Annual Report 2011

"The essential link in the market for sending and receiving"

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 post, parcels and e-commerce.

Introduction and financial and corporate responsibility highlights

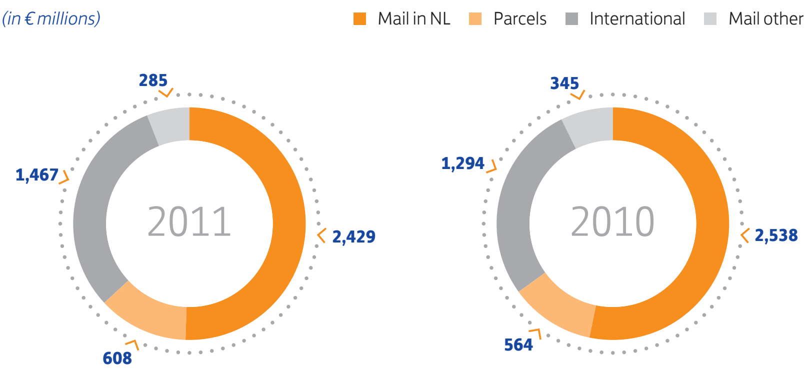
This is PostNL's annual report for the financial year ended 31 December 2011, prepared in accordance with Dutch regulations.
PostNL N.V. is a public limited liability company with its registered seat and head office in 's-Gravenhage, the Netherlands. Following the approval of the shareholders of TNT N.V. at the Extraordinary General Meeting of Shareholders on 25 May 2011, the name of TNT N.V. has been changed to PostNL N.V. on 31 May 2011 and the demerger has become effective as per 31 May 2011. 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.
In 2011, PostNL has changed the accounting framework in its corporate financial statements from Dutch GAAP to IFRS-EU.
PricewaterhouseCoopers Accountants N.V. has been appointed as the external independent auditor of PostNL's financial statements.
PostNL has engaged PricewaterhouseCoopers Accountants N.V. to provide reasonable assurance on its corporate responsibility 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 (Royal NBA). With regard to the GRI Application Levels System, PostNL was assessed at the GRI A+ level. A detailed overview of the G3 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 20.

At a glance

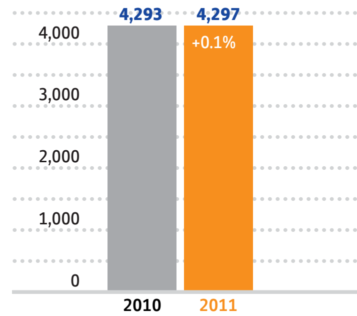
Revenue per segment

(in € millions)



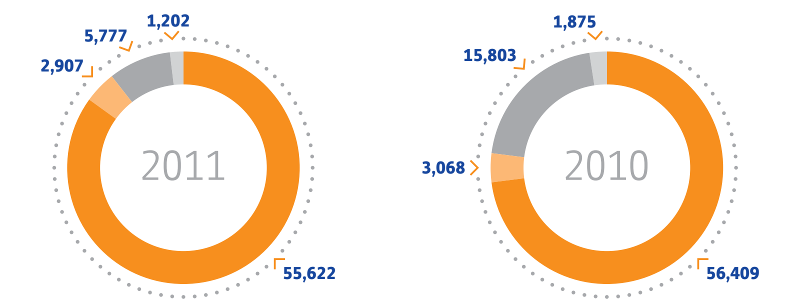
Total operating revenues [1]

(in € millions)



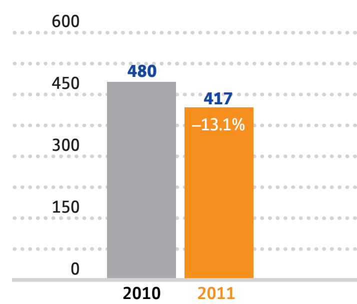
[1] Including adjustments for intercompany revenues.

Employees per segment



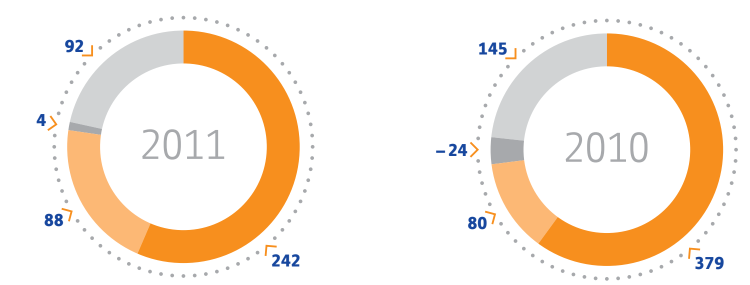
Operating income

(in € millions)



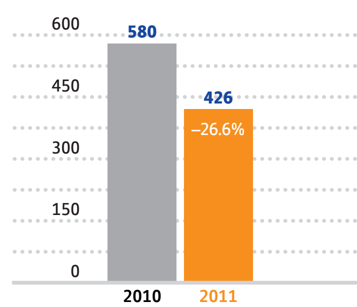
Underlying operating income

(in € millions)



Underlying operating income [1]

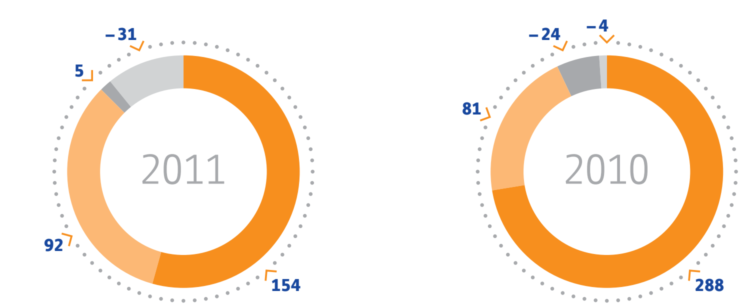
(in € millions)



[1] Operating income minus non-recurring items.

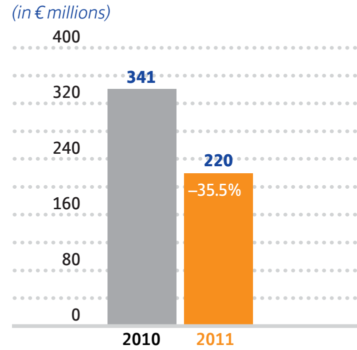
Underlying cash operating income

(in € millions)



Underlying cash operating income [1]

(in € millions)



[1] Underlying operating income minus changes for pensions and provisions.

Volumes

(in € millions, except percentages)

	2011	Variance in %	2010
Mail in NL	3,777	7.2	4,070
• Single items	870	7.5	941
• Bulk mail	2,907	7.1	3,129
Parcels	106	6.0	100

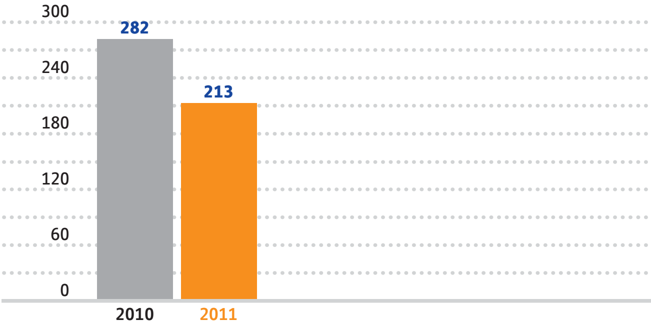
Debt cash outflows (including interest)

(in € millions)

	< 1 yr	1 – 3 yr	3 – 5 yr	> 5 yr
Euro bonds	90	181	565	1,294
Other loans	31	7		
Financial leases	2	2		
Short-term bank debt	31			
Total	**154**	**190**	**565**	**1,294**

Net profit from continued operations [1]

(in € millions)

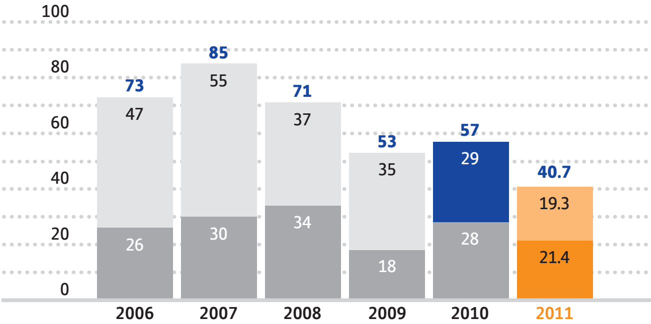


1 Profit for equity holders of the parents adjusted for discontinued operations and impairment TNT Express stake.

Dividend per share

(in € cents)

Interim Second interim 2010
Final



Financial performance against outlook

Underlying revenues

(in € millions, except percentages)

	Performance 2011	Outlook 2011	2010
Mail in NL	– 4.3%	– mid single	2,538
Parcels	7.8%	+ mid single	564
International	13.4%	+ mid double	1,294
Mail other			– 103
PostNL	– 0.3%	stable	**4,293**

Underlying cash operating income/margin

(in percentages)

	Performance 2011	Outlook 2011	2010
Mail in NL	6.3%	3 – 5%	11.3%
Parcels	15.1%	13 – 15%	14.4%
International	0.3%	0 – 1%	– 1.9%
PostNL	5.1%	2 – 4%	**7.9%**

Corporate responsibility performance

	2011	2010 [1]	2010
Co_2 emissions (in ktonnes)	74	77	83
Co_2 efficiency index	64.5	70.4	70.4
Fatal accidents	3	1	1
Absenteism	5.4%	5.4%	5.6%
Customer satisfaction [2] (overall mail in NL)	89%	91%	91%
Employee engagement	56%	55%	54%

1 Restated to reflect the operational scope 2011.

2 See for scope chapter 19, note 15.

Annual report 2011

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 risk. Carefully consider the principal key risks set out in chapter 11 of this annual report.

1 From the CEO

Dear stakeholders,

This annual report has no theme, but if it did, 'challenges ahead' would be appropriate.

Although our PostNL brand was only launched in May 2011, the origins of our company date back 200 years. The last decade can truly be characterised as turbulent: the impact of digitisation on volumes; the glass half full/glass half empty approach of European governments to liberalisation of their mail markets; the continuous reorganisations of Mail in the Netherlands, including the related discussions with the unions; and, more recently, the concerns facing PostNL regarding pension costs and the development of our retained stake in TNT Express.

On the other hand, the operational execution of our businesses is on track. Macroeconomic developments aside, this is promising for the future, although we have to realise that the company has never before faced so many challenges in the reorganisation of its operational processes.

The rollout of the new delivery model of Mail in the Netherlands is necessary to remain cost-competitive in the market in the future. However, these are complex change programmes that will influence the work of thousands of our employees. In this respect, I like to express my compliments to our workforce, keeping the machine running in an environment full of uncertainty. During the 2012-2013 implementation period, this could require some considerations from our customers.

Parcels had a successful year, both in terms of its results and in terms of its implementation of the new parcel-sorting infrastructure. As regards International, we have to continue to fight in several countries for a level playing field with the incumbents. The improvements in our results in International show we are on the right track.

I am very proud of the performance of the company and its employees in 2011. We saw improved results compared with our outlook in all our business lines, higher quality of service and were able to maintain customer satisfaction levels.

As regards sustainability, PostNL launched two initiatives in 2011. We introduced Folders.nl – a digital version of the 12 billion unaddressed retail-related brochures delivered to Dutch households every year, and entered into a partnership with the paper and package industry relating to the use of environmentally-friendly paper.

Looking ahead, I would like to focus on pensions, value creation in our Express stake, and the need to strengthen our portfolio. These, in addition to our business results, are important elements for future dividends.

The decline in the value of the stake in TNT Express, together with the long-term interest rate development for pensions, has caused PostNL to withhold cash payment of the dividend for the time being and closely review all investments. On the other hand the recent developments on a possible take over of Express could result in new opportunities, not only from a dividend perspective, but also in the strengthening of our portfolio. New growth areas are important to compensate for the decline in Mail in the Netherlands: a balanced portfolio is the best guarantee of continuity. In this respect we also believe that reshaping the pension plan to a lower cost level contributes to the long term continuity of the company and is therefore in the interests of all employees. For these reasons, PostNL has started taking action to explore ways to mitigate its pension issues.

The future will remain challenging, but with all the actions in place, we should soon be back on track towards achieving our strategic goals.

Kind regards,

Harry Koorstra

2 Company profile, company strategy and organisation

PostNL provides mail, parcels and supporting services, both physical and digital, in its home market of the Netherlands, as well as the United Kingdom, Germany, Italy and Belgium. PostNL collects, transports, sorts and delivers mail, small packages and standard 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**.

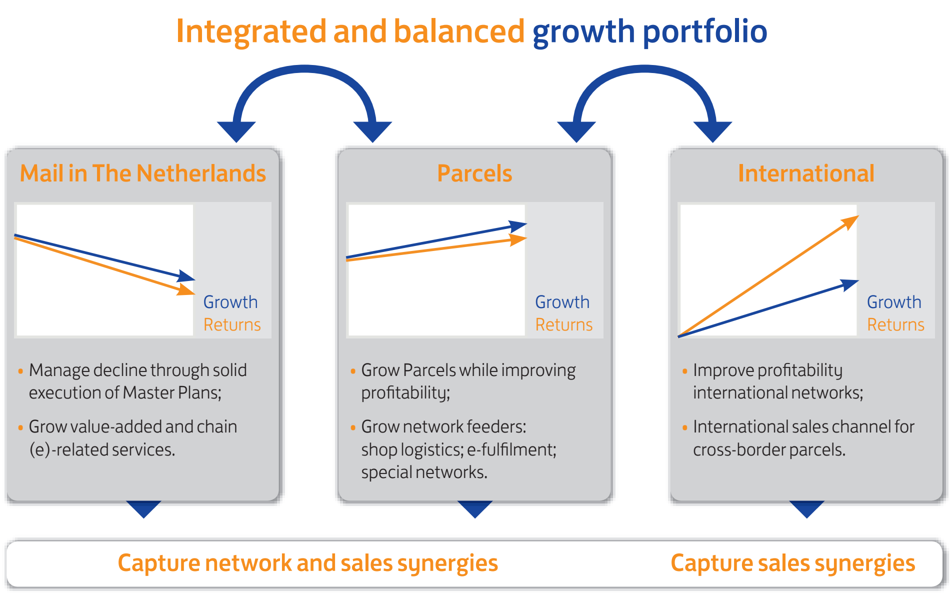
- **Mail in the Netherlands** is responsible for mail services in the Netherlands, including the provision of the Universal Postal Service for mail. Further, this segment is responsible for a range of mail-related services, including over 2,600 retail outlets, making PostNL the biggest retail chain in the Netherlands. Also, 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 parcel distribution, and related value-added services. Further, it provides the Universal Postal Service for parcels.
- **International** operates in the postal markets of the United Kingdom, Germany and Italy, with a focus on domestic addressed mail services. International also manages cross-border mail services as well as international business mail services, through, among others, Spring Global Mail, a joint venture with Royal Mail.

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 17).

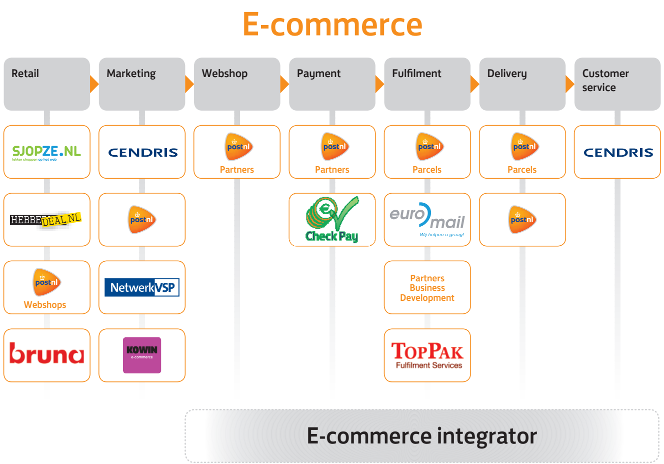
In 2011, TNT Post was rebranded as PostNL. The rebranding means that the name TNT Post will gradually disappear in the Netherlands and will be fully replaced by 2013. The rebranding outside the Netherlands will be carried out at a later date, ultimately in 2014. In the countries outside the Netherlands, the name TNT Post will continue to be used until the rebranding has been completed.

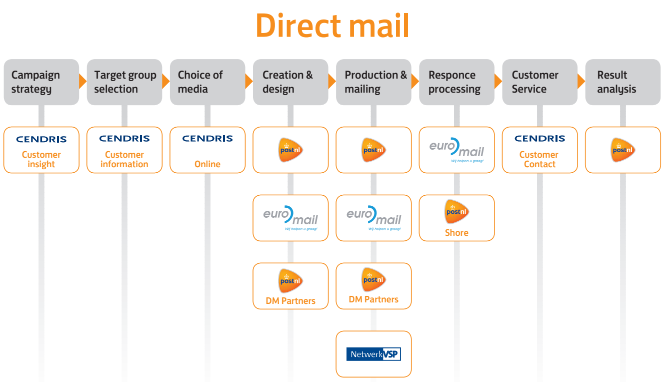
Company strategy

PostNL's strategy is based on a balanced portfolio of businesses (see graph below). Where Mail in the Netherlands operates in a declining market, the other segments Parcels and International operate in growth markets. The three segments that comprise PostNL fit well together and reinforce one another. Its joint market approach extends to targeting customers where appropriate, as well as operational synergies, product development and cross border knowledge and expertise sharing. Key to the strategy is an aim to further strengthen the collaboration of the segments, create sales strategies between all three segments, and find network synergies where appropriate within the countries.



As the rise of the internet continues to reduce addressed mail volumes, PostNL is in a transition from a traditional postal company into a flexible organisation that moves with the fast-changing market and can exploit online opportunities. That is why PostNL develops value-added services and solutions that facilitate the entire value chain for its customers, while generating additional mail and parcels business. Two major value chains in which mail plays a key role include the e-commerce and communication value chains. PostNL is well positioned to use its expertise to provide every link in the chain from sending to receiving, both offline and online: scanning, print & mail, post, parcels, webshops, invoicing, response and customer service. All these services are offered not only on a stand-alone basis but also as part of an integrated solution for e-tailers.





The strategy of PostNL relies on the following driving forces:

- Maintaining the profitability of the mail business in the Netherlands
- Growing the standard parcels business
- Creating profitable growth in the international business
- Support growth in all segments through services & solutions, including e-commerce

Mail in the Netherlands

Maintaining the profitability of 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. Essential steps taken in 2011 are the introduction of an innovative, more flexible Basic product, which offers business customers the choice of day-certain delivery of non time-sensitive business mail three days a week, and laying the foundations for a new operational model based on flexible, part-time mail deliverers. To be able to benefit from the technology shift, Mail in the Netherlands offers value-added services in its customers' value chain. This includes data and document management, direct marketing, fulfilment services and other innovative services. (*See Chapter 5)*

Parcels

Growing the parcels business relies on maintaining the market share in the growing business-to-consumer (B2C) parcels market, driven by the growth of e-commerce, while strengthening the position of PostNL in the business-to-business (B2B) parcel and associated markets. In order to cope with the growing market, PostNL is in the process of a complete redesign of its logistical operations. This, together with IT driven innovations, will help PostNL retain its strong B2C position. Furthermore, the Parcels 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 to this, specialised services, such as those targeting irreplaceable or exclusive goods, are being developed. In order to expand in B2B, a shop logistics model was designed, which includes supplying shops in the most efficient way. (*See Chapter 6)*

International

PostNL aims to generate profitable growth in its international business, primarily in the three large European markets where liberalisation is most advanced: the United Kingdom, Germany and Italy. In the United Kingdom and Italy, this business is growing profitably, whereas in Germany, it is on the path to break-even in 2013. PostNL uses a general approach of learning and knowledge sharing, while taking into account the 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. (*See Chapter 7)*

Services & solutions

PostNL provides services and solutions, combining the strengths of all three segments to support customers in their value chains, with a strong focus on the communication value chain where it has traditionally a strong position, and the e-commerce value chain that is strongly affecting the mail and parcel market. PostNL's services include marketing and communication services, fulfilment solutions and e-commerce related solutions.

One of the main drivers of the further development of these services in PostNL is the strong growth of e-commerce. PostNL is innovating to capture e-commerce opportunities, combining its network and delivery expertise with its digital strengths in a way that benefits all business areas. For example, the Parcels segment benefits from the growing number of goods ordered online. Concurrently, physical mail – in the form of direct marketing or printed advertising material – is a key catalyst for e-commerce.

Starting with the direct mail item to initiate an online purchase, followed by the order pickup in fulfilment centers and delivery of the item, and completing the value chain with back-office call centre support and billing: all elements are combined in an integrated portfolio. As such, the strategy of PostNL is to provide the link between the physical and online worlds.

Board of Management profile

Board of Management PostNL N.V.
The Board of Management is responsible for establishing and executing PostNL's strategy and consists of four members: Mr H.M. Koorstra, CEO and also responsible for the Mail in the Netherlands segment; Mr J.P.P. Bos, CFO; Ms H.W.P.M.A. Verhagen, responsible for the Parcels and International segments; and Mr G.T.C.A. Aben, managing director Group Human Resources.

From left to right: Harry Koorstra, Herna Verhagen, Jan Bos and Gérard Aben

3 Demerger, pensions, equity and funding position

The year 2011 was impacted by non-core items that had an effect on the equity and funding position of PostNL.

General

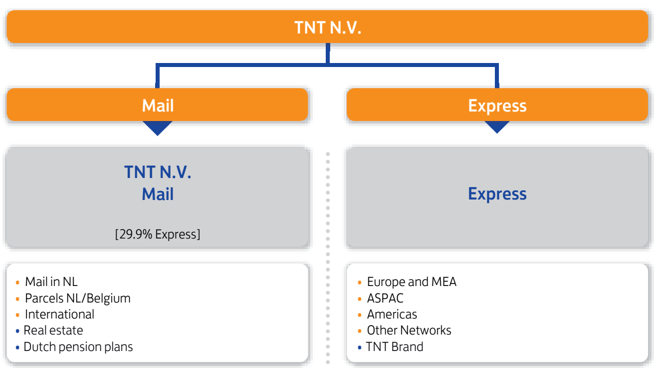
The business and financial performance of the group will be explained in detail in chapter 4. The business and financial performance of the segments Mail in the Netherlands, Parcels and International are detailed in the respective chapters 5, 6 and 7. This chapter will address the demerger, the impact from the value development of the retained stake in TNT Express and pensions, and the development of the equity and funding position.

In 2011, PostNL's equity and funding position were significantly impacted by the demerger of the Express activities and the negative development of the value of the retained stake in TNT Express. The outlook for the European economy has worsened and resulted in historically low interest rates and a negative performance of the equity markets. A consequence was a shortfall of the coverage ratio of the Dutch pension funds of PostNL below the minimum required levels. This shortfall triggered additional funding requirements, which could have a negative impact on the funding position of PostNL in the near future. Also, the impact of the revised IAS19, which is expected to be effective as from 1 January 2013, will be significant.

Demerger

In 2010, the Board of Management of TNT concluded that it was in the best interests of the company, its shareholders and other stakeholders to separate TNT's divisions into two separate companies: Mail and Express. Following the announcement of the intended separation of Mail and Express on 2 August 2010, TNT presented a detailed plan including the proposed demerger structure on 2 December 2010:

Demerger



The objective of the 29.9% retained minority shareholding in TNT Express was to secure positive distributable equity at the time of demerger. The subsequent value step-up after demerger was intended to contribute to offset the assumed future potential equity write-down as a result of the revision of IAS19. Sell-down of the minority shareholding was anticipated over time, with proceeds to be used to reduce the debt of PostNL and/or to return to shareholders.

Demerger process

As of January 2011, the internal legal and organisational separation between Mail and Express was completed. At the Annual General Meeting of Shareholders / Extraordinary General Meeting of Shareholders on 25 May 2011, the demerger proposal was adopted with 99.76% of the votes. As from 26 May 2011, both TNT N.V. (later renamed PostNL N.V.) and TNT Express N.V. traded as two stand-alone companies. PostNL N.V. is listed on NYSE Euronext in Amsterdam and the shares are traded under the symbol "PNL".

At 31 May 2011, the legal demerger of TNT N.V. became effective and on 1 June 2011 the separation was completed. The separation was executed in two steps.

First, on 30 May 2011, the notarial deed of demerger was executed, following which per 31 May 2011, among others, 70.1% of the shares in TNT Express Holdco B.V., the company that held the Express activities, and 100% of the shares in TNT Express N.V. were demerged from TNT N.V. to TNT Express N.V.

As part of the legal demerger, TNT Express N.V. cancelled its own shares received as a result of the demerger, and allotted (new) ordinary shares to the existing shareholders of TNT N.V., whereby such shareholders received one ordinary share in the newly listed TNT Express N.V. for each one ordinary TNT N.V. share held.

Additionally, a deed of amendment of the Articles of Association of TNT N.V. was executed, following which per 31 May 2011 the name of TNT N.V. was changed into PostNL N.V.

Second, on 31 May 2011, the notarial deed of merger was executed, following which per 1 June 2011 TNT Express Holdco B.V. was merged into TNT Express N.V., whereby TNT Express Holdco B.V. ceased to exist. As part of the legal merger, TNT Express N.V. allotted such number of shares to PostNL N.V. for it to hold 29.9% of the ordinary shares in TNT Express N.V.

The retained stake in TNT Express held by PostNL is governed by a relationship agreement that provides for the terms and conditions for selling (part of) the retained stake in TNT Express (including a lock-up period) and includes orderly market arrangements relating to voting rights for PostNL concerning the retained stake in TNT Express. As of 1 December 2011, the lock-up period for selling (part of) the retained stake in TNT Express came to an end. The relationship agreement can be found on postnl.com.

With regard to pensions, it was agreed that both companies would have separate agreements with the pension funds.

Following the demerger, the governance and organisational structure as applicable within TNT was incorporated in the PostNL organisation to secure the requirements of a stand-alone listed company. This consisted, among others, of an update of group policies and review of the risk management & internal control framework. Following the internal organisational separation of Mail and Express, 62 people from the head office of TNT remained with PostNL (effected per 1 January 2011). This transition was implemented smoothly and the company has adapted itself to the new structure. Due to the demerger of the Express activities, the consolidated equity of PostNL was reduced by €1,564 million as per 1 June 2011. This consists of the demerger gain of €2,086 million excluding the recycling of the currency translation adjustment and hedges of €146 million for a total amount of €2,232 million offset by the impact of the demerger of 70.1% of the Express activities for an amount of €3,796 million. Refer to note 3 and 10 of the consolidated financial statements.

Retained stake in TNT Express

The initial value of PostNL's retained stake in TNT Express in the consolidated financial statements as per 1 June 2011 amounted to €1,583 million, based on a share price of €9.77. Since then, the share price of TNT Express has declined by 40.9% to €5.77 per share at the end of 2011. In 2011, PostNL had to record an impairment charge of €636 million to reduce the value of the retained stake in TNT Express to the lower market value. As at 31 December 2011, the book value of the retained stake in TNT Express was €936 million. Please refer to note 4 of the consolidated financial statements.

Pensions

PostNL has arrangements with two pension funds. At the end of 2011, Stichting Pensioenfonds PostNL, the main pension fund of PostNL, published a coverage ratio of 99.8% (2010: 107.4%), below the minimum required level of 104.1%. The decrease compared to 2010 is due to the decrease in the long term interest rate partly offset by the fund's overall investment return. The coverage ratio of 99.8% includes the receivable for the first top-up payment, invoiced to PostNL.

As the coverage ratios of PostNL's pension funds are below the minimum requirements, PostNL has been invoiced top-up payments of around €39 million. Further conditional invoices for top-up payments of €21 million may become due in the second quarter of 2012 if the coverage ratios are below the minimum required level at the end of the first quarter of 2012. PostNL disputes the necessity of these payments. In a formal letter to the board of the pension fund, PostNL has disputed the necessity of these payments.

PostNL has also invited the boards of the pension funds to discuss the top-up payments. These top-up payments are not necessary according to PostNL and are not sustainable with regard to the current and future financial position of PostNL. Also, as current pension arrangements at PostNL are not sustainable, the pension arrangements will be part of the negotiations with the unions.

Equity position

The decline of the book value of the retained stake in TNT Express had an impact on PostNL's consolidated equity position. Total equity attributable to equity holders of the parent decreased from €2,424 million on 1 January 2011 to €400 million as per 31 December 2011. This decrease is mainly due to the net impact of the demerger and the impairment of €636 million on the retained stake in TNT Express.

