonds, see the table below:

Outstanding eurobonds

At 31 December	Nominal value	Costs/discount to be amortised	Hedge accounting	Carrying value	Fair value
3.875% eurobond 2015	400	10	No	390	423
5.375% eurobond 2017	640	3	No	637	726
7.500% eurobond 2018 (£450 million)	568	3	Yes	548	668
Total outstanding eurobonds 2012	**1,608**	**16**		**1,575**	**1,817**
3.875% eurobond 2015	400	13	No	387	406
5.375% eurobond 2017	640	3	No	637	645
7.500% eurobond 2018 (£450 million)	568	3	Yes	533	617
Total outstanding eurobonds 2011	1,608	19		1,557	1,668

(in € millions)

Financial leases

Total debt on financial leases mainly consists of financial lease contracts on plant and equipment.

For the total outstanding financial leases, see the following table:

Outstanding financial leases

At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Other leases	3	fixed	No	3	3
Total outstanding financial leases 2012	**3**			**3**	**3**
Other leases	4	fixed	No	4	4
Total outstanding financial leases 2011	4			4	4

(in € millions)

Derivatives

Cross-currency swaps

In 2012, PostNL had a £450/€568 million cross-currency swap outstanding to hedge foreign exchange exposure on the £450 million eurobond and a £13/€16 million cross-currency swap to hedge foreign exchange exposure on the £13 million loan provided to a Group company. These swaps act as the hedge on the cash flow currency risk on these loans.

Since all prior forward starting swaps have been designated as cash flow hedges, the market value movements of the effective portion of the hedges were included in equity at the moment these swaps were unwound. These market value movements will remain in the hedge reserve and will be straight-line amortised to the income statement until 2015. In 2012, net financial expense included an amortisation of €2 million from the hedge reserve.

In 2012, the total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amounted to €0 million (2011: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounted to €0 million (2011: 0).

For the outstanding interest rate and cross-currency swaps, see the table below:

Outstanding swaps

At 31 december	Nominal value	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value
Cross-currency swaps 2012[1]	584	No	GBP/EUR	Yes	float	fixed	cash flow	29
Total swaps 2012	**584**							**29**
Interest rate swaps 2011	30	No	EUR	Yes	fixed	float	cash flow	
Cross-currency swaps 2011[1]	568	No	GBP/EUR	Yes	float	fixed	cash flow	40
Total swaps 2011	598							40

(in € millions)

1 Refer to separate disclosure on foreign exchange contracts.

The fair value of the outstanding long-term cross-currency swaps is recorded as a long-term asset in 'financial fixed assets' or as a liability in 'long-term debt'. The value of the pound sterling/euro cross-currency swap mainly relates to movements in the pound sterling/euro exchange rate and offsets the movement in the carrying value of the £450 million eurobond.

Foreign currency exchange contracts
PostNL has entered into short-term foreign exchange derivatives to hedge foreign exchange fair value and cash flow risks. The fair value of these outstanding foreign exchange hedges is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'total current borrowings'. The foreign exchange result on the outstanding fair value hedges is recorded in the income statement and mitigates the foreign exchange exposure and results on the underlying balance sheet items.

For the outstanding foreign exchange contracts, see the table below:

Outstanding foreign exchange contracts

At 31 december	Note	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2012						
Asset	6	0	0	8	fair value	No
Liability	14	0	0	8	fair value	No
Foreign exchange contracts 2011						
Asset	6	0	0	34	fair value	No
Liability	14	0	0	31	fair value	No

(in € millions)

The cash flow hedges on highly probable transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve within equity on the effective portion of the forward exchange contracts as at 31 December 2012 amounted to €0 (2011: 0). These reserves are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement.

30 Earnings per share

To calculate basic earnings per share, an average of 439,973,297 ordinary shares is taken into account. For calculation purposes, the profit attributable to equity holders of the parent of €677 million (2011: 1,736) has been applied. The diluted number of ordinary shares is nil as PostNL's share-based payments have a cash-settled nature.

Based on IAS 33, the 2011 weighted average number of shares outstanding was retrospectively increased from 383,374,983 to 431,046,838 to reflect the stock dividends issued in 2012 (refer to note 9 to the consolidated financial statements). Accordingly, the calculation of basic and diluted earnings per share has been adjusted retrospectively for all periods presented.

The following table summarises the outstanding shares for PostNL's computation related to earnings per share:

(Average) number of outstanding ordinary shares

Year averages and numbers at 31 December	2012	2011
Number of issued and outstanding ordinary shares	439,973,297	392,301,442
Shares held by the company to cover share plans	0	62,114
Average number of ordinary shares per year	439,973,297	431,046,838
Diluted number of ordinary shares per year	0	0
Average number of ordinary shares per year on fully diluted basis in the year	**439,973,297**	431,046,838

(in shares)

31 Joint ventures

(No corresponding financial statement number)

The company accounts for joint ventures in which PostNL and another party have equal control according to the proportionate consolidation method. PostNL's most significant joint venture as at 31 December 2012, is the 50% interest in Postkantoren B.V. with ING Bank N.V., to operate post offices in the Netherlands. In addition, PostNL holds a 50% interest in HIM Holtzbrinck joint ventures.

The company's share in the joint ventures' off-balance sheet commitments amounted to €40 million and mainly related to rent and operating lease contracts of € 29 million, purchase commitments of €4 million and guarantees issued of €2 million.

Key pro rata information regarding all joint ventures in which PostNL has joint decisive influence over operations is presented in the following table and includes balances at 50%.

Key pro rata data joint ventures

Year ended at 31 December	2012	2011
Non-current assets	14	13
Current assets	58	71
Total assets	**72**	84
Equity	28	31
Non-current liabilities	9	12
Current liabilities	35	41
Total equity and liabilities	**72**	84
Net sales	158	180
Operating income	(1)	7
Profit attributable to the shareholders	**(2)**	4
Net cash used in operating activities	(13)	(28)
Net cash (used in)/from investing activities	(6)	1
Net cash from financing activities	10	14
Changes in cash and cash equivalents	**(9)**	(13)

(in € millions)

32 Related party transactions and balances

(No corresponding financial statement number)

The PostNL Group companies have trading relationships with a number of joint ventures as well as with unconsolidated companies in which PostNL holds minority shares. In some cases, there are contractual arrangements in place under which PostNL companies source supplies from such undertakings, or such undertakings source supplies from PostNL.

During 2012, purchases of PostNL from its joint ventures amounted to €22 million (2011: 43). No sales were made by PostNL companies to its joint ventures (2011: 0). The net amounts due to the joint venture entities amounted to €14 million (2011: 32).

As at 31 December 2012, no material amounts were payable by PostNL to associated companies.

Related party transactions with PostNL's pension fund are presented in note 10 to the consolidated financial statements.

PostNL considers the members of the Board of Management and Supervisory Board as key management personnel as defined by IAS 24. For disclosure on related party transactions with the Board of Management and Supervisory Board, refer to note 18 to the consolidated financial statements.

Relationship agreement PostNL and TNT Express

Following the demerger of Express, PostNL and TNT Express entered into a relationship agreement and a 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 corporate governance of TNT Express.

The separation agreement creates certain rights and obligations for both PostNL and TNT Express after the demerger. These relate to, among other things: (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 the event 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 a liability that gradually decreases over time. Furthermore, PostNL has provided a guarantee for futureTNT Express pension payments, barring certain unforeseen circumstances. The guarantees of PostNL will only exist as long as the coverage ratio of the funds are 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 31 December 2012, no events had occurred that triggered disclosure of a significant contingent asset or liability following the aforementioned agreements with TNT Express.

33 Segment information

(No corresponding financial statement number)

PostNL identifies the following reportable segments:

- Mail in the Netherlands, which provides mail services in the Netherlands, including the provision of the universal service and data and electronic communications activities,
- Parcels, which provides standard parcel services in the Netherlands and Belgium for both domestic and cross-border parcel distribution, and
- International, which provides addressed and unaddressed mail activities outside the Netherlands, in particular the United Kingdom, Germany and Italy.

The measure of profit and loss and assets and liabilities is based on the PostNL Group Accounting Policies, which are compliant with IFRS. The pricing of intercompany sales is done at arm's length.

Segmentation – results

The following table presents the reconciliation of the segment information relating to the income statement of the reportable segments:

Segmentation - results 2012

Year ended at 31 December 2012	Mail in NL	Parcels	International	PostNL Other	Intercompany	Total
Net sales	2,163	568	1,586			4,317
Intercompany sales	140	155	38	244	(577)	
Other operating revenues	2	7		4		13
Total operating revenues	**2,305**	**730**	**1,624**	**248**	**(577)**	**4,330**
Other income	14	16	1	1		32
Depreciation/impairment property, plant and equipment	(41)	(8)	(8)	(22)		(79)
Amortisation/impairment intangibles	(15)	(3)	(4)	(5)		(27)
Decreases value assets held for sale	(9)			(135)		(144)
Total operating income	**86**	**96**	**27**	**82**		**291**
Net financial expense						(104)
Results from investments in associates						1
Reversal of/(impairment of) investments in associates						570
Income tax						(80)
Profit for the year						**678**
Attributable to:						
Non-controlling interests						(1)
Equity holders of the parent						**677**
Number of employees (headcount)	55,370	3,510	6,274	1,257		66,411

(in € millions, except employees)

Taxes and net financial expense are dealt with at Group level and not within the reportable segments. As a result, this information is not presented as part of the reportable segments.

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.

In 2012, the material items of income and expense as included in operating income were:

- rebranding costs of €12 million, reported in Mail in the Netherlands for €5 million and in PostNL Other for €7 million,
- restructuring-related charges of -€26 million in total, comprising of -€35 million in Mail in the Netherlands (mainly a result of the release related to Master Plan III provisions) and €8 million in PostNL Other, and resizing costs of €1 million in International,
- value adjustments of the stake in TNT Express of -€135 million reported in PostNL Other,
- an impairment of assets held for sale relating to customer contact services of €9 million reported in Mail in the Netherlands,
- pension top up payments, reflecting cash payments to the Dutch pension funds, reported as expenses in Mail in the Netherlands for €78 million and in Parcels for €4 million with a corresponding income of €82 million in PostNL Other, and
- a pension curtailment gain of €11 million, reported in Mail in the Netherlands for €8 million, in Parcels for €4 million and in PostNL Other for -€1 million.

In 2012, total operating income for PostNL Other amounted to €82 million, which mainly related to pension income of €211 million partly offset by the value adjustment of the stake in TNT Express of -€135 million.

Segmentation - results 2011

Year ended at 31 December 2011	Mail in NL	Parcels	International	PostNL Other	Intercompany	Total
Net sales	2,287	520	1,427	45		4,279
Intercompany sales	139	82	39	236	(492)	4
Other operating revenues	3	6	1	4		14
Total operating revenues	2,429	608	1,467	285	(492)	4,297
Other income	17	0	(3)	39		53
Depreciation/impairment property, plant and equipment	(52)	(6)	(7)	(23)		(88)
Amortisation/impairment intangibles	(14)	(3)	(4)	(3)		(24)
Total operating income	234	88	(9)	104		417
Net financial expense						(101)
Results from investments in associates						(25)
Reversal of/(impairment of) investments in associates						(636)
Income tax						(78)
Profit from discontinued operations						2,159
Profit for the year						1,736
Attributable to:						
Non-controlling interests						0
Equity holders of the parent						1,736
Number of employees (headcount)	55,622	2,907	5,777	1,202		65,508

(in € millions, except employees)

In 2011, the material non-recurring and exceptional items of income and expense as included in operating income were a book gain of €38 million mainly related to the sale of 'Belgische Distributiedienst' and demerger-related costs of €22 million, both reported in PostNL Other, and resizing costs of €13 million in International.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below:

Segmentation - balance sheet and capital expenditures 2012

At 31 December 2012	Mail in NL	Parcels	International	PostNL Other[1]	Total
Intangible assets	87	11	62	8	168
Property, plant and equipment	273	142	35	86	536
Trade accounts receivable	173	43	210	6	432
Other current assets	89	14	119	348	570
Total assets	**686**	**213**	**447**	**3,310**	**4,656**
Trade accounts payable	92	20	95	26	233
Other current liabilities	585	85	157	127	954
Total liabilities	**916**	**150**	**267**	**2,243**	**3,576**
Cash out for capital expenditures	56	72	16	60	204

(in € millions)

1 PostNL's assets held for sale regarding TNT Express is included in this segment.

As at 31 December 2012, the total assets of PostNL Other of €3,310 million (2011: 2,818) mainly included assets held for sale related to the stake in TNT Express amounting to €1,367 million (2011: 936, recorded as investments in associates) and a pension asset. The total assets of Mail in the Netherlands included assets held for sale of €60 million and liabilities related to assets held for sale of €11 million. Refer to note 8 to the consolidated financial statements.

The segmented balance sheet information as at 31 December 2011 was as follows:

Segmentation - balance sheet and capital expenditures 2011

At 31 December 2011	Mail in NL	Parcels	International	PostNL Other[1]	Total
Intangible assets	97	9	60	10	176
Property, plant and equipment	291	79	33	48	451
Trade accounts receivable	205	27	182	3	417
Other current assets	93	10	142	597	842
Total assets	735	129	436	2,818	4,118
Trade accounts payable	102	14	69	34	219
Other current liabilities	606	70	193	248	1,117
Total liabilities	1,098	119	282	2,205	3,704
Cash out for capital expenditures	44	52	11	30	137

(in € millions)

1 PostNL's investment in TNT Express is included in this segment.

Geographical segment information

The segment information from a geographical perspective is derived as follows: the basis of allocation of net sales by geographical area is the country or region in which the entity recording the sales is located; and segment assets and investments are allocated to the location of the assets.

Geographical segmentation - net sales

Year ended at 31 December	2012	2011[1]
The Netherlands	2,733	2,826
United Kingdom	780	632
Italy	206	202
Germany	512	522
Rest of Europe	64	78
Europe	**4,295**	4,260
Rest of the World	22	23
Total net sales	**4,317**	4,283

(in € millions)

1 Including sales to Express in the period Jan/Jun 2011.

Geographical segmentation - assets

	2012			2011		
At 31 December	Intangible assets	Property, plant and equipment	Financial fixed assets	Intangible assets	Property, plant and equipment	Financial fixed assets
The Netherlands	107	502	12	117	417	942
United Kingdom	24	14	0	21	12	0
Italy	4	5	7	3	5	8
Germany	33	14	10	35	15	8
Rest of Europe		0	4		1	4
Europe	**168**	**535**	**33**	176	450	962
Rest of the World		1	0		1	1
Total	**168**	**536**	**33**	176	451	963

(in € millions)

The company does not have significant reliance on its major customers.

34 Subsequent events

(No corresponding financial statement number)

Stake in TNT Express

As at 31 December 2012, the stake in TNT Express was classified in the consolidated financial statements as held for sale under IFRS 5 as the sale was considered highly probable and valued at the list price of €8.43 per share at 31 December 2012. In January 2013, the European Commission prohibited the proposed acquisition of TNT Express by UPS, which was followed by the withdrawal of the offer by UPS. Under IAS 10, the withdrawal of the offer by UPS, which resulted in a significant decline in the TNT Express share price, qualifies as a non-adjusting event considering that any uncertainties were reflected in the 31

December 2012 share price of TNT Express. The closing share price of TNT Express on 22 February 2013 was €5.56. Continuation of this level will have a significant negative impact on the consolidated result and equity of PostNL.

Management expects the stake in TNT Express will be monetised in the medium term to create better value for the shareholders, after stability has returned to TNT Express. Accordingly, the stake in TNT Express will no longer meet the criteria under IFRS 5 to be classified as asset held for sale and will therefore, as of the following reporting period, be accounted for as investments in associates using the equity method.

Collective labour agreement for Mail Netherlands
On 29 January 2013, the trade unions approved the collective labour agreement in principle for Mail Netherlands. The collective labour agreement applies from 1 January 2012 to 31 March 2013. The Social Plan will be extended by one year from 1 January 2013 to 31 December 2013. The main features of the new agreement are a 1.7% salary increase, and additionally 0.4% after the definitive approval of the new pension arrangement, on which PostNL and the trade unions are jointly in talks with the pension fund. The financial effects of the new collective labour agreement on 2012 have been included in the consolidated financial statements (refer to notes 10 and 14 to the consolidated financial statements).

No appeal to verdict of disputes committee on top up payments
On 15 February 2013, PostNL announced it will not appeal the verdict of the disputes committee about the necessity of top up payments to supplement the coverage deficit of the pension funds. This was decided upon partly because PostNL aims to come to a sustainable solution for pensions in dialogue with the main pension fund. This is in the interest of all parties involved. PostNL expects to pay the remaining invoiced top up payments of €64 million in Q1 2013.

35 Postal regulation and concession

Postal regulation in the Netherlands
Since 1 April 2009, the key legislation regulating PostNL's activities, both mail and parcels, is the Dutch Postal Act 2009. This act requires a designated postal provider to perform the universal postal services in the Netherlands. By separate decree, Koninklijke PostNL BV ("Koninklijke PostNL") has been designated as provider of the universal postal services. The Dutch Postal Act 2009 sets the requirements for the universal postal services.

Based on the Postal Act 2009, the Dutch Postal Regulation 2009 specifies regulation on tariffs of the universal postal services and the transparency of the financial accounting of these services according to the EU Postal Directive. It also contains obligations to provide a report on accessibility and quality of domestic universal postal services and on costs and revenues of the universal postal services. The Dutch Postal Act 2009 also includes obligations for other postal operators, as well as obligations for postal operators in relation to each other. In practice, these latter obligations, such as accessibility of P.O. boxes and postal codes, set requirements for PostNL only. OPTA, the Independent Post and Telecommunications Authority for the Netherlands, established by the government, supervises the postal market and Koninklijke PostNL's performance of the universal postal services. OPTA is expected to merge with the Consumer Authority (CA) and the Dutch Competition Authority (NMa) to become the Consumer & Market Authority (ACM). The responsibility for postal policy remains under the authority of the Minister of Economic Affairs.

The universal postal services
Scope
The domestic universal postal services consist of the conveyance against payment of standard single rates of:
- all items of correspondence with a maximum individual weight of two kilogrammes,
- postal parcels with a maximum individual weight of 10 kilogrammes, and
- registered, registered insured and registered value declared items.

The Dutch Postal Act 2009 does not require Koninklijke PostNL to offer domestic services for the delivery of bulk parcels, bulk mail or unaddressed mail items. On the other hand, international outbound bulk mail and parcels are also part of the universal postal services. For international inbound and outbound mail the rules of the UPU apply to Koninklijke PostNL.

Regulatory conditions for the provision of universal postal services
With respect to service levels, the Dutch Postal Act 2009 requires Koninklijke PostNL to provide nationwide services and to perform a delivery round every day, delivering on average not less than 95% of all standard single rated domestic letters posted the day before, except on Sundays and public holidays. Koninklijke PostNL is required to maintain a network of service points (letter boxes, postal outlets) for the general public to access the universal postal services. The Postal Regulation 2009 mainly deals with detailed tariff regulation, cost and revenue accounting, financial administration and reporting. Other than the universal postal services, none of PostNL's postal services are subject to specific government control. In October 2012, parliament voted in favour of amending the Dutch Postal Act 2009 to increase the supervisory tools of OPTA with regards to gathering information and its ability to issue fines for USO service levels.