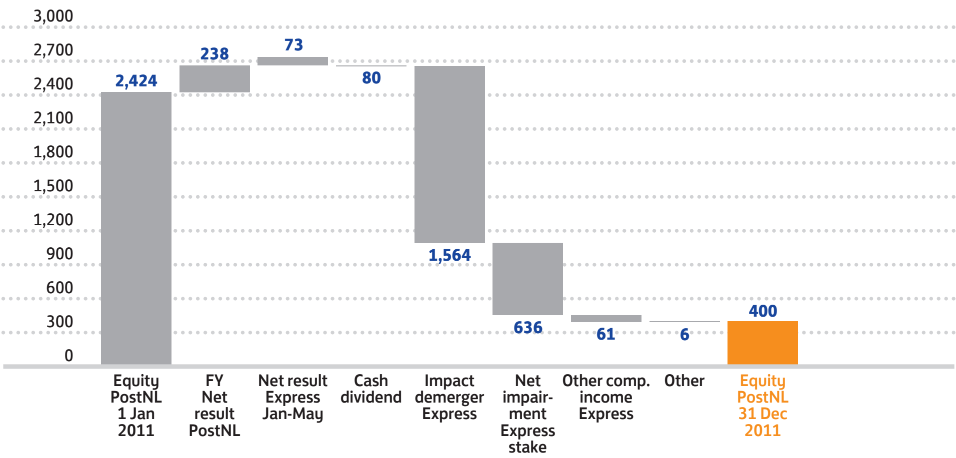
The impact of IAS 19 revised on the 2013 financial position will be significant. As at 31 December 2011, the net pension asset amounted to €998 million. This includes net actuarial losses for an amount of €922 million. If these net actuarial losses as per the end of 2011 had been recognised immediately, this would have impacted equity of PostNL negatively by a net amount of around €692 million, based on current parameters which are dependent on interest rate movements.

Funding position

PostNL's financial position deteriorated during 2011. The main factors that had a negative effect on the financial standing were the decline in the market value of the retained stake in TNT Express,

Development consolidated equity 2011

(in € million)



the expected future increase in regular pension contributions and the fall in coverage ratios of both pension funds below the minimum required level.

S&P downgraded PostNL to a BBB 'stable' rating on 1 June 2011. Main reasons for the downgrade relate to the smaller base of earnings and cash flows of PostNL to fund its debt and debt-like obligations, leading to a weaker financial risk profile. S&P excludes the retained stake in TNT Express from the debt and debt-like calculations. S&P mentioned that a rating upgrade to BBB+ could occur if PostNL would effectively reduce debt with the proceeds from disposals of the retained stake in TNT Express.

PostNL is rated Baa1 'negative' by Moody's. This rating reflects Moody's view that PostNL will not be strongly positioned over the short to medium term after the demerger while awaiting financial deleveraging.

Credit rating agencies apply various corrections to the reported debt to determine adjusted debt figures used for metrics analyses. The main debt corrections typically include corrections for operating leases, pensions and restricted cash.

PostNL has a €570 million committed revolving credit facility, which was fully undrawn at the end of 2011. 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. There are no financial covenants.

Debt cash outflows (including interest)

	< 1 yr	1 - 3 yr	3 - 5 yr	> 5 yr
Euro bonds	90	181	565	1,294
Other loans	31	7		
Financial leases	2	2		
Short-term debt	31			
Total	**154**	**190**	**565**	**1,294**

(in € millions)

Debt maturing over 1 year is recorded as long-term debt, refer to note 13 of the consolidated financial statements.

At the end of 2011, net debt of PostNL was €1,002 million, compared to €993 million in 2010 (including net debt related to the discontinued Express activities).

Actions to strengthen equity and funding position

Against the current background, PostNL has reviewed its equity and funding position for 2011 and beyond. Based on this review, PostNL has taken the following actions:

- PostNL will pay out dividend in cash if and when consolidated equity will be positive and the company will have certainty of a BBB+/Baa1 credit rating.
- PostNL changed the accounting framework of its corporate financial statements from Dutch GAAP to EU-IFRS. The change included a revaluation to fair value for of the Mail investments (being the deemed costs going forward), which provides additional information into the equity position of PostNL.
- PostNL has invited the pension funds to discuss the necessity of the top-up payments. Also, a change in the pension arrangements will be part of the negotiations with the unions with regards to the collective labour agreement.
- PostNL will freeze certain capexes and major acquisitions.

4 PostNL's performance and outlook 2012

PostNL's business segments showed good performance in 2011. Underlying cash operating income was €220 million, well above the €130 - €170 million guidance given at the start of 2011.

Business performance

2011 marked the creation of PostNL as an independent company under the brand name PostNL. In its first year, the business performance of the stand-alone company was solid with good results in all segments compared to expectations. Segment details can be found in the chapters 5 (Mail in the Netherlands), 6 (Parcels), and 7 (International).

Mail in the Netherlands

PostNL's customers kept on striving for lower costs and the substitution of traditional mail by electronic mail continued relentlessly. Both these effects were visible in 2011. The volume decline of addressed mail items was 7.2% for the year, below the guided range of 8 - 10% (2010: 9.0%). The main part of the decline is substitution.

Revenues in Mail in the Netherlands were €2,429 million, down 4.3% compared to 2010. Underlying cash operating income was €154 million compared to €288 million in 2010.

During the year, several key milestones were met. On the regulatory front, the 10% 'reasonable rate of return' on sales for USO (Universal Service Obligation) products was passed by parliament, which means that the regulatory framework with regard to future tariffs has been clarified. Following this clarification, PostNL announced new stamp prices in October, which became effective as of 1 January 2012. The base domestic rate for letters in the Netherlands has increased by four eurocents to 50 eurocents.

Another big step that was necessary to proceed with the Master Plans was taken. The unions' members ratified the agreement pertaining to the Master Plan III restructuring programme, including a limitation of the number of forced redundancies and the conditions under which redundancies can be made. In July, the Dutch Enterprise Chamber rejected all the objections by the Works Council to the company's intended reorganisations. This ruling means PostNL can go ahead with the necessary reorganisations, including continuing to establish central preparation locations and closing around 300 delivery offices in a phased approach.

To help employees make the transition, the launch of a 'Banenbedrijf' (Job Company) was announced. The Job Company is a mobility initiative to enable employees to find a new position in the labour market.

A sector collective labour agreement for postal deliverers has been ratified, in which the migration path towards 80% of postal workers in the Netherlands on labour contracts by September 2013 was agreed upon. Also, in December, an agreement was reached on a company collective labour agreement for mail deliverers of PostNL.

Parcels

Volumes in Parcels continued to grow (+ 6%), mainly driven by the trend of e-commerce and new customers. In particular, the good summer period and the fourth quarter contributed to these results. Revenues increased by 7.8% over the year to €608 million. The operational efficiency of the parcels network continues to increase. Underlying cash operating income was €92 million compared to €81 million in 2010.

The progress on the new logistical infrastructure is on track. After the completion of the first hybrid depot in Waddinxveen, the depot in Elst is also operational. Construction of the depots in Den Bosch and Hengelo has started. The new logistical infrastructure lays down the structure to enhance further volume growth.

International

In all three countries, the United Kingdom, Germany and Italy, volumes and revenues increased. Total revenues in 2011 were €1,467 million, a growth of 13.4% compared to 2010. International closed the year showing a positive underlying cash operating income of €5 million compared to a loss of €24 million in the year before. PostNL resized its German business, which already had a positive impact on results.

On the regulatory front, the German postal regulator - the Bundesnetzagentur - ruled against Deutsche Post AG and its budget subsidiary First Mail in June. The Bundesnetzagentur determined that the German Postal Act was breached in terms of pricing and non-discrimination regulations. The ruling was confirmed by Germany's High Administrative Court in November. These rulings are important steps on the path to break-even of TNT Post Germany in 2013.

Ofcom (the UK regulator and competition authority) has published a draft report in which it recognised the benefits of access competition, its importance to the development of delivery competition and the positive effect end-to-end competition can have on Royal Mail's efficiency. Discussions will now start between the relevant parties. The report is expected to be published in March 2012.

In Italy, Poste Italiane has been fined by the Italian anti-trust authority (AGCM) for abusing its position as the dominant operator in Italy. The AGCM announced in December that it has imposed a fine on the state-owned postal operator following a complaint by the main mail competitor TNT Post Italy and ordered the company to stop the anti-competitive activities.

Portfolio rationalisation

During the year, PostNL continued to refocus its operations, with an eye both to providing customers with ever-better service and growing the business. To this end, PostNL exited non-core countries and businesses.

The sale of the mail activities in Belgium, 'De Belgische Distributiedienst' and the unaddressed activities of RSM Italy was completed in April. In August, PostNL completed the sale of its addressed and unaddressed mail activities in the Czech Republic and Slovakia. The divestments were part of the strategic choice to concentrate the European mail activities on addressed mail in the large countries where PostNL has strong market positions: the United Kingdom, Germany and Italy.

In October, PostNL sold its 51% share in Telepost S.p.A. to one of the co-shareholders in the company, Manutencoop Facility Management S.p.A. Telepost provides mailroom activities and related value-added office services in Italy. This transaction successfully finalised the realisation of the 'Focus on Value' strategy through partnerships or sale.

In December, Netwerk VSP discontinued its activities on the addressed mail market. Economic circumstances combined with current developments in the Dutch mail market offer insufficient prospects for continuing these activities profitably in the longer term.

Supersector Leader

PostNL was named Supersector Leader for Industrial Goods and Services in the 2011 Dow Jones Sustainability Indexes (DJSI) in September. PostNL is included in DJSI Europe and DJSI World, comprising 342 companies that represent the top 10% of leading sustainability companies.

Financial performance

The key drivers of PostNL's financial results include:

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

PostNL results

Year ended at 31 December	2011	2010
Total operating revenues	4,297	4,293
Other income	53	22
Total operating expenses	(3,933)	(3,835)
Operating income	**417**	**480**
as % of total operating revenues	9.7	11.2
Net financial expense	(101)	(106)
Income taxes	(78)	(91)
Results from investments in associates	(25)	(1)
Impairments of investments in associates	(636)	
Profit/(loss) from continuing operations	**(423)**	**282**
Profit from discontinued operations	2,159	69
Profit for the period	**1,736**	**351**
Attributable to:		
Non-controlling interests	0	4
Equity holders of the parent	**1,736**	**347**
Earnings per ordinary share (in € cents)[1]	452.8	92.9
Earnings per diluted ordinary share (in € cents)[2]	452.8	92.5
Normalised Earnings per ordinary share (in € cents)[3]	55.6	74.4

(in € millions)

1 In 2011 based on an average of 383,374,983 outstanding ordinary shares (2010: 373,536,123).
2 In 2011 based on an average of 383,374,983 outstanding ordinary shares (2010: 375,026,008).
3 Based on profit for the equity holders adjusted for profit from discontinued operations less impairments of investment in associates.

PostNL revenues and earnings

In 2011, PostNL's operating revenues grew by 0.1% to €4,297 million (2010: €4,293). Addressed mail items in the Netherlands declined by 7.2%, which is below the guided range for 2011 of 8% to 10%. Parcels experienced good growth, with volumes up 6.0%. The number of working days had no impact when comparing the 2011 results to 2010, as both years had 255 working days.

Operating revenues increased organically by €145 million (3.4%), mainly due to a strong increase in International and Parcels, offset by an organic decrease in revenues in Mail in the Netherlands. The net negative acquisition and disposal effect amounted to €133 million (-3.1%) following international divestments. Foreign exchange rate changes (mainly the euro against the British pound) accounted for a decrease of €8 million (-0.2%) in operating revenues.

Other income increased to €53 million (2010: 22) and consisted mainly of the sale of real estate for a net amount of €17 million and the book gain on international divestments for a net amount of €33 million.

Total operating income of €417 million decreased by €63 million (-13.1%), mainly due to lower underlying performance of Mail in the Netherlands and Mail Other, offset by improved performance of Parcels and International and lower non-recurring and exceptional net costs.

The operating margin decreased from 11.2% in 2010 to 9.7% in 2011.

Compared to 2010, the profit for the period attributable to the equity holders of the parent increased by €1,389 million. Excluding the net gain on demerger of €2,086 million and the impairment on the retained stake in TNT Express of €636 million, the profit for the period attributable to the equity holders of the parent decreased by €61 million, which is in line with the net decrease in operating income and income taxes.

PostNL operating expenses

Year ended at 31 December	2011	2010
Cost of materials	195	178
Work contracted out and other external expenses	1,937	1,701
Salaries, pensions and social security contributions	1,429	1,561
Depreciation, amortisation and impairments	112	120
Other operating expenses	260	275
Total operating expenses	**3,933**	**3,835**

(in € millions)

Operating expenses increased by €98 million (2.6%) to €3,933 million in 2011. The organic growth in operating expenses was €235 million (6.1%) mainly due to cost increases within International, Parcels and Mail Other. Foreign exchange rate changes accounted for a decline of €8 million (-0.2%). The effect from acquisitions and disposals accounted for a decrease of €129 million (-3.4%).

Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, rent and leases. In 2011, the total amount on work contracted out and other external expenses increased by €236 million (13.9%) compared to 2010, mainly due to the growth in Parcels and International resulting in an increased utilisation of subcontractors.

In 2011, costs of salaries, pensions and social security contributions decreased by €132 million to €1,429 million (-8.5%). This was mainly due to Master Plan savings of €71 million following the restructuring programme in the Netherlands and the net effect of higher pension expense in 2011 of €159 million versus the lower recorded restructuring charge of € 219 million in 2010. Pension expenses increased by €159 million compared to 2010 due to a curtailment gain in 2010 of €74 million related to the Master Plan III restructuring, lower Express benefits of €20 million which were accounted for as a benefit for PostNL, and a lower discount rate.

Total depreciation, amortisation and impairment costs decreased slightly by €8 million compared to 2010, mainly due to the timing of capital expenditures.

Other operating expenses include items such as IT, communication, advisory and marketing expenses, office costs and various other operating costs. In 2011, other operating expenses decreased by €15 million (-5.5%) compared to 2010, mainly due to lower costs within Mail in the Netherlands for marketing and consultancy costs, lower costs due to deconsolidation of divested entities and lower costs in International due to cost reduction programmes. This decrease in costs was partly offset by the demerger related costs of €23 million in 2011 and one off benefits of €51 million (release claim provision and benefit profit pooling arrangement) in 2010.

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 focusses 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. Mail Other represents the unaddressed activities outside the Netherlands classified as held for sale and head office entities, including the difference between the recorded IFRS pension expense for the defined benefit pension plans and the actual cash contributions.

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**
Mail 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)

From reported to underlying (cash) operating income 2010

Year ended at 31 December	Reported operating income	Restructuring related charges	Impairments and other value adjustments	Other	Bad weather/ Strike	Profit pooling	Pensions	Underlying operating income	Restructuring payments	Changes in pension liabilities	Underlying cash operating income
Mail in NL	**188**	187		(6)	10			**379**	(53)	(38)	**288**
Parcels	**80**							**80**		1	**81**
International	**(29)**		11	(6)				**(24)**			**(24)**
Mail other	**241**	(20)		(10)		(41)	(25)	**145**	(5)	(144)	**(4)**
Total 2010	**480**	167	11	(22)	10	(41)	(25)	**580**	(58)	(181)	**341**

(in € millions)

From reported to underlying operating income

The 2011 underlying operating income amounted to €426 million (2010: 580). Underlying operating income excludes non-recurring and exceptional items such as demerger related costs of €23 million, rebranding costs of €9 million, restructuring-related charges for Netwerk VSP addressed of €7 million, a book gain on the divestment of Belgische Distributiedienst of €38 million, costs for resizing within International of €13 million and the pension cash contribution of Express during January until May 2011 of €5 million (2010: 25). The latter represents the difference between the IFRS expense and the cash contribution paid from Express to the Group, up to the moment of the demerger.

In 2010, operating income was impacted by non-recurring restructuring-related charges, mainly related to the announced Master Plan III restructuring programme, a write-down of goodwill allocated to Spring Global Mail, the impact of extreme weather conditions and the strikes in the Netherlands, the impact of Express relations (profit pooling and pensions) and various other items.

Operating income for Mail Other amounted to €104 million (2010: 241), which relates to non-allocated for an amount of €64 million (2010: 231) and to the unaddressed activities classified as held for sale for an amount of €40 million (2010: 10). The non-allocated operating income related largely to the pension income of €89 million as Mail Other records the difference of the recorded expenses in all segments and the overall IFRS pension expense. The remainder of -€25 million of non-allocated operating income related to the net impact of demerger costs, board salaries, rebranding costs, shareholders costs and the contribution of shared services.

From underlying operating income to underlying cash operating income

Underlying cash operating income in 2011 was €220 million, 35.5% lower than last year. The underlying cash operating income margin was 5.1% in 2011 (2010: 7.9%).

The changes in provisions in 2011 of €68 million represented the difference between the recorded underlying net cost for restructuring and other provisions of €11 million and the actual cash settlements of €79 million. The cash out for restructuring programmes in the Netherlands related mainly to Master Plan III and the disentanglement of Postkantoren B.V. In 2010, the cash out for restructuring related payments amounted to €58 million.

The changes in pension liabilities of €138 million (2010: 181) is the difference between the recorded underlying pension expense of €122 million (2010: 57) for the defined benefit plans and the actual cash payments of €260 million (2010: 239). The underlying pension expense of €122 million is derived from the recorded pension expense of €117 million corrected for the €5 million adjustment related to Express.

PostNL underlying (net) cash operating income

	2011	2010
Underlying cash operating income	**220**	**341**
as % of operating revenues	5.1	7.9
Income taxes	(78)	(91)
Net financial expenses	(101)	(106)
Underlying net cash operating income	**41**	**144**

(in € millions)

Underlying net cash income amounted to €41 million in 2011 (2010: 144). The decrease is mainly explained by lower underlying cash operating income.

PostNL net financial expenses

Year ended at 31 December	2011	2010
Interest and similar income	20	14
Interest and similar expenses	(121)	(120)
Net financial expenses	**(101)**	**(106)**

(in € millions)

Interest and similar income in 2011 of €20 million relates to external interest from banks, interest on taxes and gross up of interest on cash pools of €13 million and €7 million of interest received from Express relating to outstanding positions.

Interest and similar expenses in 2011 of €121 million mainly relates to interest expense on long-term borrowings of €97 million, interest on provisions of €8 million and interest on bank overdrafts of €4 million.

PostNL income taxes

Year ended at 31 December	2011	2010
Current tax expense	59	96
Changes in deferred taxes	19	(5)
Total income taxes	**78**	**91**

(in € millions)

PostNL's income taxes amounted to €78 million (2010: 91), a decrease of 14.3% compared to 2010, mainly due to a decrease in profit before taxes. The movement in deferred taxes is mainly due to timing differences resulting from changes in provisions and fixed assets.

Income taxes differ from the amount calculated by applying the Dutch statutory income tax rate to the income before income taxes. In 2011, the effective tax rate before the impairment on the retained stake in TNT Express was 24.7% (2010: 24.4%), which is lower than the statutory income tax rate of 25% in the Netherlands (2010: 25.5%). For further details, see note 23 of the consolidated financial statements of PostNL N.V.

Financial position

Summary statement of financial position

At 31 December	2011	2010
Non-current assets	2,807	1,849
Current assets	1,259	634
Assets classified as held for sale	52	123
Assets classified for demerger		5,531
Total assets	**4,118**	**8,137**
Equity	414	2,443
Non-current liabilities	2,368	2,395
Current liabilities	1,336	1,262
Liabilities related to assets classified as held for sale		26
Liabilities related to assets classified for demerger		2,011
Total liabilities and equity	**4,118**	**8,137**

(in € millions)

The 2011 financial position as presented above includes the retained stake in TNT Express, which is part of the non-current assets, whereas in the 2010 financial position the net assets and liabilities of the Express activities were presented as assets classified for demerger of €5,531 million and liabilities related to assets classified for demerger of €2,011 million. After elimination of a net intercompany position of €526 million, the net equity of the discontinued Express activities amounted to €2,994 million in 2010.

During the Extraordinary General Meeting of Shareholders on 25 May 2011, the proposal to demerge 70.1% of the discontinued Express activities was approved. The net impact on equity following the demerger and consequently the revaluation of the retained stake in TNT Express was €1,564 million. After demerger, the value of the retained stake in TNT Express was reduced by €640 million due to the recorded impairment charges impacting equity negatively. Total equity reduced to €414 million at 31 December 2011, of which €400 milion equity was attributable to the shareholders.

The non-current assets of €2,807 million at 31 December 2011 consisted mainly of goodwill of €121 million (largely related to International and Mail in the Netherlands), other intangibles of €55 million (related mainly to IT software), property, plant and equipment of €451 million (related to land, depots and sorting machinery), pension assets of €1,217 million and the retained stake in TNT Express of €936 million.

The current assets of €1,259 million at 31 December 2011 mainly related to trade accounts receivable of €417 million and prepayments and accrued income of € 121 million. Cash and cash equivalents totalled €668 million at 31 December 2011 (2010: 65). This increase is due to the settlement of former intercompany positions with the demerged Express activities.

Off-balance sheet items

PostNL's off-balance arrangements are disclosed in note 28 of the consolidated financial statements of PostNL N.V.

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 continued operations

Year ended at 31 December	2011	2010
Cash generated from operations	**321**	**475**
Interest paid	(101)	(99)
Income taxes paid	(98)	(205)
Net cash from operating activities	**122**	**171**
Net cash used for other investing activities	14	2
Net cash used for acquisitions and disposals	108	(3)
Net cash used for capital investments and disposals	(75)	(91)
Net cash from/(used in) investing activities	**47**	**(92)**
Net cash used for dividends and other changes in equity	(86)	(117)
Net cash from debt financing activities	518	24
Net cash from/(used in) financing activities	**432**	**(93)**
Changes in cash and cash equivalents	**601**	**(14)**

(in € millions)

Net cash from operating activities

Net cash from operating activities decreased to €122 million in 2011 from €171 million in 2010. The €49 million decrease was mainly due to lower cash generated from operations of €154 million, partly offset by lower taxes paid of €107 million.

The decrease in cash generated from operations is in line with the decrease in underlying cash operating income. Ttotal working capital , as part of cash generated from operations, improved by €45 million compared to 2010 due to improved payment behaviour of customers complemented by continued focus on payment terms of suppliers.

In 2011, income taxes paid were €98 million, compared to €205 million taxes paid in 2010. The net tax cash outflow in 2011 is lower due to relatively high taxes paid in 2010 as a result of tax payments relating to prior years and higher preliminary payments in 2010.

Net cash used in investing activities

The total net cash used in investing activities amounted to €47 million (2010: - 92). Net cash used for other investing activities mainly related to interest received (€7 million) and dividend received from the retained stake in TNT Express (€7 million). Net cash from acquisitions and disposals of €108 million mainly relates to the disposal of De Belgische Distributiedienst, Lifecycle Marketing in the United Kingdom, RSM Italy S.r.l. and Telepost S.p.A. in Italy and the international activities in Eastern Europe, and the acquisition of Formula Certa Delivery S.r.l. in Italy.

Net cash used for capital investments and disposals related to capital expenditures on property, plant and equipment and other intangible assets of €137 million (2010: 109) and proceeds obtained from the sale of buildings and equipment in 2011 of €62 million (2010: 17).

Capital expenditures/proceeds

Year ended at 31 December	2011	2010
Property, plant and equipment	104	88
Other intangible assets	33	21
Cash out	**137**	**109**
Proceeds from sale of property, plant and equipment	62	17
Disposals of other intangible assets	0	1
Cash in	62	18
Netted total	**75**	**91**

(in € millions)

Capital expenditure on property, plant and equipment and other intangible assets totalled €137 million in 2011, an increase of 25.7% compared to 2010, due to strict cash control and phasing of some capexes. The main capital expenditures in 2011 related to machinery and equipment (€43 million), information technology (€33 million) and housing (€61 million). Significant investments were made in the new Parcels infrastructure (€45 million) and in the new infrastructure in Mail in the Netherlands as was set out in the Master Plans (€32 million).

Net cash used in financing activities

In 2011, dividends of €80 million (2010: 119) were paid as a second interim cash dividend over 2010 and an interim cash dividend over 2011. The net cash from debt financing activities of €518 million in

2011 (2010: 24) mainly relates to the settlement with Express at the demerger.

Dividend

Change in accounting framework of corporate financial statements

In 2011, PostNL changed the accounting framework of its corporate financial statements of PostNL N.V. from Dutch GAAP to EU-IFRS in respect of the financial year 2011, including amendments of the comparative financial year. Please refer to the corporate financial statements as included in chapter 13 and the relating notes 37-58.

In 2011, the corporate profit for the period attributable to the equity holders of the parent amounted to €1,127 million. At 31 December 2011, total corporate shareholders' equity amounted to €1,918 million.

Dividend proposal 2011

PostNL will propose to the Annual General Meeting of Shareholders, the distribution of a 2011 dividend of €0.407 per ordinary share, of which €0.214 per ordinary share has been paid as an interim dividend. These amounts include the pass-through of the dividend received from the retained stake in TNT Express. The final dividend of €0.193 will be payable fully in ordinary shares and includes the pass-trough of the final dividend to be received from the stake in TNT Express, which is subject to approval by the Annual General Meeting of TNT Express. The dividend in shares will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

The conversion rate will be based on the volume-weighted average share price for all PostNL N.V. shares traded on NYSE Euronext Amsterdam over a three trading day period from 2 May up to and including 4 May 2012 and will be targeted at no premium. There will be no trading in stock dividend rights. The ex-dividend date will be 26 April 2012 and the record date is 30 April 2012. The dividend will be payable as of 8 May 2012.

Dividends paid in 2011

On 11 March 2011, TNT N.V. paid a second interim dividend of €0.29 per ordinary share over 2010. Over 50% of the outstanding capital has elected for dividend to be paid in shares, which resulted in a cash payout of €44 million and the issuance of 3,626,163 shares.

The 2011 interim dividend of €0.214 per share, optional for the shareholder in cash or shares, was paid on 30 August 2011. Again, over 50% of the dividend was paid in shares, leading to a cash payout of €36 million and the issuance of 12,336,183 million shares.

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 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 have not been issued in 2011,

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €1,015 million out of profit to the reserves. Following this appropriation, there remains an amount of €112 million of the 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 2011 dividend has been set at €0.407 per ordinary share of €0.08 nominal value. After adjusting for the 2011 interim dividend of €0.214 per ordinary share as paid out partly in cash and shares in August 2011, the final dividend will be €0.193 per ordinary share based on the outstanding number of 392,301,442 ordinary shares as per 31 December 2011. These amounts include the pass-through of the dividend received from the retained stake in TNT Express. The final dividend of €0.193 will be payable fully in ordinary shares and represent a cash equivalent of €76 million. Upon approval, shareholders will receive their dividend in shares and consequently the corresponding cash equivalent of €76 million will be deducted from the profit attributable to shareholders and added to the reserves.

The dividend in shares will be 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, whereby the final dividend represents a 100% stock dividend.

Appropriation of profit

	2011
Profit attributable to the shareholders	1,127
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, par. 2)	(1,015)
Dividend on ordinary shares	**112**
Interim dividend paid	36
Final dividend	**76**

(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

In its press release of 17 February 2012, TNT Express announced that it had received an unsolicited non-binding and conditional proposal from United Parcel Service, Inc. (UPS) for the acquisition of the whole of the issued capital of TNT Express at an indicative price of €9 per ordinary share. The retained stake in TNT Express is valued at €5.77 per share at 31 December 2011. TNT Express' share price was €9.39 at 24 February 2012 close of business. Continuation of this level would have a significant positive impact on result and equity of PostNL.

Outlook 2012

Outlook 2012

	Actual Underlying revenues 2011	Outlook Underlying revenues 2012	Actual Underlying cash operating income/ margin 2011	Outlook Underlying cash operating income/ margin 2012
Mail in NL	2,429	- low single digit	6.3%	1 to 3%
Parcels	608	+ high single digit*[1]	15.1%	13 to 15%
International	1,475	+ high single digit	0.3%	1 to 2%
Total	**4,305**	**+ low single digit**	**220**	**110 to 160**
			5.1%	2 to 4%

1 Due to shift registered mail from Mail in NL to Parcels.

Indicators 2012

- Expected volume decline addressed mail 6.5% – 8.5% (2011: 7.2%)
- Master plan savings €40 – €60 million (2011: 71)
- Master plan implementation costs €80 – €100 million (2011: 65)
- Pension expenses are expected to be around €60 million (2011: 122)
- Pensions gross regular pension contributions for defined benefit obligations approximately €290 million (2011: 260)
- Cash outflows from provisions around €90 – €110 million of which €80 – €100 million related to Master Plan implementation (2011: 68 of which 65 related to Master Plans)
- Rebranding around €16 million (2011: 9)
- Net financial expense around €110 million (2011: 101)
- Effective tax rate excluding impact of stake TNT Express around 27% (2011: 25%)
- Cash capex maximum of €240 million (2011: 137)
- Top-up pension payments not included in the outlook

5 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.