Tariff regulation
With respect to rates and conditions, OPTA has to set rates for the universal postal services every four years, which shall not lead to a return on sales (RoS) that exceeds the cap of 10%. This cap applies both to parcels and letters separately. Following each OPTA rate setting, Koninklijke PostNL is allowed to set rates. The price cap system limits tariff developments for letters and parcels separately to the development of the general Consumer Price Index. Koninklijke PostNL increased tariffs for both consumer mail and small business mail as of 1 January 2012 and 1 January 2013. The adjustments to the rates have been reviewed by OPTA and are within the tariff development limits. None of the components of tariff regulation implies a correction for the decrease of mail volume.

Accounting and other financial obligations
Koninklijke PostNL's obligations on reporting include a system for allocating costs and revenues to the universal postal services, divided into parcels and mail. Based on this system, a financial report on the performance of the universal postal services has to be submitted to OPTA every year, accompanied by an independent auditor's opinion, designated by OPTA, to certify that its financial accounting system complies with these obligations and is adjusted well.

Net costs of the universal service obligations
The EU Postal Directive as well as the Dutch Postal Act 2009 both provide net cost regulation. The Dutch approach is based upon the financial deficit of the universal postal services, while the Postal Directive approach is based upon a comparison between the costs of a postal provider with a universal postal service obligation and the costs of that postal provider without a universal postal service obligation. On 28 June 2012, Koninklijke PostNL submitted an application to OPTA for compensation of €107 million net costs for 2011. OPTA intends to apply the Dutch approach, and is currently reviewing the PostNL application.

Evaluation of universal postal services obligations and preparing a new long-term policy
On 20 November 2012, the Minister of Economic Affairs announced his intention to ask parliament to reduce the six-day delivery to five days in spring 2013. Furthermore, the Ministry of Economic Affairs is evaluating the main issues of the Postal Regulation 2009, i.e. cost allocation and tariff regulation of the universal postal services.

Significant Market Power
The Minister of Economic Affairs sent parliament a proposal on 12 December 2012 that aimsto stimulate competition and protect consumers in the postal sector. The intention is to introduce additional tools for the supervisory authority, giving it the means to regulate private operators with significant market power. PostNL formally disagrees with the need for further regulation because PostNL considers the present regulation to be sufficient.

Value-added tax on postal services
At present, Koninklijke PostNL is not allowed to charge value added tax (VAT) on postal items forming part of the universal postal services. Consequently, Koninklijke PostNL cannot deduct the VAT amounts paid on its purchases of services and goods related to the universal postal services. For all other postal services, Koninklijke PostNL is required to charge VAT, similar to its competitors, thus resulting in a level playing field.

Competitors and their labour conditions
Based on the current Order in Council (AMvB), every postal operator has to work on the basis of 100% employment agreements, unless it has joined a collective labour agreement that leads to at least 80% employment agreements. The current Order in Council will be replaced by a new one, which will also contain the new development path mentioned in the collective labour agreement of new postal operators: 10% per 31 December 2011, 25% per 30 June 2012, 40% per 31 December 2012, 60% per 30 June 2013 and 80% per 30 September 2013. All PostNL's postal deliverers have employment agreements and therefore PostNL is exempted.

Corporate statement of financial position

At 31 December Before proposed appropriation of profit	Notes	2012	2011
ASSETS			
Non-current assets			
Investments in Mail		2,442	2,442
Investments in associates			860
Total financial fixed assets	36	2,442	3,302
Pension assets	37	1,454	1,200
Total non-current assets		3,896	4,502
Current assets			
Accounts receivable from Group companies		1	
Other current assets		3	4
Total current assets		4	4
Assets classified as held for sale	38	860	
Total assets		**4,760**	**4,506**
LIABILITIES AND EQUITY			
Equity			
Issued share capital		35	31
Additional paid-in capital		147	151
Hedge reserves		(13)	(12)
Revaluation reserve investments in Mail		1,549	1,549
Other reserves		199	(892)
Unappropriated profit		389	1,091
Total shareholders' equity	39	**2,306**	1,918
Non-current liabilities			
Deferred tax liabilities	47	362	299
Eurobonds	40	1,575	1,557
Other long-term liabilities		15	8
Total non-current liabilities		**1,952**	1,864
Current liabilities			
Accounts payable to Group companies	41	443	576
Other current liabilities		59	148
Total current liabilities		**502**	724
Total liabilities and equity		**4,760**	**4,506**

(in € millions)

Corporate statement of income and comprehensive income

Year ended at 31 December	Notes	2012	2011
Dividend income	42	275	525
Depreciation, amortisation and impairments	43		(1,033)
Salaries, pensions and social security contributions	44	250	117
Other operating expenses	45	3	(17)
Total operating expenses		253	(933)
Operating income		**528**	**(408)**
Interest and similar income		3	10
Interest and similar expenses		(104)	(119)
Net financial expense	46	(101)	(109)
Profit/(loss) before income taxes		**427**	**(517)**
Income taxes	47	(38)	2
Profit/(loss) for the year from continuing operations		**389**	**(515)**
Profit/(loss) from investments in discontinued operations			1,642
Profit for the year attributable to shareholders		**389**	**1,127**
Comprehensive income for the year		389	1,127
Gains/(losses) on cashflow hedges, net of tax		(1)	9
Other comprehensive income for the year		(1)	9
Total comprehensive income for the year		**388**	**1,136**

(in € millions)

The accompanying notes form an integral part of the financial statements.

Corporate statement of cash flows

Year ended at 31 December	Notes	2012	2011
Profit/(loss) before income taxes		**427**	**(517)**
Adjustments for:			
Depreciation, amortisation and impairments			1,033
Share-based payments		0	1
Interest and similar income		(3)	(10)
Interest and similar expenses		104	119
Dividend income from investments in Mail		(274)	(519)
Dividend income from investments in associated companies			(6)
Dividend income from asset held for sale		(1)	
Investment income		(174)	(416)
Pension liabilities		(254)	(124)
Other provisions		(4)	(5)
Changes in provisions		(258)	(129)
Changes in working capital		1	(3)
Cash used in operations		**(4)**	**(31)**
Interest paid		(97)	(94)
Income taxes paid		(26)	(15)
Net cash used in operating activities	48	**(127)**	**(140)**
Dividend received		275	525
Interest received		7	
Capital reduction Koninklijke PostNL B.V.			154
Net cash from investing activities	49	**282**	**679**
Financing related to Group companies		(125)	(458)
Repayments of short-term borrowings		(30)	
Cash settlement of share-based payments			(1)
Dividends paid			(80)
Net cash used in financing activities	50	**(155)**	**(539)**
Total change in cash		**0**	**0**
Cash at the beginning of the year		**0**	**0**
Total change in cash		0	0
Cash at the end of the year		**0**	**0**

(in € millions)

Corporate statement of changes in equity

	Issued share capital	Additional paid-in capital	Hedge reserves	Revaluation reserve investments in Mail	Other reserves	Unappropriated profit	Total shareholders' equity
Balance at 31 December 2010	180	869	(21)	2,582	739	292	**4,641**
Total comprehensive income			9			1,127	1,136
Appropriation of net income					248	(248)	0
Second interim dividend 2010	2	(2)				(44)	(44)
Demerger Express		(867)			(2,929)		(3,796)
Interim dividend current year	1	(1)				(36)	(36)
Share-based compensation					16		16
Reduction nominal value	(152)	152					0
Reduction revaluation reserve				(1,033)	1,033		0
Other					1		1
Total direct changes in equity	(149)	(718)	0	(1,033)	(1,631)	(328)	(3,859)
Balance at 31 December 2011	31	151	(12)	1,549	(892)	1,091	**1,918**
Total comprehensive income			(1)			389	388
Appropriation of net income					1,091	(1,091)	0
Final dividend previous year	2	(2)					0
Interim dividend current year	2	(2)					0
Total direct changes in equity	4	(4)	0	0	1,091	(1,091)	0
Balance at 31 December 2012	35	147	(13)	1,549	199	389	**2,306**

(in € millions)

The accompanying notes form an integral part of the financial statements.

Notes to the corporate financial statements

General information and description of the business

PostNL N.V. (hereafter referred to as 'the company') is a public limited liability company with its registered seat and head office at Prinses Beatrixlaan 23, 2595 AK, 's-Gravenhage, the Netherlands.

The company's principal activity is acting as a holding company for the Group companies of the PostNL Group ('the Group') that provide businesses and consumers in the Benelux, the United Kingdom, Germany and Italy with an extensive range of services for their mail needs. The company is the ultimate parent company of the Group.

The corporate financial statements have been authorised for issue by PostNL's Board of Management and Supervisory Board on 25 February 2013 and are subject to adoption at the Annual General Meeting of Shareholders on 16 April 2013.

Summary of significant accounting policies

The significant accounting policies applied in the preparation of these corporate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All amounts included in the financial statements are presented in euros, unless stated otherwise.

Basis of preparation

The corporate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). IFRS-EU includes the application of International Accounting Standards (IAS), related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC), issued and effective, or issued and adopted early, as at 31 December 2012.

Basis of measurement

In the corporate financial statements, the same accounting principles have been applied as set out in the notes to the consolidated financial statements, except for the valuation of the investments as presented under financial fixed assets in the corporate financial statements. These policies have been consistently applied to all years presented.

In 2011, the company did not make use of the optional exemptions and certain mandatory exemptions for first-time IFRS adopters in the conversion from Dutch GAAP to IFRS-EU. As the Group had already adopted IFRS-EU for the consolidated financial statements, the company based its measurements in 2011 on those that the Group used, except for the valuation of the investments in the corporate financial statements.

In the corporate financial statements, these investments are recorded at cost less impairments, whereas for the PostNL investments the deemed cost approach under IFRS 1 has been applied. In the corporate statement of income, dividend received from investments is recorded as dividend income. Due to this application, the corporate equity and net result are not equal to the consolidated equity and net result. A reconciliation for total shareholders' equity and total comprehensive income is presented in note 39 to the corporate financial statements.

Changes in accounting policies and disclosures

a) New and amended standards adopted by the company:

There are no IFRS standards or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the company.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not adopted early by the company:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these corporate financial statements. We refer to the descriptions included in the 'Summary of significant accounting policies' in the notes to the consolidated financial statements. The company has assessed the impact on the corporate financial statements. Except for the impact of the revised IAS 19, none of these is expected to have a significant effect on the corporate financial statements.

- In 2011, the IASB issued the revised IAS 19 'Employee Benefits'. The revised IAS 19 was endorsed by the European Union on 5 June 2012 and will be effective as from 1 January 2013. The impact of the revised IAS 19 on the 2013 corporate financial position and corporate income statement will be significant.

  The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses immediately. As at 31 December 2012, the corporate pension asset amounted to €1,454 million (1 January 2012: 1,200). This includes net actuarial losses totalling €1,558 million (1 January 2012: 654). If these net actuarial losses as per 31 December 2012 had been recognised immediately, this would have affected corporate equity of the company negatively by a net amount of around €1,170 million (1 January 2012: around 490). As future actuarial results also have to be recognised immediately and are heavily dependent on interest rate movements, corporate equity will show fluctuations when actual developments differ from expected developments.

  The impact of IAS 19 revised on the corporate income statement, resulting from the replacement of the expected return on plan assets by the lower discount rate and the cancellation of the amortisation of the unrecognised losses, would have affected the 2012 corporate income statement by an estimated increase in pension expenses of around €80 million (based on the parameters at 1 January 2012).

  The impact of the revised IAS 19 'Employee Benefits' on the corporate financial statements differs from the impact on the consolidated financial statements due to local plans.

There are no other IFRS standards or IFRIC interpretations not yet effective that would be expected to have a material impact on the company.

Functional and presentation currency
The corporate financial statements are presented in euros, the company's functional currency. All information presented in euros has been rounded to the nearest million.

Use of estimates and judgements
The preparation of the corporate financial statements in conformity with IFRS-EU requires management to exercise its judgements, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the corporate financial statements are disclosed in the note 'Critical accounting estimates and judgements in applying PostNL's accounting policies to the consolidated financial statements'.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in note 36 to the corporate financial statements.

Investments in subsidiaries and associated companies
Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the company's subsidiaries and associated companies is recognised when the right to receive payment is established.

Impairment of investments in subsidiaries and associated companies
At each balance sheet date, the company reviews whether there is an indication that its investments in subsidiaries and associated companies are impaired.

An indication for impairment of the investments in subsidiaries and associated companies may include, respectively, management's downward adjustment of the strategic plan or a significant decrease in the share price of the associated company TNT Express N.V. ('TNT Express'). Further indications for impairments of its investments may include other areas where observable data indicates that there is a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated in order to determine the extent, if any, of the impairment loss. An investment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an investment's fair value less costs to sell and its value in use.

The investments' fair value less costs to sell represents the best estimate of the amount the company would receive if it sold its investments. The fair value of each investment has been estimated on the basis of the present value of future cash flows, taking into account costs to sell, except for the investment in associates for which the estimated fair value has been based on external market information.

The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a nine-year period. Cash flows beyond the nine-year period are extrapolated using estimated growth rates.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the statement of income.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the corporate financial statements, in the period in which the dividends are approved by the company's shareholders.

Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and the fair value less costs to sell. Assets held for sale are no longer amortised or depreciated from the time they are classified as such.

Accounting for assets classified as held for sale, representing the stake in TNT Express, requires the use of significant assumptions and estimates. In line with IFRS 5, management assessed the compliance with these statements and the assumptions used in the fair value calculations as well as the estimated costs to sell.

Taxation
The company is tax resident in the Netherlands.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the statement of income is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Deferred tax assets and/or liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised.

Notes to the corporate statement of financial position

36 Total financial fixed assets

Total financial fixed assets: 2,442 million (2011: 3,302)

The movement in investments is as follows:

Statement of changes corporate financial fixed assets

	Investments in Mail	Investments in associates	Total
Balance at 1 January 2011	**3,617**	**0**	**3,617**
Changes in 2011			
Initial value stake in TNT Express		860	860
Acquisitions/additions to capital	12		12
Capital reductions	(154)		(154)
Impairments	(1,033)		(1,033)
Total changes	(1,175)	860	(315)
Balance at 31 December 2011	**2,442**	**860**	**3,302**
Changes in 2012			
Transfer to asset held for sale		(860)	(860)
Total changes	0	(860)	(860)
Balance at 31 December 2012	**2,442**	**0**	**2,442**

(in € millions)

Investments in Mail

The subsidiary undertakings of the company as at 31 December 2012, and the company's percentage interest, are set out below.

Breakdown corporate investments

Name of direct subsidiairy	Country of incorporation	Ownership %
PostNL Holdco B.V.	Netherlands	100%
PostNL Holding B.V.	Netherlands	100%

A complete list of investments in subsidiaries, associated companies and jointly-controlled entities will be attached to the company's annual report made available to the Chamber of Commerce.

Based on the 2012 financial performance, a detailed review has been performed of the recoverability of the Mail investments. The recoverable value of each investment has been estimated on the basis of the present value of future cash flows. For all investments, the estimated future cash flows are based on a nine-year forecast and business plans, as management considers these forecasts reliable based on past experience. Uncertainties relating to efficiency measures are taken into account.

The estimated future cash flows are derived from the most recent strategic planning approved by management. The applied growth rate does not exceed the long-term average growth rates on the related operation and market.

The company has determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates in the investments' valuations vary from 10% to 13% (pre-tax).

Key assumptions used to determine the recoverable values for the investments of the company are the following:
- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of capital expenditure in network-related assets, which may affect the further rollout of the network,
- level of operating income largely affected by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale, and
- the discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

Management has carried out an impairment test for each individual investment. Based on the recoverable value derived from the 2012 strategic planning, taking into account uncertainties relating to efficiency measures, management concluded that there are no indications for impairment of the Mail investments in 2012 (2011: 1,033). As the recoverable value did not materially differ from the carrying amount, management also concluded that no reversal of the impairment in 2011 was present and that no reasonable possible change in key assumptions could cause a (reversal of) impairment.

In 2011, the impairment charge of €1,033 million followed from reduced business plans compared to early 2010, on average a higher discount rate reflecting the specific risks of the company, and higher estimated pension cash-out. Within equity, the revaluation reserve associated with the initial revaluation of the Mail investments has been reduced by the impairment amount.

In 2011, the additions to capital of €12 million represented the company's compensation for equity-settled share-based payments to the investments' employees. As the company granted its shares directly to its investments' employees without charging its investments, the company recognised, in line with IFRS, the increase in the investments as a capital contribution.

In 2011, capital reductions of -€154 million represented capital reductions of the investment in Koninklijke PostNL B.V.

Investments in associates
Following the demerger of the Express activities in 2011, the stake in TNT Express was classified as investments in associates measured at cost of €860 million as at 31 December 2011.

On 19 March 2012, United Parcel Service (UPS) and TNT Express announced their agreement on a recommended public offer of €9.50 per ordinary share to be made by UPS for TNT Express. The company signed an irrevocable undertaking with UPS to tender all TNT Express shares held by it under the offer of UPS subject to customary undertakings and conditions. Following the UPS offer, the stake in TNT Express amounting to €860 million was transferred from investments in associates to assets held for sale effectively 30 March 2012 (see note 38 to the corporate financial statements).

37 Pension assets

Pension assets: 1,454 million (2011: 1,200)

The company is the sponsoring employer of two Dutch pension plans, which are externally funded in two separate pension funds and cover the majority of PostNL's employees in the Netherlands. The difference of €33 million with the consolidated amount of defined benefit pension assets (€1,487 million) is due to local plans.

In accordance with IAS 19.34a, the net defined benefit cost is recognised in the corporate financial statements of the company. The other Group companies recognise the costs, equal to the contributions payable for the period, in their financial statements. For the company, the contributions received from the other Group companies more than offset the pension expense. The impact of the contributions is represented as participant contributions in the following table. As a result, the corporate financial statements record a defined benefit pension income of €254 million (2011: 124), whereas the consolidated financial statements record defined benefit pension expenses of €47 million (2011: 117).

As per 1 January 2013, in accordance with the revised IAS 19 'Employee Benefits', the cumulative unrecognised actuarial gains and losses have to be recognised immediately. If the net actuarial losses as per 31 December 2012 had been recognised immediately, this would have affected corporate equity negatively by a net amount of around €1,170 million. As future actuarial results also have to be recognised immediately and are heavily dependent on interest rate movements, corporate equity will show fluctuations when actual developments differ from assumptions.

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the employer pension income for the sponsored pension plans of the company.