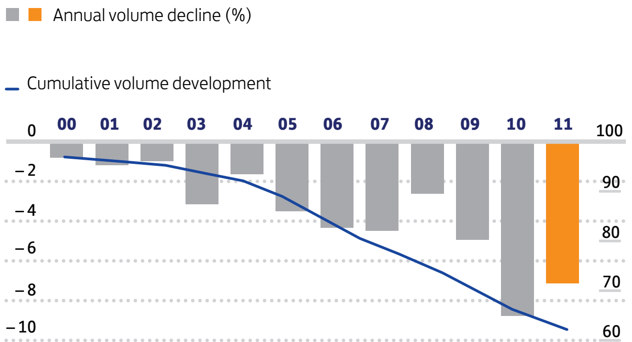
Market developments

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, unaddressed mail volumes continue to grow.

Consumers' desire to have more 'emotional' items such as magazines and leaflets delivered to their homes has not changed. At the same time, mail senders continue to strive to minimise costs and substitution of traditional mail by e-mail is an ongoing process. Both effects were clearly visible in 2011. The volume decline of addressed mail items in the Netherlands was 7.2% for the year, below the guided range of 8-10%.

The Dutch mail market is developing in line with expectations

Volume development



More and more, mail is becoming a communications channel that is used in combination with digital communication means. A leaflet or brochure is intended to attract consumers to websites to order their purchases. In line with these developments, the requirements of mail senders have changed. No longer is next day delivery on five or six days a week one of the key requests of business mail senders. With this changing market demand, new entrants, with business models delivering mail two days a week, entered the marketplace in 2001.

However, driven by continued mail volume decline and the legal obligation for market entrants to improve labour conditions (see chapter 17), the competitive landscape changed significantly in 2011. SelektMail was taken over by Sandd, and PostNL decided to close its activities on the lower end of the addressed mail market, provided through its subsidiary Netwerk VSP, as of 17 December 2011. Given the current mail market and the economic circumstances, insufficient perspective was seen to continue these activities profitably in the longer term.

Today, the Dutch market holds two nationwide mail companies, PostNL and Sandd, and a number of local players. In 2011, PostNL's competitors had a market share of 16%, most of which is represented by Sandd.

Business developments

Digital communication
Building upon the value perception of mail items, PostNL introduced services that meet customers' request to combine physical and digital communication. An example is the introduction of Folders.nl, which allows consumers to browse through all brochures that were physically delivered in their area, and compare the offerings of all retailers in a certain branch. This portal intends to stimulate flexibility for both consumer and retailer, as well as to enable consumers to view those leaflets that meet their needs. Consumers welcomed the initiative, with Folders.nl receiving almost 500,000 visitors per month by the end of 2011.

Digital initiatives are not new for PostNL. Folders.nl fits in the history of services such as Fotoservice, Kadowereld, TryNow and Sjopze, all launched in previous years. With initiatives like Folders.nl, PostNL intends to be at the cutting edge where physical meets digital, thus filling the link between sender and recipient in both worlds, aiming to maintain the profitability of the organisation.

Digital stamps
Using digitisation to facilitate sending mail, PostNL reinforced its efforts to stimulate digital franking. In 2011, the use of digital franking grew by around 80%. The service was designed for business customers, but turned out to be attractive for consumers as well.

Business portal
In 2011, PostNL developed a new business gateway for online postal products and services for business customers, called Mijnpost. Mijnpost provides a platform for preparing shipments of bulk mailings, parcels and registered mail, allowing customers to view order details. It also offers standard reporting.

In line with the online ambitions of PostNL, the portal fully replaces the old and less user-friendly system. The portal was officially launched on 1 January 2012, and after three weeks had over 16,000 registered accounts, representing nearly 30% of all business orders.

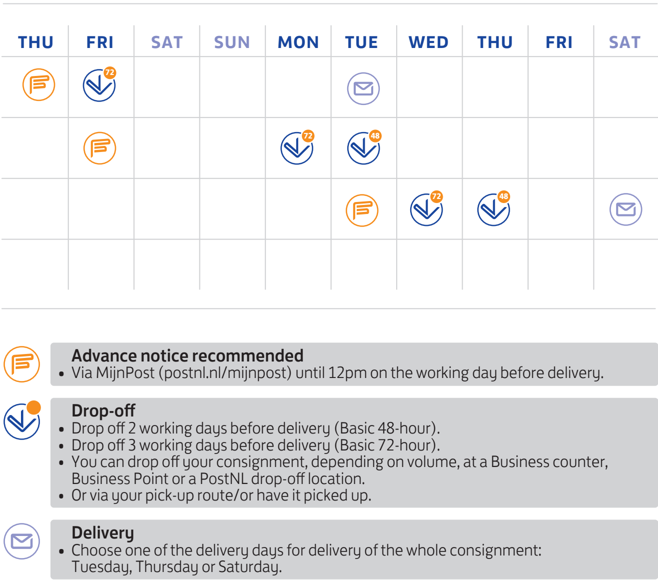
Customers and products

Basic product for business customers
Driven by the changing market characteristics described above, PostNL finalised the implementation phase for the introduction of a more flexible Basic product based on delivery with peak and off-peak days at a lower rate. 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 2011, 40% of the non time-

sensitive business mail had shifted from the traditional products to this Basic product.

This new product has an impact on the entire operational chain of mail senders. Call centre capacities are organised based on the delivery day of a campaign and magazines have their editorial deadlines based on print, which is again based on delivery days. In order to streamline the transition, PostNL worked closely with customers and the printing industry to connect their operational chain to this product.

The Basic product:
Peak day delivery



Pricing policy

Next to the introduction of Basic, PostNL fully reviewed its product and pricing policy for large customers in 2011. New tariff lines, including size-driven tariffs, were introduced and the rate structure was substantially simplified .

The tariffs of single item mail in 2011 stayed within the price cap and the permitted framework of the regulator. The base rate for a stamp for single items up to 20g increased by €0.02 on 1 January 2011, and by another €0.04 on 1 January 2012. The tariffs of franking machines stayed in line with the tariffs for stamps. Products for registered letters and parcels were restructured and simplified to make the customers' choice easier.

Unaddressed mail

In 2011, Interlanden decided to leave the market place for unaddressed mail. With a targeted customer approach, PostNL's subsidiary Netwerk VSP succeeded in taking over a large part of the customer contracts, which resulted in a growth of the unaddressed business of Mail in the Netherlands by 22%.

Consumer mail services

The way consumers perceive a mail item is key to maintaining the value perception of mail. Campaigns, actions with partners and innovations are bringing the joy of sending and receiving mail to the attention of consumers.

Together with airline KLM, PostNL introduced the highest mailbox on earth by offering passengers the possibility of sending a postcard on intercontinental flights. With space agency ESA, Dutch astronaut André Kuipers sent the first postcard from space with an online postcard app. Together with the Stichting Wenskaart, a foundation to stimulate the sending of postcards, and Dutch television channel SBS6, a weekly television series was designed around sending postcards.

PostNL continued to innovate in stamps to demonstrate that postal products are not outdated. Following initiatives like the personal stamps, the silver stamp and the movie stamp in previous years, in 2011 a music stamp was designed. with a smartphone app that plays the music virtually included in the stamp.

Local retail presence

In 2011, the last traditional post office in the Netherlands was closed. In its endeavours to offer its customers the best service, PostNL started opening "shop-in-shop" post offices eight years ago. This makes it possible for customers to take care of their postal needs while doing their shopping. Currently, PostNL operates around 2,600 "shop-in-shop" post offices, making it the largest retailer in the Netherlands.

Operational developments

New operational model: Master Plan III

A more flexible operational structure is needed in order to both cushion the effects of the declining mail market and make way for new products like the Basic product.

In 2010 and 2011, the foundations were laid for a more flexible operational model in which sorting and preparation of mail are concentrated in a limited number of central preparation sites. At those sites, mail rounds will be fully prepared for delivery. All local offices will be closed and replaced by depots where part-time mail deliverers pick up their fully prepared mail.

As a consequence of this reorganisation, the job previously filled by the traditional full-time mailman will now be performed by more than one person. Preparation of mail delivery rounds and delivery of mail will become specialised, part-time jobs. The job of the traditional full-time mailman, who both prepares and delivers the mail rounds, will disappear.

The implementation of this new operational model started early 2012, and will last until mid 2013. PostNL will gradually close approximately 300 delivery offices. Employees were informed of these closures in July 2011.

As part of the operational redesign, an Auto Unit was created in 2010 and became fully operational in 2011. This unit is responsible for all small transportation movements in the organisation, thus enabling more efficient use of all smaller cars, which will add to the savings of the Master Plan programme.

It is intended that the Master Plans will lead to annual cost savings of around €330 million by 2017 compared to 2011. In 2011, €71 million in savings was realised. PostNL is on track with the implementation of its Master Plans.

Transition to new labour force

Smooth transition from the current labour force to a new, sustainable labour force structure is crucial for the success of the new operational model. The implementation of the redesign will result in a loss of around 11,000 operational jobs, most of which will be resolved through the termination of temporary jobs, natural attrition and voluntary mobility. Employees will be offered either part-time roles, other full-time positions at PostNL or help finding work outside the company.

It was agreed with the unions to create 1,000 jobs in the Auto Unit, 300 in the Parcels segment, 400 in sorting and conditionally 200 in other parts of the organisation. This will help to reduce the number of forced redundancies. Furthermore, PostNL will put maximum effort into moving as many people as possible into new jobs outside the company. More details on these efforts can be found in chapter 9.

With the move from a model of a mainly full-time operational workforce to one of mainly part-time staff, a new type of employee enters PostNL. Mail deliverers pick up their mailbags from a dense network of depots, often within walking or cycling distance from their home, and deliver mail in their local neighbourhood. Most mail deliverers combine their job in PostNL with other employment, study, leisure or family activities.

In December, PostNL reached agreement with trade union BVPP on a new collective labour agreement for mail deliverers. The agreement offers a higher pay to employees who remain with PostNL as mail deliverers for a longer period. The starting salary follows the minimum wage standards. Mail deliverers can now also take unpaid leave. The collective labour agreement will run from 1 January 2012 to 31 December 2012.

Services and solutions

Mail services are part of the value chain of customers. With a portfolio of products and services that are combined to support customers in their marketing and communications, e-commerce and billing value chains, PostNL aims to become part of this value chain in order to both stimulate the letter mail and parcels business while at the same time preparing for growth outside its core.

Marketing communication

Under the brands EuroMail and Cendris, a multitude of marketing communication solutions are developed that improve both the effectiveness and the efficiency of marketing & sales processes. Customers are offered advice in 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 like webcare, social media and community management.

E-commerce solutions

PostNL is directly impacted by the strong development of e-commerce. It 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).

The e-commerce offerings range from marketing to delivery to invoicing, and rely on experience gained with PostNL's own services over the last few years, such as online shopping street Sjopze.nl and webshop Kadowereld.nl. PostNL's e-commerce portfolio includes individual parts of the chain, such as web design and 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 order to give this activity the right focus, a dedicated entity was created.

Billing

Under the PostNL brand, different billing and e-billing solutions are offered, ranging from physical invoice printing to different e-billing solutions and debt management. In 2011, PostNL managed to acquire and subsequently integrate the billing and e-billing activities of T-Systems in the Netherlands.

Key financial results

Operating income Mail in NL

Year ended at 31 December	2011	variance %	2010
Total operating revenues	2,429	(4.3)	2,538
Other income	17		11
Total operating expenses	(2,212)	6.3	(2,361)
Operating income	**234**	24.5	**188**
Underlying cash operating income	**154**	(46.5)	**288**
as % of operating revenues	6.3		11.3

(in € millions, except percentages)

Operating expenses Mail in NL

Year ended at 31 December	2011	variance %	2010
Cost of materials	133	2.3	130
Work contracted out and other external expenses	747	9.1	685
Salaries, pensions and social security contributions	1,064	(14.6)	1,246
Depreciation, amortisation and impairments	66	(5.7)	70
Other operating expenses	202	(12.2)	230
Total operating expenses	**2,212**	(6.3)	**2,361**

(in € millions, except percentages)

Operating statistics Mail in NL

Year ended at 31 December	2011	variance %	2010
Single items (millions)	870	(7.5)	941
Bulk mail (millions)	2,907	(7.1)	3,129
Addressed postal items delivered	**3,777**	(7.2)	**4,070**
per Netherlands delivery address (items)	481	(6.2)	513
per Netherlands inhabitant (items)	226	(7.4)	244
per FTE (thousands of items)[1]	166	(1.8)	169
per delivery day (millions)	12.3	(7.5)	13.3
average percentage of national mail sorted automatically (%)	82		82

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

Mail in the Netherlands experienced a continued decline in addressed postal item volumes in 2011, which 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 and due to the continued substitution by electronic media. The economy product retained volumes in the market, resulting overall in a limited loss of volumes to competition.

In total, addressed mail items in the Netherlands decreased by 7.2%. The volume of unaddressed mail items increased by 22%, mainly due to volumes from Interlanden.

Besides volume development, prices are a key factor in PostNL's financial performance. OPTA set the starting tariffs for 2010, following PostNL's proposal. Subsequently, the company announced a 4.5% average increase for stamp prices, effective 1 January 2011. The basic domestic mail rate for the Netherlands increased by two euro cents to €0.46; for mail to other European destinations, the basic rate increased to €0.79, also a two euro cent rise. The rate for mail being sent outside Europe remained at €0.95. There are no fixed prices for bulk mail and other mail items. The price for bulk mail remained under pressure in 2011.

With respect to rates and conditions, OPTA sets rates for the universal postal services every four years, within the regulatory framework approved by parliament of a reasonable rate of return of 10%. As of 1 October 2011, OPTA set the 2012 rates in accordance with the recommended rates proposed by PostNL. The base domestic rate for letters in the Netherlands will increase by four euro cents to 50 euro cents as of 1 January 2012.

In 2011, Mail in the Netherlands continued the implementation of the existing Master Plans in the Netherlands. Master Plan initiatives consist of efficiency measures and a restructuring of labour costs. Master Plan savings of €71 million were achieved. In 2011, the implementation of Master Plan III was started. The exact reorganisation proposals will be determined over the coming months in consultation with the works council.

Operating revenues for Mail in the Netherlands decreased by €109 million (4.3%) in 2011 compared to 2010. This revenue decrease is mainly due to volume decline in addressed mail items, offset by a positive price-mix effect. The net acquisitions and disposals effect was nil.

Mail in the Netherlands' operating expenses decreased by €149 million in 2011 compared to 2010. The cost of salaries and social security contributions decreased by €182 million, mainly due to the impact of the Master Plan restructuring provision in 2010.

In 2011, Mail in the Netherlands' underlying cash operating income decreased from €288 million to €154 million. Main items that explain the decline are the 7.2% volume decline of addressed mail in the Netherlands, higher restructuring cash-out, higher Master Plan initial costs, increased autonomous costs, partly offset by Master Plan savings.

6 Parcels

PostNL operates parcels businesses in the Netherlands as well as in Belgium and has developed an advanced international network with partners across Europe.

Market developments

The parcels market developed rapidly over the last few years, particularly driven by the continued growth in domestic and international e-commerce. PostNL is a leading provider of a broad range of services that meet the needs of both consumers and businesses. In e-commerce, consumers increasingly want to be in control of when and where they will receive their parcels. As such, they require mobile tracking solutions, a wide range of delivery options and a convenient return solution. Furthermore, the extension of e-commerce into new product categories leads to a growing need for special delivery solutions such as high value, extra-secured and two-man deliveries. In addition to the pure players (only clicks, no bricks), web shops combining both clicks and bricks are strongly positioned to leverage existing high street brands online.

Online shopping does not stop at national borders. On the contrary, demand for cross-border parcel services is growing. This growth is driven both by a push from successful web shops looking for growth outside their domestic market and by a pull from consumers looking for products not (yet) available in their home markets, or products that can be purchased cheaper abroad.

Business developments

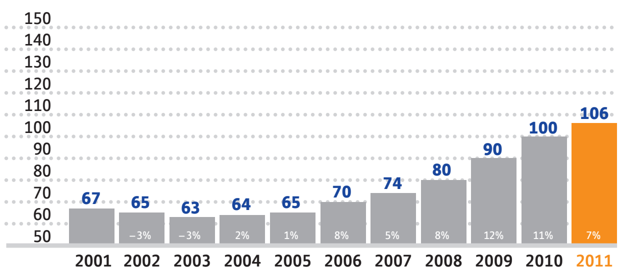
Market position

As a leading player in the to-consumer (2C) market, PostNL is in a strong position to benefit from the growth in e-commerce that is driving the growth of the business-to-consumer (B2C) and consumer-to-consumer (C2C) parcels market. PostNL facilitates around 85% of all Dutch web shops, helping them grow their businesses with tailored delivery services to their customers. With dedicated IT-driven initiatives in the 2C market, PostNL increased its lead in the fast-growing Dutch B2C and C2C parcels markets.

Growth was realised through the e-commerce development, and also by new customer contracts. PostNL's share of the B2B market remained steady at around 16% in 2011.

Volume development

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



Innovative IT solutions

In 2011, PostNL developed an internet portal for online shoppers, which was launched in November 2011. It gives shoppers greater control and choice for orders that will be delivered by PostNL by giving them an overview of all their online purchases, including the place and time it needs to be delivered. This way, PostNL is responding to the desire of online shoppers and webshop owners for greater choice and influence regarding the delivery of online purchases, including time slot delivery, delivery at work or at a nearby post office.

One of the barriers for consumers to further grow their online shopping is the security of payment. PostNL has developed Check Pay, a secure payment solution, which enables the consumer to pay on receipt, while giving the web shop the guarantee of payment. Through this service, PostNL aims to further stimulate web shopping, which will lead to a further growth of 2C parcel volumes.

Belgium

In 2011, PostNL focused on strengthening its position in Belgium. The network performed well both in terms of quality of performance and financial results. Delivered volumes have grown, particularly due to growing import volumes, whereas revenues grew due to growth in export volume. The capability to deliver on Saturdays has proven to be a differentiator in the Belgium market.

PostNL is currently investing the rollout of hand terminals across its network to enable near real-time tracking of parcels. This will open up a range of opportunities for product extensions and developments to cater for and accommodate the ever-evolving needs of e-commerce businesses.

Customers and products

Customer segmentation

In its market approach, PostNL recognises two market segments with different customer characteristics: to-consumer and to-business.

2C market

In the 2C market, PostNL is market leader. Developments in this segment are mainly driven by e-commerce developments, where the receiving customers increasingly determine the delivery requirements. Innovative IT solutions that enable consumers to be in the driver seat of their shipments, like mijnpakket.nl, cover these requirements.

To tap into the growth segments in the parcels market, PostNL looks beyond parcels to specialist segments and trends, as well as integrated chain solutions including fulfillment. The changing face of the parcels market leads to more purchases by customers of 'white' goods, such as washing machines and fridges, over the internet. Web shopping is no longer determined by the item's size or weight. That is why PostNL established Extra@home in 2010. It delivers large electrical appliances to households across the country and collects and disposes of packaging and the discarded electrical appliances. Furthermore, PostNL has dedicated solutions for goods that require special treatment and are increasingly ordered online, such as wine and valuable goods.

2B market

In the other segment, the 2B market, innovation, creativity and tailoring the PostNL offering to customer demands are key. ParcelPlus, for example, is developed to serve customers with special wishes concerning delivery. This can entail relabeling products, adjusting barcodes or building a shop display.

The main focus in the 2B segment is shop logistics. An important aspect within shop logistics is the tendency of customers wanting to outsource their 'in-house' distribution activities to an operator such as PostNL. In 2011, PostNL insourced the distribution of all travel guides to travel agencies in the Netherlands. Prior to that, PostNL began delivering magazines to local book shops and kiosks in 2009. The distribution network of PostNL is well equipped for in- and outbound shop logistics, and for the major changes underway in retail sales that will affect the required solutions for in-shop and direct consumer distribution. For secured delivery PostNL has specific solutions through Mikropakket.

Small and home offices (SOHO) hold a special position in the business sender market. PostNL is dedicated to providing seamless accessibility of its network for these customers, for example by equipping its 2,600 retail locations with a modern pay desk system and rolling out online shipping modules.

International partnerships

PostNL operates a robust and efficient international network to support and stimulate cross-border parcel deliveries and (reverse) logistics for its customers. The international parcels business of PostNL integrates the resources, capabilities and technology of its own organisation and its partners to design, build and run comprehensive solutions across the supply chain. Such solutions are supported by a central IT platform providing transparency and visibility, while allowing performance measurement across the total supply chain.

Customers benefit from a flexible service proposition that offers the best solution, both on a country-by-country and flow-by-flow basis. This allows them to fully focus on growing their core business.

Teaming up with these international partners also enabled PostNL to develop a gateway to European solutions for intercontinental customers, including postal operators. Combined with efficient customs clearance for the whole of Europe, PostNL offers a cost-efficient delivery solution for freight and parcels into Europe.

Operational developments

State-of-the-art logistics: new logistical infrastructure

To absorb future growth, PostNL is redesigning its logistical 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 in a rapidly developing market.

The new infrastructure combines 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 the risk of missorts. The overall concept offers Parcels the opportunity to grow while at the same time reducing costs and remaining flexible to market developments.

The transition from the old to the new structure will be a gradual process, lasting until 2015. In 2011, the implementation of the new logistical infrastructure progressed well. The first hybrid depot in Waddinxveen started operations on 4 July 2011. The hub in Elst began production in November. Construction of the hubs in Den Bosch and Hengelo took off, and for several other locations the building ground has been acquired. In the end, the 18 new hubs will replace three large sorting centres and 45 large distribution centres.

In order to ensure a smooth transition, progress is being carefully measured. 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 2011, €45 million has been spent (2010: 21). With this investment, PostNL will be well equipped to deal with a growth in the parcels market of up to 40%.

Services and solutions

Fulfilment services

For customers, parcel delivery is the last step in their solution chain. In order to better service customers throughout their entire value chain, PostNL has taken a position in the fulfilment of parcels through TopPak. As a result, PostNL was able to target a number of customers offering them an integrated distribution solution from 'pick&pack', including handling returns and warehousing. In 2011, TopPak successfully handled the swapping of digital television decoders for a large customer in the Netherlands, including distribution, returns, packaging and relabelling. As the fulfilment market in the Netherlands is highly fragmented, PostNL is specifically targeting customers that require an integrated solution.

Transport solutions

As part of the operational structure, PostNL operates a substantial transport operation. The transport of all mail and parcel volumes between the sorting centres, distribution depots, retail outlets and collection points of PostNL is being handled internally.

Key financial results

Operating income Parcels

Year ended at 31 December	2011	variance %	2010
Total operating revenues	608	7.8	564
Other income	0		0
Total operating expenses	(520)	(7.4)	(484)
Operating income	**88**	10.0	**80**
Underlying cash operating income	**92**	13.6	**81**
as % of operating revenues	15.1		14.4

(in € millions, except percentages)

Operating expenses Parcels

Year ended at 31 December	2011	variance %	2010
Cost of materials	16	6.7	15
Work contracted out and other external expenses	345	13.1	305
Salaries, pensions and social security contributions	131	1.6	129
Depreciation, amortisation and impairments	9		9
Other operating expenses	19	(26.9)	26
Total operating expenses	**520**	7.4	**484**

(in € millions, except percentages)

Operating statistics Parcels

Year ended at 31 December	2011	variance %	2010
Domestic	101	6.3	95
International	5		5
Total	**106**	6.0	**100**

(in millions of parcels, except percentages)

Parcels continued its revenue and volume growth in 2011. Revenues increased by 7.8% compared to 2010, of which Parcels Netherlands contributed 5.8% and other revenues contributed 2.0%. Organic growth in operating revenues was €43 million (7.6%). Acquisitions and disposals in 2011 had a net positive effect of €1 million (0.2%) on operating revenues. The organic growth was mainly realised within the Netherlands, Belgium and through Extra@Home.

Volume growth within the Netherlands clearly benefited from the e-commerce trend as well as growth in B2B volumes, resulting in 6.0% overall growth in volumes. Volume growth was especially visible during the summer period and the fourth quarter of 2011. 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. The price pressure impacted revenues for -2.5%.

Parcels' operating expenses increased by €36 million in 2011 compared to 2010 following the growth in volumes. Work contracted out is the main contributor (€40 million), largely due to increased volumes and increased use of subcontractors. In 2011, the percentage of parcel volumes delivered by subcontractors increased from 85% to 86%. Salaries and social security contributions show an increase of €2 million. Higher pension costs included in this increase were partly compensated by tight control on personnel costs. Other operating expenses decreased by €7 million, mainly as a result of tight control on damages and costs.

Underlying cash operating income increased by €11 million to €92 million (13.6%), mainly due to volume growth, further optimisation in the domestic parcel delivery network, increased efficiency due to the opening of two new depots (Waddinxveen and Elst) and tight control of overhead costs.

7 International

PostNL is active in three main European mail markets outside the Netherlands, and in cross-border mail.

International overview

Opportunities in the European mail market

In 2011, the postal market in 16 of the 27 EU countries was fully opened to competition under the EU Postal Directive. Although this directive is aimed at enabling free competition, regulatory hurdles for new entrants remain in most European countries. See chapter 17 for more details.

Despite regulatory barriers and declining mail volumes, PostNL continues to see attractive business opportunities outside the Netherlands. In 2011, PostNL decided to concentrate 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 130 million households, versus over seven million in the Netherlands. Furthermore, these countries have a degree of liberalisation in which PostNL sees opportunities to grow, even within current regulatory restrictions.

In all these countries, though officially liberalised, the original local mail company still enjoys outdated regulatory advantages. In 2011, PostNL had intensive discussions on value-added tax (VAT) exemptions, USO definitions and other privileges the incumbent has historically enjoyed. PostNL is dedicated to pursue a level playing field in each of the countries in which it operates.

Challenge strategy

PostNL believes it is well positioned to capture growth opportunities in the three selected European markets. The international businesses in each of these countries have been built from scratch and have grown exponentially. Building these businesses from scratch has allowed PostNL to design streamlined, efficient operations that can compete effectively.

PostNL is now the number two player in each of these 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 for growth in revenue and profitability, innovating and creating new services in order to quickly seize opportunities.

Combining synergies with local customer approach

Although market opportunities and regulatory room to manoeuvre are different in each country, PostNL is approaching 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 (see below for details) is being used in Germany and the United Kingdom. Conversely, the A/B delivery structure 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 can 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.

European postal markets remain essentially local in character. The successes 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.

Branding

In the Netherlands, TNT Post was rebranded to PostNL in May 2011. However, at the time of the demerger it was agreed with TNT Express 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 2014, the process of rebranding is expected to be completed.

Cross-border mail

PostNL holds 67% in Spring Global Mail, the other 33% is held by Royal Mail. Spring Global Mail is a global mail company offering cross-border mail distribution to businesses customers. Spring operates in 15 countries, and offers international mail services to more than 200 countries. Through Spring Global Mail, PostNL has created a leading position in servicing international customers by enabling them to operate their businesses more efficient and cost-effective.

United Kingdom

Market developments

The postal market in the United Kingdom underwent considerable structural changes in 2011, with a new industry regulator, Ofcom, taking control in October and the privatisation of Royal Mail receiving parliamentary approval in the summer. These developments have reinforced the efforts of TNT Post UK to ensure that there is a level competitive landscape in the United Kingdom to enable competition with Royal Mail.

Business developments

The business in the United Kingdom continued to grow strongly in 2011, powered by operational excellence, customer focus and service and competitive pricing. There were some significant customer wins in the utilities and banking sectors, supporting this business growth. TNT Post is the largest private postal company in the United Kingdom.

Currently, the business is fully downstream access, meaning that TNT Post UK collects and pre-sorts mail before passing it to Royal Mail centres for final processing and local delivery to the end customer. Within the total mail market in the United Kingdom, about 45% of all mail is downstream access. TNT Post UK is market leader with a share of over 50% of the market.

Volume growth slowed down in the second half of the year as revenues were subdued by a significant price increase by Royal Mail, to which customers responded by cutting back on volumes. Also, the economic development in the last quarter of 2011 slowed down volume growth.

Customers and products

Under the brand TNT Post UK, PostNL services its national and regional customers. Furthermore, TNT Post UK has a dedicated service for door-drop marketing, which delivers leaflets, flyers, coupons, brochures, catalogues, directories and samples in a targeted manner.

Growth was stimulated by increasingly targeting small and medium-sized enterprises (SMEs) in 2011, taking the base to over 8,000 customers in the year.

2011 also saw the launch of the new packet and parcel product, offering a full range of standard postal packet products alongside differentiated courier solutions. The new UK and International products generated revenue and market growth within the existing client base, but also enabled TNT Post to make notable wins within the cosmetics, books and fashion goods sectors.

Operational developments

In 2011, TNT Post UK invested in innovative technology such as state-of-the-art sorting stations that help to streamline and automate sorting, and video encoding, which helps sort mail with hard-to-read addresses. TNT Post UK also continued to invest in depots and machinery.