Detailed overview of changes in corporate defined benefit plans

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	**(4,996)**	(5,074)
Service costs	(82)	(92)
Interest costs	(240)	(255)
Other movements	(28)	(15)
Curtailments/settlements	(4)	360
Actuarial (loss)/gain	(1,093)	(51)
Benefits paid	152	131
Benefit obligation at end of year	**(6,291)**	(4,996)
Change in plan assets		
Fair value of plan assets at beginning of year	**5,542**	5,499
Actual return on plan assets	533	381
Other movements	38	19
Curtailments/settlements		(371)
Contributions	226	145
Benefits paid	(152)	(131)
Fair value of plan assets at end of year	**6,187**	5,542
Funded status as per 31 December		
Funded status	**(104)**	546
Unrecognised net actuarial loss	1,550	641
Unrecognised prior service costs	8	13
Netted pension asset/(liability)	**1,454**	1,200
Components of employer pension expense		
Service costs	(82)	(92)
Interest costs	(240)	(255)
Expected return on plan assets	360	348
Amortisation of actuarial loss	(17)	(26)
Other costs	7	4
Participants contributions	226	145
Total post-employment benefit income/(expenses)	**254**	124
Weighted average assumptions as at 31 December		
Discount rate	3.7%	4.8%
Expected return on plan assets (for the year)	6.5%	6.5%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.5%	1.5%

(in € millions)

38 Assets classified as held for sale

Assets classified as held for sale: 860 million (2011: 0)

As a result of the UPS offer and the irrevocable undertaking of the company, at the end of March 2012, the stake in TNT Express was transferred from investments in associates to assets held for sale. IFRS 5 'Assets held for sale' requires assets to be valued at the lower of their fair value less costs to sell and their carrying value. Management assessed the recoverability of the investment. As PostNL's share in the market value of TNT Express amounted to €1,367 million as at 31 December 2012 (see note 8 to the consolidated financial statements), management concluded that no impairment is present in the corporate financial statements.

39 Equity

Equity: 2,306 million (2011: 1,918)

Equity consists of equity attributable to the equity holders of the company of €2,306 million (2011: 1,918). For the disclosure on issued share capital, additional paid-in capital and the hedge reserve, reference is made to note 9 to the consolidated financial statements. The 2012 tax impact on the cash flow hedges is €4 million (2011: 4).

The hedge reserve is a legal reserve and is restricted for distribution.

As at 31 December 2012, the revaluation reserve of €1,549 million (2011: 1,549) related to the applied deemed cost approach for the investments in Mail as of 1 January 2010, partly offset by the recorded impairment charges of €1,033 million in 2011 (see note 36 to the corporate financial statements). The revaluation reserve is a legal reserve and is restricted for distribution.

As at 31 December 2012, additional paid-in capital of €147 million (2011: 151) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company.

As at 31 December 2012, the other reserves increased to €199 million from -€892 million, fully due to the appropriation of net income of €1,091 million over 2011.

As at 31 December 2012, the unappropriated profit amounted to €389 million (2011: 1,091).

The differences between total shareholders' equity and total comprehensive income according to the IFRS-EU consolidated financial statements and the corporate financial statements under IFRS-EU as at and for the year ended 31 December 2012 is as follows:

Consolidated to corporate equity

	2012		2011	
Year ended at 31 December	Equity	Income	Equity	Income
Consolidated				
Equity and total comprehensive income attributable to the equity holders of the parent	**1,069**	**672**	400	1,838
Reconciliation items				
Revaluations	1,306	(435)	1,741	(841)
Results from investments	111	147	(36)	232
Other comprehensive income (CTA/hedges/associates)	(187)	4	(191)	(93)
Other direct equity movements	7		4	
Corporate				
Shareholders' equity and total comprehensive income attributable to the equity holders of the parent	**2,306**	**388**	1,918	1,136

(in € millions)

The reconciling items for equity and income are further detailed below.

Reconciliation item – Revaluations

Reconciling items relating to differences due to revaluations are as follows:

Specification revaluations

	2012		2011	
Year ended at 31 December	Equity	Income	Equity	Income
Revaluation reserve investment in Mail	2,582		2,582	
Impairment investments in Mail	(1,033)		(1,033)	(1,033)
Impairment investment in TNT Express	66	(570)	636	636
Difference in demerger gain Express	(444)		(444)	(444)
Value adjustments of assets held for sale	135	135		
Total	**1,306**	**(435)**	1,741	(841)

(in € millions)

The initial revaluation of the investments in Mail as at 1 January 2010 amounted to €2,582 million and remains applicable.

For details of the impairment of the investments in Mail recognised in the 2011 corporate financial statements, reference is made to note 36 to the corporate financial statements. For details of the impact of the revaluations of the investment in TNT Express recognised in the 2011 and 2012 consolidated financial statements, reference is made to notes 3 and 8 to the consolidated financial statements.

The differences in the impairment of the investments in Mail in 2011 and in the demerger gain in 2011 are still applicable as part of the difference in equity of 2012.

Reconciliation item - Results from investments

The 2012 results from investments are €147 million higher in the corporate financial statements as dividend income for 2012 was €274 million (excluding €1 million dividend TNT Express), whereas the result in the consolidated financial statements was €127 million. The €1 million dividend received from TNT Express did not cause a difference because it was reported in both the corporate and the consolidated income statement (under 'Other income', refer to note 17 to the consolidated financial statements). The result from investments of €127 million can be calculated from the result from the consolidated income statement of €677 million, minus the revaluations from TNT Express of €435 million, minus the result from the corporate income statement of €389 excluding the dividend income of €274 million.

The 2011 results from investments were €232 million higher in the corporate financial statements as dividend income for 2011 was €525 million, whereas the result in the consolidated financial statement was €293 million. The result from investments of €293 million can be calculated from the result from the consolidated income statement of €1,736 million, plus the impairment of TNT Express of €636 million, minus the difference in demerger gain of €444 million, minus the result from the corporate income statement of €1,127 million excluding the dividend income of €525 million and the impairment of the investments in Mail of €1,033 million.

Reconciliation item - Other comprehensive income

The reconciliation item 'Other comprehensive income' represents hedge and currency translation adjustments which were recognised in the consolidated financial statements but not in the corporate financial statements as the investments are stated at cost. Furthermore, it represents other comprehensive income from the investments in associates (stake in TNT Express) over Q1 2012 that was recognised in the consolidated financial statements but not in the corporate financial statements.

The 2012 difference in other comprehensive income of €4 million included -€5 million of other comprehensive income related to the stake in TNT Express over Q1 2012 and €1 million of currency translation adjustments related to movements in exchange rate differences on converting foreign subsidiaries.

The 2011 difference in other comprehensive income of €93 million included €22 million of other comprehensive income related to the stake in TNT Express, €49 million of currency translation adjustments related to movements in exchange rate differences on converting foreign subsidiaries of Express prior to the demerger, and €22 million of gains on cash flow hedges.

Reconciliation item - Other direct equity movements

In 2012, the additional difference in direct equity movements of €3 million concerned an amount of -€2 million related to the buy-out of minority interests in subsidiaries of TNT Post UK and -€1 million related to various other items. The 2011 difference in other direct equity movements mainly concerned post-demerger direct equity movements in the investments in associates (stake in TNT Express).

40 Eurobonds

Eurobonds: 1,575 million (2011: 1,557)

For the disclosure on the eurobonds, reference is made to notes 12 and 29 to the consolidated financial statements.

41 Accounts payable to Group companies

Accounts payable to Group companies: 443 million (2011: 576)

Accounts payable to Group companies include the following balances:

Corporate accounts payable to Group companies

At 31 december	2012	2011
PostNL Finance B.V.	443	575
PostNL Holding B.V.		1
Total	**443**	**576**

(in € millions)

The fair value of the accounts payable to Group companies approximated the carrying value, due to the short-term nature. There are no balances as at 31 December 2012 that are expected to be settled after 12 months (2011: 0).

Notes to the corporate statement of income and comprehensive income

42 Dividend income
Dividend income: 275 million (2011: 525)

Dividend income is recognised when the right to receive payment is established. The dividend income from the company's subsidiaries over 2012 was €274 million (2011: 519) and the dividend income from the stake in TNT Express over 2012 was €1 million (2011: 6).

43 Depreciation, amortisation and impairments
Depreciation, amortisation and impairments: 0 million (2011: 1,033)

In 2012, no impairments were deemed necessary on the company's investments in Mail (2011: 1,033). Reference is made to note 36 to the corporate financial statements.

44 Salaries, pensions and social security contributions
Salaries, pensions and social security contributions: 250 million positive (2011: 117 positive)

In accordance with IAS 19.34*a*, the net defined benefit cost for the company's pension plans shall be recognised in the corporate financial statements. For PostNL, the contributions charged to other Group companies more than offset the pension expense incurred, resulting in a positive amount of salaries, pensions and social security contributions over the year. For further information on defined benefit pension costs, refer to note 37 to the corporate financial statements. PostNL N.V. does not have any employees other than the Board of Management.

45 Other operating expenses
Other operating expenses: 3 million positive (2011: 17)

In 2011, other operating expenses mainly concerned demerger costs of €18 million, partly offset by the release from the provision for claims relating to the former Logistics business. In 2012, positive other operating expenses of €3 million mainly related to management fees charged to Group companies.

46 Net financial expenses
Net financial expenses: 101 million (2011: 109)

Corporate net financial expenses

Year ended at 31 December	2012	2011
Interest expenses	(104)	(117)
Hedge costs		(2)
Interest and similar expenses	(104)	(119)
Interest and similar income	3	10
Net financial expenses	**(101)**	**(109)**

(in € millions)

PostNL has financing relationships with both external banks and with PostNL companies, mainly with PostNL Finance B.V. As a result, PostNL records both external interest income and expenses from financial institutions and from PostNL Finance B.V.

Interest and similar expenses: 104 million (2011: 119)
In 2012, interest and similar expenses amounted to €104 million (2011: 119) and consisted of external interest and similar expenses of €102 million (2011: 100) and internal interest and similar expenses of €2 million (2011: 19). The external interest and similar expenses mainly related to interest expenses on long-term borrowings of €99 million (2011: 97) and interest on taxes of €1 million (2011: 3). The internal interest and similar expenses over 2011 included €5 million paid to Express over the first five months of 2011.

Interest and similar income: 3 million (2011: 10)
In 2012, interest and similar income amounted to €3 million (2011: 10) and consisted of external interest and similar income of €0 million (2011: 5) and internal interest and similar income of €3 million (2011: 5). The external interest and similar income mainly related to interest income on taxes. The internal interest and similar income over 2011 related to income from Mail companies.

47 Income taxes

Income taxes: 38 million (2011: 2 positive)

In 2012, income taxes amounted to -€38 million (2011: 2), or 8.9% (2011: 0.4%) of income before income taxes.

Corporate effective income tax rate

Year ended at 31 December	2012	2011
Dutch statutory income tax rate	25.0	25.0
Permanent differences:		
Non and partly deductible costs		(0.1)
Non and partly deductible impairments		(50.0)
Exempt income	(16.1)	25.4
Other		0.1
Effective income tax rate	**8.9**	0.4

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the profit before income taxes. In 2012, the effective income tax rate was 8.9% (2011: 0.4%). The statutory income tax rate in the Netherlands is 25.0% (2011: 25.0%).

In 2012, the effective income tax rate was positively impacted by tax-exempt dividend income from the company's investments in subsidiaries of -16.1% (2011: 25.4%).

Income tax expense consists of the following:

Corporate income taxes

Year ended at 31 December	2012	2011
Current tax expense	(25)	(32)
Changes in deferred taxes	63	30
Total income taxes	**38**	(2)

(in € millions)

In 2012, the current tax expense amounts to -€25 million (2011: -32). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

At 31 December 2012, the income tax payable amounted to €11 million (2011: 62). The company paid income taxes for an amount of €26 million (2011: 15); see note 48 to the corporate financial statements.

The following table shows the movements in deferred tax liabilities in 2012:

Statement of changes corporate deferred tax liabilities

	Provisions	Other	Total
Deferred tax liabilities at 1 January 2011	**287**	**(4)**	**283**
Changes charged directly to equity		4	4
Changes charged through statement of income	31	(1)	30
Demerger effects	(18)		(18)
Deferred tax liabilities at 31 December 2011	**300**	**(1)**	**299**
Changes charged through statement of income	64	(1)	63
Deferred tax liabilities at 31 December 2012	**364**	**(2)**	**362**

(in € millions)

Of the deferred tax liabilities as at 31 December 2012 an amount of €1 million (2011: 1) is to be settled within 12 months and an amount of €361 million (2011: 298) is to be settled after 12 months.

Deferred tax assets and liabilities are presented net in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

Notes to the corporate statement of cash flows

48 Net cash used in operating activities

Net cash used in operating activities -127 million (2011: -140)

Net cash from operating activities totalled -€140 million in 2011 compared to -€127 million in 2012, an improvement of €13 million. The change mainly related to the change in cash used in operations.

Cash used in operations

The cash generated from operations improved from -€31 million in 2011 to -€4 million in 2012, due to cash-out for demerger costs in 2011 (€18 million), lower Board of Management remuneration (€4 million) and a higher change in working capital (€4 million).

Interest paid

In 2012, the total cash outflow for interest paid was €97 million (2011: 94). In 2012, interest paid mainly included interest on PostNL's long-term borrowings of €94 million (2011: 91) and interest on taxes of €3 million (2011: 3).

Income taxes paid

In 2012, the company paid income taxes totalling €26 million (2011: 15), which included payments relating to prior years and internal settlements with Group companies within the PostNL fiscal unity.

49 Net cash from investing activities

Net cash from investing activities: 282 million (2011: 679)

Dividend received

In 2012, the total cash inflow from dividend received was €275 million (2011: 525). In 2012, dividend of €274 million (2011: 519) was received from the company's subsidiaries and of €1 million (2011: 6.5) from the TNT Express stake.

Interest received

In 2012, an amount of €7 million (2011: 0) was received relating to interest on corporate income tax.

Capital reductions

In 2011, an amount of €154 million was received from Koninklijke PostNL B.V. as a result of a reduction in capital.

50 Net cash used in financing activities

Net cash used in financing activities: -155 million (2011: -539)

Financing related to Group companies

In 2012, financing related to Group companies amounted to -€125 million (2011: -458). This mainly consisted of intercompany financing of PostNL by PostNL Finance B.V.

Proceeds from and repayments of short-term borrowings

In 2012, repayments on short-term borrowings were made for an amount of €30 million (2011: 0).

Dividends paid

In 2012, no cash dividend has been paid (2011: 80).

Additional notes

51 Commitments and contingencies

(No corresponding financial statement number)

Declaration of joint and several liability

As at 31 December 2012, the company issued a declaration of joint and several liability for some of its Group companies in compliance with article 403, book 2 of the Dutch Civil Code. Those Group companies are:

Cendris Customer Contact B.V.	PostNL Holding B.V.
Cendris Dataconsulting B.V.	PostNL Marketing & Sales B.V.
Euro Mail B.V.	PostNL Pakketten Benelux B.V.
Koninklijke PostNL B.V.	PostNL Productie B.V.
Netwerk VSP B.V.	PostNL Real Estate B.V
Netwerk VSP Geadresseerd B.V.	PostNL Real Estate Development B.V
PostNL Billing & Document Solutions B.V.	PostNL Retail B.V.
PostNL Data & Document Management B.V.	PostNL Shared Services B.V.
PostNL Holdco B.V.	PostNL Transport B.V.

Fiscal unity in the Netherlands

The company forms a fiscal unity with a majority of its Dutch subsidiaries for corporate income tax and VAT purposes. A company and its subsidiaries that are part of these fiscal unities are jointly and severally liable for the tax payable by these fiscal unities.

Pension commitments

The company is the sponsoring employer for two Dutch pension plans: the main plan, described in detail in note 10 to the consolidated financial statements, and the pension plan covering the staff members in the Netherlands who have a personal labour agreement before 2007 and which is externally funded in 'Stichting Ondernemingspensioenfonds TNT'. Currently, both pension funds also cover the defined benefit pension plans of the majority of the Dutch employees of the demerged TNT Express.

Guarantees

The company provided parental support in the form of specific guarantees to various subsidiaries, in addition to the declaration of joint and several liability in compliance with article 403, book 2 of the Dutch Civil Code: €570 million relating to committed revolving credit facilities, €40 million for guarantee facilities to facilitate the issuance of guarantees by various subsidiaries of the Group, €64 million to facilitate the operation of cash pools of PostNL in the Netherlands, United Kingdom and Germany, as well as various guarantees included in International Swaps and Derivatives Association (ISDA) agreements with banks for the trading of financial derivatives. In addition, minor uncommitted credit and guarantee facilities are guaranteed by the company for its local businesses.

52 Financial risk management

(No corresponding financial statement number)

For disclosure on the company's overall risk management programme, reference is made to note 28 to the consolidated financial statements.

53 Financial instruments

(No corresponding financial statement number)

For a summary of the company's financial instruments relevant to these corporate financial statements, reference is made to note 29 to the consolidated financial statements.

54 Related party transactions and balances

(No corresponding financial statement number)

The company's shares are widely held. As such, no ultimate controlling party can be identified. The company, acting as a holding company, has relationships with a number of Group companies. In some cases, there are contractual arrangements in place under which the company sources supplies from such undertakings or such undertakings source supplies from the company. Transactions are in principle carried out at arm's length.

Related corporate party transactions PostNL

	2012		2011	
Year ended at 31 December	Transactions	Balances	Transactions	Balances
Dividend income PostNL Group companies	274		519	
Dividend income TNT Express stake	1		6	
Accounts receivable from PostNL Group companies/interest income		1	5	
Accounts receivable from Express Group companies/interest income		1		
Accounts payable to PostNL Group companies/interest expense	(2)	414	(12)	538
Accounts payable to Express Group companies/interest expense			(5)	
Hedge accounts payable to PostNL Group companies/hedge income/(costs)	3	29	(2)	38
Net financing activities from Group companies	(125)		(458)	
Capital reduction Koninklijke PostNL B.V.			154	
Income tax received from/(paid to) PostNL Group companies	(1)		66	
Income tax received from/(paid to) Express Group companies			9	

(in € millions)

For the compensation of the members of the Board of Management and Supervisory Board, reference is made to note 18 to the consolidated financial statements.

Separation agreement TNT Express

For details on the separation agreement with TNT Express, reference is made to note 32 to the consolidated financial statements.

55 Subsequent events

(No corresponding financial statement number)

In the corporate financial statements, the stake in TNT Express accounted for at cost and classified as held for sale under IFRS 5 is valued at around €5.30 per share at 31 December 2012. In January 2013, the European Commission prohibited the proposed acquisition of TNT Express by UPS, which was followed by the withdrawal of the offer by UPS. Under IAS 10, the withdrawal of the offer by UPS, which resulted in a significant decline in the TNT Express share price, qualifies as a non-adjusting event considering that any uncertainties were reflected in the 31 December 2012 share price of TNT Express. The closing share price of TNT Express on 22 February 2013 was €5.56. Continuation of this level will have no significant impact on the corporate result and equity of the company.

Management expects that the stake in TNT Express will be monetised in the medium term to create better value for shareholders, after stability has returned to TNT Express. Accordingly, the stake in TNT Express will no longer meet the criteria under IFRS 5 to be classified as asset held for sale and will therefore, as of the following reporting period, be accounted for as investments in associates at cost.

For further disclosure on the company's subsequent events, reference is made to note 34 to the consolidated financial statements.

56 Subsidiaries and associated companies at 31 December 2012

(No corresponding financial statement number)

The full list containing the information referred to in article 379 and article 414, book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in The Hague.

The Hague, 25 February 2013

Board of Management
H.W.P.M.A. Verhagen (CEO)
J.P.P. Bos (CFO)

Supervisory Board
P.C. Klaver (Chairman)
J. Wallage
P.M. Altenburg
M.A.M. Boersma
W. Kok
T. Menssen
F.H. Rövekamp

PostNL N.V.
Prinses Beatrixlaan 23
2595 AK The Hague
The Netherlands

Other information

Independent auditor's report

To the General Meeting of Shareholders of PostNL N.V.

Report on the financial statemenst

We have audited the accompanying financial statements 2012 of PostNL N.V., The Hague as set out on pages 70 to 146. The financial statements comprise the consolidated and corporate statements of financial position as at 31 December 2012, the consolidated and corporate income statements, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Management's responsibility

The Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Board of Management as set out on pages 6 to 37 and 41 to 53 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements as set out on pages 70 to 146 give a true and fair view of the financial position of PostNL N.V. as at 31 December 2012, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management as set out on pages 6 to 37 and 41 to 53 , to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Management as set out on pages 6 to 37 and 41 to 53, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code

Amsterdam, 25 February 2013

PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. H.C. Wüst RA

Extract from the articles of association on appropriation of profit

Under PostNL's current articles of association, the dividend specified in article 31, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of PostNL's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (article 31, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the General Meeting of Shareholders (article 31, paragraph 3). No dividend shall be paid on shares held by PostNL in its own capital (article 31, paragraph 6). Preference shares B were not issued in 2012.

Dividend proposal 2012

The Board of Management of PostNL has decided, with the approval of the Supervisory Board, to propose to the Annual General Meeting of Shareholders the distribution of a 2012 dividend of €0.181 per ordinary share, which has been fully paid in shares as an interim dividend. We will not pass through the €0.03 dividend per ordinary share of TNT Express over 2012 (subject to approval of the Annual General Meeting of TNT Express), as PostNL expects negative distributable corporate equity in April 2013, which restricts the company from paying any dividend. Accordingly, the final dividend will be nil. The interim dividend in shares was paid out of additional paid-in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €389 million out of profit to the reserves. Following this appropriation, an amount of €0 million of the profit remains that is at the disposal of the Annual General Meeting of Shareholders. Subject to the adoption of PostNL's financial statements by the Annual General Meeting of Shareholders, the proposed 2012 dividend has been set at €0.181 per ordinary share of €0.08 nominal value. After adjusting for the 2012 interim dividend of €0.181 per ordinary share as fully paid out in shares in August 2012, the final dividend will be €0.00 per ordinary share. The dividend in shares was paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

Upon approval of this proposal, profit will be appropriated as follows.

Appropriation of profit

	2012
Profit attributable to the shareholders	389
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 35, par.2)	(389)
Dividend on ordinary shares	**0**
Interim dividend paid in cash	0
Final dividend	**0**

(in € millions)

Group companies of PostNL N.V.

The list containing the information referred to in article 379 and article 414 of book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in The Hague.

Subsequent events

Information relating to subsequent events is disclosed in note 34 to the consolidated financial statements and note 55 to the corporate financial statements.

18 Corporate responsibility statements

The notes refer to the figures in the corporate responsibility tables on the following pages. The paragraphs corresponding to the notes give a detailed explanation of the trends in the figures and the initiatives and policies which led to our performance in the field of corporate responsibility.

Corporate responsibility performance

Employee performance

	Notes	2012	2011
Investors in People certification			
Percentage of total headcount working in certified sites	1	95%	96%
Employee Engagement score			
Percentage of engaged employees according to VOICE survey	2	56%	56%
Training hours			
Training hours per FTE	3	23	21
Absenteeism			
As percentage of total working hours	4	5.5%	5.4%
Voluntary turnover			
Total voluntary turnover	5	13,490	15,704
Voluntary turnover as percentage of total headcount	5	21%	25%
Internal promotion			
Internal promotion in percentage of total management vacancies	6	66%	72%
OHSAS 18001 certification			
Percentage of total FTE working in certified sites	7	91%	95%
Fatal accidents			
Workplace fatal accidents	8	1	0
Road traffic fatal accidents involving own employees (blameworthy)	8	0	2
Road traffic fatal accidents involving own employees (non-blameworthy)	8	1	0
Road traffic fatal accidents involving subcontractors	8	1	1
Total fatal accidents		**3**	**3**
Serious accidents			
Workplace serious accidents	9	23	33
Road traffic serious accidents	9	1	7
Total serious accidents		**24**	**40**
Lost time accidents			
Number of lost time accidents	10	690	698
Lost time accident frequency rate (per 100 FTEs)	10	2.2	2.2
Blameworthy road traffic incidents			
In number per 100,000 kilometres	11	3.8	4.3
As percentage of total road traffic incidents	11	65%	73%
Gender profile			
Gender profile (percentage of females in total headcount)	12	44%	41%
Gender profile of management (percentage of females in total management)	12	23%	24%
Employees with a disability			
Number in headcount	13	1.604	1.362
As percentage of headcount	13	2.5%	2.2%

Stakeholder performance

	Notes	2012	2011
ISO 9001 certification			
Percentage of total FTE working at certified sites	14	91%	95%
Customer satisfaction & on time delivery			
Customer satisfaction[1]	15	84%	89%
On time delivery Mail in the Netherlands	15	93.9%[2]	96.1%

1 See for scope note 15 to the consolidated statement of stakeholder performance
2 Preliminary yet to be validated by PwC and to be reported to the Dutch supervisor OPTA

Environmental performance

	Notes	2012	2011
ISO 14001 certification			
Percentage of total FTE working at certified sites	16	91%	95%
CO_2 footprint (in ktonnes)			
Scope 1			
Small trucks and vans	19	17	21
Large trucks	19	32	33
Other operational vehicles		0	0
Total operational vehicles		49	54
Heating (gas, heating fuel)	20	16	16
Total scope 1		**65**	**70**
Scope 2			
District heating	20	1	-
Electricity (including electric vehicles)	20	45	45
Total scope 2		**46**	**45**
Scope 3			
Company cars	21	8	7
Business travel by air	22	1	1
Subcontractors	17	359	332
Total Scope 3		**368**	**340**
Gross PostNL own CO_2 footprint (scope 1 and 2)		111	115
Avoided CO_2 emissions (sustainable electricity)	20	-36	-38
Avoided CO_2 emissions (biogas)	20	-2	-3
Compensated CO_2 emissions (CO_2 credits)	20	-4	0
Total PostNL own CO_2 footprint	17	**69**	**74**
Total Net PostNL CO_2 footprint (scope 1, 2 and Subcontractors)	17	**428**	**406**
CO_2 efficiency index	18	61.8	64.5
Small trucks and vans			
Efficiency in gr CO_2 per km	19	238	234
Vehicles complying with Euro 5	23	53%	37%
Vehicles complying with Euro 4	23	46%	61%
Percentage small trucks and vans complying with neither Euro 5 nor Euro 4	23	1%	2%
Large trucks			
Efficiency in gr CO_2 per km	19	712	737
Vehicles complying with Euro 5	23	92%	91%
Vehicles complying with Euro 4	23	0%	0%
Percentage large trucks complying neither with Euro 5 nor Euro 4	23	8%	9%
Buildings			
Efficiency in kg CO_2 per m^2 buildings	20	19.7	22.2
Sustainable electricity usage (as a % of total electricity usage)	20	81%	85%
Energy efficiency of buildings (total energy of electricity, gas, heating fuel and district heating) in megajoules per m^2	20	709	715
Other environmental indicators			
Waste in tonnes per FTE	24	0.37	0.36
Recycling of waste as percentage of total waste	24	56%	58%
Noise complaints	24	2	7
Environmental incidents on-site	24	5	5
Environmental incidents off-site	24	4	0

Social responsibility performance

	Notes	2012	2011
Voluntary contributions (in € 1,000)			
School Feeding Support Programme	25	278	144
Kids Moving the World Support		100	148
Management & Office		146	227
Knowledge transfer		56	
BERL - Jatropha	26	877	1,066
Total	27	**1,457**	**1,585**

General information

PostNL's corporate responsibility (CR) strategy and performance is focused on four areas (employees, stakeholders, environment and social responsibility) as described in chapter 9 of this report. This chapter provides an overview and explanation of the results achieved in the four areas during 2012.

Notes to the consolidated statement of employee performance

1 Investors in People certification

Investors in People (IiP) sets minimum criteria for continuous management and employee development. The majority of the certified entities were succesfully re-certified in 2012. The percentage of headcount working at certified sites stabilised at 95% in 2012 (2011: 96%).

2 Employee engagement score

The 2012 VOICE engagement survey was conducted in September. Employees of PostNL were invited to participate. It was decided to exclude the employees who were part of the reorganisation plans at Mail in The Netherlands.

In order to obtain a like-for-like comparison, the population orginally excluded in the 2012 survey were included using their 2011 scores. The overall engagement score for 2012 stabilised at 56%.

During 2012, the results of the 2011 engagement survey were analysed and reported to all employees. Each team made an improvement plan, defining actions for their three most important issues. Examples of these improvement areas include communication about the organisational changes and the relationship between performance and payment. The actions and results were monitored during the year.

3 Training hours

Training hours per FTE increased to 23 in 2012 from 21 in 2011. The main reason for this was the change in operational processes within Mail in the Netherlands. Many employees had to learn new tasks, for which they received training.

4 Absenteeism

Absenteeism increased slightly to 5.5% (2011: 5.4%), with short-term absence decreasing and long-term absenteeism remaining relatively high, partly reflecting the company's elevated average age.

5 Voluntary turnover

Voluntary turnover declined in 2012 to 21% (2011: 25%). The majority of voluntary turnover occurs in the Mail in the Netherlands segment. The main driver for this is the voluntary turnover in mail deliverers in this segment, who form a growing portion of our employees.

6 Internal promotion

Internal promotion decreased to 66% (2011: 72%). New management vacancies emerged due to the restructuring process within PostNL. In order to prevent compulsory redundancies, as many vacancies as possible were filled by PostNL employees.

7 OHSAS 18001 certification

OHSAS 18001 sets minimum health and safety standards for PostNL's operations and creates a platform for ongoing work-related health and safety performance improvements. The majority of the certified entities were successfully recertified in 2012. It was decided to exclude the head office population for recertification. The percentage of FTEs working at certified sites decreased to 91% (2011: 95%).

8 Fatal accidents

Despite all our initiatives to improve the safety of our employees, we deeply regret having to report three fatal accidents. A trans-o-flex driver died in a head-on-collision in Belgium, a pedestrian was fatally injured in a collision with a PostNL vehicle and a mail deliverer died in a scooter accident.

PostNL remains determined to prevent fatalities, and to that end has implemented various initiatives. These initiatives include assessments of safety risks in all new processes and an intensified focus on safe driving behaviour, as well as ongoing efforts to maintain an acceptable level of work pressure in order to minimise safety risks in the workplace and in traffic.

9 Serious accidents

Serious accidents are defined as a physical injury to a PostNL employee or third party where the injured person is admitted to hospital for more than 24 hours due to a work-related accident. Serious accidents are monitored and reported to assess accident patterns before they become fatal. Serious accidents are divided into workplace and road traffic accidents.

The number of serious accidents decreased to 24 in 2012 (2011: 40).

10 Lost time accidents

Lost time accidents are defined as work-related accidents leading to absence from work for at least one day, excluding the day that the accident occurred. Lost time accidents are reported as an absolute number, but also as a frequency rate to show relative changes. PostNL has extensive procedures in place to avoid accidents on the workfloor and on the road. When accidents occur, an assessment is made in order to further improve safety measures.

The number of lost time accidents stabilised at 690 in 2012 (2011: 698) and 2.2 lost time accidents per 100 FTEs for both 2012 and 2011.

11 Blameworthy road traffic incidents

A road traffic incident is defined as a crash or collision involving an operational PostNL vehicle, excluding company cars. Road traffic incidents are categorised as blameworthy or non-blameworthy incidents.

The number of blameworthy accidents per 100,000 kilometres decreased from 4.3 in 2011 to 3.8 in 2012. Of all accidents, 65% were blameworthy (2011: 73%).

12 Gender profile

PostNL stimulates diversity and has several initiatives in place to promote the development and career opportunities of talented women. Please see chapter 8 for more detailed information.

The percentage of women increased to 44% (2011: 41%). The percentage of female managers stabilised at 23% in 2012 (2011: 24%).

13 Employees with a disability

PostNL aims to provide equal opportunities for all its employees. If necessary, additional measures are taken to provide assistance for people with a handicap in order to help them perform well in their jobs.

The number of employees with a disability increased to 1,604, which is 2.5% of PostNL's total workforce (2011: 1,362 and 2.2%).

Human rights

PostNL promotes human rights by taking effective measures to prevent and mitigate any adverse human rights impact, both from its own activities and from the activities of its subcontractors and suppliers. The PostNL Business Principles, which can be found on the corporate website postnl.com, represent the core of PostNL's commitment to human rights worldwide. They outline four broad areas: the company, employees, the business and the company's relationship with the world. PostNL is a signatory to the UN Global Compact (see Annex 1) and reports on the 10 principles contained in this document.

Notes to the consolidated statement of stakeholder performance

Stakeholder dialogue

In order to review its CR strategy and results, PostNL collaborates with stakeholders and other players in our sector. To better understand stakeholder perspectives and concerns about risks and responsibilities resulting from operations, a cross-functional team organises a multi-stakeholder dialogue with all stakeholder groups annually. The stakeholder dialogue supports PostNL's strategy review, ensuring that the CR strategy, policies and practices effectively reflect PostNL's mission and ambition.

The following key stakeholder groups have been identified as having the most significant impact on our business:

- investors (including the social responsibility investor community),
- employees,
- customers,
- subcontractors,
- suppliers,
- retail business partners, and
- civil society.

The 2012 stakeholder online survey was sent to 645 stakeholders across all stakeholder groups, of whom 144 completed the questionaire. To increase the significance of the response, the stakeholder groups 'investors' and 'civil society' were combined into one group, 'other'.

Analysis of the survey results highlighted the following key points:

- a majority of the stakeholders is familiar with PostNL's CR strategy and performance.
- the top four focus areas are mobility (increasing the number of employees who are helped to find a new job), sustainable purchasing, increasing the percentage of clean operational vehicles and increasing the percentage of positively-engaged employees.
- a large majority of the stakeholders consider the Moving the World programme relevant to highly relevant. Employees consider this programme much more relevant than external stakeholders.
- making a voluntary contribution to society in the home country is regarded as important.
- a large majority of stakeholders consider PostNL's current CR strategy as ambitious.

Among the stakeholders, we analysed the focus areas (employees, stakeholders, environment and social responsibility) that they consider important with regard to PostNL's CR strategy. The results are shown in the table on the next page.

Total	Employees	Customers	Suppliers	Subcontractors	Retail partners	Other
Mobility; increase the number of employees who are helped to find a new job	Increase the percentage of positively-engaged employees)	Sustainable purchasing	Sustainable purchasing	Selection of management of subcontractors with respect to reliable CR performance and CR reporting	Increase the number of employees who are helped to find a new job	Increase our attractiveness as an employer
Sustainable purchasing	Increase our attractiveness as an employer	Increase the sustainability of subcontractors	Increase the percentage of positively-engaged employees	Increase the number of employees who are helped to find a new job	Introduce a voluntary contribution to society in your own country	Increase the percentage of clean operational vehicles
Increase the percentage of clean operational vehicles	Increase the number of employees who are helped to find a new job	Mobility; increase the number of employees who are helped fo find a new job	Increase our attractiveness as an employer	Increase the sustainability of subcontractors	Increase the percentage of positively-engaged employees	Introduce a voluntary contribution to society in your own country
Increase the percentage of positively engaged employees	Introduce a voluntary contribution to society in your own country	Increase our attractiveness as an employer	Increase the sustainability of subcontractors	Reduce sickness-related absenteeism	Sustainable purchasing	Increase the percentage of positively-engaged employees
Increase the sustainability of subcontractors	Increase the percentage of clean operational vehicles	Increase the percentage of clean operational vehicles	Increase the percentage of clean operational vehicles	Increase our attractiveness as an employer	Increase the percentage of clean operational vehicles	Sustainable buildings
Increase the attractiveness as an employer	Increase the percentage of satisfied customers and retail partners	Increase the percentage of satisfied customers and retail partners	Increase the number of tailored (green) products	Sustainable purchasing	Increase our attractiveness as an employer	Sustainable purchasing
Introduce a voluntary contribution to society in your own country	Sustainable purchasing	Increase the number of tailored (green) products		Increase the percentage of satisfied customers and retail partners		Increase the sustainability of subcontractors

Customers
PostNL believes that customer focus is a sustainable competitive differentiator and therefore aims to exceed customer expectations. PostNL recognises that customer feedback is an important driver for its improvement programmes. Customer needs, satisfaction and loyalty levels are therefore important indicators.

14 ISO 9001 certification
ISO 9001 sets requirements for continuous quality improvements at entity level, challenges all entities on the service and quality they provide, and allows for a customised approach in implementing improvements.

The majority of the certified entities were succesfully recertified in 2012. It was decided to exclude the head office population for recertification. ISO 9001 certification decreased to 91% (2011: 95%).

15 Customer satisfaction & on time delivery
To represent a large customer base, we decided to report on the overall customer satisfaction of Mail in the Netherlands excluding Data and Document Management (DDM). Customer satisfaction was 84% in 2012 (2011: 89%). The main reason for this decrease is the loss of quality due to implementation issues during the the rollout of parts of the Master Plans. Our customer satisfaction survey is performed by an external market research company. Customers were scored on five customer values through phone-based interviews. PostNL is investigating the possibility of implementing an online customer satisfaction survey based on actualised customer values which would create the possibility to integrate the results of Mail in the Netherlands and Parcels.

On time delivery was 93.9% in 2012 (2011: 96.1%). This figure is preliminary and yet to be validated by PwC and reported to the Dutch supervisor OPTA. The on time delivery figure was influenced by implementation issues during the rollout of parts of the Master Plans.

CO_2 neutral postage
Customers are increasingly seeking a better understanding of the company's activities in all areas of CR, and specifically to understand the CO_2 footprint caused by the transportation of their letters and parcels. Business customers were offered a 'CO_2-neutral' delivery proposition. Through this proposition, a total of 1,428 customers in 2012 (1,458 in 2011) sent nearly 1 billion CO_2-neutral letters and parcels (1.3 billion in 2011). The CO_2 impact (15,201 tonnes) of these mail items was compensated by CO_2 gold standard credits. To stimulate customers to compensate the CO_2 emission of the letters and parcels they send, PostNL doubles the amount of money paid by customers for CO_2 compensation up to a maximum of €50,000. This extra money is invested in Green Projects in the Netherlands, for example in a project of Natuurmonumenten in Fochterloërveen.

Subcontractors and suppliers
PostNL acknowledges the significant ecological and social impact it has on suppliers' local communities. As such, PostNL is committed to raising the social and ecological standards of its subcontractors and suppliers. A distinction is made between subcontractors and suppliers. Subcontractors are providers of transport and logistical services; suppliers are providers of other services and materials. Subcontractors and suppliers are vital links in the business chain. The chain responsibility towards these stakeholders clearly connects the CR strategy to the business strategy.

Subcontractors
PostNL encourages its subcontractors to conduct their services in an environmentally friendly and socially responsible way. All subcontractors are expected to be socially responsible and to act in accordance with all prevailing local and international legislation and with the PostNL Business Principles. Within the Parcels segment, delivery is mainly performed by subcontractors. We maintained our focus on sustainable subcontracting during 2012.