The company now has seven dedicated sorting centres across the United Kingdom, having opened new facilities in Leeds and Rugby in the last year. This has resulted in operational efficiency with reduced transportation of mail across the country.

To support the predicted growth of unsorted packets, a new sorting process, equipment and software have been rolled out across all depots. This will help improve accuracy and capacity within the network. Future growth will be supported by a planned increase in the number of stations, software upgrades and additional floor space.

Services and solutions

TNT Post UK moved into packets in 2011 - an important new product line expected to grow, driven by developments in e-commerce. The market in the United Kingdom is the world's second largest market for e-commerce. With this packets service, TNT Post UK aims to benefit from that growth.

A further product development in 2011 was TNT Post UK's Hybrid Mail solution, which enables companies to save up to 60% on their mailroom costs. Offering both letter and postcard options, the service is proving attractive to customers in the public sector.

Germany

Market developments

Last year was one in which long-running efforts to establish a level playing field in postal competition showed further positive results. Following a decision by the national regulator, the highest court in Germany concluded that Deutsche Post is not allowed to discriminate on price, thus introducing a price floor for Deutsche Post and its subsidiaries.

Business developments

In Germany – the biggest European economy and the second-largest European mail market in terms of volume – PostNL is the number two after incumbent Deutsche Post. PostNL has a 6% market share. With its range of services and integrated networks, it is able to serve all German households, either through its own last-mile operations, with delivery partners or through other networks, such as Mail Alliance. In the market of consolidation services, PostNL is market leader through PostCon.

The foundations were laid in 2011 for break-even in 2013. The business was thoroughly overhauled and all aspects were reviewed, refocused, restructured or resized. With the restructuring programme, focus was strengthened on key businesses, key functions and key strategic regions. As a result, structurally loss-making regions were exited. For the remaining strengthened regions, the transition was made towards an entrepreneurial model: local entrepreneurs were made responsible for local business.

Additional cost savings were achieved in all entities. At the German head office, staff were cut by almost 50%, while overall headcount was reduced by 30%, through exits from activities in non-key regions and ongoing restructuring processes. These activities and initiatives are crucial in driving the path to break-even.

Customers and products

PostNL invested substantially in new products, services, sales and tenders. By the end of 2011, PostNL had won 80% of all tenders for which it competed. For 2012, Germany is set to grow its business and win new customers.

In the key account segment, TNT Post KG takes over supply chain management and manages digital sorting according to the specific delivery structures prior to printing, thus cutting out costly physical sorting. It channels volumes for large customers in the telecom, financial, mail order and other industries. In the course of the implementation of Germany's secure De-Mail services TNT Post will take up major roles in hybrid mail delivery. Cooperations with major players in this field are under negotiation and will come into effect, soon. This is a major step in business development for 2012 and beyond. For regional customers in key regions (such as Ruhr, Rhineland and Frankfurt), local end-to-end delivery services are offered. PostCon, with its 14 nationwide sorting centres, broadened its offering through cross-selling and combined products with the regional last-mile organisations.

Operational development

After the reshaping of the German operations, the business model is founded on four pillars: it is a balanced portfolio bound by mutual interdependence. The pillars of Germany's business model are national operations via TNT Post KG; last-mile operations for SMEs and local authorities via RegioService; consolidation and sorting services via PostCon; and system partnership for inter-regional volumes via Mail Alliance. PostNL is co-founder and major shareholder of Mail Alliance,which is an asset-free venture of 140 local partners, who provide one uniform logistics and clearing system for the exchange of their inter-regional volumes. The business lines interact with each other, offering complementary services and partly sharing resources.

Also in last mile, and alongside the fully-owned operations, PostNL in Germany successfully follows a route of partnership with local, mainly publisher-based, mail companies. Under this approach, 18 mainly minority participations have been established over the last few years to foster PostNL's presence in Germany. PostNL will continue to broaden its base with agreements made to participate in renowned mail companies BWPost (Baden-Wurttemberg) and Citipost Oldenburg (Lower Saxony).

Services and solutions

In 2011, PostNL introduced additional hybrid mail products targeting SME customers – a further step to position the company as a future-oriented service provider and paving the way to participation in digital substitution in this client segment, too. In addition, the carbon-neutral '100pro Klima' product was marketed, proving PostNL's sense of environmental responsibility.

Italy

Market developments

In 2011, mail volumes decreased substantially in Italy, mainly due to the financial crisis. Large mail senders, mainly banks, reduced volumes and are rationalising their processes.

Business developments

TNT Post Italia has the ambition to be the key provider of customers' business communications needs through two main channels: Formula Certa, a certified mail service, and the printing operation, which produces high-end, professional communications for business customers. The high quality level of Formula Certa, 97% on time, is unique in the Italian postal market.

With Formula Certa, 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 chain Buffetti (the main provider of office products in Italy) to open TNT Post Italia shops within Buffetti stores. This allows customers to pick up TNT Post registered mail from a wide number of service points. In 2011, 50 outlets were opened; the intention is to open some 100 more in 2012. The ultimate aim is to have outlets in 300 stores in Italy in order to reach national coverage for 75% of all households within six kilometres.

As well as the cooperation with Buffetti, 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.

The market share of TNT Post Italia in the addressed mail market in Italy was around 8% in 2011. TNT Post Italia managed to grow, despite the financial crisis that hit Italy hard in 2011 and impacted overall mail volumes.

PostNL thoroughly reviewed its business in Italy last year. The unaddressed leaflet distributor business was sold in April 2011, the operations as a sub-contractor of Poste Italiane were definitively closed in May, and in September the Telepost mailroom activities were divested.

Customers and products

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) markets on the one hand, and the public sector on the other. The development of Hybrid Office Mail and the Enterprise Portal were specifically targeted at the SME and SOHO segments. 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. Through the establishment of this portal, the service to customers was improved.

Further, TNT Post Italia is explicitly targeting the SME and SOHO markets. This is beginning to bear fruit: volume in these markets grew with 28% compared to 2010.

Taking Formula Certa as a starting point, TNT Post Italia strengthened its a tax notification service, a specialised tax communications distribution for Italian local governments. This is a step towards creating a position in the public sector. The launch of this service in the last two months of 2011 already resulted in new contracts for Formula Certa and tax notification services.

Operational developments

The reorganisation of the operational structure, processes and IT platform, which started in 2009, was completed in 2011. A solid structure and system is now in place that will sustain the business as growth and diversification continues. Some 65% 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.

Services and solutions

In 2011, TNT Post Italia invested in full-colour printing. With this investment, a growth opportunity was created against direct competitors. With this step into full-colour printing, TNT Post Italia strengthens its market position, and is capable to offer print and delivery solutions.

The investment and provider selection was carried out together with the data and document management entity of Mail in the Netherlands, thus creating synergies for PostNL as a whole.

Key financial results

Operating income International

Year ended at 31 December	2011	variance %	2010
Total operating revenues	1,467	13.4	1,294
Other income	(3)		13
Total operating expenses	(1,473)	(10.3)	(1,336)
Operating income	**(9)**	69.0	**(29)**
Underlying cash operating income	**5**	120.8	**(24)**
as % of operating revenues	0.3		(1.9)

(in € millions, except percentages)

Operating expenses International

Year ended at 31 December	2011	variance %	2010
Cost of materials	32	6.7	30
Work contracted out and other external expenses	1,140	16.8	976
Salaries, pensions and social security contributions	230	(5.3)	243
Depreciation, amortisation and impairments	11	(45.0)	20
Other operating expenses	60	(10.4)	67
Total operating expenses	**1,473**	10.3	**1,336**

(in € millions, except percentages)

Revenues in International grew by €173 million or 13.4% to €1,467 million in 2011 compared to 2010. Adjusting for €144 million from the changed invoicing method in Germany, €64 million disposal effect and €8 million downward exchange rate impact, organic revenue increase was €101 million or 7.8%. The changed invoicing method is a result of a change in the regulatory environment (primarily related to VAT) and changed the billing and accounting of agency fees to gross revenue of customer contracts.

International operating expenses increased by €137 million (10.3%) in 2011 compared to 2010. Work contracted out increased by €164 million, of which €144 million was offsetting extra revenues from the changed invoicing method in Germany. Costs of salaries and social security contributions decreased 5.3% in 2011. Depreciation, amortisation and impairments decreased by €9 million, mainly due to an impairment of intangible assets on Spring Global Mail in 2010.

Underlying cash operating income improved €29 million to a positive result of €5 million. The improvement related to an amount of €3 million for disposal effects, the remainder was due to good performance in the United Kingdom of the addressed business, operational improvements and cost savings in Germany and volume growth of Formula Certa in Italy.

United Kingdom

In the United Kingdom the downstream access business growth slowed down during 2011, mainly as a result of a Royal Mail price increase of approximately 10% to 15%, which took effect in May 2011. Further pressure on revenue came from a shift of customers to the premier product and the fact that the growth in volumes was in managed services whereby PostNL only recognises net revenue and not the Royal Mail portion. Revenue in the United Kingdom grew with 13%. Operating income was positive and increased compared to 2010.

Germany

Adjusting for the effect of the changed invoicing method and disposal effects, overall revenue decrease in Germany was 6%. The main reason for this decrease is the loss of national customers end 2010 only partly compensated by new customers. In 2011, Germany realised a strong yearly recurrent business improvement as a result of restructuring and operational improvements, offset by one-off restructuring costs. With the restructuring, operational improvements and the verdict of the highest court in Germany, TNT Post Germany is well underway on its path to break-even in 2013.

Italy

In Italy, Formula Certa continued to grow, resulting in 17% volume growth. In the last two quarters of 2011 volumes from the financial sector were under pressure due to the financial crisis. Coverage of Formula Certa reached around 65% of households. Operating income was positive and increased due to the volume growth of Formula Certa and the disposal of loss-making business.

Spring

Within Spring Global Mail, revenue decreased by 3% compared to 2010, mainly due to the loss of a global customer, which was only partly offset by growth in the United Kingdom, Asia and Germany. Operating income remained negative in 2011.

8 Mail Other

Mail Other comprises various head office and shared service activities and activities that are classified as held for sale. Mail Other reports central and non-allocated costs, including the difference between the recorded IFRS employer pension expense for defined benefit plans for the PostNL group and the actual cash payments received from other segments and Express for the period January up to and including May 2011.

Mail Other overview

The head office costs include Board of Management and shareholder costs, demerger expenses and rebranding costs. The shared services relate to finance, purchasing, human rescources and IT. These costs are charged to the other segments and reported as internal revenues. The activities classified as held for sale represent unadressed activities in Belgium, Italy and Eastern Europe. In April 2011, the sale of De Belgische Distributiedienst and RSM Italy was completed, resulting in a book gain of €38 million and cash proceeds of €116 million. In August 2011, the disposal of the activities in Czech Republic and Slovakia was completed.

Key financial results

Operating income Mail Other

Year ended at 31 December	2011	variance %	2010
Held for sale	47		124
Non-allocated	238		221
Total operating revenues	**285**	**(17.4)**	**345**
Other income	39		(2)
Total operating expenses	(220)	(115.7)	(102)
Held for sale	40		10
Non-allocated	64		231
Total operating income	**104**	**(56.8)**	**241**
Underlying cash operating income	**(31)**	**(675.0)**	**(4)**
as % of operating revenues	(10.9)		(1.2)

(in € millions)

Operating revenues of €285 million (2010: 345) relate to shared service centre and head office activities that were charged to the underlying segments for an amount of €238 million (2010: 221) and operating revenues of assets held for sale for an amount of €47 million (2010: 124). The latter included €29 million (2010: 103) for De Belgische Distributiedienst, €9 million (2010: 3) for RSM Italy and €9 million (2010: 18) for Eastern Europe.

Other income of €39 million (2010: -2) related to the book gain from the sale of De Belgische Distributiedienst, RSM Italy and Eastern Europe.

Operating expenses increased by €118 million to €220 million in 2011. This increase is mainly caused by lower non-recurring and exceptional items of €84 million and a decreased underlying pension benefit of €35 million.

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

Segmental overview defined benefit plans

	Main pension plans		Transitional and other plans		Total plans	
	Expenses	Cash	Expenses	Cash	Expenses	Cash
Mail in NL	100	100	79	103	179	203
Parcels	14	14	9	6	23	20
International	1	1	3	5	4	6
Mail other	24	24	7	7	31	31
Total segments	**139**	**139**	**98**	**121**	**237**	**260**
IFRS difference	(120)				(120)	
Total	**19**	**139**	**98**	**121**	**117**	**260**

(in € millions)

In 2011, the total IFRS expenses for defined benefit plans as recorded in the segments and Mail Other amounted to €237 million (2010: 147). In Mail Other a benefit is recorded of €120 million (2010: 189), being the difference of the recorded expenses in all segments and the overall IFRS pension expense of €117 million (2010: -42) of the PostNL group. The net pension benefit of Mail Other of €89 million was €75 million lower than last year (2010: 164). Excluding the pension contribution of TNT Express and the pension curtailment gain, the underlying net pension benefit was €35 million lower than last year.

Total operating income for Mail Other amounted to €104 million (2010: 241), which related to shared service centre and head office activities for an amount of €64 million (2010: 231) and to assets classified as held for sale for an amount of €40 million (2010: 10). The decline in operating income of €137 million is mainly explained by lower non-recurring and exceptional items and the decreased underlying pension benefit.

In 2011, non-recurring and exceptional items amounted to €12 million and consisted of the book gain on the sale of De Belgische Distributiedienst and Italy's unaddressed activities (€38 million) and the pension contribution of TNT Express (€5 million), partly offset by one-off demerger and rebranding costs (€31 million). In 2010, non-recurring and exceptional items amounted to €96 million and consisted of the profit pooling arrangement with Express (€41 million), the pension contribution of TNT Express (€25 million), a pension curtailment gain (€20 million) and a release of a provision for claims (€10 million).

Underlying cash operating income for Mail Other amounts to -€31 million (2010: -4). The decrease of €27 million mainly resulted from lower operating income from assets classified as held for sale, higher cash out for pension contributions, higher cash out from provisions and higher costs for corporate functions and advisory fees.

9 Employees

With over 65,000 employees PostNL is the largest private employer in the Netherlands. Around 80% of PostNL's costs are labour related. PostNL people are the heart of the company. It is thanks to the dedication of its employees that PostNL is able to be a high quality service provider with the goal of keeping customer satisfaction at a high level and improving where possible. Detailed figures on employees can be found in chapter 19 and 20.

A people company

Due to the growing digitisation and liberalisation of the postal markets strategic plans were developed and implemented to prepare the PostNL organisation for the future. These plans affect all parts of the organisation and as such all employees. In general the plans aim to meet the changing market demand, reduce costs and improve flexibility, which leads to operational restructuring programmes. However, the restructuring has consequences that are demanding for the employees. PostNL strives to be accountable to its employees by offering programmes to support its surplus of employees in finding a new future outside PostNL.

For the employees at PostNL, the new organisation may be demanding, and jobs and responsibilities may change. Dedicated training and development programmes are in place to equip people during this change. Employee motivation is monitored, followed by action plans in order to keep the workforce motivated to continue delivering the high quality services that customers expect. To retain PostNL's position as an attractive employer for talented employees, it has management development programmes and promotion opportunities in place.

PostNL recognises the importance of its employees. All employees are valued, regardless of ethnicity, gender or sexual orientation. Human resources management is embedded in all strategic business decisions, including having the director Group Human Resources as one of the four members of the Board of Management and having an HR director in each of the three segments.

Responsible redesign

In many parts of the organisation, operational redesigns and reorganisations were implemented that have an impact on people. Parts of the head office, smaller entities and the entire German organisation were reviewed. The most significant change, that was prepared for in the years 2010 and 2011, is the full redesign of the operational structure of Mail in the Netherlands as described in chapter 5. This affects the entire organisation, and means that the jobs of 11,000 operational staff will disappear. As these emotional changes affect some of the most loyal and long-serving employees, PostNL is doing its utmost to help them ‘from work to work’.

Work to work accompaniment

Since the middle of 2006, PostNL has been trying to help the affected employees find new jobs through its Mobility (assisted voluntary re-employment) programme, which has guided over 5,800 employees from work to work over the years. Through six mobility centres, employees are supported in their search to find a new job outside PostNL. This support includes workshops, training and outplacement. Specialised job coaches are available to support candidates in finding a suitable new employer and preparing for job interviews. The Mobility organisation has contacts with branches where operational staff of PostNL are likely to find a new position, and organises events where candidates can meet employers, under the name 'Baan zoekt Medewerker' (Job Seeks Worker).

In addition to the Mobility activities and agreements with the unions on job creation, PostNL and Randstad Tempo Team initiated the Job Company (‘Banenbedrijf’) to offer employees a practical way to find a new job. PostNL employees made redundant due to the restructuring of the company’s operations will be offered an income guarantee and the prospect of a permanent job elsewhere.

PostNL sees these initiatives as an essential part of fulfiling its responsibility towards its employees by supporting them in coping with the consequences of the reorganisations.

New part-time workforce

With the move from a model of a mainly full-time operational workforce to one of mainly part-time staff, a new type of employee enters PostNL. Mail deliverers pick up their mailbags from a dense network of depots, often within walking or cycling distance from their homes, and deliver mail in their local neighbourhood. They can combine this work with other employment, study, leisure or family activities.

This new structure creates jobs for people who might otherwise struggle to find work, such as mothers re-entering the workforce, creative professionals who need fixed income and pensioners who wish to remain physically active. By 2013, PostNL expects to employ more than 30,000 staff who combine their work as a mail deliverer with other activities, next to 10,000 staff working in the new preparation locations. In 2011, over 17,000 mail deliverers were employed. A dedicated organisation was set up to recruit and connect these new PostNL employees through a marketing campaign, social networks and other modern communications media.

Training for new positions

While the redesign in the Netherlands makes staff redundant, it also significantly changes other positions at PostNL. Those employees whose jobs are changed by the restructuring are trained and coached to ensure they are well prepared for their new roles.

In 2011, much effort was invested in the development of the functional training programmes as part of the operational redesign. Craftsmanship is the key word and the active participation of line management is one of the success factors. Together with internal stakeholders, a differentiated and modular training programme was designed for management and staff in the various parts of the new organisation.

Reduction of the Dutch head office
As mail volumes decline and PostNL faces a difficult financial situation, the support staff will be subject to cost savings and efficiency programmes. As a result, a new programme was initiated to further reduce head office costs in 2011.

Restructuring in Germany
In execution of measures on the path to break-even in 2013 in Germany, Regioservices exited loss making regions that had no stand-alone turnaround perspective. The reorganisations accompanying this led to a staff reduction of over 1,500 employees within a very short timeframe.

Wherever possible, jobs were secured by selling businesses as going concerns to other parties. If no other options existed, responsible closing of regions was carried out with a social plan and mobility training offering support to staff.

Engagement

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

2011 was again a year of great turbulence within PostNL. The demerger of the Express activities, rebranding TNT Post into PostNL and the operational restructuring of Mail in the Netherlands, Parcels, Germany, Italy and at head office were important issues management and employees had to deal with. In the midst of these challenges, the annual VOICE engagement survey was conducted. All employees of PostNL, with the exception of Germany, were invited in September to participate in the survey. Germany was excluded because of the fundamental restructuring of the organisation during the period VOICE was held (see chapter 7).

The overall response rate of VOICE was 36%.There was a small increase of overall employee engagement from 55% in 2010 to 56% in 2011. On average the scores on all themes that were measured remained stable. PostNL sees this as a positive outcome given the current business and social challenges, but also acknowledges it is a result with room for improvement.

The results show that the company's key strengths are still present. Employees understand the strategy of the company and believe that the targets and goals help them to provide excellent service to their customers. The relationship with direct managers is perceived as being strong and working together as a team is valued.

To improve the less favourable results of the survey, PostNL will continue to focus on:

- good and effective cooperation between teams and departments,
- improving visibility and accessibility of the training and development activities within the organisation,
- improving the follow-up on the results of VOICE.

Each year, teams make their own action plan to improve on the results of the VOICE survey. In 2011, the results of the 2010 action plans were implemented and monitored and updated using the outcome of the new survey where appropriate. Teams discuss their progress on a regular basis.

Recognition
PostNL aims to reward its employees for performance according to market practice and acknowledges that recognition and reward is not solely a financial issue. For this purpose, the internal Master Awards are organised annually. The Master Awards seek to:

- pinpoint the long-term impact of business decisions,
- identify, celebrate and share best practices throughout the organisation, and
- encourage continuous improvement and innovation in the pursuit of business excellence.

In 2011, the results of the 2010 Master competition were announced. The Master Award for sustainability was won by the Real Estate department, for the design and implementation of the first CO_2 neutral operation principle.

Given organisational changes during 2011 it has been decided to postpone the competition untill 2012.

Works Council
In 2011, PostNL continued its constructive and intensive discussions with the Works Council, as one of its important stakeholders. The works council is closely involved in the changes that the organisation, and its employees in particular, are going through. In 2011, the chairmen of the works councils of all entities were consulted on these changes, including the consequence for the works council itself. This has led to a strong foundation for a new set of works council regulations, that will enable them to continue to fulfill their role with the same high quality as before.

Investors in People certification
Investors in People (IiP) sets the minimum criteria for continuous management and employee development. Meeting this standard ensures that employees receive the necessary attention and opportunities for development, which enables them to be successful and thus create value for PostNL. Each year, progress evaluations are held with employees, with a focus on their performance, behaviour and personal development. The IiP certification as a percentage of the total people working in certified sites in 2011 increased to 96% from 95% in 2010.

Training and development

PostNL recognises that having skilled and motivated staff is key to achieving results and success. Building on this, employees are given the possibility to develop themselves. In 2011, an expert team Training & Development was made responsible for the development of an integrated Training & Development Policy as well as orchestrating the development and implementation of all training and development activities, including evaluation and reporting.

Development opportunities for staff in the Netherlands are available via the intranet and are managed in a Learning Management System. In developing and executing the courses, their contribution to PostNL's strategy is the starting point. PostNL offers a variety of programmes focusing on functional and organisational excellence, personal development and career development.

Professional development of staff
PostNL has a framework of career development programmes in place that are compulsory for qualified staff. Resource committees are in place, responsible for selecting course participants. The in-company programmes are geared to develop leadership, competencies and business know-how in four phases.

For graduates, the Young Executive Programme (YEP) exists. Young potentials are trained to use their acquired knowledge and skills to perform well in their role. In the second phase, aimed at potentials with at least three years of work experience, the course objectives are aimed at completing a job with the help, knowledge and skills of other people. Phase three includes the Mastering Your Leadership Programme (MYLP) and is all about leadership development. Phase four is aimed at higher-level management, and includes tailor-made programmes.

As the world changes continuously, so does the development of professionals. For PostNL it is important to recruit and retain professionals that excel in their jobs. It is also important to have a development curriculum in place in order to recruit talented professionals.

In 2011, development programmes for HR and Marketing & Sales professionals were designed in cooperation with management and representatives of the target groups, and a new programme for Finance and Management professionals was introduced. The transfer of knowledge is managed by internal professionals where possible, supported by training agencies.

In addition to the programmes described above, PostNL offers its employees a series of skill- and competency-related training opportunities, through courses, e-learning or coaching. Personal coaching is an effective means of personal development. That is why PostNL developed an internal coaching platform, consisting of qualified staff specifically trained to be an internal coach. The coaching is result-driven and always work related.

Internal promotion
PostNL believes that stimulating the development of employees leads to more engaged and better motivated people, while also simultaneously developing future managers. In 2011, managers received a performance management training to help them improve the performance of their teams.

Annually, talent reviews are held to identify potential managers and talented professionals. Directors and managers evaluate the development of their staff regularly, discussing career steps on an individual basis. With this procedure, PostNL aims to improve development of its people, and stimulate internal growth and promotions. Expertise is only obtained externally when no qualified candidates are available within PostNL.

Diversity and inclusion

Diversity policy
Everyone who qualifies for a job should feel welcome at PostNL, regardless of their gender, ethnicity or sexual orientation. Moreover, PostNL believes that diversity in its workforce and its management is good for the organisation, as it stimulates creativity and leads to better decision making. Diversity and inclusion are key to PostNL.

Multicultural organisation
Employees are a mirror of the environment PostNL operates in, particularly in operations but also increasingly in head office. The workforce of PostNL, and primarily its operational workforce, is multicultural. That's why PostNL places strong emphasis on diversity and inclusion in the workplace. Operational managers are trained in working with staff from other cultural backgrounds through a multicultural masterclass, and PostNL is actively looking for talented managers from all cultural backgrounds. To this end, PostNL cooperates with specialised partners such as Young Global People and the Moroccan-Dutch Leadership Institute.

Ramadan is a good opportunity to show the relevance of multiculturalism to the organisation. PostNL pays attention to this in its internal media. PostNL Unity, the company's multicultural employee network, actively seeks cooperation with management and HR to address cultural issues and stimulate awareness.

Female talent
Each year, the YEP programme attracts an even share of female and male potentials. Still, in higher management positions, men are more represented. PostNL welcomes talented women to higher positions, and actively seeks the promotion and sponsoring of female talent. The employee network PostNL WIN deploys, with management and HR, activities aimed at stimulating the development of talented women, creating awareness of hurdles in the organisation and helping both management and employees to overcome these hurdles.

Each year, 20 talented women are mentored by a director (male or female) to help them reach their career goals. Further, the network organises workshops and intervision sessions around specific issues, such as self promotion and work-life balance.

Respect on the workfloor
Even today, and even in the relatively liberalised countries in Western Europe that PostLNL is active in, it is not always natural for lesbians and homosexuals to be be open about their personal lives. Fearing negative reactions from their colleagues, one third still do not speak out. PostNL believes that people perform best if they can be who they really are on the workfloor, and don't have to hide their private life, and actively promotes respect in the workplace. PostNL has signed the 'Declaration of Pride', and visibly sponsors activities through the PostNL Pride employee network.

Health and Safety

Health and Safety
With the majority of employees working outside company facilities while delivering post and parcels, health and safety is an important topic for PostNL. PostNL employees drive over 30 million kilometres per year by vehicle and walk and cycle many million kilometres.

Traffic accidents are therefore inevitable. PostNL has policies and procedures in place to avoid accidents, including drive safe programs. Despite these efforts, PostNL unfortunately had to experience three fatal accidents in 2011. PostNL regrets this, and does everything in its power to avoid this in the future.

OHSAS 18001 forms the base of PostNL's health and safety policy. It sets the minimum health and safety standards for PostNL's operations and creates a platform for ongoing work-related health and safety performance improvements at entity level. This allows local focus and ownership for monitoring and implementing these improvements. In 2011, the percentage of total FTEs working in OHSAS 18001-certified sites increased to 95% from 94% in 2010.

Absenteeism

Absenteeism stabilised in 2011, with short-term absence decreasing but long-term absenteeism remaining relatively high. This is partly reflected by an elevated average age for Mail in the Netherlands, which is the majority of PostNL. The main focus is on combating short-term absenteeism, given the difficulty to influence long-term absenteeism.

PostNL stimulates absent employees towards a safe and timely return to work. A 'return to work' interview is held as an open discussion about the employee's absence. Its purpose is to establish whether management is able to support the employee and improve the situation. In many cases the employee's return to work is also closely monitored by a certified medical practitioner.

Several healthy lifestyle initiatives were organised for employees during 2011. These initiatives include health checks, a 'week of healthy living' and the provision of healthy food in the company restaurants.

Absenteeism as a percentage of total working days remained stable in 2011 at 5.4%.

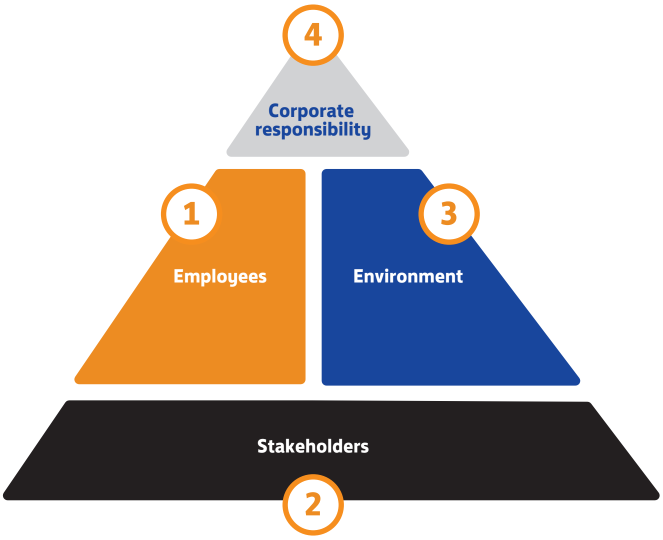
10 Corporate responsibility, strategy and performance summary

PostNL has been delivering mail for the past 200 years, and during that time 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 as 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 based on the most material aspects for PostNL as discussed during former multi-stakeholder dialogues:

1 employees,
2 stakeholders, such as customers, shareholders, subcontractors and suppliers,
3 environment, and
4 social responsibility.

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.

Benchmarks in CR against others in the industry are used to help PostNL focus on activities in order to maintain its leading position:

- PostNL was awarded Supersector Leader for Industrial Goods and Services in the 2011 Dow Jones Sustainability Indexes (DJSI). PostNL is included in the DJSI Europe and DJSI World rankings, comprising 342 companies that represent the top 10% of leading sustainability companies,
- PostNL gained a number two ranking in the International Postal Corporation benchmark on CO_2 efficiency,
- PostNL obtained a number five ranking in the Transparency benchmark organised by the Dutch Ministry of Economic Affairs, Agriculture and Innovation.

Corporate responsibility performance in 2011

PostNL continued the integration of CR into the existing business systems, including the financial planning and control cycle, during 2011. PostNL continued the 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. For more detailed information about PostNL's CR performance in 2011, please see chapter 19 of this report.

Employees

As described in chapter 9, employees form an important stakeholder group for PostNL. Employee engagement is important for PostNL as engaged employees enable PostNL to maintain and improve customer satisfaction.

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

Various initiatives are implemented with the aim to prevent fatalities. These initiatives include assessments of the safety risks of all new/changed processes and focusing more intensely on safe driving behaviour, as well as ongoing efforts to maintain an acceptable level of work pressure so as to minimise safety risks in the workplace and in traffic.

Regarding absenteeism, the focus is on short-term absenteeism on which management attention has the biggest influence. Long-term absenteeism is mainly impacted by the elevated average age of staff, primarily in Mail in the Netherlands. Absenteeism stabilised in 2011 at 5.4%, with short-term absence decreasing but long-term absenteeism remaining relatively high.

Stakeholders

For customers, social and environmental responsibility come together in product innovations such as Groene Post (Green Post), which enables customers to offset the CO_2 impact of their mail. The Stichting Milieukeurmerk Post, a chain-wide foundation that sets sustainability criteria in areas such as paper use and processing, is supported by PostNL. PostNL launched two new initiatives in 2011. The introduction of Folders.nl, a digital version of the 12 billion unadressed retail-related brochures delivered to Dutch households every year and entered a partnership with the paper and package industry relating to the use of environmentally friendly paper.

Suppliers and subcontractors are vital links in the business chain. By acknowledging responsibility in the supply chain, PostNL clearly connects PostNL's CR strategy to the business strategy. The outsourced volumes to subcontractors are increasing. A subcontractor strategy was developed and implemented in 2011. As part of this, special programmes to encourage subcontractors to drive safely, efficiently and in an environmentally-friendly manner have been established.

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

Environment

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

The provision of accurate and timely CO_2 data is a key requirement for effectively managing CO_2 performance. A monitoring and reporting system is in place that provides operating units access to accurate information on CR performance, including CO_2 metrics.

The CO_2 target is set on the CO_2 efficiency index. The index combines the operational 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 improve its CO_2 efficiency index by 55% by 2020, compared with the 2007 baseline. In 2011, PostNL reviewed the CO_2 target for its business to align with this long-term target. In order to monitor CR performance, quantitative targets have been set, which are included in management contracts.

In 2011, a structured CO_2 management process was deployed to translate the 2020 CO_2 efficiency target into tangible action plans at the operational level. Detailed action plans concerning CO_2 impact and budgetary requirements are linked to standard processes to ensure implementation at the core of the business. This process provides the basis for planning, tracking and rewarding the implementation of CO_2 efficiency improvement actions.

Besides technological solutions to improve operational performance, the focus is on managing CO_2 emissions by encouraging behavioural change. Engaging employees is key to the implementation of 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 2011, PostNL's CO_2 efficiency index was 64.5, compared to 70.4 in 2010. This is in line with the aim to reach a CO_2 index of 45 in 2020. The main cause of the 2011 decline was the decrease in CO_2 emissions of buildings. The three components of the CO_2 index (buildings, small trucks and large trucks) are weighted based on their absolute CO_2 emission in 2007. The decline in buildings emissions overcompensates the relatively small increase in small and large truck emissions, which leads to a decline in the CO_2 index for 2011.

Because of actual and future changes in the relative composition of its structure, with growth in Parcels and International and a decline in Mail in NL, PostNL will reconsider the comparison of the CO_2 index in 2012.

PostNL actively participates in the International Post Corporation (IPC), which aims to cut the global postal sector's carbon emissions by 20%. PostNL is number two on the IPC CO_2 benchmark.

Green innovations

In order to cut CO_2 emissions further, innovative experiments have been started, 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 and the possibilities of driving on green electricity are being piloted. With the establishment of the Auto unit, smaller vehicles have been introduced, which helps to improve CO_2 efficiency.

Flexible working has been introduced for administrative staff, for example in PostNL's head office in The Hague. This stimulates more effective use of the office space by introducing open areas. As an added social benefit, it also improves cooperation among colleagues and contacts between managers and staff. Flexible working also helps to reduce traffic jams and pollution by encouraging working from home.

Social responsibility

For PostNL, CR goes beyond dealing responsibly with employees, stakeholders and the environment. PostNL is also looking for other ways to bring CR to life. This is done through its 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 provided by PostNL, while PostNL benefits from increased employee engagement and employee and management development.

Outlook 2012

For 2012, PostNL will concentrate on the following programmes:

- Mobility activities will be continued to help employees who have lost their jobs due to reorganisation programmes to find a job outside PostNL.
- PostNL places strong emphasis on diversity in its workforce and management. PostNL will therefore continue to focus on quality, talent and composition of its workforce and management.
- As a logistics service provider, CO_2 reduction remains important for PostNL. As well as efficiency measures, we continue to track new technology, which we will implement as soon as there is a business case.

11 Risks

The development of PostNL's business strategy and the supporting financial and corporate responsibility strategies are not without risk. The Board of Management is convinced, however, that risks are manageable 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 (ERM) – Integrated Framework of the Committee of Sponsoring Organizations 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, regulatory and financial objectives.

PostNL's management reviewed the risk profile regularly throughout 2011 and will continue to do so during 2012. For those risks deemed to be material, comprehensive risk response plans are developed and reviewed by the Board of Management.

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, 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 key risks to the PostNL businesses. However, it cannot be considered as a limitative 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 limitative list of risk responses within PostNL. Understanding strategic, operational, compliance and financial reporting 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 in PostNL's business and business environment from occurring or that its 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 its risk profile and/or risk responses with due care and will continuously analyse possible alternatives that may be included in its risk management and control framework. Notwithstanding the above, any of the following risks 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	
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.
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 in a timely and effective way to market developments and changes in customer demand.	PostNL is in a continuous dialogue with governmental decision makers and regulators to enhance its position as designated provider.
Substitution The increasing substitution of alternatives for PostNL's delivery services could reduce revenues and profitability.	Commercial initiatives are continuously and consistently taken to slow down or adapt to substitution. Furthermore, operational processes are developed to more flexibly adapt to future volume decreases.
Competition Competition may put downward pressure on prices, which could have an adverse effect on PostNL's revenues and profitability.	Commercial initiatives such as differentiation in service levels, products and adequate pricing are in place.
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 adequate programme management organisation and are monitored continuously. Mechanisms to adjust to changing circumstances are in place.
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 is continuously monitoring 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 its 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 payments of monetary penalties or other sanctions imposed by the 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 it operates. These include but are not limited to tariff regulation, competition and postal law requirements. These regulatory requirements may increase given the expanding scope of work 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 implemented appropriate policies, processes and procedures, which limit the exposure with respect to complex legal and regulatory requirements.
Financial risks	
Retained stake in TNT Express Following the demerger, PostNL holds a retained stake in TNT Express N.V. In 2011, PostNL had to write down its retained stake by €636 million. Due to the current volatile capital markets and business performance of TNT Express, additional impairments on the retained stake may occur. As a consequence, PostNL's equity and funding position could be negatively impacted and this could hinder the payout of (cash) dividend.	Ongoing monitoring of TNT Express' share price and business performance in order to optimise the value of the retained stake in TNT Express. The distribution of cash dividend has been postponed. Payout of cash dividend is linked to the level of consolidated equity and certainty of the BBB+/Baa1 credit rating.

Risk	Risk response
Financial risks (continued)	
IAS 19R implementation A combination of implementation of the revised IAS 19R on 1 January 2013 and volatile capital markets may result in a significant write-down of the current pension asset, impacting PostNL's equity. As a consequence, PostNL's equity position could be negatively impacted and this could hinder the payout of (cash) dividend.	The distribution of cash dividend has been postponed. Payout of cash dividend is linked to the level of consolidated equity and certainty of the BBB+/Baa1 credit rating.
Additional funding to pension funds due to drop in coverage levels The coverage ratios of the defined benefit 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 of its pension funds.	PostNL intensively reviews the development of the funding requirements and coverage ratios of the pension funds. The pension funds and the unions have been invited to come to a mutual agreement on how the funding exposure of PostNL could be limited.
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 result.	PostNL maintains insurance policies on and in relation to its business and assets with reputable underwriters 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 carrying on a business such as that operated by PostNL.
Sale of real estate Following the restructuring of PostNL's logistics infrastructure in the Netherlands, PostNL is engaged in an extensive programme to sell off parts of its real estate portfolio. The value of PostNL's real estate might decrease due to market developments, which might lead to lower profit from sale and impairments. This might negatively affect PostNL's financial position.	PostNL has developed a sales plan and is continuously monitoring the real estate market and adapting its plan and valuation accordingly.
Currency and interest rate fluctuations PostNL is exposed to currency and interest rate fluctuations that could have an adverse effect on its financial condition and results.	Both currency and interest rate risks are hedged in accordance with the relevant Group policies (see also note 29 to the 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 if impairment triggers occur.
Downgrade in credit rating A downgrade in the credit rating of PostNL may increase financing costs and harm PostNL's ability to finance operations and acquisitions, which could negatively affect revenues and profitability in the medium and long term.	Credit ratings are closely monitored and actively managed based on (expected) performance and other relevant factors.
Impact of economic downturn Apart from the effect on the TNT Express N.V. retained stake and pension results, the potential impact of an economic recession in Europe, including unforeseeable developments concerning the stability of the euro, may negatively affect PostNL's business results. This might also trigger impairment on PostNL investments in the corporate financial statements.	PostNL has a balanced portfolio, with some parts 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 section 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 is facing in executing its strategy and business processes are described in chapter 11.

PostNL has embedded the Committee of Sponsoring Organizations of the Tradeway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004) 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 function and the company's external auditors 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.

General compliance

PostNL's Group policies and procedures reflect and define "the tone at the top" and PostNL's way of doing business. Group policies have been reviewed and, where necessary, adapted to the current organisation.

Strategies have been established for PostNL and translated into clear objectives with regard to business, markets, financial results, human resources and sustainability. The objectives are reviewed in the annual strategic review and the budget process at company level and at the level of PostNL's operational units. 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 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.

Risk management

PostNL has a comprehensive risk management framework in place. This framework targets the detection of and the response to the main risks that PostNL encounters in the realisation of its objectives. For an overview of these main risks, please refer to chapter 11.

Internal control over financial reporting (ICFR)

Throughout 2011, 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. In 2011, the ICFR framework was tailored to the new PostNL head office organisation. PostNL also further refined its system of company-wide controls, which are applicable to all entities.

In 2011, the Board of Management continued to engage PostNL's external auditor, together with the Internal Audit department, to perform specific agreed-upon procedures regarding the internal control over financial reporting in material entities within the scope of PostNL's ICFR programme.

Integrity

PostNL is committed to sound business conduct. It therefore manages its business according to its Business Principles and applicable laws and regulations. In this endeavour, 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 with regard to guidelines for disciplinary actions. The Integrity Committee advises and makes 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.

Director's responsibility statement under Dutch Corporate Governance Code

The Dutch Corporate Governance Code under best practice provision II.1.4 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 operational effectiveness of these systems for the year ended 31 December 2011. 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 auditors.

The Board of Management believes to the best of its knowledge based on the outcome of the PostNL-specific approach to risk management, internal control, integrity and compliance as outlined above, that PostNL's internal control over financial reporting worked effectively over the year ended 31 December 2011 and provides a reasonable assurance that the financial reporting is free from material inaccuracies or misstatement.

The above, however, does not imply that PostNL can provide certainty as to the realisation of business and financial strategic 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, the Board of Management believes it is in compliance with best practice provision II.1.4 and II.1.5 of the Dutch Corporate Governance Code.

Director's responsibility statement under Financial Markets Supervision Act (Wet financieel toezicht)

In conjunction with the EU Transparency Directive as incorporated in chapter 5.1a of the Dutch Financial Markets Supervision Act (Wet financieel toezicht), the Board of Management confirms to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2011 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 2011 and the state of affairs during the financial year to which the report relates, and
- the annual report describes the key risks facing PostNL. These are described in detail in chapter 11.

The Hague, 27 February 2012

Harry Koorstra – Chief Executive Officer
Jan Bos – Chief Financial Officer
Herna Verhagen – Member of the Board of Management
Gérard Aben – Member of the Board of Management

13 Financial statements

PostNL N.V. Consolidated Financial statements

PostNL N.V. Corporate Financial statements

Consolidated statement of financial position

At 31 December	Notes	2011	2010
ASSETS			
Non-current assets			
Intangible assets	1		
Goodwill		121	120
Other intangible assets		55	46
Total		**176**	**166**
Property, plant and equipment	2		
Land and buildings		238	294
Plant and equipment		112	119
Other		32	33
Construction in progress		69	53
Total		**451**	**499**
Financial fixed assets			
Investments in associates	4	940	4
Other loans receivable		2	3
Deferred tax assets	23	20	21
Other financial fixed assets		1	3
Total		**963**	**31**
Pension assets	11	1,217	1,153
Total non-current assets		**2,807**	**1,849**
Current assets			
Inventory	5	9	8
Trade accounts receivable	6	417	412
Accounts receivable	6	41	38
Income tax receivable	23	3	3
Prepayments and accrued income	7	121	108
Cash and cash equivalents	8	668	65
Total current assets		**1,259**	**634**
Assets classified as held for sale	9	52	123
Assets classified for demerger	3		5,531
Total assets		**4,118**	**8,137**
LIABILITIES AND EQUITY			
Equity	10		
Equity attributable to the equity holders of the parent		400	2,424
Non-controlling interests		14	19
Total		**414**	**2,443**
Non-current liabilities			
Deferred tax liabilities	23	341	327
Provisions for pension liabilities	11	219	231
Other provisions	12	201	255
Long term debt	13	1,607	1,582
Total		**2,368**	**2,395**
Current liabilities			
Trade accounts payable		219	154
Other provisions	12	132	134
Other current liabilities	14	291	257
Income tax payable	23	94	135
Accrued current liabilities	15	600	582
Total		**1,336**	**1,262**
Liabilities related to assets classified as held for sale	9	0	26
Liabilities related to assets classified for demerger	3		2,011
Total liabilities and equity		**4,118**	**8,137**

(in € millions)

The accompanying notes form an integral part of the financial statements.

Consolidated income statement

Year ended 31 December	Notes	2011	2010
Net sales	16	4,283	4,274
Other operating revenues	17	14	19
Total revenues		**4,297**	**4,293**
Other income	18	**53**	22
Cost of materials		(195)	(178)
Work contracted out and other external expenses		(1,937)	(1,701)
Salaries, pensions and social security contributions	19	(1,429)	(1,561)
Depreciation, amortisation and impairments	20	(112)	(120)
Other operating expenses	21	(260)	(275)
Total operating expenses		**(3,933)**	**(3,835)**
Operating income		**417**	**480**
Interest and similar income		20	14
Interest and similar expenses		(121)	(120)
Net financial expenses	22	(101)	(106)
Results from investments in associates		(25)	(1)
Impairments of investments in associates	4	(636)	
Profit/(loss) before income taxes		**(345)**	**373**
Income taxes	23	(78)	(91)
Profit/(loss) from continuing operations		**(423)**	**282**
Profit/(loss) from discontinued operations	3	2,159	69
Profit for the period		**1,736**	**351**
Attributable to:			
Non-controlling interests		0	4
Equity holders of the parent		**1,736**	**347**
Earnings per ordinary share (in € cents)[1]		452.8	92.9
Earnings per diluted ordinary share (in € cents) [2]		452.8	92.5
Earnings from continuing operations per ordinary share (in € cents)		(110.3)	74.4
Earnings from continuing operations per diluted ordinary share (in € cents)		(110.3)	74.1
Earnings from discontinued operations per ordinary share (in € cents)		563.1	18.5
Earnings from discontinued operations per diluted ordinary share (in € cents)		563.1	18.4

(in € millions)

[1] Earnings per ordinary share are in 2011 based on an average of 383,374,983 outstanding ordinary shares (2010: 373,536,123).
[2] Earnings per diluted ordinary share are in 2011 based on an average of 383,374,983 outstanding ordinary shares (2010: 375,026,008).

Consolidated statement of comprehensive income

Year ended at 31 December	2011	2010
Profit for the period	**1,736**	**351**
Continued operations		
Gains on cashflow hedges, net of tax	9	7
Impact changes other comprehensive income associates	22	-
	31	7
Discontinued operations		
Gains/(losses) on cashflow hedges, net of tax	22	(7)
Currency translation adjustment, net of tax	49	105
	71	98
Total other comprehensive income for the period	**102**	**105**
Total comprehensive income for the period	**1,838**	**456**
Attributable to:		
Non-controlling interests	-	4
Equity holders of the parent	**1,838**	**452**

(in € millions)

Consolidated statement of cash flows

Year ended at 31 December	Notes	2011	2010
Profit/(loss) before income taxes		**(345)**	**373**
Adjustments for:			
Depreciation, amortisation and impairments		112	120
Share-based payments		9	5
Profit on disposal of assets held for sale		(17)	(11)
Profit on sale of Group companies/joint ventures		(33)	(3)
Interest and similar income		(20)	(14)
Interest and similar expenses		121	120
Impairments and results of investments in associates		661	1
Total investment income		712	93
Pension liabilities		(143)	(281)
Other provisions		(64)	170
Total changes in provisions		(207)	(111)
Inventory		(1)	2
Trade accounts receivable		0	(28)
Accounts receivable		(3)	(16)
Other current assets		(20)	(5)
Trade accounts payable		60	30
Other current liabilities excluding short-term financing and taxes		4	12
Changes in working capital		40	(5)
Cash generated from operations		**321**	**475**
Interest paid		(101)	(99)
Income taxes paid		(98)	(205)
Net cash from operating activities	**24**	**122**	**171**
Interest received		7	3
Dividend received		7	0
Acquisition of subsidiairies and joint ventures (net of cash)		(2)	(5)
Disposal of subsidiaires and joint ventures		110	2
Capital expenditure on intangible assets		(33)	(21)
Disposal of intangible assets		0	1
Capital expenditure on property, plant and equipment		(104)	(88)
Proceeds from sale of property, plant and equipment		62	17
Other changes in (financial) fixed assets		1	0
Changes in non-controlling interests		(1)	(1)
Net cash from/(used in) investing activities	**25**	**47**	**(92)**
Cash settlement of Share-based payments		(6)	2
Proceeds from long-term borrowings		1	0
Repayments of long-term borrowings		(2)	(12)
Proceeds from short-term borrowings		29	0
Repayments of short-term borrowings		(4)	(2)
Repayments of finance leases		(4)	(3)
Dividends paid		(80)	(119)
Financing related to discontinued business		498	41
Net cash from/(used in) financing activities	**26**	**432**	**(93)**
Change in cash from continuing operations		**601**	**(14)**
Cash at the beginning of the period		**65**	**80**
Exchange rate differences		2	(1)
Total change in cash		601	(14)
Cash at the end of the period		**668**	**65**

(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	Reserve associates	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2009	**178**	**871**	**(146)**	**(43)**	**0**	**953**	**247**	**2,060**	**20**	**2,080**
Total comprehensive income			**105**				**347**	**452**	**4**	**456**
Final dividend previous year	1	(1)					(64)	(64)		(64)
Appropriation of net income						183	(183)	0		0
Interim dividend current year	1	(1)					(55)	(55)		(55)
Transfers to classified as held for demerger								0	(3)	(3)
Share based compensation						29		29		29
Other						2		2	(2)	0
Total direct changes in equity	**2**	**(2)**	**0**	**0**	**0**	**214**	**(302)**	**(88)**	**(5)**	**(93)**
Balance at 31 December 2010	**180**	**869**	**(41)**	**(43)**	**0**	**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**	**0**	**(2,667)**	**(328)**	**(3,862)**	**(5)**	**(3,867)**
Balance at 31 December 2011	**31**	**151**	**8**	**(12)**	**0**	**(1,478)**	**1,700**	**400**	**14**	**414**

(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 ´s-Gravenhage, 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 approval of the shareholders of TNT N.V. ('TNT') at the Extraordinary General Meeting of Shareholders on 25 May 2011, the name of TNT was changed to PostNL on 31 May 2011 and the demerger became effective as per 31 May 2011. This created a newly-listed company, TNT Express N.V. ('TNT Express') in which PostNL initially held 29.9% of the shares. 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 27 February 2012 and are subject to adoption at the Annual General Meeting of Shareholders on 24 April 2012.

Demerger Express

On 2 December 2010, TNT N.V. announced the demerger of the Express activities after it received positive advice from the Works Council and obtained approval from the Board of Management and Supervisory Board. As a consequence, the Express activities were reported as discontinued operations/held for demerger as at 31 December 2010 and in the 2010 consolidated income statement the net result of the Express activities was presented as a separate line "Profit/(loss) from discontinued operations".

In 2011, the net result of the Express business of €73 million is reported under "Profit/(loss) from discontinued operations" up to and including 31 May 2011. As from 1 June 2011, PostNL's share in the net result of TNT Express N.V. is part of the "Results from investments in associates". The impact of the demerger resulted in a net book gain of €2,086 million, which is recorded as part of "Profit/(loss) from discontinued operations" in the consolidated income statement and a net impact on equity of €1,564 million, being the demerger gain of €2,086 million excluding the recycling of the currency translation adjustment and hedges of €146 million for a total amount of €2,232 million offset by the impact of the demerger of 70.1% of the Express activities for an amount of €3,796 million. Refer to note 3 and 10 of the consolidated financial statements. The consolidated statement of cash flows was positively impacted following the settlement of outstanding positions with TNT Express, resulting in a net increase of the cash position of €498 million as at 2 July 2011.

Shareholding in TNT Express

As of 1 June 2011, the initial shareholding of 29.9% in TNT Express is treated as an "Investment in associates". PostNL's share in the result of TNT Express is included in the consolidated income statement using the equity method taking into account additional depreciation and amortisation ("purchase price adjustments"). These purchase price adjustments are prescribed by IAS 28.32, which states that the difference between the fair value and book value of the TNT Express shareholding should be reflected in the identification of fair value adjustments and intangibles, resulting in additional depreciation and amortisation. As a result, the "Results from investments in associates" in the consolidated income statement will not be equal to 29.9% of the net result attributable to the shareholders as reported by TNT Express. The total impact of the purchase price adjustments amounted to €16 million on an annual basis. The purchase price adjustments related mainly to the identified customer relationships and brand name TNT Express. The customer relationships will be amortised over a period of 20 years. The trade name will not be amortised since this asset is considered to have an indefinite useful life.

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

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

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

As at 1 June 2011, the investment in TNT Express was initially valued at €1,583 million based on the opening share price of TNT Express N.V. at 1 June 2011 of €9.77. Between 1 June 2011 and 31 December 2011, the share price of TNT Express declined significantly from €9.77 per share to €5.77 per share. Following this impairment trigger, PostNL performed an impairment test, concluding that the investment in TNT Express was impaired. Accordingly, PostNL recognised an impairment charge of €636 million, which is recorded as "Impairments of investment in associates".

Segment information
Due to the demerger of the Express activities, the reporting structure of PostNL has been changed and consequently the segment reporting structure. In the 2010 financial statements, the segment reporting was already extended with the reportable segments of PostNL. As of 2010, the segment information included in the consolidated financial statements discloses details relating to the operating segments Mail in the Netherlands, Parcels and International.

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) and 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 conformity 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'.

In 2011, PostNL's equity decreased from €2,443 as at 31 December 2010 to €414 million as at 31 December 2011. This was mainly due to the demerger of the Express activities and the net recorded impairment charge on the retained investment in TNT Express N.V. As at 31 December 2011, the balance of cash and cash equivalents amounted to €668 million. Furthermore, PostNL has an undrawn multi-currency revolving credit facility of €570 million, its financing arrangements do not include financial covenants, and it has an investment in TNT Express N.V. with a market value of €936 million as at 31 December 2011 which can be divested over time. PostNL's financial statements are prepared under the assumption of going concern as PostNL will be able to realise its assets and discharge its liabilities in the normal course of business.

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.

Changes in accounting policies and disclosures
a) New and amended standards adopted by the Group:
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 and have been adopted by the Group:
- IAS 24 (revised), 'Related party disclosures', issued in November 2009. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011 and clarifies and simplifies the definition of a related party. The Group has applied the revised standard from 1 January 2011. Consequently, the Group and the parent have disclosed the transactions between its subsidiaries and its associates in note 33.

b) The following IFRS amendments are considered to be not material for the Group:
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt or equity swap). The Group applies the interpretation from 1 January 2011.
- Amendments to IFRIC 14, 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The Group applies these amendments for the financial reporting period commencing on 1 January 2011.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not adopted early by the Group:

- The IASB recently issued the revised IAS 19 'Employee Benefits'. The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses immediately in other comprehensive income. Furthermore, the expected return on plan assets shall be equal to the applied discount rate. The revised IAS 19 is expected to be effective for PostNL as from 1 January 2013 pending endorsement by the EU. The impact of IAS 19 on the 2013 financial position and profit and loss statement will be significant.
  As at 31 December 2011, the net pension asset amounted to €998 million. This includes net actuarial losses totalling €922 million. If these net actuarial losses as per 31 December 2011 had been recognised immediately, this would have impacted equity of PostNL negatively by an amount of €692 million (net of taxes), based on the current parameters which are heavily dependent on interest rate movements.
- The IASB issued IFRS 11, which is effective from 1 January 2013, whereas in joint arrangements more focus is put on the rights and obligations of the arrangement rather than 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 is no longer allowed.

  The 2011 proportionate consolidated net sales and consolidated operating income of all joint ventures amounts to €180 million and €7 million respectively (refer to note 32 for additional information). The impact of IFRS 11 on the revenues of PostNL is estimated at €140 million.

Distribution of non-cash assets to owners
IFRIC 17, 'Distribution of non-cash assets to owners', (effective on or after 1 July 2009) and IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

This IFRIC 17 and IFRS 5 amendment had a significant impact on the presentation of assets and liabilities in the statement of the financial position of TNT N.V. as per 31 December 2010 as the demerger of the Express activities, which is a non-cash distribution to owners, has been separately presented as discontinued and held for demerger. At the demerger, both the demerged 70.1% of the Express activities, which has been treated as a non-cash distribution to shareholders, and the remaining 29.9% stake were revalued to fair value in accordance with IAS 27.

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 by PostNL N.V. (directly or indirectly). 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 at 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 remeasured 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. PostNL subsidiaries' accounting policies have been changed where necessary to ensure consistency with PostNL's accounting policies.

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. PostNL's share in non-distributed earnings of associates is included in other reserves within shareholders' equity. 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 other party/parties are consolidated proportionately. In applying the proportionate consolidation method, PostNL's percentage share of the balance sheet and income statement items are 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 translation 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 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 the 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.

Impairment of 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 on 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 investment in TNT Express. Possible impairment charges may be reversed if there is an indication that the impairment no longer exists or has been decreased.

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 prior 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 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);
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 remeasured 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 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 forecasted sale that is hedged takes place). However, when the forecasted 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 forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

Loans granted 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 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 where PostNL has the positive intention and ability to hold to maturity.

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 per the balance sheet date. Available-for-sale financial assets are carried at fair value.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of financial assets and liabilities classified as at fair value through profit and loss are directly recorded in the income statement.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale 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 at 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 impairment loss is included in the income statement at the same line as where the original expense has been recorded.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet 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.

Assets of disposal group classified as held for sale/demerger and discontinued operations
Assets (or disposal groups) held for sale and assets held for demerger are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction or demerger and the transaction is highly probable. Assets held for sale and for demerger are no longer amortised or depreciated from the time they are classified as such.

Operations that represent a separate major line of business or geographical area of operations, or that are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or are a subsidiary acquired exclusively with a view to resale and either have been disposed of or have been classified as held for sale, are presented as discontinued operations in PostNL's income statement.

Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue 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 actuarial gains and losses are recognised in the balance sheet. The portion of the cumulative actuarial gains and losses that exceed the higher of 10% of the obligation or 10% of the fair value of plan assets (corridor approach) are recognised in the income statement over the employees' 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 at 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 at 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 changes in actuarial assumptions are charged or credited to income in the period such 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 provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after 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 concerns mainly 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 where a legally enforceable right to offset exists and within the same tax group are presented net in the balance sheet.