The web-based communication channel Subconet.nl provides an easy-access platform where subcontractors can meet PostNL. It is PostNL's ambition to make Subconet.nl its primary tool for communication with subcontractors, alongside personal contact on the workfloor.

Subconet.nl provides means for subcontractors to reduce their costs by offering tailor-made proposals with high discounts for insurance, lease of vehicles and administration services. For new entrepreneurs with limited start-up capital, PostNL offers a lease construction without a large initial investment.

PostNL's subcontractor policy, which we began in 2011, strives to improve the sustainability performance of our subcontractors. The policy contains the following provisions:

- all new subcontractors must drive a van with at least a Euro-4 engine. From 2015, all subcontractors must comply with this rule.
- well-performing subcontractors are invited to the 'Drive Me Challenge', in which PostNL drivers and subcontractors compete to become the best driver in terms of quality of delivery and fuel reduction.
- postNL actively stimulates and rewards subcontractors who drive sustainable vans, offering them extra security in contracts and extra routes.

In addition to this subcontractor policy, PostNL cooperates with the Dutch government and municipalities by offering regular jobs for disabled people. PostNL strives to give these people a sense of belonging and purpose by offering work in a regular working environment at its sorting centres.

Suppliers

PostNL is involved with a large number of suppliers and acknowledges that a significant part of its social and environmental impact is rooted in the supply chain. One of the ways in which we try to improve our social and environmental impact is by working with suppliers who are proactive and innovative in delivering socially responsible products and services. All suppliers are required to act in a sustainable manner, in accordance with all prevailing local and international legislation and in accordance with the provisions of the PostNL Business Principles and the Sustainable Supply Chain Policy. Both can be found on our corporate website (postnl.com). All suppliers are required to sign a set of guidelines that include relevant social and environmental issues such as child labour, freedom of association and hazardous substances.

The Sustainable Supply Chain Policy states that suppliers are assessed on sustainability risks. Based on this risk analysis, a group of 50 suppliers was identified for further analysis of their CR performance. After studying the available CR information on this selected group of suppliers, an additional questionnaire was sent out to collect detailed information. In accordance with our Sustainability Supply Chain Policy, the main first-tier and second-tier suppliers of mail bags, post containers and workwear were visited in 2012. During these visits, many improvements compared to previous visits were found, including labour circumstances, safety and environmental management. No major issues were detected during any of these visits.

PostNL signed the sustainable purchase manifest (MVIO) of NEVI (Nederlandse Vereniging voor Inkoopmanagement). We also signed a covenant with the Forest Stewardship Council (FSC) (http://info.fsc.org/) to ensure the use of responsibly produced paper.

Notes to the consolidated statement of environmental performance

16 ISO 14001 certification

PostNL has adopted the international standard ISO 14001 to manage its environmental performance.

The majority of the certified entities were successfully recertified in 2012. We decided to exclude the head office population for recertification. ISO 14001 certification decreased from 95% in 2011 to 91% in 2012.

17 CO_2 footprint

In accordance with the Greenhouse Gas Protocol (GHG), the CO_2 footprint in kilotonnes is reported in three categories:

- Scope 1 covers all direct emissions generated by sources that are owned or controlled by the company, such as operational vehicles and heating,
- Scope 2 includes all emissions from the generation of purchased electricity consumed by the company, and
- Scope 3 refers to indirect emissions that are a consequence of the company's activities but arise from sources not owned or controlled by the company.

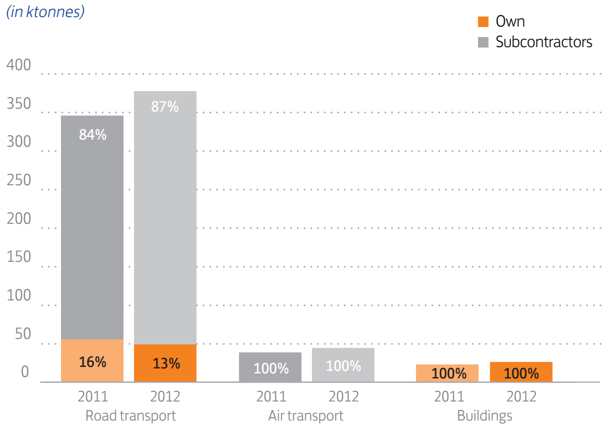
The CO_2 footprint in kilotonnes is based on a broader scope than PostNL's own CO_2 efficiency index scope. Additional categories for the Greenhouse Gas Protocol are: other operational vehicles (motorcycles, forklifts), company cars, business travel by air and subcontractors. These additional categories result in relatively low absolute CO_2 emissions, with the exception of subcontractors.

Subcontractors' emissions are an important factor in the CO_2 footprint of PostNL. Subcontracted activities account for 87% (2011: 84%) of PostNL's overall CO_2 footprint. In order to manage subcontractors' CO_2 performance, PostNL explores various options, from voluntary schemes to contractual agreements.

Subcontractor CO_2 emissions are indirect emissions (GHG Scope 3). PostNL includes subcontractor emissions from transport (both road and air) in its overall CO_2 footprint. Emissions from energy consumption by subcontractor buildings are not included due to immateriality. PostNL's calculation of subcontractors' CO_2 is based on secondary indicators such as kilometres driven and cost indicators, because primary data (fuel consumption) relating to subcontracted activities are not available. In the United Kingdom and Germany, part of the postal process is subcontracted by PostNL to the national postal company. The CO_2 impact of this subcontracted work is included in the CO_2 subcontractor emissions by using a cost-based model.

PostNL's own CO_2 emissions decreased from 74 to 69 kilotonnes in 2012, whereas CO_2 emissions from subcontractors increased from 332 kilotonnes to 359 kilotonnes. This increase can be explained by the growth in the Parcels and International segments, which both use subcontractors intensively.

PostNL total CO_2 footprint (own and subcontractors)

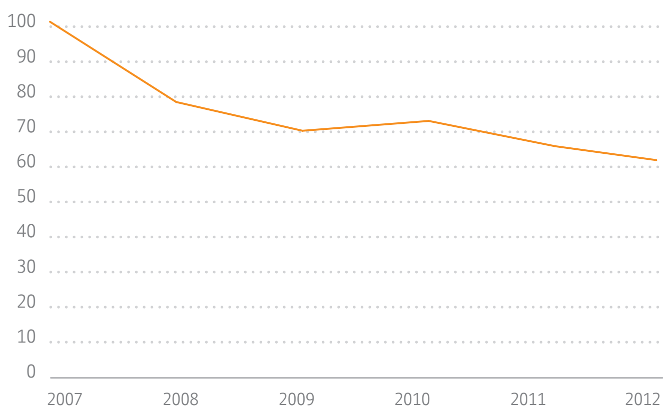


18 CO_2 efficiency index

To better reflect PostNL's efforts to reduce CO_2 while growing its business, we have introduced the CO_2 efficiency index.The three components of the CO_2 index (buildings, small trucks and large trucks) are weighted according to their absolute CO_2 emission in the base year, 2007. PostNL's long-term ambition is to improve its CO_2 index to 45 in 2020 (base year 2007=100).

PostNL's CO_2 efficiency index was 61.8 in 2012, compared to 64.5 in 2011. This is in line with our aim of reaching a CO_2 index of 45 in 2020. The main cause of the 2012 decline was a decrease in CO_2 emissions from buildings, chiefly due to the use of sustainable electricity and biogas, in combination with the compensation of CO_2 emissions from electricity usage for Mail in the Netherlands for locations where PostNL does not manage the energy contracts. Emissions from large trucks also declined, while emissions from small trucks stabilised.

CO_2 efficiency index performance



19 Road transport

By deploying vehicles of the highest environmental standard and managing the behavioural aspects of drivers, as well as further route optimisation, PostNL delivers tangible gains in fuel efficiency.

The CO_2 efficiency of small trucks and vans was 238 grammes of CO_2 per kilometre in 2012 (2011: 234). The number of small trucks and vans (mainly Pickup and Delivery (PUD) vehicles) decreased from 3,277 in 2011 to 2,762 in 2012.

The CO_2 efficiency of large trucks improved to 712 grammes of CO_2 per kilometre (2011: 737). The number of large trucks (mainly line-haul vehicles) declined from 353 in 2011 to 343 in 2012.

Although delivering mail and parcels with a new, modern fleet is a crucial part of our CO_2-reduction strategy, we also understand that technique has a limited effect if the driver does not display the right attitude. We have therefore focused on improving driver awareness about fuel efficiency by imparting the best possible skills on the road. During the annual PostNL Drive Me Challenge, PostNL's best drivers and subcontractors compete on fuel efficiency, safety, speed and awareness of customers. In 2012, the winner of the yearly PostNL Drive Me Challenge competition qualified for the IPC (International Post Corporation) version of the Drive Me Challenge. Five teams from postal operators in Belgium, Denmark, Sweden, France, Ireland and the Netherlands took part in a two-day event that tested their eco-driving skills, as well as their safe driving skills and customer service approach. The team from PostNL was the first team ever to win the IPC Drivers Challenge, excelling in all categories of the challenge. Teams from PostNord and Le Groupe La Poste came second and third respectively.

20 Buildings

Different types of facilities are used by PostNL, such as depots, hubs, sorting centres and offices. Approximately 1.0 million m^2 of building space is owned or leased. The energy efficiency of buildings combines all types of energy consumed in buildings and covers electricity, gas, heating fuel and district heating.

The overall CO_2 efficiency of buildings improved from 22.2 kilogrammes of CO_2 per m^2 in 2011 to 19.7 in 2012, mainly due to the use of sustainable electricity and biogas in combination with compensation of electricity usage.

PostNL believes that incorporating energy efficiency into the design of new buildings, in addition to a number of other measures, leads to substantial improvements in the CO_2 efficiency of buildings.

As part of the Mail in the Netherlands Master Plans, a number of hubs that used sustainable electricity were closed. Closing these locations had a negative effect on the percentage of sustainable electricity, which dropped to 81% in 2012 from 85% in 2011. As a consequence of the introduction of the Master Plans, new central preparation locations were opened. The rental contracts of these locations include the energy contracts, which include no sustainable electricity. PostNL decided to compensate this by buying 3,500 Gold Standard credits. This compensates 3.5 kilotonnes of CO_2.

PostNL uses CO_2 neutrally produced biogas to heat its head office and six Netherlands-based sorting centres. Because of the planned change in infrastructure for Mail in the Netherlands, we decided to introduce biogas for some of the buildings that will remain in use in the future. PostNL bought 1.3 million m^3 of biogas in 2012, thereby preventing 2.3 kilotonnes of CO_2

emissions. Simultaneously, a contract was signed for the same amount of biogas in 2013 and 2014.

The mild winter of 2012 led to a correction on used heating energy of + 0.13 kg CO_2/m^2.

21 Company cars

Our company car policy sets criteria that have a positive effect on CO_2 emissions. Only fuel-efficient company cars (A, B or C label) are permitted. The total number of company cars increased to 1,428 in 2012 (2011: 1,385). The increased number raised the total CO_2 emission of company cars to 8 kilotonnes (2011: 7).

PostNL signed a Gold Fleet Cleaner Car Contract with Alphabet Lease, with the ambition to achieve a company car fleet average of 120 grammes of CO_2 per kilometre for all new lease cars.

22 Business travel by air

CO_2 emissions from business travel by air stabilised at 1 kilotonne in 2012.

23 Other vehicle emissions

The objective of the European emission standards (Euro 4 and 5) is to reduce emissions of:

- particulate matters (PM10),
- nitrogen oxides (NOx), and
- carbon monoxide (CO).

PostNL's fleet is being updated, with newer models replacing older trucks to comply with the Euro 5 standard. In addition, trucks more than five years old will be replaced by cleaner trucks in coming years.

24 Other environmental indicators

In 2012, waste totalled 0.37 tonnes per FTE (2011: 0.36), of which 56% was recycled (2011: 58%).

An environmental incident is an incident that leads to the pollution of soil, water or air. Five on-site environmental incidents occurred in 2012, the same number as in 2011, and there were four off-site environmental incidents (0 in 2011). All incidents were oil leakages from trucks. No sanctions for non-compliance were imposed.

Noise monitoring and management is part of PostNL's environmental management system. Risk assessments are conducted for workplace noise and external noise nuisance in communities living close to our operational facilities. In 2012, two complaints were received related to noise as compared to seven in 2011. No sanctions for non-compliance were received.

Sector initiatives

PostNL strongly believes in encouraging cooperation with other sector members, on sector-wide agreements, legislation and other key issues. To execute this aim, PostNL actively participates in the following sector initiatives:

- International Postal Corporation (IPC): a cooperative association of 24 postal operators in Europe, North America and the Asia-Pacific region. IPC and its members have developed a common measurement and reporting framework to facilitate consistent industry-wide reporting on energy and CO_2 emissions.
- Universal Postal Union (UPU): a specialised agency within the United Nations framework. The UPU consists of almost all national postal operators in the world and is responsible for cross-border postal services and regulation.
- PostEurop: a trade organisation of European public postal operators. PostEurop supports agreements and deliberation on social, regulatory, operational and market developments. A good example of PostEurop's significance is an agreement it created on greenhouse gas reduction between the postal operators.
- Green Freight Europe: a cross-sector initiative aimed at reducing the environmental impact of road freight transport. The goal of the initiative is to improve and evaluate the environmental performance of transportation companies by developing and establishing a standardised system for measuring and monitoring emissions.

Notes to the consolidated statement of social responsibility performance

For PostNL, corporate responsibility goes beyond responsibility for employees and the environment. We also focus on social responsibility, which is best displayed in our partnership with the United Nations World Food Programme (WFP), called Moving the World.

PostNL is committed to supporting WFP in its efforts to meet the number one Millennium Development Goal: to end poverty and child hunger by 2015. Both parties benefit from this partnership: WFP benefits from the knowledge, skills, resources and donations provided by PostNL, while PostNL benefits from increased employee engagement and employee and management development.

Since the start of Moving the World, PostNL has played a role in raising awareness of global hunger. We support WFP by organising fund-raising activities. These raised a total of €742,000 in 2012. Employees were also engaged by sharing knowledge. We create extra awareness and give additional financial support through a range of activities, including Kids Moving the World, Master Chefs for Home Chefs, the 'GSM Retourplan' and a number of local initiatives.

25 School Feeding Programme

PostNL is involved in a school feeding programme in Malawi, a WFP project that provides a free school lunch or snack to underprivileged children. The concept is straightforward: food attracts hungry children to school, and in return they get an education that enables them to break out of the vicious cycle of hunger and poverty. This is especially important for girls, who are the first victims of circumstance, as they are kept at home in underprivileged families. For many parents, the school meals are a reason to send their children to school rather than to work. It costs WFP €0.20 to provide a child with a nourishing meal at school.

Cookery book project – Master Chefs for Home Chefs
In 2007, PostNL launched the successful initiative Master Chefs for Home Chefs. This cookery book raises money for the WFP school feeding programme. Master Chefs for Home Chefs aims to:

- raise funds for the WFP school feeding programme,
- bring the WFP to public attention and increase recognition of the WFP brand, and
- increase world hunger awareness by making it relevant and close to home.

Master Chefs for Home Chefs is in its sixth edition and is published in the Netherlands. Every book sold counts for 40 nutritious meals at school. This resulted in 1.8 million meals provided in 2012. Since the initiative began in 2007, PostNL has donated more than 13 million school meals to the children participating in the WFP school feeding programme. Please see topkoksvoorthuiskoks.nl/06

GSM Retourplan
GSM Retourplan is a non-profit foundation that collects mobile phones from the Dutch market for charity. The foundation was established by PostNL and T-Mobile and in 2010, BEN and Tele2 joined the foundation. The GSM Retourplan foundation organises the recycling and sale of used mobile phones through e-auction to second-hand markets. The benefits of the foundation are twofold: profits from the GSM Retourplan are donated to War Child and WFP, while the unusable phones are recycled in order to prevent them from contaminating the environment. Further information can be found on gsmretourplan.nl

Local initiatives
Since the start of the partnership with WFP, PostNL employees have raised funds to support the school feeding programme through a range of fun and effective fund-raising activities, including sorting of mail and parcels, sports tournaments and auctions. These activities are organised on a voluntary basis outside normal working hours. As an example, one of our mailmen cycled 13,000 kilometres from the Netherlands to Malawi, raising sponsorship that provided 90,000 meals. Additional information can be found on movingtheworld.nl

Kids Moving the World
The Kids Moving the World (KMtW) foundation focuses on creating awareness of global developmental issues among schoolchildren in the Netherlands. KMtW offers an educational package for primary school children. The package consists of three lessons and an interactive game, aimed at making young children aware of hunger, poverty and climate change issues. About 100 PostNL employees assisted in the programme by facilitating the interactive game. Together, they reached 40,000 children in 2012. Since the launch of KMtW in 2004, the foundation has already reached 390,000 children. For detailed information, please see kidsmovingtheworld.nl

Knowledge transfer
An essential element of the WFP partnership is the provision of skilled PostNL specialists to support the school feeding programme. In 2012, three PostNL employees worked as project managers for the school feeding projects in Malawi, each for four months. Additional information can be found on movingtheworld.nl

26 BERL – Jatropha
For most developing countries, generating sustainable income in the agricultural sector is considered the most effective tool to fight hunger and reduce poverty. TNT therefore started the Jatropha project in 2008. This established a social venture with a local Malawian company, Bio Energy Resources Limited (BERL), to develop biofuel production on a sustainable basis. Local small-scale farmers are provided with seeds to grow Jatropha curcas as boundaries around their fields. Jatropha curcas is a small tree which yields nuts that can be used to produce biofuel.

There are multiple benefits:

• the Jatropha crops provide farmers with an additional annual income,

• the biofuel can be used locally, replacing imported fuel and saving scarce foreign exchange, and

• the biofuel will bring environmental benefits in terms of carbon reduction and lower emissions.

In 2012, the processing factory was completed and officially opened by Malawi's Minister of Energy and Mines. BERL now runs a complete value chain: BERL supports the planting of Jatropha trees by small-scale farmers, manages the purchase and collection of the Jatropha nuts and produces and sells vegetable oil and organic fertiliser to the local market.

Also in 2012, PostNL attracted a first co-funder to continue scaling up this project and to maximise the impact on society and the environment. BERL piloted the growing of sunflowers for the local food market within its farmer network. See berl.biz for more information on the company.

27 PostNL's voluntary contributions
PostNL contributes to social responsibility by providing staff and support to the initiatives and projects of Moving the World and BERL. The total contribution was around €1.5 million in 2012, slightly below 2011 (€1.6 million).

Reporting scope, criteria and limitations

Corporate responsibility reporting criteria
Corporate responsibility (CR) data are prepared in accordance with the reporting criteria and guidelines of the A+ application level of the Global Reporting Initiative (GRI) G3.1 and the GRI Logistics and Transportation sector supplement as far as relevant to PostNL (see Annex 1). PostNL will continue to be a signatory to the UN Global Compact. PostNL therefore reports on the 10 principles of the Global Compact. A bridge between the GRI G3.1 indicators and the principles of the UN Global Compact is made in the GRI G3.1 index in Annex 1. Definitions used for key performance indicators (KPIs) are defined in Annex 3. KPIs are selected on the basis of interactive stakeholder dialogue and the issues relevant to PostNL's operations.