Revenue recognition
PostNL's normal business operations consist of the provision of logistic 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 which have not yet been rendered by PostNL as at 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 the 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
Prior to the demerger, PostNL had equity-settled share-based compensation plans. Share-based payment transactions are transactions in which PostNL receives benefits from its employees in consideration for PostNL's equity instruments. The fair value of the share-based transactions is recognised as an expense (part of the employee costs) and a corresponding increase in equity over the vesting period. The fair value of share-based payments under the company's Performance Share Plan is calculated using the Monte Carlo model. As approved by the 2011 Annual General Meeting of Shareholders, all unvested rights on performance and matching shares 2009 and 2010 together with the not-exercised option plan 2004 of TNT were unwound immediately after the 2011 Annual General Meeting of Shareholders and before the official demerger date. All TNT schemes are terminated; no 'legacy plans' exist. The unvested rights on performance shares and matching shares were vested on a pro-rated basis in accordance with the plan rules and, for the performance shares, the most recent performance criteria applied. This resulted in accelerated vesting of these equity-settled share-based plans.

The unwinding of the unvested performance shares, matching shares and the not-exercised options from the 2004 plan were settled in cash and paid to the respective member of the Board of Management or senior management. Following the cash-settled unwinding of the TNT equity plans, 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 TNT bonus/matching plan, performance share plan and option plan could be invested in PostNL shares.

After the demerger, 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. This bonus/matching plan is therefore a cash-settled share-based compensation plan where at each reporting date the related liability is remeasured resulting in a corresponding impact on the profit and loss 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.

Grants
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 in additional shares only, 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, these being 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 continually 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, PostNL initially held a 29.9% stake in TNT Express which is accounted for in the consolidated income statement using the equity method, taking into account purchase price adjustments. The recoverable value of the investment in TNT Express is assessed at each reporting date to determine whether there is objective evidence that the investment in associate TNT Express might be impaired. The recoverability of the investment in TNT Express is reviewed based on observable publicly available market data and the share price development of TNT Express N.V.

A significant or prolonged decline in the share price of TNT Express N.V. is an important quantitative triggering event for impairment. Judgement is required in order to assess whether a significant or prolonged decline is present. During 2011, the share price of TNT Express N.V. was volatile and declined significantly from €9.77, being the opening share price as at 1 June 2011, to €5.77 at year-end. This resulted in a net impairment of €636 million. In Q2 2011 and Q3 2011, impairment charges of €397 million (share price -25.1%) and €337 million (share price -28.7%) respectively were recorded. In Q4 2011, a reversal of €98 million (share price +10.5%) of the recorded impairment took place as a result of the recovery of the share price.

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 discount rate, rate of compensation increase, 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 pension plan assumptions, see note 11.

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 a 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.

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 require estimating 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 at historical cost 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 applied for determining the valuation allowance are reviewed periodically.

Accrued current liabilities
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. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. 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. 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 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 accrues 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: 176 million (2010: 166)

Statement of changes

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	2,418	515	180	3,113
Accumulated amortisation and impairments	(615)	(351)	(86)	(1,052)
Balance at 31 December 2009	**1,803**	**164**	**94**	**2,061**
Changes in 2010				
Transfers to assets classified for demerger	(1,646)	(131)	(76)	(1,853)
Additions	4	7	14	25
Disposals	(1)			(1)
Internal transfers/reclassifications		16	(16)	
Exchange rate differences	1			1
Amortisation		(23)	(2)	(25)
Impairments	(11)			(11)
Transfers to assets held for sale	(30)	(1)		(31)
Total changes	**(1,683)**	**(132)**	**(80)**	**(1,895)**
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**

(in € millions)

At 31 December 2011, the intangible assets consist of goodwill totalling €121 million (2010: 120) and software and other intangible assets totalling €55 million (2010: 46).

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: Mail in the Netherlands, Parcels and International. Compared to 2010, the CGU structure has not changed.

Total goodwill balance at 31 December 2011 amounted to €121 million (2010: 120), of which PostNL has allocated €67 million (2010: 67) to Mail in the Netherlands CGUs (€38 million to CGU domestic mail activities in the Netherlands and €29 million to CGU Data and Document Management services), €3 million (2010: 3) to CGU Parcels and €51 million (2010: 50) to International CGUs (€18 million to CGU United Kingdom, €31 million to CGUs Germany and €2 million to CGUs Italy).

In 2011, the additions to goodwill amounted to €2 million arising from the acquisition of Formula Certa Delivery S.r.l. (see note 27). In 2011, no goodwill impairment charges were recorded (2010: 11). The 2010 goodwill impairment related to the CGU Spring Global Mail. The disposals of €2 million relate to the disposal of Lifecycle Marketing in Q2 2011.

Based on the 2011 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 forecast reliable based on past experience. For the CGU's in Germany a five-year forecast has been applied.

For markets that are considered to be 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 there are no indications for goodwill impairments in 2011.

Software and other intangible assets
At 31 December 2011, the software balance of €30 million (2010: 32) included internally-generated software with a book value of €23 million (2010: 29). The addition to software of €12 million relates to self-produced software of €6 million and purchased software of €6 million. The reclassification of €7 million to self-produced software was due to finalised IT projects.

The additions to software, including software under construction, mainly concern adjustments to the IT structure following the new logistics infrastructure and software licences for Microsoft and SAP applications.

At 31 December 2011, the other intangible assets of €25 million (2010: 14) relate to customer lists of €5 million (2010: 6) and software under construction of €20 million (2010: 8). The impairment of €1 million on other intangible assets related to an IT project in the United Kingdom.

The estimated amortisation expenses for current software and other intangible assets for the next five years are 2012: €17 million; 2013: €13 million; 2014: €8 million; 2015: €1 million; 2016: €0 million and thereafter: €16 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: 451 million (2010: 499)

Statement of changes

	Land and buildings	Plant and equipment	Aircraft	Other	Construction in progress	Total
Depreciation percentage	0%-10%	4%-33%	4%-10%	7%-25%	0%	
Historical cost	1,469	1,107	550	674	30	3,830
Accumulated depreciation and impairments	(660)	(765)	(270)	(523)	(2)	(2,220)
Balance at 31 December 2009	**809**	**342**	**280**	**151**	**28**	**1,610**
Changes in 2010						
Transfers to assets classified for demerger	(452)	(213)	(280)	(119)	(13)	(1,077)
Capital expenditure in cash	2	17		15	54	88
Capital expenditure in financial leases		3				3
(De)consolidation	1	1				2
Disposals		(1)		(2)		(3)
Internal transfers and reclassifications	2	11		3	(16)	0
Depreciation	(33)	(37)		(14)		(84)
Transfers to assets held for sale	(35)	(4)		(1)		(40)
Total changes	**(515)**	**(223)**	**(280)**	**(118)**	**25**	**(1,111)**
Historical cost	737	542		183	53	1,515
Accumulated depreciation and impairments	(443)	(423)		(150)		(1,016)
Balance at 31 December 2010	**294**	**119**	**0**	**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)	-
Depreciation	(29)	(31)		(16)		(76)
Impairments	(12)	-				(12)
Transfers to assets held for sale	(43)	-				(43)
Total changes	**(56)**	**(7)**	**0**	**(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**	**0**	**32**	**69**	**451**

(in € millions)

Capital expenditures of €105 million mainly concern investments within Mail in the Netherlands of €25 million, Parcels of €48 million and Mail Other of €23 million. The investments mainly relate to sorting centres, vehicle replacements and sorting machinery for the development of a new logistic infrastructure within Parcels.

The disposals of €22 million mainly relate to the sale of the furnishing of the head office building and related equipment to TNT Express.

In 2011, the transfer to assets held for sale relates to buildings within Mail in the Netherlands totalling €37 million and in Mail Other totalling €6 million (see note 9). In 2010, the transfer to assets held for sale related to buildings within Mail in the Netherlands totalling €21 million and to property, plant and equipment related to International totalling €19 million.

Land and buildings mainly relate to depots, hubs and other production facilities. PostNL does not hold freehold office buildings for long-term investments and for long-term rental income purposes. The rental income is based upon incidental rental contracts with third parties for buildings that are temporarily not in use by PostNL or based upon contracts that support the primary business activities of PostNL. In 2011, impairment charges amounted to €12 million (2010: 0) 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 were impaired. The recoverable value of the buildings was based on the fair value less cost to sell and supported by recent valuations from external professional valuators.

Plant and equipment mainly relate to investments in vehicles and sorting machinery. Finance leases, included in the property, plant and equipment balance as at 31 December 2011, amount to €17 million (2010: 20) of which €13 million (2010: 15) relates to land and buildings and €4 million (2010: 5) relates to plan 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 (2010: 15), comprising a historical cost of €18 million (2010: 20) with accumulated depreciation of €5 million (2010: 5).

Leasehold rights and ground rents expiring:

- between 1 and 5 years amount to €0 million (2010: 2),
- between 5 and 20 years amount to €4 million (2010: 13), and
- between 20 and 40 years amount to €9 million (2010: 0).

There are no leasehold and ground rent contracts with indefinite terms. Leasehold rights and ground rent for land and buildings in the Netherlands amount to €13 million (2010: 15) and in the United Kingdom to €0 million (2010: 1).

There is no material temporarily idle property, plant and equipment as at 31 December 2011 (2010: 0).

3 Assets classified for demerger

Assets classified for demerger: 0 million (2010: 5,531), liabilities related to assets classified for demerger: 0 million (2010: 2,011) and profit from discontinued operations: 2,159 million (2010: 69)

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

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

The gross demerger book gain of €2,285 million is reduced by the recycling of the translation and hedging reserves related to TNT Express of €146 million. These items were previously recorded in equity and are required to be recycled through the income statement under IFRS as this related to foreign Express investments and hedges for aircraft of Express. The gross demerger gain and the recycling of the translation and hedge reserves are non-taxable. In addition, a pension asset of €71 million excluding €18 million deferred tax expense (net €53 million) has been derecognised, which relates to TNT Express' share in the Dutch defined benefit pension plans. The demerger itself therefore resulted in a significant net gain on demerger of €2,086 million in the consolidated income statement. The following table presents the breakdown of this net gain on demerger.

Net gain on demerger

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

(in € millions)

In the consolidated income statement, the profit from discontinued operations amounted to €2,159 million, which can be detailed as follows:

Profit from discontinued operations

	2011	2010
Results from discontinued operations	73	69
Net gain on demerger	2,086	
Profit from discontinued operations	**2,159**	**69**

(in € millions)

For the period 1 January 2011-31 May 2011 inclusive, the net result from the discontinued Express activities amounted to €73 million. The relating revenues amounted to €3,022 million, operating income was €151 million, the net financial expenses amounted to €18 million, the profit before tax amounted to €133 million and the related tax expenses amounted to €61 million, with a net loss attributable to minority shareholders of €1 million.

As the Express business was held for demerger, the result from discontinued operations excluded depreciation, amortisation and impairment charges on fixed assets as reported by TNT Express.

4 Investments in associates

Investments in associates: 940 million (2010: 4)

With an initial 29.9% shareholding in TNT Express, PostNL is assumed to have significant influence in TNT Express. Consequently, the TNT Express stake is classified as an 'Investment in associates', which is accounted for based on the equity method. The initial value of the 29.9% shareholding in TNT Express has been based on the initial fair value of TNT Express stake at 9:00 CET on 1 June 2011 of €5,296 million and amounted to €1,583 million. The following table presents the changes of the carrying value of the Express stake since its initial valuation.

Changes in carrying value of Express stake

Initial recognition at 1 June 2011	**1,583**
Share in net result	(16)
Purchase price adjustments	(9)
Share in direct equity movements	20
Dividend received	(6)
Impairments and other value adjustments	(636)
Balance at 31 December 2011	**936**

(in € millions)

The share in the net result of -€16 million and direct equity movement of €20 million for the period June-December 2011 are derived from the 2011 annual report of TNT Express N.V., as published on 21 February 2012. The share in net result excludes goodwill impairment charges as reported by TNT Express.

The purchase price adjustments of -€9 million include the net amortisation charge of the identified intangibles in the period June-December 2011. During 2011, PostNL received cash dividend of €6 million from TNT Express N.V.

Management assessed the recoverability of the TNT Express stake at reporting date. Between 1 June 2011 and 31 December 2011, the share price of TNT Express declined significantly from €9.77 per share to €5.77 per share. Following this impairment trigger, PostNL performed an impairment test and concluded that the Express stake was impaired. Accordingly, the company recognised an impairment charge of €636 million and thereby lowered the book value of its stake in Express to the fair value of €936 million as at 31 December 2011. The fair value has been determined by multiplying the closing share price of €5.77 on 30 December 2011 by the total number of issued ordinary shares held by PostNL of 162,067,921.

The following table presents summarised financial information of the Express stake, as reported by TNT Express in its 2011 report, published on 21 February 2012.

Condensed information TNT Express

At 31 December	2011	2010
Non-current assets	2,846	3,281
Current assets	1,855	2,250
Equity	2,812	3,002
Non-current liabilities	396	468
Current liabilities	1,493	2,061
Year ended at 31 December	2011	2010
Net sales	7,156	6,945
Operating income	(105)	180
Profit/(loss) attributable to the shareholders	**(270)**	**66**
Net cash from operating activities	191	241
Net cash used in financing activities	(158)	(150)
Net cash used in investing activities	(589)	(121)
Changes in cash and cash equivalents	**(556)**	**(30)**

(in € millions)

All other investments in associates amounted to €4 million (2010: 4) and include €3 million of goodwill (2010: 3). These associates mainly relate to minority shareholdings in Germany within the segment International and include total assets of €21 million (2010: 18), revenues of €74 million (2010: 81) and net profit of €1 million (2010: -2). Together with the stake in TNT Express, the total investments in associates amounted to €940 million (2010: 4).

5 Inventory

Inventory: 9 million (2010: 8)

Inventory

At 31 December	2011	2010
Raw materials and supplies	2	2
Finished goods	7	6
Total	**9**	**8**

(in € millions)

Total inventory of €9 million (2010: 8) is valued at historical cost to a total of €11 million (2010: 10) and is stated net of provisions for obsolete items of €2 million (2010: 2). No inventories are pledged as security for liabilities as at 31 December 2011 (2010: 0). In 2011 and 2010, no material write-offs relating to inventories occurred. The balance of inventories that is expected to be recovered after 12 months is nil (2010: 0).

6 (Trade) accounts receivable

(Trade) accounts receivable: 458 million (2010: 450)

(Trade) accounts receivable

At 31 December	2011	2010
Trade accounts receivable - total	430	425
Allowance for doubtful debt	(13)	(13)
Trade accounts receivable	**417**	**412**
Vat receivable	24	10
Other accounts receivable	17	28
Accounts receivable	**41**	**38**
Total (trade) accounts receivable	**458**	**450**

(in € millions)

As at 31 December 2011, the trade accounts receivable amounted to €430 million (2010: 425), of which €171 million (2010: 215) was past due but not individually impaired. The standard payment term within PostNL is around 15 days. The total allowance for doubtful debt amounts to €13 million (2010: 13). The main part of the allowance relates to a collective loss component established for groups of similar trade accounts receivable balances in respect to losses that have been incurred but not yet identified as such for trade accounts receivable. This collective loss component is largely based on the ageing of the trade receivables and 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 €5 million in 2011 (2010: 3). 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 does not hold collateral as security for the outstanding balances. The concentration of the trade accounts receivable per customer is limited. The top 10 trade receivables of PostNL account for 7% of the outstanding trade receivables as per 31 December 2011 (2010: 4%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: the Netherlands €242 million (2010: 244), United Kingdom, Germany and Italy €163 million (2010: 158) and the rest of the world €12 million (2010: 10). For the non-trade accounts receivable, no allowance for doubtful debt is required.

The fair value of the total (trade) accounts receivable approximates its carrying value. The balance of total (trade) accounts receivable that is expected to be recovered after 12 months is €6 million (2010: 4).

The ageing analysis of the trade accounts receivable past due but not individually impaired is presented below.

Ageing trade accounts receivable

At 31 December	2011	2010
Up to 1 month	93	131
2-3 months	52	65
3-6 months	13	11
Over 6 months	13	8
Total	**171**	**215**

(in € millions)

The movements in the allowance for doubtful debt of trade accounts receivable are as follows:

Statement of changes allowance for doubtful debt trade accounts receivable

	2011	2010
Balance at 1 January	**13**	**85**
Transfers to assets classified for demerger		(71)
Provided for during financial year	5	5
Receivables written off during year as uncollectable	(5)	(3)
Transfers to assets held for sale		(2)
Unused amounts reversed		(1)
Balance at 31 December	**13**	**13**

(in € millions)

7 Prepayments and accrued income

Prepayments and accrued income: 121 million (2010: 108)

Prepayments and accrued income includes amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. At 31 December 2011, prepayments amounted to € 21 million (2010: 20) and accrued income €100 million (2010: 88). The balance of prepayments and accrued income that is expected to be recovered after 12 months is nil (2010: 0).

8 Cash and cash equivalents

Cash and cash equivalents: 668 million (2010: 65)

Cash and cash equivalents comprise cash at bank and in hand of €95 million (2010: 42) and short-term bank deposits of €573 million (2010: 23). The effective interest rate during 2011 on short-term bank deposits was 0.75% (2010: 0.3%) and the average outstanding amount was €426 million (2010: 26). The individual deposits have an average maturity of 1.4 days (2010: 1.4). Included in cash and cash equivalents is €39 million (2010: 38) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

9 Assets classified as held for sale

Assets classified as held for sale: 52 million (2010: 123) and liabilities related to assets classified as held for sale: 0 million (2010: 26)

As at 31 December 2011, assets classified as held for sale amount to €52 million (2010: 123). This relates to buildings held for sale. In 2010, €91 million in assets held for sale and €26 million in liabilities held for sale related to the unaddressed mail activities of De Belgische Distributiedienst, Central and Eastern Europe and Italy.

Transfers from property, plant and equipment in 2011 amounting to €43 million mainly related to buildings that are planned to be disposed of in 2012. See note 2.

The book value of the buildings sold in 2011 amounted to €23 million, of which €16 million related to the sale of a building in Belgium to TNT Express prior to the demerger.

Divestments from the unaddressed mail activities related to the sale of De Belgische Distributiedienst (€73 million assets/€17 million liabilities), Italy (€14 million assets/€7 million liabilities) and Central and Eastern Europe (€4 million assets/€2 million liabilities).

10 Equity

Equity: 414 million (2010: 2,443)

The consolidated statement of changes in equity can be found on page 49. Consolidated equity consists of equity attributable to the equity holders of PostNL of €400 million (2010: 2,424) and non-controlling interests of €14 million (2010: 19). The impact of the demerger of 70.1% of ordinary shares of TNT Express on the consolidated equity amounts to €3,712 million, which is mainly 70.1% of the fair value of €5,296 million of TNT Express at 1 June 2011. Additionally, PostNL demerged an €84 million receivable in accordance with the demerger proposal. The impact of the demerger of €3,796 million has been recorded through the freely distributable equity components, being additional paid in capital and other reserves.

Equity attributable to the holders of PostNL consists of the following items:

Authorised share capital
On 4 August 2011, following the approval of the Annual General Meeting held on 25 May 2011, the articles of association were amended by notarial deed. The amendment constituted a change in the authorised share capital and a reduction of the nominal value of PostNL's shares from €0.48 per share to €0.08 per share, reducing the outstanding share capital of PostNL. As of 4 August 2011, the company's authorised share capital amounts to €120 million, divided into 750,000,000 ordinary shares and 750,000,000 preference shares B 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 2011, the issued share capital amounted to €31 million (2010: 180). The decrease in issued share capital of €149 million related to the reduction of the nominal share value (€152 million) and issued stock dividend (€3 million). The issued stock dividend of €3 million resulted from the issuance of 3,626,163 shares with a nominal value of €0.48, following the second interim 2010 stock dividend, and of 12,336,183 shares with a nominal value of €0.08, following the 2011 first interim dividend.

The number of authorised, issued and outstanding shares by class of share is as follows:

Shares

Before proposed appropriation of profit	2011	2010
Authorised by class		
Ordinary shares	750,000,000	800,000,000
Preference shares B	750,000,000	800,000,000
Total authorised	1,500,000,000	1,600,000,000
Issued and outstanding		
Per 1 January of the reported year	376,339,096	370,988,519
Issued for stock dividend	15,962,346	5,350,577
Per 31 December of the reported year	392,301,442	376,339,096
Issued and outstanding per 31 December by class		
Ordinary shares	392,301,442	376,339,096
of which held by the company to cover share plans	62,114	188,757
of which the company only holds the legal title	488,559	856,563
Preference shares B	0	0

Repurchase of shares to cover share plans
In 2011, the company purchased no ordinary shares (2010: 0) to cover its obligations under the existing management share grants. At 31 December 2011, the total number of shares held for this purpose was 62,114 (2010: 188,757). 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 at 31 December 2011 (2010: 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 existing equity incentive scheme. 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 2011, the number of PostNL shares involved amounted to 488,559 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, such as shareholders and employees, 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. There are currently no preference shares B issued, although Foundation Continuity PostNL has a call option 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 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.

PostNL and Foundation Continuity PostNL have entered into the call option agreement to prevent, delay or complicate unsolicited influence of shareholders, including an unsolicited take-over or concentration of power. The issue of preference shares B enables PostNL to consider its position in the circumstances at that time. The preference shares B will be outstanding no longer than is strictly necessary. Once the reason for placing the preference shares B no longer exists, PostNL shall propose to the general meeting of shareholders to cancel the preference shares B entirely as a class.

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). PostNL believes that this may be a useful option in the period before the issuance of preference shares B, without causing a dilution of the rights of other shareholders at that stage.

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
Additional paid in capital of €151 million (2010: 869) 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 €718 million is due to the demerger of TNT Express for an amount of €867 million and issuance of stock dividend of €3 million, partially offset by an increase of €152 million following the reduction of the nominal share value.

Translation reserve
In 2011, the translation reserve increased by €49 million from -€41 million in 2010 to €8 million in 2011. In 2011, an amount of €120 million was recycled from the translation reserve to the income statement, of which €122 million related to the demerger of TNT Express. Other movements in the translation reserve of -€71 million (2010: 105) reflect the movement in exchange rate differences on converting foreign subsidiaries of PostNL into euros, of which -€72 million is related to foreign subsidiaries of TNT Express, prior to the demerger, incurred in the first five months of 2011. These differences are charged or credited to the translation reserve, net of taxation. There is no tax impact on the currency translation adjustment.

As at 31 December 2011, the translation reserve of €8 million mainly relates to foreign subsidiaries of PostNL in the United Kingdom within the segment International.

The translation reserve is a legal reserve, which cannot be distributed to the equity holders of the company.

Hedge reserve
As at 31 December 2011, the hedge reserve amounted to €12 million (2010: 43) and contained the fair value timing difference of €6 million on the £450/€568 million cross-currency swap (2010: 14), the fair value timing difference of €0 million on the €30 million interest rate swap (2010: €0 million) and the fair value of €6 million (2010: €8 million) on the forward starting swaps, unwound in 2008, to be recycled in the statement of income until 2015 net of taxes. The 2010 hedge reserve further included an amount of €21 million in relation to a US dollar interest rate swap entered into to mitigate the cash flow interest rate risk relating to the Boeing 747 ERF financial lease contracts. This US dollar interest rate swap relates to the discontinued Express activities.

The £450/€568 million cross-currency swap has been entered into to hedge foreign currency exposure on the £450 million Eurobond that was issued in 2008. The €30 million interest swap has been entered into to mitigate the interest exposure on the German Private Placement that was issued in 2009.

Movements in the hedge reserve during the 2011 financial year amounted to €31 million (2010: 0), of which €24 million has been recycled from the hedge reserve to the statement of income related to the demerger of TNT Express and of which €7 million (2010:0) related to the £450/€568 million cross-currency swap amounting to €9 million (2010: 7), partly offset by -€2 million (2010: -7) related to the discontinued Express activities prior to the demerger.

In 2011, an amount of -€2 million (2010: -2) related to forward starting swaps, has been recycled from the hedge reserve to the statement of income. See note 22.

The 2011 tax impact on the cashflow hedges included in continued operations is €4 million (2010: 2). The 2011 tax impact on the cashflow hedges included in discontinued operations is €6 million (2010: -1).

For more information on the cross currency and interest rate swaps, see note 30.

The hedge reserve is a legal reserve, which cannot be distributed to the equity holders of the company.

Reserve associates
The reserve associates represents PostNL's share in non-distributable earnings of the retained stake in TNT Express. The balance as at 31 December 2011 is nil as the total of PostNL's share in net profit and direct equity changes for the period 1 June 2011 up to and including 31 December 2011 is lower than the dividend received from TNT Express.

The reserve associates is a legal reserve, which cannot be distributed to the equity holders of the company.

Other reserves
As per 31 December 2011, the other reserves are -€1,478 million (2010: 1,167). In 2011, the other reserves decreased by €2,645 million. This decrease is mainly due to the impact of the demerger for an amount of €2,929 million partly offset by the appropriation of net income from 2010 of €248 million (2010: 183) and impact of share-based payments of €16 million (2010: 29), including the proceeds obtained from the share grants, exercise rights of option plans of prior years (refer to note 19) and tax charges of €7 million.

Retained earnings
As per 31 December 2011, retained earnings amount to €1,700 million, which is a €1,408 million increase compared with 2010. This increase is due to the consolidated profit for the period of €1,736 million (2010: 347), offset by the appropriation of the 2010 net income of €248 million to the other reserves (2010: 183) and the paid 2010 second interim cash dividend of €44 million and 2011 interim cash dividend of €36 million (2010: 55).

The Board of Management has proposed to add €1,015 million (2010: 183) to other reserves and to allocate €112 million (2010: 164) as dividend, of which €36 million has been paid as cash interim dividend. A cash equivalent of €76 million will be paid as a final dividend, wholly in ordinary shares, to be payable as from 8 May 2012.

11 Pension assets / Provisions for pension liabilities

Pension assets: 1,217 million (2010: 1,153) and provisions for pension liabilities: 219 million (2010: 231)

PostNL operates a number of post-employment benefit plans around 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 86,000 PostNL participants, including around 18,000 pensioners and around 35,000 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).

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.

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

As part of the demerger, the contractual arrangements between TNT and both pension funds have been divided into separate arrangements for PostNL and TNT Express. Based on the separate arrangements, both PostNL and TNT Express need to account for their share in the plans' assets and liabilities. Consequently, as part of the demerger, PostNL needed to derecognise the share of TNT Express from its financial statements. The resulting impact in the income statement has been the derecognition of €71 million of pension assets. The net impact on equity amounted to €53 million (see note 3) .

Further details of the main plan
In the main plan, only the employer contributes to the pension fund. The contributions are based on actuarial calculations per active participant. The total contribution to the main fund amounted to €129 million (2010: 144, including a €12 million top-up pension contribution as a result of the funding shortfall).

The coverage ratio of the main fund was around 107% at 31 December 2010. During 2011, the coverage ratio increased to around 112% at 30 June 2011. By the end of 2011, the coverage ratio of the main fund decreased to 99.8%, which includes the receivable from PostNL. The decreased coverage ratio was mainly due to the decline in the long-term interest rate. The fund's coverage ratio at 31 December 2011 includes the latest longevity outlook, based on recent statistical studies performed by the Dutch Actuarial Association ('Actuarieel Genootschap').

As the coverage ratio at 31 December 2011 is below the minimum funding requirement of around 104%, PostNL has been invoiced the first top-up payment of around €38 million, payable in Q1 2012. PostNL has disputed the necessity of the top-up payment by a formal letter.

At the coverage ratio of 99.8%, around €230 million of the 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 2012, PostNL may be invoiced a second top-up payment of around €21 million.

At 31 December 2011, the dynamic weight of equity and equity derivatives investments amounted to 36%, the weight of fixed interest investments amounted to 38%, the weight of real estate and alternative investments amounted to 17% and the weight of swaps and swaptions investments amounted to 9%. The plan assets may from time to time include investments in PostNL's own financial instruments through indirect holdings by mutual funds.

Asset mix of main pension plan

	Actual mix		Strategic mix
At 31 December	2011	2010	2011
Equities and equity derivatives[1]	36%	45%	42%
Fixed interest and inflation linked bonds	38%	33%	40%
Real estate and alternative investment	17%	19%	18%
Swaps and swaptions	9%	3%	
Total	**100%**	100%	**100%**

[1] Including the accompanying bonds.

Historical returns of main pension plan

	2011	average since plan inception
Equities and equity derivatives[1]	-2.8%	7.1%
Fixed interest and inflation linked bonds	8.3%	6.9%
Real estate and alternative investment	-1.2%	5.9%
Contributions of swaps and swaptions to the return	5.7%	3.1%
Total weighted average	**6.6%**	**7.4%**

[1] Including the accompanying bonds.