CR data is gathered using a questionnaire. All figures are based, accordingly, on data provided by the reporting entities in PostNL through the CR reporting and monitoring tool. Conversion factors are taken from internationally-acknowledged organisations such as the Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol. For CO_2 reporting, PostNL uses the Greenhouse Gas Protocol (GHG) Corporate Standard.

Corporate responsibility reporting scope
This annual report includes CR data from entities that are fully owned or majority owned and from those joint ventures where PostNL has a controlling interest with respect to corporate responsibility. However, PostNL relies on a large number of subcontractors to perform daily activities. PostNL acknowledges its responsibility and therefore reports on the fatal road traffic accidents of its subcontractors, as well as absolute subcontractor CO_2 emissions, which are estimated.

In accordance with PostNL's Group Policy on CR Reporting, all companies acquired in any given year are required to report CR data as from the following year. PostNL companies that are divested (full or partial sale whereby PostNL no longer retains a direct or indirect controlling interest) are excluded from the CR reporting scope for the entire year in which the divestment took place and the comparative is adjusted.

It was decided to exclude Regioservice and Turbopost (part of TNT Post Germany) from CR reporting data because TNT Post Germany is in the midst of a transition towards an entrepreneurial model in which local entrepreneurs are made responsible for the business in the region.

PostNL strives to provide an adequate picture of its CR strategy and performance. A monthly reporting process has been established to collect all relevant CR information.

Figures are presented in a relative way (using percentages and ratios) to make it possible for readers to monitor and measure progress year on year, unless the reporting criteria require absolute figures to be disclosed. CO_2 efficiency indicators are presented relative to the baseline year of 2007 to show progress made towards long-term objectives for CO_2 efficiency improvements. Figures related to absolute CO_2 emissions are all extrapolated to reflect the entire PostNL organisation, unless stated otherwise. Extrapolation is done on the basis of FTE coverage or m². PostNL defines coverage as the number of full-time equivalents (FTEs) working in entities that report data, divided by the total number of FTEs in the CR reporting scope. The data clarification table in Annex 2 shows the coverage per indicator. PostNL has taken all reasonable steps to ensure that the CR information in this annual report is accurate.

PostNL CR reporting scope

in number of FTE and headcount	2012 FTE	2012 Headcount	2011 FTE	2011 Headcount
PostNL Total (in CR reporting scope)	31,450	63,967	31,901	63,342
Out of CR reporting scope	3,798	4,971	4,422	5,162
Total PostNL	**35,248**	**68,938**	**36,323**	**68,504**

The number of FTEs and headcount included in 'Out of CR reporting scope' are people for whom no CR data is available. These are people on payroll who are not entitled to all the benefits of a PostNL employee, as well as employees of joint ventures, entities acquired in 2012 and Bio Energy Resources Limited (BERL). Besides employees, PostNL has contracted 23,571 OvO ('Overeenkomst voor Opdracht') workers, who are paid by output and do not have a labour contract.

Reporting on subcontractor emissions
For its business, PostNL is to a large extent reliant on subcontractors and considers it important to report on the carbon impact of subcontractor activities. For this purpose, PostNL has developed a subcontractor model which is used to estimate the carbon emissions associated with subcontractor activities. PostNL's subcontractor model is based on secondary indicators such as kilometres driven, because primary data (e.g. fuel consumption) are not available. An important part of the subcontractor model is the estimation of fuel costs as a percentage of total costs for delivery by subcontractors. Because the subcontractor model does not measure actual carbon emissions associated with subcontractor activities, there are inherent limitations to the accuracy of the reported figure. The most important ones are listed below:

- the percentage of fuel costs used is based on industry reports; it is a generic factor which is not derived from PostNL's specific business models,
- the subcontractor model is based on existing operational systems within PostNL, but for some subcontractor activities planned figures are used instead of actual figures (for timing reasons), and
- for commercial air linehaul, the subcontractor model uses planned volumes (kilogrammes) of mail which are based on actual 2012 data.

External assurance
PostNL has engaged PwC to provide reasonable assurance on the CR chapters (8, 9, 18 and the annexes). The assurance work is performed in accordance with Assurance Standard 3410N 'Assurance Engagements Relating to Sustainability Reports' as drawn up by the professional body of Dutch Accountants (NBA).

Reasonable assurance report

To the Board of Management of PostNL N.V

Report on the Corporate Responsibility chapters

Engagement and responsibilities
In the Annual Report PostNL N.V., the Hague, (hereafter: PostNL) reports on its policies, activities, events and performance relating to Corporate Responsibility ('CR') in the reporting period 2012. As explained in chapter 18 'Corporate responsibility statements', we have examined the content of chapters 8, 9, 18 and the annexes in the Annual Report (hereafter referred to as: 'CR chapters').

The Board of Management of PostNL is responsible for the preparation of the CR chapters. We are responsible for providing a reasonable assurance report on the CR chapters. We do not provide assurance on CR related information in the Annual Report which is outside our assurance scope. Furthermore, we do not provide assurance on the assumptions and feasibility of prospective information relating to CR, such as targets, expectations and ambitions in the Annual Report.

Reporting criteria
PostNL developed its reporting criteria on the basis of the G3.1 Guidelines of the Global Reporting Initiative (GRI). These reporting criteria contain certain inherent limitations which may influence the reliability of the information. These inherent limitations stem amongst others from applied definitions and estimations made for indicators where primary data is not available. Detailed information on the reporting criteria and the reporting scope is given in the paragraph 'Reporting scope, criteria and limitations' in chapter 18. We consider the reporting criteria to be relevant and appropriate for our examination.

For several indicators the CR chapters are not yet based on full coverage as intended by PostNL per its reporting criteria. By including a data clarification table in annex 2, the coverage of the CR chapters is clarified, showing for each indicator the number of FTE's working in entities that report on that indicator as a percentage of total FTE's. We believe that this limitation with regard to the completeness of the CR chapters and the reasons for it, are acceptable.

Assurance procedures performed
We planned and performed our assurance procedures in accordance with Dutch law, including Standard 3410N 'Assurance engagements relating to sustainability reports'.

Our most important assurance procedures were:

- performing an analysis of PostNL's operating context and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- assessing the acceptability and consistent application of the reporting policies, including the methods used by management for calculating and estimating results;
- assessing and testing the systems and processes used for data gathering, internal controls and the aggregation process of data to the information in the CR chapters;
- reconciling reported data to internal and external source documentation ;
- performing analytical procedures, relation checks and detailed checks;
- validating and testing of the model used for estimating the CO_2-emissions of subcontractors;
- assessing the application level according to the G3.1 Guidelines of GRI;
- evaluating the overall presentation of the CR chapters, in line with PostNL's reporting criteria;
- evaluating the consistency of CR related information in the Annual Report.

We believe that the evidence obtained from our assurance procedures is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, based upon our assurance procedures performed, the CR chapters as mentioned under 'Engagement and responsibilities', are in all material respects presented reliably and adequately, in accordance with PostNL's reporting criteria.

Amsterdam, 25 February 2013

PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. H.C. Wüst RA

Annex 1: Global Compact and GRI G3.1 index

Global Compact

As a signatory of the UN Global Compact, PostNL reports on the 10 principles therein. In the Global Reporting Initiative (GRI) G3.1 index table the GRI indicators on which PostNL reports are linked to the numbers corresponding to the 10 principles mentioned below.

Human rights	
1	Businesses should support and respect the protection of internationally proclaimed human rights.
2	Businesses should make sure that they are not complicit in human rights abuses.
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	
10	Businesses should work against corruption in all its forms.

GRI G3.1 index

This GRI Index table is based on the G3.1 guidelines of the GRI. This index includes the core indicators of the G3.1 and complementary sector supplement indicators. The table below includes PostNL's management approach per theme. Additionally a reference is made to the 10 Principles of the Global Compact which are mentioned in a table in the next section. PostNL believes that the A+ level is applicable to this report. This has been validated by the external assurance provider.

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
Strategy and analysis				
1.1	CEO Statement	Chapter 1, p. 4 for more detail see Chapter 2 p. 6-8	Fully reported	
1.2	Key impacts, risks and opportunities	Chapter 1, p. 4, Chapter 2 p. 6-8, Chapter 18 p. 153	Fully reported	
Organisational profile				
2.1	Name of the organisation	Chapter 2, p. 6	Fully reported	
2.2	Products, and/or services	Chapter 2, p. 46-66	Fully reported	
2.3	Operational structure	Chapter 2, p. 6-8	Fully reported	
2.4	Headquarter location	Introduction and financial and corporate responsibility highlights	Fully reported	
2.5	Countries in operations / PostNL geographic spread	Chapter 2, p. 6, Chapter 3, p. 9-18, Chapter 4, p. 19-22, Chapter 5, p. 23-25 and Chapter 6, p. 26-29	Fully reported	
2.6	Nature of ownership	Introduction and financial and corporate responsibility highlights	Fully reported	
2.7	Markets served	Chapter 4, p. 19-22, Chapter 5, p. 23-25 and Chapter 6, p. 26-29	Fully reported	
2.8	Scale of the organisation	At a glance, Chapter 3, p. 9-18, Chapter 18, p. 106-111 and p. 126-128	Fully reported	
2.9	Significant operational changes	Introduction and financial and corporate responsibility highlights, Chapter 3, p. 9-18	Fully reported	
2.10	Awards received	Chapter 3 p. 9-10 and Chapter 9, p. 36	Fully reported	
Report profile				
3.1	Reporting period	Introduction and financial and corporate responsibility highlights	Fully reported	
3.2	Previous report		Not reported	
3.3	Reporting cycle	Introduction and financial and corporate responsibility highlights	Fully reported	
3.4	Contact point for questions	Chapter 16, p. 69	Fully reported	
Report scope and boundary				

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
3.5	Reporting period	Introduction and financial and corporate responsibility highlights	Fully reported	
3.6	Boundary of the report	Chapter 18, pp. 158-159	Fully reported	
3.7	Limitations on the reporting scope	Chapter 18, pp. 158-159	Fully reported	
3.8	Reporting basis	Chapter 18, pp. 158-159	Fully reported	
3.9	Data measurement techniques	Chapter 18, pp. 158-159	Fully reported	
3.10	Re-statements of information	Chapter 18, p. 158	Fully reported	
3.11	Significant changes from previous reports	Chapter 18, pp. 158-159	Fully reported	
GRI content index				
3.12	GRI content index	Annex 1. pp. 161-165	Fully reported	
Assurance				
3.13	Assurance	Chapter 18, p. 2	Fully reported	
Governance				
4.1	Governance structure	Chapter 13, p. 46-66	Fully reported	
4.2	Indicate relation between chair of the highest governance body and executive officer	PostNL does not have a unitary board structure.	Fully reported	
4.3	Independence of Board of Management	PostNL has a large company regime and is therefore required to adopt a two-tier system of corporate governance.	Not reported	
4.4	Shareholders feedback mechanisms	Chapter 13, p. 46-66	Fully reported	
4.5	Executive remuneration and performance	Chapter 15, p. 61-66	Fully reported	
4.6	Conflict of interest at the Board of Management	Chapter 13, p. 46-66	Fully reported	
4.7	Process for determining composition, qualifications and expertise of highest governance body	Chapter 13, p. 2-3	Fully reported	
4.8	Mission and value statements	Chapter 2, p. 6-8	Fully reported	
4.9	Board of Management governance	Chapter 13, p. 46-66	Fully reported	
4.10	Evaluation of the Board of Management	Chapter 15, p. 2-3	Fully reported	
Commitment to external initiatives				
4.11	Precautionary principles	Chapter 18, p 158, Annex 1, p. 161	Fully reported	
4.12	External charters, principles or initiatives	Annex 1, p. 161	Fully reported	
4.13	Associated memberships	Chapter 18, p.157	Fully reported	
Stakeholder engagement				
4.14	List of stakeholders	Chapter 18, p. 158-159 p. 153	Fully reported	
4.15	Stakeholders identification	Chapter 18, p. 153	Fully reported	
4.16	Stakeholder engagement	Chapter 18, p. 153-155	Fully reported	
4.17	Stakeholders' key issues	Chapter 18, p. 153-155	Fully reported	
Economic performance indicators				
EC 1	Direct economic value	Chapter 3, p. 9-18, Chapter 17, p. 71-74 and Chapter 16, p. 67-69	Fully reported	
EC 2	Financial implications of climate change	There is no material financial impact of climate change on PostNL's business. Chapter 11, p. 41-43	Partially reported *	
EC 3	Benefit plan	Chapter 15, p. 61	Fully reported	7
EC 4	Financial governmental assistance	PostNL does not receive significant financial assistance from governments.	Fully reported	
EC 6	Local suppliers	Chapter 18, p. 155-157	Partially reported *	
EC 7	Local recruitment	PostNL has procedures in place for hiring people and always recruits the best person for the position and this maybe in local communities or outside and is dependant on the job profile required.	Partially reported *	6
EC 8	In kind or pro bono engagement	Chapter 9, p.35-37, 149	Fully reported	

Environmental management approach

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
EN 1	Volume of materials used	Materials are not a significant element of the postal business. Instead PostNL reports on the percentage of recycled waste/wast per FTE.	Partially reported *	8
EN 2	Recycled materials	Materials are not a significant element of the postal business. Instead PostNL reports on the percentage of recycled waste/wast per FTE.	Partially reported *	8, 9
EN 3	Direct primary energy consumption	Chapter 18, p.155-156 and Chapter 18, p. 150-151	Partially reported *	8
EN 4	Indirect primary energy consumption	Chapter 18, p. 155-156 and Chapter 18, p. 155-157	Partially reported *	8
EN 8	Water withdrawal	PostNL does not report this issue and has no intention to report this in the future as the disclosure does not relate to PostNL's business, because PostNL's core business does not require significant water use. Indicator not material for PostNL.	Not reported	8
EN 11	Land assets in sensitive areas	PostNL does not own land assets in sensitive areas.	Fully reported	8
EN 12	Biodiversity within lands owned	PostNL does not own land in protected areas or areas with high bio diversity.	Fully reported	8
EN 16	Greenhouse gas emissions	Chapter 18, p. 155-156	Fully reported	8
EN 17	Other indirect greenhouse gas emissions	Chapter 18, p. 155-156	Fully reported	8
EN 19	Ozone-depleting substance emissions	PostNL does not report on this issue and has no intention to report this in the future as the disclosure does not relate to PostNL's business, because the emission of ozone-depletings substances within PostNL is very limited. This indicator is not material for PostNL.	Not reported	8
EN 20	NOx, SOx emissions	NOx and SOx emissions are not measured and the weight and calculation of significant air emissions is not reported. PostNL strives to reduce these emissions by increasing the number of Euro4 and Euro5 vehicles. PostNL is considering measurement methods by 2016. Chapter 18, p. 157.	Partially reported	8
EN 21	Water discharge by quality and destination	PostNL's total water discharge is limited to domestic sewage. This indicator is not material for PostNL.	Fully reported	8
EN 22	Waste by disposal method	Chapter 18 p. 157, Instead PostNL reports on the percentage of recycled waste per FTE.	Partially reported *	8
EN 23	Significant spills	Chapter 18 p. 157, Instead PostNL reports on environmental incidents and noise complaints.	Fully reported	8
EN 26	Environmental impact mitigation	Considering the nature of the business this subject is not material for PostNL, Chapter 18, pp. 154-155	Fully reported	7, 8, 9
EN 27	Packaging materials	PostNL's use of packing materials is limited. This indicator is not material for PostNL.	Fully reported	8, 9
EN 28	Non compliance sanctions	Chapter 18, p. 157	Fully reported	8
Labour practices and decent work performance indicators				
LA 1	Breakdown of workforce	At a glance, Chapter 18, p. 153, PostNL does not report diversity in detail. Instead diversity indicators are presented as a percentage of the total FTE in scope.	Fully reported	
LA 2	Employee turnover	Chapter 18, p. 153, PostNL does not report diversity in detail. Instead diversity indicators are presented as a percentage of the total FTE in scope.	Fully reported	6
LA 4	Collective bargaining agreements	All the entities within PostNL are responsible for the collective bargaining agreements. Information is available at entitiy level. Chapter 8, p. 33-34	Partially reported *	1, 3

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
LA 5	Minimum notice periods	At a glance p. 2-3 and Chapter 18, p. 152-153	Fully reported	3
LA 7	Occupational health and safety and absenteeism	Chapter 9, p. 36 and Chapter 18, pp. 152-152	Fully reported	1
LA 8	Education to assist workforce	Chapter 8, p. 32-34	Fully reported	1
LA 10	Training per employee	Chapter 8, p. 33 and Chapter 18, p. 152	Partially reported *	
LA 13	Employee diversity & gender governance	Chapter 8, p. 33 and Chapter 18, p. 152-152	Partially reported *	1, 6
LA 14	Remuneration by gender	PostNL does not report on this for the entire organisation due to the size and number of locations of the organisation. Only the remuneration of the members of the Board of Management is reported. Chapter 15, p. 65-65	Partially reported*	1, 6
LA 15	Return to work and retention rates after parental leave.	PostNL does not report diversity in detail. Instead diversity indicators are presented as a percentage of the total FTE in scope. Chapter 8, p. 32-33	Partially reported*	
Human rights performance indicators				
HR 1	Human right clauses in investment	Chapter 18, p. 154-155	Fully reported*	1, 2, 3, 4, 5, 6
HR 2	Supplier screening on human rights	Chapter 18, p. 153-155	Fully reported	1, 2, 3, 4, 5, 6
HR 3	Training hours on policies and procedures on human rights	PostNL is primarily locted in European countries, this indicator does not deem material.		
HR 4	Discrimination	PostNL reports on the reported breaches or suspected breaches of any law, regulation, PostNL business principles or other company policies and procedures (including discrimination). Chapter 12, p. 44	Partially reported *	1, 2, 4, 6
HR 5	Association and collective bargaining	Chapter 8, p. 33-34, Chapter 18, p. 155-155	Partially reported *	1, 2, 3
HR 6	Child labour	Chapter 18, p. 155-155	Partially reported *	1, 2, 5
HR 7	Forced labour	Chapter 18, p. 155	Partially reported *	1, 2, 4
HR10	Operations subject to human rights reviews	Chapter 18, p. 155	Fully reported	
HR11	Grievances related to human rights	PostNL does not have any indication of human rights violation.	Fully reported	
Society performance indicators				
SO 1	Impact on communities	Chapter 18, p. 157-158	Partially reported *	
SO 2	Corruption risks	Chapter 12, p. 44	Partially reported *	10
SO 3	Anti-corruption training	Chapter 12, p. 44	Partially reported *	10
SO 4	Actions against corrpution	Chapter 12, p. 44 No relevant incidents indicated. Subject is not marerial for PostNL.	Fully reported	10
SO 5	Lobbying	Chapter 10, p. 38	Partially reported *	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
SO 8	Regulatory non-compliance sanctions	Issue is not material for PostNL. Chapter 149, p. 157	Partially reported *	
SO 9	Operations with significant actual or potential negative impact on local communities	Issue is not material for PostNL.		
SO10	Prevention and mitigation measures	Issue is not material for PostNL. Chapter 44, p. 44	Partially reported *	
Product responsibility performance indicators				
PR 1	Product life cycle	Chapter 2, p.6, Chapter 5, p. 24 and Chapter 18, p. 26-29	Fully reported	1
PR 3	Product information	Considering the nature of the business this item is not material for PostNL	Not reported *	
PR 6	Communication programmes	Chapter 18, p. 155-155	Partially reported *	
PR 9	Product non-compliance	Chapter 9, p. 129-130	Fully reported	
Sector supplement indicators				
LT 1	Ship registry	This indicator is not relevant. PostNL does not own ships.	Fully reported	
LT 2	Fleet composition	Chapter 18, p. 156	Fully reported	
LT 3	Environmental reduction	Chapter 9, p. 36-36 and Chapter 18, p. 155	Fully reported	
LT 4	Renewable direct energy sources and energy efficiency	Chapter 18, p. 150-151 and p. 155-157	Fully reported	
LT 5	Renewable indirect energy sourcesand energy efficiency	Chapter 18, p. 150-151 and p.155-157	Fully reported	
LT 6	Traffic congestion	Chapter 8, p. 32-33 and Chapter 9, p. 37	Partially reported *	
LT 7	Noise management and abatement	Considering the nature of PostNL's business this indicator seems to be less relevant. Chapter 149, p. 157	Partially reported *	

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
LT 8	Environmental impact of real estate	Chapter 18, pp. 150 and pp. 156-157	Fully reported	
LT 9	Work patterns of mobile worker	Work patterns are part of the collective labour agreement.	Fully reported	
LT 10	Personal communication	Chapter 8, pp.32-33	Fully reported	
LT 11	Substance abuse	Substance abuse is part of the collective labour agreement. Chapter 44, p. 44 PostNL reports qualitative on this subject.	Partially reported *	
LT 12	Road fatalities per kilometres driven	Chapter 18, p. 150-151 PostNL reports fatalities in absolute numbers.	Fully reported	
LT 13	Ship safety inspections	This indicator is not relevant. PostNL does not own ships.	Fully reported	
LT 14	Mail accesibility	Chapter 10, p. 38-40	Fully reported	
LT 15	Humanitarian Programmes	Chapter 9, p. 37-37 and Chapter 18, p. 155	Fully reported	
LT 16	Labour providers	Chapter 8, p. 32 and Chapter 18, pp. 153-155	Partially reported *	
LT 17	Continuity of employment	Chapter 8, p. 32 and Chapter 18, pp. 154-155	Partially reported *	

* These indicators have been found to be partially immaterial or immaterial for PostNL's operations or the substance is covered by an indicator which is presented in a relative way; for the purpose of this integrated report it was decided to report in a way that was better suited to PostNL's operations and suits the expectations of its stakeholders.

Annex 2: Data clarification table

The data clarification table clarifies the coverage of each indicator as presented in the CR chapters of the annual report. For each indicator, the coverage is expressed a percentage of FTEs of the total number of FTEs.

	2012	2011
Workforce		
Headcount	63,967	63,342
Full-time equivalent	31,450	31,901
EMPLOYEES		
Engagement		
Engagement	83%	100%
Training hours		
Training hours	90%	93%
Fatal accidents		
Workplace fatal accidents	100%	100%
Blameworthy road traffic fatal accidents (with a PostNL employee involved)	100%	100%
Non-blameworthy road traffic fatal accidents (with a PostNL employee involved)	100%	100%
Blameworthy road traffic incidents		
Blameworthy road traffic incident rate	100%	100%
Lost time accidents		
Number of lost time accidents	100%	100%
Lost time accident frequency rate	100%	100%
Diversity		
Gender profile	100%	100%
Gender profile of management	95%	100%
Employees with a disability	100%	100%
Employees with a disability (in percentage of headcount)	100%	100%
Absenteeism		
Absenteeism	100%	100%
Turnover and promotion		
Voluntary turnover	100%	100%
Internal promotion	100%	100%
ENVIRONMENT		
Operational vehicles		
Number of small trucks and vans (<7.5 tonnes)	100%	100%
Number of large trucks (> 7.5 tonnes)	100%	100%
CO_2 efficiency small trucks and vans (< 7.5 tonnes)	100%	100%
CO_2 efficiency large trucks (> 7.5 tonnes)	100%	100%
Buildings		
CO_2 efficiency buildings	90%	93%
Energy efficiency buildings	90%	93%
Sustainable electricity usage	100%	100%
Company Cars		
Number of company cars	100%	100%
EU standard for trucks (only EU countries)		
Small Trucks	100%	100%
Large Trucks	100%	100%
Waste		
Total waste per FTE	93%	94%
Percentage of waste separated for recycling	92%	94%
OTHER STAKEHOLDERS		
Subcontractors		
Subcontractor road traffic fatal accidents	100%	100%

Annex 3: Glossary and definitions

2B
To business

2C
To consumer

AA1000 framework
The AA1000 framework is a generally-applicable standard for assessing, attesting to and strengthening the credibility and quality of organisations' sustainability reporting and the underlying processes, systems and competencies. The standard is issued by AccountAbility, an organisation that promotes accountability for sustainable development. The AA1000 Assurance Standard principles are based on three key elements: responsiveness, completeness and materiality.

A/B delivery
Delivery structure in which a delivery area is split and each part (the A and B part) is delivered on alternating days.

Absenteeism
Total days absence versus potential working days, calculated at year-end.

All training hours
All training hours are the number of hours spent on training by the total of employees on payroll (including social responsibility training hours) during the reporting period (both on-job and off-job and both internal and external programmes).

Annual meeting
The General Meeting of Shareholders convened to consider the financial statements and annual report.

Auditor
A "registeraccountant" or other auditor referred to in section 393 of book 2 of the Dutch Civil Code or an organisation in which such auditors work together.

B2B
Business-to-business.

B2C
Business-to-consumer.

Biofuel
Biofuel (also called agrofuel) can be broadly defined as solid, liquid, or gas fuel consisting of or derived from biomass. Biofuel consists of CO_2 that has recently been extracted from the atmosphere as a result of growing of plants and trees and therefore does not influence the CO_2 concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over billions of years so that their combustion and subsequent emissions do influence CO_2 levels in the atmosphere.

Blameworthy road traffic incident
A road traffic incident is defined by PostNL as a crash or collision involving a PostNL vehicle. A vehicle incident can also result in an accident to be reported if the employee is injured or dead. Road traffic incidents are considered blameworthy if a PostNL driver is at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Blameworthy road traffic fatal accident
A blameworthy road traffic fatal accident is where a PostNL employee or third party is fatally injured, which means that the employee or third party died because of the accident of any person driving a PostNL company-owned or operated vehicle. This indicator does not include blameworthy road traffic fatal accidents caused by subcontractors. Accidents that occur in company-owned or leased vehicles during weekends, non-working days or on the way to and from the office are also counted. An accident is considered blameworthy when the PostNL driver is at fault.

Business travel
Business travel refers to all business-related air flights.

Carbon dioxide emissions
Carbon dioxide emissions relate to the gas formed during the combustion of fossil fuel. Carbon dioxide (CO_2) is referred to as a greenhouse gas.

Civil society
As part of our stakeholder dialogues, the civil society cluster includes academic and research institutes, financial and investment service organisations, government agencies, industry associations and international organisations, NGOs (non-governmental organisations) and trade unions.

CO_2 efficiency
CO_2 efficiency expresses the efficiency of PostNL's business in terms of CO_2 emissions, i.e. the CO_2 emitted per service provided, per letter or parcel delivered.

CO_2 neutral
Carbon neutral means that the net CO_2 equivalent emissions from activities are zero.

Community investment
For example, PostNL's involvement with the World Food Programme, including costs for knowledge transfer, hands-on support and raising awareness and funds for WFP.

Company cars
Company-owned or leased vehicles at the disposal of an employee for commuting and business travel. This category also includes hired vehicles used for business expansion purposes (not replacement vehicles hired for vehicles under repair).

Corporate governance
The OECD (see reference below in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants, such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure through which company objectives are set and the means of attaining those objectives and monitoring performance.

Corporate responsibility (CR)
Corporate responsibility is the umbrella term for the obligation a company has to consider the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

CR Committee
Sounding board for the Board of Management for corporate responsibility-related subjects.

Customer satisfaction
Customer satisfaction is an indicator which shows the opinion of the customers with the service provided in the reporting period. This is measured by external channels such as correspondence, surveys, focus groups, trade bodies and so forth.

Depositary receipts
Refers to depositary receipts for shares in the company.

Disabled employees
Disabled employees are employees on payroll whose medical condition is recognised by the relevant authorities as a disability.

Distributable part of the shareholders' equity
That part of the shareholders' equity which exceeds the paid and called capital plus the reserves which are required to be held by law.

Dow Jones Sustainability Indexes
Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios. For further information see www.sustainability-index.com.

Employee engagement
Employee engagement relates to the number of employees (employed by PostNL for three months or more) who stated in the employee engagement survey that they were engaged or more than engaged by PostNL as an employer.

Environmental incident
An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks and so forth. The environmental incidents are divided in on- and offsite incidents. Onsite incidents occur at depots, hubs, offices and other locations owned, leased, rented or operated directly by PostNL. Offsite incidents occur away from depots, hubs, offices and other locations owned, leased, rented or operated directly by PostNL.

European emission standards
Euro 4 and Euro 5 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union. They define levels of vehicular emissions like nitrogen oxides (NOx) and particulate matter (PM).

Express activities / Express business / Express
The Express activities of TNT N.V. consist of on-demand door-to-door express delivery services for customers sending documents, parcels and freight. Following the demerger of TNT N.V. on 31 May 2011, such activities are exercised by TNT Express Group.

Fatal accidents
Fatal accidents are divided in four categories: workplace fatal accidents, road traffic fatal accidents involving own employees (blameworthy), road traffic fatal accidents involving own employees (non-blameworthy) and road traffic fatal accidents involving subcontractors.

Full time equivalents (FTEs)
FTEs refers to the total number of hours worked by the headcount divided by the local number of contract hours (e.g. 40 p/w or 196 p/m).

General meeting
The body formed by shareholders with voting rights and others holding voting rights.

General meeting of shareholders
The meeting of shareholders and other persons entitled to attend meetings.

Global Reporting Initiative (GRI)
The GRI is a multi-stakeholder process and an independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. The GRI began in1997 in partnership with the United Nations and became an independent body in 2002. It continues to collaborate with the United Nations Environment Programme and works with the United Nations Global Compact. For more information, see www.globalreporting.org.

Greenhouse Gas Protocol
The Greenhouse Gas Protocol (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions from companies.

Group company
A group company as defined in article 2:24b of the Dutch Civil Code.

Headcount
Headcount is the number of own employees on the payroll in active duty working for fully-consolidated companies.

Internal promotion
The number of PostNL employees appointed to vacancies in management positions at the end of a reporting period. This refers to the number of actual appointments, not the number of FTE positions.

International Organization for Standardization (ISO)
The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives. The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. For further information see www.iso.org.

Investors in People (IiP)
Developed in 1990 by a partnership of leading businesses and national organisations, Investors in People helps organisations to improve performance and realise objectives through the management and development of their staff. For further information see www.investorsinpeople.co.uk.

ISO 9001 (quality management)
The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

ISO 14001 (environmental management)
The ISO 14001 standards are international standards for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key Performance Indicators (KPIs)
KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Lost time accident
For the purpose of CR reporting, lost time accidents are defined as the number of employees that are absent from work as a result of a work-related accident for at least one day in the reporting period, excluding the day that the accident occurred.

Mailman
Full-time employee responsible for the preparation and delivery of PostNL.

PostNL deliverer
Part-time employee responsible for the delivery of PostNL.

Management positions by gender
Management positions are defined as the number of females/males employed in management positions or in positions of senority above other employees (i.e. with responsibilities for other employees, including subcontractors, or with budget responsibility).

Management vacancies
Management vacancies are defined as the number of vacancies for management positions (i.e. with responsibilities for other employees, including subcontractors, or with budget responsibility).

Master Plans
All reorganisations and restructurings carried out by PostNL as of 2001, aimed at cost reduction and cost flexibilisation.

Master Plan III
The third wave of the Master Plans, starting in 2011.

New logistical infrastructure
The new sorting and distribution system of PostNL Parcels in the Netherlands, which is being implemented until 2015. The system consists of 18 depots with automated sorting, which are all directly connected by linehauls and all serve as starting points for distribution rounds and returns handling.

Non-blameworthy road traffic incident
A road traffic incident is defined by PostNL as a crash or collision involving a PostNL vehicle. A vehicle incident can also result in an accident to be reported if the employee is also injured or dead. Road traffic incidents are considered non-blameworthy if a PostNL driver is not at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Non-blameworthy road traffic fatal accident
A non-blameworthy road traffic fatal accident is where a PostNL employee or third party is fatally injured. This means that the employee or third party died because of the accident involving any person driving a company-owned or operated vehicle. Non-blameworthy road traffic fatal accidents that occur in company-owned or -leased vehicles during weekends, non-working days or on the way to and from the office are also counted. An accident is considered non-blameworthy when the PostNL driver is not at fault. Non-blameworthy road traffic fatal accidents at subcontractors are not included.

NOx
NOx (NO and NO_2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperatures.

OECD
Organisation for Economic Co-operation and Development.

On-time delivery
Delivery of a consignment within the timeframe set for the service in question.

OHSAS 18001 (occupational health and safety management)
OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through the collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. For further information see www.ohsas-18001-occupational-health-and-safety.com.

PACI (Partnering Against Corruption Initiative) principles
The PACI's mission is to develop multi-industry principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct. The PACI places the private sector in a unique position to guide governments' and international organisations' strategies and policies on anti-corruption and has built strong relationships with the key players and institutions from the global anti-corruption community. For more information see www.weforum.org/en/initiatives/paci.

Packet
Postal item containing goods, weighing up to 2 kg. Generally fits through the slot of a letter box.

Parcel
Goods to be transported by a distribution company, weighing up to 30 kg.

PM10
Particulates, alternatively referred to as particulate matter (PM),such as fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM10 is used to describe particles of 10 micrometres or less.

PostNL N.V.
A public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in The Hague, the Netherlands, and its registered office at Prinses Beatrixlaan 23, 2595 AK The Hague, the Netherlands, until 31 May 2011 named TNT N.V.

PostNL (Group)
PostNL N.V. and its Group companies.

Road traffic fatal accident
A road traffic fatal accident occurs when a PostNL employee or third party is fatally injured such that the employee or third party died because of the accident and where any person driving a company-owned or company-operated vehicle is involved. Road traffic fatal accidents which occur in company-owned or leased vehicles during weekends, non-working days or on the way to and from the office are also included. Road traffic fatal accidents involving PostNL employees that are still under investigation are reported as non-blameworthy fatal road traffic accidents until proof of the contrary has been provided.

Road traffic serious accident
A road traffic serious accident is defined as occuring when a PostNL employee or third party suffers a physical injury, where the injured person(s) is admitted to hospital for more than 24 hours due to a work-related road traffic accident.

Subcontractor road traffic accident fatalities
A subcontractor road traffic accident fatality occurs when a subcontractor or other third party is fatally injured by a person driving a subcontractor-owned or -hired vehicle, which is operated on behalf of PostNL.

Sustainable energy
Sustainable energy is energy from 'green' or 'renewable' sources such as solar, wind, geothermal, biomass, hydroelectric and ocean energy, purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers' invoices or other means). It does not include nuclear energy.

TNT N.V.
Until the demerger of its Express activities on 31 May 2011, TNT N.V. was a public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in Amsterdam, the Netherlands, and its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. Following the demerger on 31 May 2011 it was renamed to PostNL N.V.

TNT Express (Group)
TNT Express N.V. and its Group companies.

TNT Express N.V.
A public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in Amsterdam, the Netherlands, and its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. It was demerged from TNT N.V. on 31 May 2011 and is the ultimate parent company of the former Express activities of TNT N.V.

Verified emission reductions (VERs)
A unit of greenhouse gas emission reductions that has been verified by an independent auditor, but that has not yet undergone the procedures and may not yet have met the requirements for verification, certification and issuance of certified emission reductions (CERs) (in the case of the Clean Development Mechanism, provided by article 12 of the Kyoto Protocol) or Emission Reduction Units (in the case of joint implementation, provided by article 6 of the Kyoto Protocol) under the Kyoto Protocol.

Voluntary turnover
Voluntary turnover refers to the number of PostNL employees on permanent contract (full-time or part-time) who resigned from the company of their own free will. This includes all resignations but not redundancies, dismissals, retirement or transfers.

Working hours
The definition of working hours is based on the total number of individually-calculated hours adjusted for overtime, leave or similar deviations.

Workplace fatal accident
The death of a PostNL employee due to a work-related accident or the death of a third party occuring while working at a PostNL facility.

Workplace serious accident
A workplace serious accident is defined as a physical injury to a PostNL employee or third party where the injured person(s) is admitted to hospital for more than 24 hours due to a work-related workplace accident.

World Economic Forum
The World Economic Forum is an independent international organisation committed to improving the state of the world. It provides a collaborative framework for the world's leaders to address global issues and engage its corporate members in global citizenship. For further information see www.weforum.org.

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BOARD OF MANAGEMENT RESPONSIBILITY STATEMENT UNDER FINANCIAL MARKETS SUPERVISION ACT (*WET OP HET FINANCIEEL TOEZICHT*)

With reference to section 5:25c paragraph 2 under c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), the Board of Management of PostNL N.V. ("PostNL") confirms to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2012 give a true and fair view of the assets, liabilities, financial position and profit and loss of PostNL and its consolidated companies,

- the additional management information disclosed in the annual report gives a true and fair view of PostNL and its related companies as at 31 December 2012 and the state of affairs during the financial year to which the report relates, and

- the annual report describes the principal risks facing PostNL. These are described in detail in chapter 11.

The Hague, 25 February 2013

H.W.P.M.A.Verhagen
Chief Executive Officer

J.P.P. Bos
Chief Financial Officer

POSTNL N.V. CORPORATE GOVERNANCE STATEMENT

PostNL N.V. (hereinafter also referred to as the “company”)is a limited liability company listed on NYSE Euronext Amsterdam and governed by the Dutch large company regime (structuurwet). The large company regime provides a legal framework which determines the corporate management structure as well as the powers and duties of the Board of Management and Supervisory Board. For further information please see page 5 of this statement.

PostNL has adopted a two-tier system of governance, comprising a board of management entrusted with the management under the supervision of an independent supervisory board.

The Board of Management and its duties

The Board of Management is charged with the management of the company, which entails among other things that is it collectively responsible for setting and achieving PostNL’s objectives and strategy (which shall be initiated by the CEO) and the associated risk profile, the development of results as well as corporate responsibility issues relevant to PostNL.

The Board of Management consists of the chairperson of the Board of Management and chief executive officer (CEO) Ms H.W.P.M.A. Verhagen and the chief financial officer (CFO) Mr J.P.P. Bos.

Under the Board of Management and reporting directly to it is the Executive Committee. It consists of the members of the Board of Management and the directors within PostNL’s segments, Mr G. Mastenbroek responsible for Parcels, Mr M.J.M. Krom responsible for International and ICT, Mr A.G. Rodenboog responsible for Operations Mail in the Netherlands, Mr A.C. van Bijnen responsible for Marketing & Sales Mail in the Netherlands and Mr R.P.J.M. Muys responsible for Group HR.