The return on the plan assets was 6.6% (2010: 12.7%), comprising 5.7% direct return of swaps and swaptions and 0.9% weighted average return of the other asset classes. The average return of the plan assets since inception of the plan is 7.4%, 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.

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 actuarial gains and losses. If the cumulative 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 in PostNL's income statement in the next year.

In accordance with IAS 19.34a, PostNL, as the sponsoring employer for the 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 its continuing Group defined benefit pension expense, PostNL includes the contributions received from the discontinued Express business as income up to and until the demerger.

In 2011, PostNL's expense for post-employment benefit plans was €117 million (2010: income 42). Total cash contributions for post-employment benefit plans in 2011 amounted to €260 million (2010: 239).

Statement of changes post-employment benefit plans

	Balance at 1 January 2011	Settlement Express	Post-employment benefit income/ (expenses)	Contributions / Other[1]	Balance at 31 December 2011
Provision for pension liabilities	934	(71)	(114)	256	1,005
of which main pension plan in the Netherlands	1,041	(41)	(16)	141	1,125
of which transitional plan in the Netherlands	(218)		(92)	98	(212)
of which other pension plans	111	(30)	(6)	17	92
Other post-employment benefit plans	(12)		(3)	8	(7)
Total post-employment benefit plans	**922**	**(71)**	**(117)**	**264**	**998**

(in € millions)

[1] Including €4 million disposal effect of Telepost SpA in Italy

The total net provision for post-employment benefit plans of €998 million at 31 December 2011 (2010: 922) consists of a pension asset of €1,217 million (2010: 1,153) and a pension liability of €219 million (2010: 231).

The employer pension expense of €117 million is included in Salaries, pensions and social security contributions in the income statement (see note 19).

The impact of the Express settlement of €71 million includes a decrease of the funded status of €11 million and an associated recognition of €60 million of unrecognised losses. This impact is included in the calculation of the net gain on demerger, recorded as profit from discontinued operations. Refer to note 3.

The funded status of PostNL's post-employment benefit plans at 31 December 2011 and 2010 and the employer pension expense for 2011 and 2010 are presented in the table below.

PostNL post-employment benefit plans

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	**(5,663)**	(4,659)
Settlement Express	360	91
Service costs	(108)	(102)
Interest costs	(283)	(256)
Curtailments/settlements		90
Actuarial loss	(17)	(1,044)
Benefits paid	225	217
Benefit obligation at end of year	**(5,486)**	(5,663)
Change in plan assets		
Fair value of plan assets at beginning of year	**5,517**	4,890
Settlement Express	(371)	(53)
Actual return on plan assets	386	635
Express contributions	6	27
Contributions	256	235
Benefits paid	(225)	(217)
Fair value of plan assets at end of year	**5,569**	5,517
Funded status as per 31 December		
Funded status	**83**	(146)
Unrecognised net actuarial loss	918	1,076
Unrecognised prior service costs	4	4
Pension assets	1,005	934
Other employee benefit plans	(7)	(12)
Netted pension asset	**998**	922
Components of employer pension expenses		
Service costs	(108)	(102)
Interest costs	(283)	(256)
Expected return on plan assets	350	340
Amortisation of actuarial loss	(78)	(39)
Curtailment gain		74
Other costs	(1)	1
Express contributions	6	27
Employer pension income/ (expenses)	(114)	45
Other post-employment benefit plan expenses	(3)	(3)
Total post-employment benefit income/(expenses)	**(117)**	42
Weighted average assumptions as at 31 December		
Discount rate	4.8%	5.1%
Expected return on plan assets	6.5%	6.5%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.5%	1.6%

(in € millions)

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 generate actuarial gains or losses. These are amortised over the employee's expected average remaining service years if they exceed the corridor.

The discount rate is based on the long-term yield on high-quality corporate bonds, including a correction for the duration mismatch. The duration of the available corporate bonds index (AA 10+) is around 10 years. The duration of the pension liabilities is around 16 years. The yield on these bonds is corrected for this duration mismatch.

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 this main fund and 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. This 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. The strategic asset mix for 2012 is not expected to be materially different to 2011.

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 life expectancy of men after retiring at the age of 65 is 19.5 years (2010: 19.5). The equivalent expectancy for women is 21.6 years (2010: 21.6). The applied mortality rates are derived from the mortality table 'GBM/GBV 2010-2060 + CVS experience rates, starting rates 2012 and age corrections 0/0 (male/female)', as applied by the main fund.

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 (2010: 12).

The amounts recognised in the balance sheet are determined as follows:

Details balances Pensions

At 31 December	2011	2010
Present value of funded benefit obligations	(5,023)	(5,094)
Fair value of plan assets	5,569	5,517
Funded status of funded benefit plans	**546**	**423**
Present value of unfunded benefit obligations	(463)	(569)
Unrecognised liability	922	1,080
Other employee benefit plans	(7)	(12)
Netted pension asset/(liability)	**998**	**922**
of which included in pension assets	1,217	1,153
of which included in provisions for pension liabilities	(219)	(231)

(in € millions)

The table below shows the sensitivity of the employer pension income to deviations in assumptions:

Sensitivity employer pension expenses

	%-change in assumptions	change in employer pension expenses
Employer pension expenses 2011		**(114)**
Discount rate	+ 0.5%	38
Expected return on plan assets	+ 0.5%	27
Rate of compensation increase	+ 0.5%	(11)
Rate of benefit increase	+ 0.5%	(64)
Employer pension expenses 2011		**(114)**
Discount rate	- 0.5%	(44)
Expected return on plan assets	- 0.5%	(27)
Rate of compensation increase	- 0.5%	8
Rate of benefit increase	- 0.5%	66

(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.

Historical overview funded status Defined Benefit pension plans

At 31 December	2011	2010	2009	2008	2007
Funded and unfunded Defined Benefit obligation	(5,486)	(5,663)	(4,659)	(4,215)	(4,805)
Experience adjustment gain/(loss)	0.0%	1.3%	-0.7%	0.7%	-0.9%
Fair value of plan assets	5,569	5,517	4,890	4,104	4,787
Experience adjustment gain/(loss)	0.4%	6.0%	9.5%	-20.5%	-5.4%
(Un)Funded status	**83**	**(146)**	**231**	**(111)**	**(18)**

(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
2012	221
2013	208
2014	199
2015	204
2016	219

(in € millions)

Amounts expensed in the income statement related to defined contribution plans were €5 million (2010: 5).

12 Other provisions

Other provisions: 333 million (2010: 389)

Statement of changes

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2010	**25**	**324**	**22**	**18**	**389**
of which included in other provisions (non-current)	20	229		6	255
of which included in other provisions (current)	5	95	22	12	134
Changes in 2011					
Additions	1	11	6	3	21
Withdrawals	(1)	(69)	(4)	(4)	(78)
Releases	(2)	(1)	(2)	(1)	(6)
(De)consolidation			(1)		(1)
Interest		8			8
Total changes	**(2)**	**(51)**	**(1)**	**(2)**	**(56)**
Balance at 31 December 2011	**23**	**273**	**21**	**16**	**333**
of which included in other provisions (non-current)	18	171	4	8	201
of which included in other provisions (current)	5	102	17	8	132

(in € millions)

The total provisions amount to €333 million and the estimated utilisation in 2012 is €132 million, in 2013 €115 million, in 2014 €55 million and in 2015 and beyond €31 million.

Other employee benefits

Other employee benefits consist of provisions related to jubilee payments of €18 million (2010: 19) and other employee benefits of €5 million (2010: 6).

Restructuring

At 31 December 2011, the total provision for restructuring programmes amounts to €273 million (2010: 324). The restructuring provisions relate mainly to the Master Plan III restructuring programme to a total of €245 million, restructuring within the joint venture Postkantoren B.V. of €20 million and other smaller restructuring programmes for €8 million.

The total additions of €11 million concern the Master Plan III restructuring programme for €7 million and the restructuring of the addressed activities of Netwerk VSP for €4 million. The additions to the Master Plan III provision resulted from the periodical reassessment of the projected cash costs, largely driven by the expected costs associated with the voluntary and redundancy measures.

The restructuring provision of Netwerk VSP followed from the announcement it would discontinue its activities on the addressed mail market as of 17 December 2011. Management concluded that the current mail market and the economic circumstances offer insufficient perspective to continue these activities profitably in the longer term. The restructuring relates to 68 employees. A social plan has been agreed with the works council to assist the employees of Netwerk VSP addressed, based on the principle of guiding these employees from work to work. The total restructuring-related charges for Netwerk VSP amounted to €7 million, of which €4 million related to restructuring costs and €3 million mainly related to impairment of assets.

The withdrawals of €69 million concern severance payments for 744 FTEs under Master Plan III amounting to €41 million, settlement payments within Postkantoren B.V. for €19 million and other initiatives within Mail in the Netherlands (€5 million) and other business lines (€4 million).

The restructuring provisions are discounted against an average discount rate of 2.6% (2010: 2.5%) as they are expected to be utilised mainly during the period 2012-2014. The related interest of €8 million has been recorded as part of the financial expenses (see note 22).

In 2011 1,075 FTEs (2010: 1,348) left PostNL, with the related settlements withdrawn from the restructuring provisions.

Claims and indemnities
Provisions for claims and indemnities include 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 indemnities and disputes.

Other provisions
Other provisions mainly consist of onerous contracts, dilapidation cost in relation to restructurings and guarantees provided to third parties. The additions of €3 million mainly relate to the provision for social security contributions. The withdrawals from the other provision of €4 million mainly relate to the settlement of onerous contracts of €3 million within Postkantoren B.V. The release of €1 million also relates to Postkantoren B.V.

13 Long-term debt

Long-term debt: 1,607 million (2010: 1,582)

Carrying amounts and fair value

	2011		2010	
At 31 December	Carrying amount	Fair value	Carrying amount	Fair value
Euro bonds	1,557	1,668	1,537	1,662
Finance leases	2	2	4	4
Other loans	8	8	41	42
Derivatives	40	40	0	0
Total long term debt	**1,607**	**1,718**	**1,582**	**1,708**

(in € millions)

The long-term Eurobonds with a carrying amount of €1,557 million include a £450 million bond. The related foreign exchange risk is covered by a cross-currency swap.

In the table above, 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 basis swap spread (to reflect the difference in liquidity between respective currencies). The carrying amounts of the current portion of long-term debt approximate their fair value.

The derivatives of €40 million consist of the fair value valuations of the £450/€568 million cross-currency swap and the €30 million interest rate swap.

The table below sets out the carrying amounts of interest-bearing long-term liabilities (including the current portion) during each of the following five years and thereafter.

Total borrowings

	Euro bonds	Finance leases	Other loans	Derivatives	short-term bank debt	Total
2012		2	30		31	63
2013		1	1			2
2014		1	7			8
2015	387					387
2016						0
Thereafter	1,170			40		1,210
Total borrowings	**1,557**	**4**	**38**	**40**	**31**	**1,670**
of which included in long-term debt	1,557	2	8	40		1,607
of which included in other current liabilities		2	30		31	63

(in € millions)

For underlying details of the financial instruments, see notes 29 and 30.

14 Other current liabilities

Other current liabilities: 291 million (2010: 257)

Other current liabilities

At 31 December	2011	2010
Short term bank debt	31	1
Other short term debt	32	2
Total current borrowings	**63**	**3**
Taxes and social security contributions	139	135
Expenses to be paid	10	9
Other	79	110
Total	**291**	**257**

(in € millions)

Short-term bank debt represents the year-end overdraft position of €31 million (2010: 1). Other short-term debt consists of the current portion of long-term loans of €30 million (2010: 0) and the current portion of outstanding finance lease liabilities of €2 million (2010: 2).

Other liabilities of €79 million mainly relate to payables with joint venture partners (€19 million), payments in advance received from customers (€36 million) and payables to business partners (€6 million).

There are no balances at 31 December 2011 that are expected to be settled after 12 months (2010: 0).

15 Accrued current liabilities

Accrued current liabilities: 600 million (2010: 582)

Accrued current liabilities

At 31 December	2011	2010
Amounts received in advance	113	99
Expenses to be paid	290	298
Vacation days/vacation payments	110	114
Terminal dues	83	67
Other accrued current liabilities	4	4
Total	**600**	**582**

(in € millions)

Amounts received in advance include €57 million (2010: 54) for stamps that were sold but not yet used. An amount of €51 million is expected to be settled after 12 months (2010: 47).

Notes to the consolidated income statement

16 Net sales

Net sales: 4,283 million (2010: 4,274)

The net sales of PostNL relate to the trading activities arising from rendering services. 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 34.

Included in the 2011 net sales are trading revenues of €4 million that represent trading relations with Express for the 2011 period prior to demerger.

17 Other operating revenues

Other operating revenues: 14 million (2010: 19)

Other operating revenues covers the sale of goods and rendering of services not related to PostNL's normal trading activities and mainly includes customs and administration revenue of €3 million (2010: 9) and rental income of temporarily leased-out property of €3 million (2010: 3).

18 Other income

Other income: 53 million (2010: 22)

Other income in 2011 mainly includes book profits from the sale of property, plant and equipment for a net amount of €17 million (2010: 11) and book profits from the sale of the international business in 2011 for a net amount of €33 million (2010: 11). The divestments relate to activities in Belgium, Germany, Italy, United Kingdom, Czech Republic and Slovakia, mainly related to the segments International and Mail Other.

19 Salaries, pensions and social security contributions

Salaries, pensions and social security contributions: 1,429 million (2010: 1,561)

Salaries, pensions and social security contributions

Year ended at 31 December	2011	2010
Salaries	1,144	1,429
Share based payments	9	8
Pension (income)/charges:		
Defined benefit plans	117	(42)
Defined contribution plans	5	5
Social security charges	154	161
Total	**1,429**	**1,561**

(in € millions)

In 2011, the salaries of €1,144 million decreased by €285 million compared to €1,429 million in 2010, which is mainly due to the impact of a net addition of €10 million to the restructuring provision in 2011 compared to a net addition of €229 million in 2010 related to the restructuring Master Plan III and Data and Document Management. The pension income of €42 million in 2010 included a curtailment gain of €74 million related to the restructuring Master Plan III.

Labour force

Labour force	2011	2010
Employees		
Mail in NL	55,622	56,409
Parcels	2,907	3,068
International	5,777	15,803
Mail other	1,202	1,875
Total at year end	**65,508**	**77,155**
Employees of joint ventures	2,996	3,258
External agency staff at year end	9,367	12,565
Full-time equivalents (FTEs)		
Mail in NL	24,780	26,245
Parcels	2,575	2,674
International	5,323	7,009
Mail other	1,149	1,734
Total year average	**33,827**	**37,662**
FTEs of joint ventures	2,496	2,576

1 Including temporary employees on PostNL's payroll, joint ventures are on a 100% basis

The reported employees match the number of personnel paid through payroll, excluding personnel carrying the majority of economic risks themselves. For Corporate Responsibility purposes, this definition is extended to include all personnel paid through payroll and entitled to all the benefits of a PostNL employee.

Total headcount of PostNL decreased by 11,647 compared to 31 December 2010, which mainly related to the headcount reduction of 8,985 due to the disposal of its activities in Eastern Europe. The full-time equivalent (FTE) reduction for Eastern Europe was around 1,000 FTEs.

At the end of 2011, 2,996 people (2010: 3,258) were employed by joint ventures, of whom 860 (2010: 1,333) were on the payroll of Dutch companies, primarily Postkantoren B.V., and 2,136 (2010: 1,925) 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 2011, the average number of FTEs decreased by 3,835 compared to 2010.

In the segment Mail in the Netherlands, the reduction of FTEs is higher than the reduction of headcounts, 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 2011, the remuneration cost of the current and former members of the Supervisory Board amounted to €441,331 (2010: 579,500) as shown in the below table.

Remuneration Supervisory Board

	Base compensation	Meeting Fees[1]	Total remuneration
Mr P. C. Klaver	57,083	17,000	74,083
Mr R.J.N. Abrahamsen	42,083	16,000	58,083
Ms P.M. Altenburg	42,083	14,000	56,083
Mr W. Kok	42,083	12,000	54,083
Mr J. Wallage	42,083	16,500	58,583
Ms T. Menssen	23,333	6,000	29,333
Mr M.A.M. Boersma	23,333	8,000	31,333
Total current members[2]	**272,081**	**89,500**	**361,581**
Mr S.Levy	18,750	10,500	29,250
Ms M.E. Harris	18,750	8,500	27,250
Mr R. King	18,750	4,500	23,250
Total former members[3]	56,250	23,500	79,750
Total 2011	**328,331**	**113,000**	**441,331**

(in €)

1 Payments relating to number of Supervisory Board committee meetings attended.
2 Related to the whole year.
3 Related to the period January-May 2011, prior to the demerger of Express.

The remuneration fees for the members of the Supervisory Board of PostNL were decreased post-demerger. The total 2011 base compensation is based on five months pre-demerger and seven months post-demerger fees. For the former members of the Supervisory Board of TNT, the 2011 base compensation is included for the five-month period until demerger.

No options or shares were granted to members of the Supervisory Board and none of the members of the Supervisory Board accrued any pension rights with the company.

Impact demerger

Unwinding of TNT equity plans

The Supervisory Board of TNT decided, with the approval of the demerger by the Annual General Meeting of Shareholders of TNT on 25 May 2011, to unwind all TNT equity plans. The unwinding concerns the following equity plans:

- the unvested rights on the 2009 and 2010 performance shares,
- the granted 2009 and 2010 matching shares, and
- the unexercised options under the 2004 option plan.

All plans were terminated before the demerger so that no 'legacy plans' existed thereafter. The unwinding of the TNT equity plans has been executed as described below:

- The Supervisory Board of TNT decided, in accordance with its discretionary power under the plan rules, to settle the unvested rights in cash as the vesting period for the performance and matching shares was accelerated. The calculation of the level of this compensation was based on a generally accepted valuation model, validated by an external party. The unwinding of the unvested performance shares and matching shares was paid to the eligible Board of Management and senior management of TNT.

- The exercise period of the employee options for shares in TNT was shortened. The Supervisory Board of TNT decided to settle the options in cash, taking into account the time value of the reduced option period. The value of the options has been calculated in accordance with a generally accepted option valuation mode, validated by an external party and was subsequently paid to the eligible senior management of TNT.

The total share-based payment costs over 2011 amounted to €28 million, of which €20 million related to the accelerated vesting. In accordance with IFRS 2.28b, the cash settlement of the accelerated vesting amounting to €12 million was deducted from equity, except to the extent that the payment exceeded the fair value of the equity instruments granted measured at the repurchase date. In that case, the excess of the payment over the fair value was recognised as expense. The net amount of €16 million share-based payments credited to equity (see note 10) represents the total 2011 share-based payment costs of €28 million less the total cash compensation paid of €12 million in relation to the unwinding of the equity plans.

The total share-based payment costs for the demerged Express activities amounted to €19 million, of which €14 million is related to the accelerated vesting; these costs are included in Profit from discontinued operations (see note 3). The remainder of €9 million related to PostNL staff, of which €6 million related to the accelerated vesting is included in salaries, pensions and social security contributions. Of the total share-based payment costs of €9 million, an amount of €1,634,437 related to the cost of equity plans for the Board of Management.

The total cash compensation in relation to the unwinding of the equity plans amounted to €12 million, of which €4 million was paid by PostNL. The remainder was paid by Express. The amount of €4 million includes cash compensation for the Board of Management in relation to the unwinding of the equity plans amounting to €1,191,660.

One-off investment/matching plan

Following the cash-settled unwinding of the TNT equity plans, no 'legacy plans' remained after demerger for the company. 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 i) has remained an employee throughout and ii) still owns at least 50% of the investment shares. If, prior to vesting, the participant has sold more than half of the investment shares, the matching right will forfeit in full. If the participant has sold 50% or less of the 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.

Remuneration of members of the Board of Management

Settlement former CEO

A settlement arrangement was made with Mr M.P. Bakker of €2,636,000 which was calculated based on twice the annual base salary of €918,000 and a notice period of €800,000. As a result of the settlement of Mr M.P. Bakker, the company was charged payroll taxes of €695,899. The total settlement cost and related payroll taxes for the company amounts to €3,331,899.

Total remuneration Board of Management
In 2011, the total remuneration of the Board of Management consisted of:

- base salary
- variable compensation:
  - Performance bonus 2011
  - Bonus/matching share plan
  - Performance share plan
- other periodic compensation
- pension

The remuneration of the Board of Management, including pension, social security contributions of €6,681,420 and the settlement cost of €3,331,899 charged to the company over 2011 amounted to €10,013,319 (2010: 6,907,420). A total of €3,386,492 related to the current members of the Board of Management and €6,626,827 to the former members.

The 2011 remuneration elements of the 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 H.M. Koorstra, CEO, who acted the whole year as member of the Board of Management. The remuneration of the former members of the Board of Management of TNT is included for the five months up to demerger.

Remuneration (former) Board of Management in 2011

	Base salary	Performance bonus 2011	Pension costs	Other periodic compensation [1]	Share based payment costs[2]	Total 2011
Harry Koorstra[3]	670,833	528,281	272,892	361,842	182,022	2,015,870
Jan Bos	204,167	191,407	35,723	18,121	885	450,303
Herna Verhagen	239,167	188,344	42,601	21,635		491,747
Gérard Aben	204,167	163,334	44,318	16,753		428,572
Total current members	**1,318,334**	**1,071,366**	**395,534**	**418,351**	**182,907**	**3,386,492**
Peter Bakker[4]	382,500	464,075	123,526	78,835	1,025,707	2,074,643
Bernard Bot	187,500		48,874	15,162	243,801	495,337
Marie-Christine Lombard	255,000		117,300	170,626	182,022	724,948
Total former members	825,000	464,075	289,700	264,623	1,451,530	3,294,928
Total 2011	**2,143,334**	**1,535,441**	**685,234**	**682,974**	**1,634,437**	**6,681,420**

(in €)

1 Other periodic compensation includes company costs related to tax and social security, company car and other costs. The costs for Harry Koorstra include a retrospective salary adjustment for the years 2008-2010 of €54,000, an adjusted bonus over 2010 of €23,000 and salary allowances made as compensation for the change in pension system of €100,657. Costs for Marie-Christine Lombard include periodic costs for French social taxes and French social security contributions of €132,204, calculated on the full salary package.
2 Costs include unwinding costs of the 2009 and 2010 Bonus/Matching plans (€48,443) and Performance Share plans (€1,242,504).
3 Related to the whole year, acting as member of the Board of Management.
4 Excluding settlement arrangement and related payroll taxes.

The 2010 remuneration elements of the former members of the Board of Management of PostNL are summarised in the table below.

Remuneration (former) Board of Management in 2010

	Base salary	Accrued performance bonus 2010	Pension costs	Other periodic compensation [1]	Share-based payment costs[2]	Total 2010
Peter Bakker	918,000	585,225	109,968	133,864	383,673	2,130,730
Bernard Bot[3]	187,500	269,532	61,682	27,573	62,611	608,898
Harry Koorstra	612,000	382,500	99,299	168,665	229,287	1,491,751
Marie-Christine Lombard	612,000	328,950	281,520	390,260	229,287	1,842,017
Total current members	**2,329,500**	**1,566,207**	**552,469**	**720,362**	**904,858**	**6,073,396**
Henk van Dalen [4]	459,000		71,453	118,624	184,947	834,024
Total former members	459,000	0	71,453	118,624	184,947	834,024
Total 2010	**2,788,500**	**1,566,207**	**623,922**	**838,986**	**1,089,805**	**6,907,420**

(in €)

1 Other periodic compensation includes company costs related to tax and social security, company car and other costs. It also includes salary allowances made as compensation for the change in pension system to Peter Bakker of €60,106; Harry Koorstra of €55,208 and Henk van Dalen of €41,403. Also included are periodic payments for French social taxes and French social security contributions for Marie-Christine Lombard, calculated on the full salary package i.e. base salary, bonus and performance shares.
2 Related to costs for Performance Share plans and Bonus/Matching plans. In the 2010 annual report included in accrued for short-term and long-term incentives.
3 Bernard Bot is acting CFO since 1 August 2010. Includes costs only for the period relating to Board membership.
4 Henk van Dalen left the company per 1 October 2010. Includes costs only for the period relating to Board membership.

Base salary
As presented at the 2011 Annual General Meeting of Shareholders on 25 May 2011, the 2011 annual base salaries for members of the Board of Management were set at €700,000 for Mr H.M. Koorstra, CEO, €350,000 for Mr J.P.P. Bos, CFO, €410,000 for Ms H.W.P.M.A. Verhagen and €350,000 for Mr G.T.C.A. Aben. As presented during this meeting, the base salaries of the new members of the Board of Management were set below median market level. The Supervisory Board decided to gradually adjust the base salaries to median market level. The 2010 annual base salaries for the former members of the Board of Management were €918,000 for Mr M.P. Bakker, CEO, €450,000 for Mr B.L. Bot, CFO, and €612,000 for the other members of the Board of Management.

Performance bonus 2011
Since 2002, PostNL has accounted for bonus payments on the basis of the accrued bonuses for the performance of the year reported. This variable compensation to the current members of the Board of Management represents a multi-stakeholder approach with the following focus areas:
- Financial (60%): targets such as the achievement of underlying cash EBIT, adjusted net cash flow from operating activities and the demerger targets are included.
- Non-Financial (40%):
  - Employees: targets are based on management development, achieving engagement survey objectives and absenteeism.
  - Environment: targets are based on achieving CO_2 efficiency improvement targets and health and safety objectives.
  - Customers: targets are based on improving customer focus and measuring customer focus through customer satisfaction surveys.

The total performance bonus 2011 is set at €1,535,441 million, of which €1,071,366 has been accrued and of which €464,075 was paid to Mr M.P. Bakker (former CEO) in 2011 for his performance over the first five months of 2011.

In the table below, the amount of €1,071,366 reflects the total accrued bonuses for performance over 2011 for the current and former members of the Board of Management. For 50% of the performance bonus, the company will purchase shares on behalf of the members of Board of Management. The shares will be purchased on the basis of the NYSE Euronext Amsterdam share price of PostNL on the date prevailing at the time of the allotment.

Bonus 2011 current members

	Accrued for 2011 performance bonus	as % of base pay
Harry Koorstra	528,281	78.75%
Jan Bos	191,407	93.75%
Herna Verhagen	188,344	78.75%
Gérard Aben	163,334	80.00%
Total current members	**1,071,366**	

(in €, except percentages)

[1] The former members of the Board of Management waived their 2011 Performance bonus, except for Peter Bakker who received a Performance Bonus over the period January-May 2011 in the amount of €464,075.

In 2011, an amount of €1,589,207 related to the 2010 performance bonus was paid to the former Board of Management, partly paid in cash (which included an adjusted 2010 bonus of €23,000 paid to Mr H.M. Koorstra) and partly in shares.

In compliance with the Dutch Corporate Governance Code, the current (former) members of the Board of Management may not sell their PostNL (TNT Express) 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.

Share-based payment costs 2011
In the table below, the total share-based payment costs for the current and former members of Board of Management is shown per component:

Share-based payment costs (former) Board of Management

	Bonus/Matching plans[1]	Performance Share plans[2]	Total 2011
Harry Koorstra[3]	-	182,022	182,022
Jan Bos	885		885
Total current members	**885**	**182,022**	**182,907**
Peter Bakker		1,025,707	1,025,707
Bernard Bot	60,850	182,951	243,801
Marie-Christine Lombard		182,022	182,022
Total former members	60,850	1,390,680	1,451,530
Total 2011	**61,735**	**1,572,702**	**1,634,437**

(in €)

1 €885 are the costs of the new one-off Investment/Matching plan. €60,850 includes costs related to the unwinding of the 2009 and 2010 Bonus/Matching plans of €48,443.
2 Includes costs related to the unwinding of the 2009 and 2010 Performance Share plans amounting to €1,242,504.
3 Related to the whole year, acting as member of the Board of Management.

Bonus/matching share plans

In 2011, the total costs for the rights to bonus/matching shares amounted to €61,735 (2010: 75,099), of which €60,850 related to the costs for the rights granted in 2009 and 2010 to Mr B.L. Bot, former member of the Board of Management. As of 2008, the members of the Board of Management are no longer eligible to participate in the bonus/matching plan. Mr B.L. Bot was, however, eligible to participate in the plan up to his appointment as acting member of the Board of Management of TNT in 2010.

The unwinding of the unvested 2009 and 2010 bonus/matching shares was settled in cash (€77,121). The unvested rights on bonus/matching shares were vested on a pro-rata basis in accordance with the plan rules.