The directors within PostNL’s segments are primarily responsible for developing and executing the business strategy and operational performance of their respective segment within the framework set by PostNL’s corporate strategy.

The Board of Management acts in accordance with the interests of PostNL and to that end is required to consider all appropriate interests associated with the company. The Board of Management is firmly committed to managing the company in a structured and transparent way. PostNL aims to provide stakeholders with a clear view on corporate decisions and decision-making processes. The responsibility of day-to-day decisions regarding the segments are decentralised within established standards, processes, requirements and guidelines.

The Board of Management is responsible for complying with all relevant primary and secondary legislation, the risk profile associated with the strategy, the corporate responsibility issues relevant to the company, its financing and for its external communications. The Board of Management is required to report developments on the above-mentioned subjects to, and discusses the internal risk management and control systems with, PostNL’s Supervisory Board and its audit committee.

For a comprehensive overview of the roles of internal audit and the assurance services provided by the external auditor please see the 2012 Annual Report chapter corporate governance (which can be found on PostNL’s corporate website postnl.com).

PostNL’s Board of Management has formed the following bodies to ensure compliance with applicable corporate governance requirements: a disclosure committee, an integrity committee and a corporate responsibility council (CR council).

The disclosure committee advises and assists the Board of Management in ensuring that PostNL's disclosures in all press releases are accurate and complete and are, where available and appropriate, supported by accurate and reasonable detailed records, and fairly represent the condition of the company in all material respects and are –as the case may be- communicated to AFM in compliance with the relevant laws and regulations.

The integrity committee advises and assist in developing, implementing and monitoring group policies aimed at enhancing integrity and ethical behaviour and at preventing fraud throughout PostNL. The integrity committee oversees and coordinates investigations based on reports of possible breaches under the PostNL Business Principles and related policies.

The CR council advises and assists the Board of Management in deploying the CR strategy, provides guidance on the CR direction, issues and opportunities, and how to integrate CR in daily operations. It also supports the Board of Management in developing and achieving its CR strategic objectives by group and segmental functions and departments. These functions and departments - CR reporting, Group Integrity, Procurement, Human Resources and Group Communications - are responsible for ensuring that the legal and regulatory compliance objectives are achieved.

The by-laws of the Board of Management and the terms of reference of the disclosure committee can be viewed on postnl.com.

The Supervisory Board and its duties

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL N.V., as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management, as well as the general and financial risks and the internal risk management and control systems. Members of the Supervisory Board may take positions different from those of the Board of Management.

In performing its duties the Supervisory Board acts in accordance with the interests of PostNL. It takes into account the relevant interests of the company's stakeholders. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the business of the company. PostNL's Supervisory Board is responsible for the quality of its own performance which is reviewed annually. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

The Supervisory Board and the public affairs committee of the Supervisory Board perform an oversight role with respect to corporate responsibility issues supported by PostNL's internal audit function and the company's external auditors who monitor the CR governance structure and reporting.

The Board of Management provides the Supervisory Board in a timely manner with the information necessary for the proper performance of its duties. In addition, the Board of Management is required to provide the means to allow the Supervisory Board and its individual members to obtain all information necessary to be able to function as the supervisory body of PostNL. The Board of Management seeks full transparency in its communication with the Supervisory Board.

Composition of the Supervisory Board

PostNL's Supervisory Board consists of seven members: the chairman of the Supervisory Board Mr P.C. Klaver (also chairs the nominations committee), Mr J. Wallage (vice-chair of the Supervisory Board and also chairs the remuneration committee), Ms T. Menssen (chairs the audit committee), Ms P.M. Altenburg, Mr W. Kok (chair of the pubic affairs committee), Mr M.A.M. Boersma and Mr F.H. Rövekamp .

The Supervisory Board discusses annually changes in composition as part of the succession policy of its members and in relation to the profile of the Supervisory Board. In 2012 no amendments to the profile were made. .

Composition Supervisory Board and committees per 31 December 2012

Name	Nationality	Appointed	Term expires	Committee membership
Mr P. C. Klaver	Dutch	April 2008	2016	Nominations (chair), remuneration
Ms P.M. Altenburg	Dutch	April 2009	2013	Audit, public affairs
Mr W. Kok	Dutch	April 2003	2015	Public affairs (chair), nominations
Mr J. Wallage	Dutch	April 2010	2014	Remuneration (chair), public affairs
Ms T. Menssen	Dutch	May 2011	2015	Audit (chair), remuneration
Mr M.A.M. Boersma	Dutch	May 2011	2015	Audit, nominations
Mr F.H. Rövekamp	Dutch	April 2012	2016	Audit, remuneration

According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. PostNL's articles of association provide that members of the Supervisory Board shall resign periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to avoid, as far as possible, a situation in which appointments and/or reappointments occur simultaneously. Both profile and rotation plan can be viewed on PostNL's corporate website, postnl.com. Mr Boersma's term as Supervisory Board member was brought in line with the standard term of four years (instead of three years) and expires in 2015.

In accordance with the Act on Management and Supervision members of a supervisory board will not hold more than five positions in supervisory boards of large entities (including PostNL), to be determined at the moment of re-appointment. Supervisory board members holding more than the maximum number of positions on 1 January 2013 are not obliged to resign from certain positions, however, positions need to be reconsidered at the moment of re-appointment. For the level of compliance please see the 2012 Annual Report chapter 14.

Committees of the Supervisory Board

PostNL's Supervisory Board has formed an audit committee, a remuneration committee, a nominations committee and a public affairs committee from among its members. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch corporate governance code (the "Code"). The terms of reference of these committees can be viewed on PostNL's corporate website. The powers of the committees are based on a mandate from the Supervisory Board, which does not include the right to decision-making.

Audit committee

The audit committee is charged with assisting the Supervisory Board in advising on and monitoring, inter alia, the integrity of PostNL's financial and corporate responsibility reporting and reporting process, its financing and finance-related strategies, its system of internal control and financial reporting and its system of risk management. The audit committee reviews the independence of the external auditor and the functioning of internal audit, its tax planning and compliance with relevant primary and secondary legislation and codes of conduct. The audit committee has the authority to retain independent advisors as it deems appropriate. PostNL will bear the associated costs.

The audit committee consists of at least three members. All members of the audit committee shall be members of the Supervisory Board who are determined by the Supervisory Board to be independent within the meaning of its by-laws and the applicable corporate governance rules. A member of the audit committee shall not simultaneously serve on the audit committees of more than two other companies unless the Supervisory Board determines that this simultaneous service would not impair the ability of such a member to serve effectively on the audit committee.

Each member of the audit committee must be financially literate and at least one member of the audit committee shall be a financial expert, with relevant knowledge and expertise of financial administration and accounting for listed companies or other large companies.

Remuneration committee
The remuneration committee is appointed by the Supervisory Board to propose the remuneration of the individual members of the Board of Management for adoption by the Supervisory Board. The remuneration committee also proposes a remuneration policy, including schemes under which rights to shares are granted for members of the Board of Management, which is submitted for adoption to the General Meeting. The remuneration committee prepares a proposal for the remuneration of the individual members of the Supervisory Board. Furthermore, the remuneration committee prepares the allocation by the CEO - after approval by the Supervisory Board - of rights to shares in PostNL's share capital to other senior management within PostNL.

The remuneration committee consists of at least three members (of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules). The chairman of the remuneration committee shall not simultaneously be chairman of the Supervisory Board.

Nominations committee
The nominations committee is appointed by the Supervisory Board to draw up selection criteria and appointment procedures for members of the Supervisory Board and members of the Board of Management, to set up procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates, and to assess the size and composition of the Supervisory Board and the Board of Management. It makes proposals for the profile of the Supervisory Board, assesses the functioning of individual members of the Supervisory Board and the Board of Management and reports this to the Supervisory Board.
Finally, the nominations committee makes proposals for nominations, appointments and reappointments. At least annually, the size and composition of the Supervisory Board and the Board of Management and the functioning of the individual members are assessed by the nominations committee and discussed by the Supervisory Board.

The nominations committee consists of at least three members, including the chairman (or vice-chairman) of the Supervisory Board, of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules. All members of the nominations committee are members of the Supervisory Board.

Public affairs committee
The public affairs committee is appointed by the Supervisory Board to act as a sounding board and advisory committee for the Board of Management with respect to (i) formulating, developing and monitoring PostNL's public affairs policy governing the relationships between PostNL and national and international (semi) public bodies, including but not limited to governments, ministries, parliaments, industry supervising authorities (e.g. OPTA), works councils, trade unions and antitrust authorities, and (ii) formulating and developing PostNL's social and environmental policies.

The public affairs committee consists of at least three members, of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules. All members of the public affairs committee are members of the Supervisory Board.

Reporting by committees
Each committee reports its findings and conclusions on a regular basis, both verbally and in writing, to the entire Supervisory Board. As a rule, a summary of the discussions held in the audit committee is prepared overnight, being available in draft to the full Supervisory Board

the next morning prior to the regular Supervisory Board meeting. For information on the actual meetings of both the Supervisory Board and its subcommittees please refer to the 2012 Annual Report (postnl.com).

PostNL's articles of association and the by-laws of the Supervisory Board can be viewed on PostNL's corporate website postnl.com. New articles are being proposed for approval to the General meeting on 16 April 2013. A full text of the proposed amendments to the articles of association will be posted on PostNL's corporate website as of 1 March 2013.

The large company regime
PostNL operates as a company subject to the rules of the large company regime. Under this regime certain resolutions of the board of management require the prior approval of the supervisory board of the company. Both the supervisory board and the board of management are accountable to the general meeting of shareholders for the performance of their duties. Members of the board of management are appointed and can be suspended or dismissed by the supervisory board. The decision of the supervisory board to appoint or dismiss a member of the board of management can only be taken after the general meeting of shareholders has been notified on the intended appointment respectively consulted on the intended dismissal.

Members of the supervisory board are appointed by the general meeting following nomination by the supervisory board. The general meeting can dismiss the supervisory board as a whole by an absolute majority of the votes cast representing at least one-third of the issued capital.

For more details on the appointment and dismissal of members of the Board of Management see article 17 of PostNL's articles of association.

Shareholders and their rights

General meetings of shareholders

Frequency
PostNL is required to hold an Annual General Meeting of Shareholders within six months after the end of the financial year in order to adopt the financial statements and to decide on any proposal concerning dividends, among other things. In accordance with Dutch law, the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year are also agenda items for this meeting. This release only covers liability for matters reflected in the financial statements or otherwise disclosed to the general meeting of shareholders prior to the adoption of the financial statements.

Other general meetings of shareholders are held as often as the Board of Management or the Supervisory Board deem necessary, and shall in principle be convened if the Board of Management proposes to take a decision that will result in a significant change in the identity or character of PostNL or its business.

In the event shareholders jointly representing at least 10% of the outstanding share capital, make a written request to convene a general meeting of shareholders to the Supervisory Board and the Board of Management, stating their proposed agenda in detail, a general meeting of shareholders shall in principle be convened.

Agenda
One or more shareholders holding shares representing at least 1% of PostNL's issued share capital has the right to request that the Board of Management or the Supervisory Board place items on the agenda of the general meeting of shareholders. Such a request has to be

honoured by the Board of Management or the Supervisory Board provided that the request is received by the Board of Management or the Supervisory Board in writing at least 60 days before the date of the general meeting of shareholders.

In the event a request is made by one or more shareholders to either convene a meeting or to place an item on the agenda of a general meeting of shareholders that may result in a change in the company's strategy, the Board of Management shall be given the opportunity to stipulate a reasonable period in which to respond, which shall not exceed 180 days.

Notice to convene and venue
General meetings of shareholders are convened by at least 42 days prior notice published on PostNL's website. General meetings of shareholders may only be held in Amsterdam, The Hague, Hoofddorp or in the municipality of Haarlemmermeer (Schiphol).

Admission to and voting rights at the meeting
Each shareholder has the right to attend general meetings of shareholders, either in person or by written or electronic proxy, to address the meeting and to exercise voting rights, subject to the provisions of PostNL's articles of association. An eligible shareholder has the aforementioned rights if registered as a shareholder on the applicable record date as set by the Board of Management in accordance with Dutch law.

Each of the shares in PostNL's share capital carries the right to cast one vote. Unless otherwise required by Dutch law or PostNL's articles of association, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting.

Under PostNL's articles of association there are no limitations to the rights of Dutch, non-resident or foreign shareholders to hold or exercise voting rights in respect of PostNL's securities, and PostNL is not aware of any such restrictions under Dutch corporate law.

Liquidation rights
In the event of PostNL's dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses are to be distributed in the following order of preference: firstly, to the holders of all outstanding preference shares B (if any), the nominal amount paid up on these shares plus accumulated dividends for preceding years that have not yet been paid, and secondly, to holders of the ordinary shares in proportion to their shareholdings.

Changes to the rights of shareholders
Rights of shareholders may change pursuant to an amendment of the articles of association, a statutory merger or demerger within the meaning of book 2 of the Dutch Civil Code or dissolution of the company. A resolution of the general meeting of shareholders is required to effect these changes. Under PostNL's articles of association, such a resolution may only be adopted upon a proposal by the Board of Management that has been approved by the Supervisory Board.

Major shareholders
To PostNL's knowledge, PostNL is not directly or indirectly owned or controlled by another corporation or by any government. PostNL does not know of any arrangements of which the operation might, at a subsequent date, result in a change of control, except as described under 'Foundation Continuity PostNL and preference shares B'.

The Financial Markets Supervision Act (Wet op het financieel toezicht) imposes a duty to disclose percentage holdings in the capital and/or underlying financial instruments and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the

Netherlands Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

Annual General Meeting of Shareholders held on 24 April 2012

On 24 April 2012,PostNL N.V. held its Annual General Meeting of Shareholders in The Hague, the Netherlands. The attendance rate was 66.4% of the total outstanding share capital, compared to 66.0% in 2011.

During the Annual General Meeting of Shareholders all proposed resolutions were adopted, including the extension of authority to issue shares. The Annual General Meeting of Shareholders extended the then current authority of the Board of Management to issue ordinary shares for another period of 18 months, ending on 24 October 2013. Ordinary shares up to a maximum of 10% of the issued share capital may be issued by resolution of the Board of Management. An additional 10% of the issued share capital may be issued in a similar manner when a share issue takes place in relation to a merger or an acquisition.

The articles of association provide for the possibility to request a mandate to the General Meeting to permit the company to acquire a maximum of 50% of its own shares. This extended mandate was requested by PostNL N.V. in case of a return of (part of) the proceeds to its shareholders as a result of a (partial) sale of the 29.8% shareholding in TNT Express N.V. The public offer made by UPS on TNT Express N.V. was withdrawn on 14 January 2013. Due to this fact the possibility that an actual return of (part of) the proceeds to PostNL's shareholders will occur in the short- or medium term is no longer realistic. The mandate to acquire a maximum of 50% of its own shares will therefore not be proposed for renewal.

The resolutions of the meetings, the agenda's and the voting results for each resolution, as well as the presentations given during both meetings and the minutes of both meetings can be found on PostNL's corporate website postnl.com. The webcast of the meeting is available in the Dutch and English language.

At the Annual General Meeting of Shareholders to be held on 16 April 2013 PostNL N.V. shall table new articles of association for approval, among others to incorporate changes necessary due to the enactment of the Act on Management and Supervision as per 1 January 2013.

Foundation Continuity PostNL and preference shares B

Stichting Continuïteit PostNL (Foundation Continuity PostNL) was formed to safeguard PostNL's interests and of the enterprises connected with PostNL and all interested parties, such as shareholders and employees. It does so by, among other things, preventing as far as possible, any influences that could threaten PostNL's continuity, independence and identity contrary to such interests. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by any other legal person.

The members of the board of Foundation Continuity PostNL are Mr R. Pieterse (chairman), Mr J.H.M. Lindenbergh, Mr W. van Vonno and Mr M.P. Nieuwe Weme. All members of the board of Foundation Continuity PostNL are independent from PostNL. This means that Foundation Continuity PostNL is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act.

For more information on the Foundation Continuity PostNL see the 2012 Annual Report chapter corporate governance at postnl.com.

The Dutch corporate governance code (the "Code")

PostNL applies the principles and best practices of the Code which are based on a 'comply or explain' principle requiring companies listed on a regulated stock exchange to explain in their annual report how they complied with the Code and to give a motivated account of principles and/or best practice provisions which have not been complied with.

Non-compliance with the Code
The following best practice provisions are not fully complied with:

- *provision II.2.5 of the Code inter alia states that shares granted without financial consideration to members of the Board of Management shall be retained for a period of at least five years or until the end of the employment, if this period is shorter.*

Under PostNL's incentive programme, the process for the members of the Board of Management has been such that if and when vesting of the right on shares takes place, which happens in any event not earlier than three years from grant of the right, enough of the shares are sold for the purpose of using the proceeds to pay for the tax relating to the grant of these shares. Reference is made to the 2012 Annual Report chapter 17 note 18 under Bonus/matching share plan. Any shares delivered in relation to the annual performance bonus shall be retained for a period of five years.

- *provision II.2.8 of the Code states that the remuneration in the event of dismissal of members of the Board of Management may not exceed one year's salary (the 'fixed' remuneration component). In case one year's salary would be manifestly unreasonable, the severance pay may not exceed twice the annual salary.*

Severance payments other than related to a change of control for members of the Board of Management are one year base salary or a maximum of two years' base salary in the first four-year term. Both Ms Verhagen and Mr Bos are in their first four-year term as member of the Board of Management and were employed by PostNL N.V. before 2011. This was true for Mr Aben as well. Mr Aben resigned as member of the Board of Management on 1 November 2012. For Ms Verhagen, Mr Bos and Mr Aben the (contractual) severance pay in case of dismissal in the first four-year term has been set at twice the annual salary. In his capacity as board member Mr Aben did not get severance pay. Mr Aben will retire on 1 March 2013.

There are currently no members of the Board of Management who have contracts entered into prior to 2004 with severance arrangements not in conformity with provision II.2.8

Severance payments in case of a change of control equal the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two. No distinction is made between resident or non-resident members of the Board of Management. PostNL is of the opinion that such payment is realistic taking into account the special position of members of the Board of Management in a change of control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.

- *provision II.2.13(f) of the Code states that the remuneration overview in the remuneration report of the Supervisory Board shall in any event contain a description of the performance criteria on which the performance-related component of the variable remuneration is dependent in so far disclosure would not be undesirable because the information is competition sensitive.*

PostNL discloses quantified financial and non-financial targets which are published in general terms. The actual targets are specific and thus contain competition-sensitive information, and are therefore not disclosed.

In the relevant chapters of the 2012 Annual Report PostNL explains why it does not comply with these best practice provisions. Material future (corporate) developments might justify further deviations from the Code at the moment of occurrence. Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Code shall be submitted to the General Meeting for discussion.

At the annual General Meeting of Shareholders to be held on 16 April 2013 PostNL N.V. shall table a new remuneration policy for approval. The new policy does not contain changes to the above.

For the Board of Management's statement pursuant to section 5:25c paragraph 2 under c of the Dutch Financial Markets Supervision Act please refer to the 2012 Annual Report (chapter 12 - Board of Management compliance statement).

Unless otherwise indicated terms defined have the meaning as referred to in 2012 Annual Report.