Unwinding previous bonus/matching share plan former Board of Management

		Number of matching rights on shares			
	Year	Outstanding 1 Jan 2011	Vested or settled during 2011	Outstanding 31 Dec 2011	Unwinding cash compensation
Bernard Bot[1]	2009	3,365	3,365	0	46,549
	2010	2,763	2,763	0	30,572
Total former members		6,128	6,128	0	77,121

(in rights, except cash in €)

1 Granted before his appointement as member of the Board of Management in 2010.

The remainder of the 2011 costs for the rights to bonus/matching shares amounting to €885 relates to the new one-off investment/matching plan as shown below for Mr J.P.P. Bos.

Investing/matching share plan Board of Management

		Number of matching rights on shares		
	Year	Outstanding 1 Jan 2011	Granted during 2011[1]	Outstanding 31 Dec 2011
Jan Bos	2011	0	3,503	3,503
Total current members		**0**	**3,503**	**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.

Performance Share plans

As of 2010, members of the Board of Management are no longer eligible to receive rights on performance shares.

The table below shows the total 2011 costs of the rights to performance shares granted in prior years to the current and former members of the Board of Management:

Costs of performance share plans (former) Board of Management in 2011

	Costs in 2011 from performance shares granted in 2008	Costs in 2011 from performance shares granted in 2009	Costs in 2011 from performance shares granted in 2010[1]	Costs related to the unwinding in 2011	Total costs for performance shares
Harry Koorstra	35,145	40,799		106,078	182,022
Total current members	**35,145**	**40,799**	**0**	**106,078**	**182,022**
Peter Bakker	67,154	57,746		900,807	1,025,707
Bernard Bot	19,111	17,481	16,818	129,541	182,951
Marie-Christine Lombard	35,145	40,799		106,078	182,022
Total former members[2]	121,410	116,026	16,818	1,136,426	1,390,680
Total 2011	**156,555**	**156,825**	**16,818**	**1,242,504**	**1,572,702**

(in €)

1 Mr Bot, former member of the Board of Management, was eligible to participate in the plan up to his appointment as acting member of the Board of Management of TNT in 2010.
2 Related to the period January-May 2011, prior to the demerger of TNT Express.

In 2011, an amount of €1,572,702 was expensed for the cost of performance shares. €1,025,707 was expensed for the settlement of the unvested 2009 rights of Mr M.P. Bakker of which €750,699 related to the excess of the payment over the fair value of the equity instruments granted, measured at the repurchase date.

In the table below, an overview of the unwinding of the share positions per former and current member of the Board of Management is shown:

Unwinding previous performance share plans (former) Board of Management

		Number of rights on performance shares			
	Year	Outstanding 1 Jan 2011	Vested or settled during 2011	Outstanding 31 Dec 2011	Unwinding cash compensation
Harry Koorstra	2008	19,508	19,508	0	-
	2009	43,497	43,497	0	85,515
Total current members		**63,005**	**63,005**	**0**	**85,515**
Peter Bakker[1]	2008	37,725	37,725	0	
	2009	61,565	61,565	0	871,699
Bernard Bot[2]	2008	10,608	10,608	0	
	2009	18,637	18,637	0	36,640
	2010	11,382	11,382	0	35,170
Marie-Christine Lombard	2008	19,508	19,508	0	
	2009	43,497	43,497	0	85,515
Total former members		202,922	202,922	0	1,029,024
Total 2011		**265,927**	**265,927**	**0**	**1,114,539**

(in rights, except cash in €)

1 The Supervisory Board of TNT decided, in accordance with its discretionary power under the plan rules, not to apply the performance schedules on the determination of the cash settlement of Mr Bakker's unvested 2009 rights. For the excess of the payment over the fair value of the equity instruments granted, measured at the re-purchase date, an amount of €750,699 was expensed in 2011.
2 As of 2010, the members of the Board of Management are no longer eligible to receive rights on performance shares, with the exception of Mr Bot. He was eligible in 2010 to being appointed as member of the Board of Management.

In 2011, the rights to the performance shares 2008 vested, but no shares were delivered to the participants since the market performance conditions were not met. The unwinding of the unvested 2009 and 2010 performance shares was settled in cash (€1,114,539) and paid to the respective members of the Board of Management in 2011.

Option plans

The option plan 2003 expired in February 2011; no former or current members of the Board of Management participated in 2011 in the option plan 2004. For more detailed disclosure on the participation of senior management, see the paragraph 'Remuneration of senior management'.

Other periodic compensation

Other periodic compensation includes company costs related to tax and social security, company car and allowances made as compensation for the change in pension system as from 2006 onwards.

Pension

The pension costs consist of the service costs for the reported year. All Board of Management members are participants in a career average defined benefit scheme. Only Ms M.C. Lombard participated in a French defined contribution pension scheme, for which she received a pension contribution of €117,300. The pensionable age of all members of the Board of Management is 65 years. Mr H.M. Koorstra and Mr M.P. Bakker (pro rata for 5 months) received monthly salary allowances as compensation for the change in pension scheme in 2006 and the change in retirement age.

No loans, advance payments or guarantees were granted to members of the Supervisory Board or the Board of Management in 2011 (2010: nil).

REMUNERATION OF SENIOR MANAGEMENT

Unwinding of TNT equity plans senior management

Of the total share-based payment costs over 2011 amounting to €28 million, €20 million related to the accelerated vesting. €5 million of these expenses related to the accelerated vesting of the equity plans for PostNL senior management. The total settlement in cash for the equity plans of senior management amounted to €11 million, of which PostNL paid €3.8 million and Express €7.2 million. The amount of €3.8 million was paid for the settlement of the option plans (€0.2 million), performance share plans (€2.7 million) and bonus/matching plans (€0.9 million) as further disclosed below.

The movement in number of rights of senior management, allocated between PostNL and Express in 2011, is described below.

Option plans

All options granted under the option plan 2003 and 2004 entitled the holder to the allotment of ordinary shares when these are exercised and are equity settled. The rights on the option plan 2003 expired in February 2011. Due to the demerger, the exercise period of the employee options 2004 for TNT shares was shortened and ended immediately before the demerger date. The value upon demerger of any unexercised option, €0.2 million, was calculated in accordance with a generally accepted option valuation model and was paid in cash to the eligible senior management of TNT. The model applied is in compliance with IFRS 2 and the time value of the unexercised options was taken into account when determining the fair value.

Unwinding previous option plans senior management PostNL

	Year	Number outstanding 31 Dec 2010	Impact demerger Corporate Headoffice[1]	Number outstanding 1 Jan 2011	Exercised during 2011	Settled during 2011	Number outstanding 31 Dec 2011
Options	2003	13,800	-	13,800	7,050	6,750	-
	2004	74,000	1,000	75,000	8,000	67,000	-
		87,800	**1,000**	**88,800**	**15,050**	**73,750**	**0**

1 As a result of the demerger, organisational restructuring took place as of 1 January 2011. Senior management was allocated to either PostNL or TNT Express. Therefore, the numbers of shares outstanding as of 31 December 2010 (as reported in the annual report 2010) differ from the number outstanding as at 1 January 2011.

Unwinding previous option plans senior management Express

	Year	Number outstanding 31 Dec 2010	Impact demerger Corporate Headoffice[1]	Number outstanding 1 Jan 2011	Exercised during 2011	Settled during 2011	Number outstanding 31 Dec 2011
Options	2003	20,425	-	20,425		20,425	0
	2004	161,851	(1,000)	160,851		160,851	0
		182,276	**(1,000)**	**181,276**	**0**	**181,276**	**0**

1 As a result of the demerger, organisational restructuring took place as of 1 January 2011. Senior management was allocated to either PostNL or TNT Express. Therefore, the numbers of shares outstanding as of 31 December 2010 (as reported in the annual report 2010) differ from the number outstanding as at 1 January 2011.

Performance share plan

As of 2011, no performance share plan is available to senior management. The existing performance share plan was an equity-settled scheme with annual grants. Participants were granted a conditional right to a maximum number of TNT shares. The number of shares, comprised in the share award, reflected the position that the participant held and management's assessment of his/her future contribution to the company.
Participants became the economic owner of the share after a period of three years (vesting period). The plan includes market-based vesting conditions such that the number of to-be-delivered shares (nil up to the maximum comprising the right) is dependent on the company's performance on total shareholder return. The last grant under the plan occurred in 2010.

At demerger, the performance share plans were unwound as follows, for which compensation in cash was made to senior management of €8.6 million. PostNL paid €2.7 million, while Express paid €5.9 million.

Unwinding previous performance share plans senior management PostNL

	Year	Number outstanding 31 Dec 2010	Impact demerger Corporate Headoffice[1]	Number outstanding 1 Jan 2011	Vested or settled during 2011	Number outstanding 31 Dec 2011
Performance shares	2008	359,641	80,821	440,462	440,462	0
	2009	651,006	141,126	792,132	792,132	0
	2010	441,244	49,926	491,170	491,170	0
		1,451,891	**271,873**	**1,723,764**	**1,723,764**	**0**

1 As a result of the demerger, organisational restructuring took place as of 1 January 2011. Senior management was allocated to either PostNL or TNT Express. Therefore, the numbers of shares outstanding as of 31 December 2010 (as reported in the annual report 2010) differ from the number outstanding as at 1 January 2011.

Unwinding previous performance share plans senior management Express

	Year	Number outstanding 31 Dec 2010	Impact demerger Corporate Headoffice[1]	Number outstanding 1 Jan 2011	Vested or settled during 2011	Number outstanding 31 Dec 2011
Performance shares	2008	867,560	(80,821)	786,739	786,739	0
	2009	1,667,149	(141,126)	1,526,023	1,526,023	0
	2010	1,153,953	(49,926)	1,104,027	1,104,027	0
		3,688,662	**(271,873)**	**3,416,789**	**3,416,789**	**0**

1 As a result of the demerger, organisational restructuring took place as of 1 January 2011. Senior management was allocated to either PostNL or TNT Express. Therefore, the numbers of shares outstanding as of 31 December 2010 (as reported in the annual report 2010) differ from the number outstanding as at 1 January 2011.

Bonus/matching share plan

Members of a selected group of senior managers participated on a voluntary basis in the existing equity-settled bonus/matching plan. Participants are paid 100% of their bonus in cash and can convert 25% as a grant of TNT shares with an associated matching right per year if at least 50% of the shares are kept for three years. Based on the discretion of the Supervisory Board, grants were made on an annual basis in accordance with the bonus/matching plan, which was approved by the Supervisory Board. The last grant under this plan occurred in 2010.

At demerger, the bonus/matching share plans were unwound as follows, for which compensation in cash was made to senior management of €2.2 million. PostNL paid €0.9 million, while Express paid €1.3 million.

Unwinding previous Bonus/Matching plans senior management PostNL

	Year	Number outstanding 31 Dec 2010	Impact demerger Corporate Headoffice[1]	Number outstanding 1 Jan 2011	Vested or settled during 2011	Number outstanding 31 Dec 2011
Matching rights	2008	31,084	4,756	35,840	35,840	0
	2009	36,474	7,598	44,072	44,072	0
	2010	28,840	3,063	31,903	31,903	0
		96,398	**15,417**	**111,815**	**111,815**	**0**

1 As a result of the demerger, organisational restructuring took place as of 1 January 2011. Senior management was allocated to either PostNL or TNT Express. Therefore, the numbers of shares outstanding as of 31 December 2010 (as reported in the annual report 2010) differ from the number outstanding as at 1 January 2011.

Unwinding previous Bonus/Matching plans senior management Express

	Year	Number outstanding 31 Dec 2010	Impact demerger Corporate Headoffice[1]	Number outstanding 1 Jan 2011	Vested or settled during 2011	Number outstanding 31 Dec 2011
Matching rights	2008	55,718	(4,756)	50,962	50,962	0
	2009	51,087	(7,598)	43,489	43,489	0
	2010	72,396	(3,063)	69,333	69,333	0
		179,201	**(15,417)**	**163,784**	**163,784**	**0**

1 As a result of the demerger, organisational restructuring took place as of 1 January 2011. Senior management was allocated to either PostNL or TNT Express. Therefore, the numbers of shares outstanding as of 31 December 2010 (as reported in the annual report 2010) differ from the number outstanding as at 1 January 2011.

In 2011, the price on the regular vesting for the 2008 bonus/matching shares was €16.31.

2011 bonus/matching plan for senior management

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 in 2011 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 (2011: €6.76 per share),
- the rights on matching shares are granted for zero costs 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 shares are delivered three years after the delivery of the bonus shares. One matching share is delivered 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 inside information. All awards under this plan are cash-settled.

The table below summarises the status of the number of outstanding rights on the 2011 bonus/matching plan (and the limited amount of rights on the new investment/matching plan) granted to senior managers in the current PostNL Group in 2011.

Bonus/Matching plan 2011 senior management PostNL

	Year	Number outstanding 1 Jan 2011	Granted during 2011[1]	Vested or settled during 2011	Number outstanding 31 Dec 2011
Matching rights	2011		211,043	10,536	200,507
		0	**211,043**	**10,536**	**200,507**

1 The granted number of rights includes 19,860 rights on the new Investment/Matching scheme.

Fair value assumptions and hedging

PostNL's share-based payments were measured using the Monte Carlo fair value measurement method.

Except for the determination of the cash settlement of Mr M.P. Bakker's unvested 2009 rights on performance shares, the payments made to the participants have been determined in accordance with the fair value of the outstanding awards at the settlement date based on a similar valuation model that was applied to determine the initial grant date fair value of these awards. Based on this valuation approach, the payments made were equal to the fair value of the awards at the settlement date and therefore the settlement was fully accounted for as a repurchase from equity and no excess fair value has been recognised.

As all awards under the new investment/matching plan for the Board of Management and senior management and the 2011 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 plans by purchasing shares on the market. As a result, the company did not purchase any additional shares in 2011 to cover its obligations under the existing equity plans.

20 Depreciation, amortisation and impairments

Depreciation, amortisation and impairments: 112 million (2010: 120)

Depreciation, amortisation and impairments

Year ended at 31 December	2011	2010
Amortisation of intangible assets	23	25
Depreciation property, plant and equipment	76	84
Impairment of intangible assets	1	11
Impairment of property, plant and equipment	12	
Total	**112**	**120**

(in € millions)

The amortisation of intangible assets of €23 million (2010: 25) relates to software for €21 million (2010: 23) and other intangibles for €2 million (2010: 2). The impairment of intangible assets of €1 million (2010: 11) related to an IT write-off in the United Kingdom. In 2010, the impairment charges related to the write-down of goodwill for Spring Global Mail, part of the segment International, amounting to €11 million.

The 2011 impairment of property, plant and equipment of €12 million related to impaired real estate within Mail in the Netherlands.

21 Other operating expenses

Other operating expenses: 260 million (2010: 275)

The other operating expenses consist of IT communication, office cost, travel and training expense, consulting and other shared services cost.

In 2011, total PricewaterhouseCoopers fees amounted to €4 million (2010: 19). The 2010 fees included services relating to the demerged Express activities for an amount of €15 million, which included an amount of €10 million relating to the preparation of the demerger.

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	2011	2010
Audit fees	3	7
Audit related fees	1	10
Tax advisory fees	0	1
Other fees	0	1
Total	**4**	**19**

(in € millions)

Audit fees includes 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 PricewaterhouseCoopers Accountants N.V. based in the Netherlands amounted to €3 million (2010: 6).

22 Net financial expenses

Net financial expenses: 101 million (2010: 106)

Net financial expenses

Year ended at 31 December	2011	2010
Interest expenses	(119)	(119)
Hedge reserve recycled to profit and loss	(2)	(2)
Net foreign exchange gains	0	1
Interest and similar expenses	(121)	(120)
Interest and similar income	20	14
Net financial expenses	**(101)**	**(106)**

(in € millions)

Interest and similar expenses: 121 million (2010: 120)

The interest expenses amount to €119 million (2010: 119). This amount consists of external interest expenses of €114 million and €5 million interest expenses paid to Express in the first 5 months of 2011, which relates to expenses on intercompany balances with TNT Express before the demerger. The external interest expenses of €114 million (2010: 108) mainly relate to interest expenses on long-term borrowings of €97 million (2010: 99) and interest on provisions of €8 million (2010: 5). Furthermore, the external interest expenses relate to interest expenses on bank overdrafts and bank loans of €4 million (2010: 1), attributable to a gross-up of interest on notional cash pools, and interest on taxes of €2 million (2010: 2).

In accordance with IFRS, interest income and expense on cash pools are reported on a gross basis. From an economic and legal perspective, the €4 million (2010: 1) interest income nets off against the same amount of interest expense. The amounts are not netted in the income statement because under IFRS such offset needs in practice to be irreversibly exercised from time to time.

Interest and similar income: 20 million (2010: 14)
The interest and similar income amounts to €20 million (2010: 14). This amount consists of external interest and similar income of €13 million and €7 million interest income received from Express in the first five months of 2011, which relates to income on intercompany transactions with Express before the demerger. The external interest and similar income of €13 million (2010: 2) mainly relates to interest income on banks, loans and deposits of €8 million (2010: 2), of which €4 million (2010: 1) relates to a gross-up of interest on notional cash pools, and to interest on taxes of €5 million (2010:0).

23 Income taxes

Income taxes: 78 million (2010: 91)

Income taxes amount to €78 million (2010: 91), or -22.6% (2010: 24.4%) of profit/(loss) before income taxes.

Effective income tax rate

Year ended at 31 December	2011	2010
Dutch statutory income tax rate	25.0	25.5
Adjustment regarding effective income tax rates other countries	0.9	0.8
Weighted average statutory tax rate	25.9	26.3
Permanent differences:		
Non and partly deductible costs	1.0	
Non and partly deductible impairments		0.8
Exempt income	(3.0)	(0.2)
Other	0.8	(2.5)
Effective income tax rate - before impact stake Express	**24.7**	**24.4**
Impact stake Express	(47.3)	
Effective income tax rate	**(22.6)**	**24.4**

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate by the profit/(loss) before income taxes. In 2011, the effective income tax rate was -22.6% (2010: 24.4%). The statutory income tax rate in the Netherlands is 25.0% (2010: 25.5%).

The 2011 effective income tax rate was strongly impacted by the non-deductible impairment of €636 million on the retained stake in TNT Express (-47.3%). Excluding this impact, the effective income tax rate for 2011 would have been 24.7% (2010: 24.4%).

The 'Effective income tax rate - before impact stake Express' is impacted by non- and partly deductible costs of 1.0% (mainly costs related to the former TNT share-based equity plans) and exempt income of -3.0% (predominantly relating to book gains from the sale of De Belgische Distributiedienst and other non-core subsidiaries). The 'Other' line of 0.8% mainly relates to prior year adjustments and irrecoverable losses for which no deferred tax asset could be recognised. In 2010, this 'Other' line mainly related to the revaluation of deferred tax balances due to the enacted lower Dutch corporate income tax rate of 25.0% as per 1 January 2011.

Income tax expense consists of the following:

Income taxes

Year ended at 31 December	2011	2010
Current tax expense	59	96
Changes in deferred taxes	19	(5)
Total income taxes	**78**	**91**

(in € millions)

In 2011, the current tax expense amounts to €59 million (2010: 96). 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 2011, the income tax receivable amounts to €3 million (2010: 3) and the income tax payable amounts to €94 million (2010: 135). In 2011, PostNL paid income taxes amounting to €98 million (2010: 205), which includes tax payments relating to prior years (see note 24).

The following table shows the movements in deferred tax assets in 2011:

Statement of changes deferred income tax assets

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2009	**37**	**5**	**129**	**62**	**233**
Transfers to assets held for sale			(1)	(1)	(2)
Transfers to assets classified for demerger	(33)	(5)	(118)	(48)	(204)
Changes charged directly to equity				(3)	(3)
Changes via income statement	(4)	2	(4)	3	(3)
Deferred tax assets at 31 December 2010	**0**	**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**

(in € millions)

Of the deferred tax assets, an amount of €5 million (2010: 1) is to be recovered within 12 months and an amount of €15 million (2010: 20) is to be recovered 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 for carry forward at 31 December 2011 amount to €129 million (2010: 104). The increase was mainly caused by the International business in Germany. With these losses carried forward, future tax benefits of €39 million could be recognised (2010: 32). 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 €27 million (2010: 22) of the potential future tax benefits and recorded deferred tax assets of €12 million at the end of 2011 (2010: 10, of which an amount of €4 million was offset against deferred tax liabilities).

The expiration of total accumulated losses is presented in the table below:

Expiration accumulated losses for carry forward arrangements income tax

2012	3
2013	2
2014	1
2015	4
2016 and thereafter	23
Indefinite	96
Total	**129**

(in € millions)

The following table shows the movements in deferred tax liabilities in 2011:

Statement of changes deferred income tax liabilities

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2009	**279**	**68**	**44**	**391**
Transfers to liabilities related to assets held for sale		(4)		(4)
Transfers to liabilities related to assets classified for demerger	(1)	(20)	(31)	(52)
Changes via income statement	3	1	(12)	(8)
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**

(in € millions)

Of the deferred tax liabilities, an amount of -€13 million (2010: 6) is to be settled within 12 months and an amount of €354 million (2010: 321) is to be settled after 12 months.

Notes to the consolidated statement of cash flows

24 Net cash from operating activities

Net cash from operating activities 122 million (2010: 171)

Net cash from operating activities from continuing operations decreased by €49 million from €171 million in 2010 to €122 million in 2011. The non-cash transactions in the statement of cash flows relate to depreciation, amortisation and impairment charges, share-based payment expenses, result from investments in associates, foreign exchange gains and losses, investments in property, plant and equipment financed via financial leases, book result on sale of property, plant and equipment and changes in provisions.

Cash generated from operations

The cash generated from operations decreased from €475 million in 2010 to €321 million in 2011. In 2011, the profit before income taxes contributed -€345 million (2010: 373) and €403 million (2010: 493) if adjusted for the non-cash impact of depreciation, amortisation and impairments (including impairment investments in associates).

The change in net pension liabilities of -€143 million in 2011 (2010: -281) reflects the difference between the total non-cash employer pension expense for the post-employment defined benefit plans of €117 million (2010: -42) and the comparable total cash contributions for a total amount of €260 million (2010: 239).

The change in other provisions of -€64 million in 2011 reflects the difference between the recorded costs for provisions (net amount of additions and releases) of €15 million and the actual cash settlements of €78 million. These cash settlements related mainly to restructuring payments for Master Plan III and several other restructuring plans. In 2010, the increase of €170 million related mainly to the netted total of additions/withdrawals of restructuring provisions for Master Plan III.

In 2011, the total working capital improved compared with 2010. Trade working capital improved by €60 million compared with 2010 and non-trade working capital worsened by €20 million. In 2011, payment behaviour of customers improved compared with 2010. This is complemented by continued focus on payment terms of suppliers.

Interest paid

The total cash out for interest paid in 2011 is €101 million (2010: 99). In 2011, interest paid mainly included interest on PostNL's long-term borrowings of €93 million (2010: 95). In addition, interest payments of €4 million (2010: 2) are included for short-term debt (of which €4 million (2010: 1) is a gross-up due to cash pools, which is offset in the interest received).

The interest paid and received on notional cash pools are reported on a gross basis in accordance with IFRS. From an economic and legal perspective, the €4 million (2010: 1) interest paid nets off against the same amount of interest received. The amounts are not netted in the income statement because under IFRS such offset needs in practice to be irreversibly exercised from time to time.

Income taxes paid

In 2011, PostNL paid income taxes amounting to €98 million (2010: 205), which includes tax payments relating to prior years of €43 million (2010: 117).

25 Net cash from/(used in) investing activities

Net cash from/(used in) investing activities: 47 million (2010: -92)

Interest received

In 2011, interest received amounted to €7 million (2010: 3), mainly including interest on short-term bank balances and deposits of €7 million (2010: 2), of which €4 million (2010: 1) is a gross-up due to nominal cash pools which is offset in the interest paid.

Dividend received

In 2011, the cash inflow for dividend of €7 million (2010: 0) mainly related to the €6.5 million dividend received from TNT Express.

Acquisition of subsidiaries and joint ventures (net of cash)

In 2011, the total payment net of cash for acquisitions of Group companies amounted to €2 million (2010: 5) and is related to the acquisition of Formula Certa Delivery S.r.l.

Disposal of subsidiaries and joint ventures

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 (2010: 2). The disposals align with the strategic focus on addressed mail in the United Kingdom, Germany and Italy. The cash and cash equivalent in these subsidiaries is limited. The net proceeds of disposal of subsidiaries and joint ventures amount to €110 million (2010: 2). These net proceeds are fully received in cash. The disposed subsidiaries and joint ventures included an amount of cash and cash equivalents of €1 million and total assets of €101 million, of which €55 million fixed assets and € 46 million current assets.

Capital expenditure on intangible assets and property, plant and equipment
In 2011, capital expenditures on property, plant and equipment amounted to €104 million (2010: 88). The capital expenditures on other intangible assets of €33 million (2010: 21) mostly related to software. In 2011, capital expenditures were funded primarily by cash generated from operations and were part of strict cost control and review.

Proceeds from sale of property, plant and equipment
Proceeds from the sale of property, plant and equipment in 2011 totalled €62 million (2010: 17), which mainly relates to the sale of several buildings from PostNL Real Estate B.V., PostNL Real Estate Development B.V. and PostNL Real Estate International B.V. (totalling €57 million) and the sale of buildings and equipment from the joint venture Postkantoren B.V. (€3 million).

26 Net cash from/(used in) financing activities

Net cash from/(used in) financing activities: 432 million (2010: -93)

Cash settlement share-based payments
In 2011, share-based payments amounted to €6 million (2010: -2), of which €4 million relates to the payment of PostNL's Board of Management and senior management for the settlement of the unwound equity plans as a consequence of the demerger. All unvested rights in the non-exercised option plan 2004, the performance and matching shares 2009 and 2010 were terminated early and settled in cash.

The remaining €2 million relates to the buy-out of the minority interest in TNT Post London Limited in the first quarter of 2011.

Proceeds from and repayments of long-term borrowings
In 2011, the total net repayments on long-term borrowings mainly related to some small loans in International. The total net repayments on long-term borrowings in 2010 mainly related to a repayment of €10 million on the €650 million 5.375% Eurobond.

Proceeds from and repayments of short-term borrowings
The total net repayments on short-term borrowings mainly related to the net of increases and decreases on outstanding local short-term debt of €25 million (2010: -2).

Repayments of finance leases
The total repayments related to redemptions on other finance lease contracts of €4 million (2010: 3).

Dividends paid
In 2011, €80 million (2010: 119) was paid in cash dividend, of which €44 million relates to the second interim 2010 cash dividend and €36 million to the interim 2011 cash dividend.

Financing related to discontinued business
In 2011, financing related to discontinued business amounts to €498 million (2010: 41). This mainly consists of final settlements of the intercompany balances between PostNL and the discontinued Express activities over the first five months of 2011.The cash flows concerning the settlement of the intercompany balances related to the Express business are qualified as financing activities.

Additional notes

27 Business combinations

(No corresponding financial statement number)

In 2011, PostNL acquired 100% of Formula Certa Delivery S.r.l. The goodwill arising from these acquisitions amounts to €2 million (2010: 4 relating to TopPak and Kowin (Kortingsbon.nl)). The total acquisition cash-out amounts to €2 million (2010: 6).

Formula Certa S.r.l. is TNT Post Italy's innovative method of registered mail in which a GPS scanner is used to furnish proof of delivery.

Acquiree's results

The total acquiree's net income attributable to shareholders accounted within PostNL, since acquisition date, amounts to €0 million.

Pro forma results

The pro forma results of PostNL for 2011, as if these acquisitions had taken place on 1 January 2011, would have been exactly the same. 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) 2011	As reported 2011
Total revenues	4,297	4,297
Profit for the period from continuing operations	(423)	(423)
Profit attributable to the equity holders of the parents	**1,736**	**1,736**
Earnings per ordinary share (in € cents)	452.8	452.8
Earnings per diluted ordinary share (in € cents)	452.8	452.8

(in € millions, unless otherwise indicated)

28 Commitments and contingencies

(No corresponding financial statement number)

Off-balance sheet commitments

At 31 December	2011	2010
Rent and operating lease	288	240
Capital expenditure	57	17
Purchase commitments	42	62

(in € millions)

Of the total commitments indicated above, €169 million are of a short-term nature (2010: 141).

Rent and operating lease contracts

In 2011, operational lease expenses (including rental) in the consolidated income statement amounted to €123 million (2010: 125). There are no material individual lease contracts as at 31 December 2011.

Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment are as follows:

Repayment schedule rent/operating leases

At 31 December	2011	2010
Less than 1 year	90	91
Between 1 and 2 years	68	59
Between 2 and 3 years	45	40
Between 3 and 4 years	29	24
Between 4 and 5 years	16	9
Thereafter	40	17
Total	**288**	**240**
of which guaranteed by a third party/customers	1	1

(in € millions)

Capital expenditure

Commitments in connection with capital expenditure are €57 million (2010: 17) related to property, plant and equipment. These commitments primarily relate to projects within the operations of Mail in the Netherlands and Parcels.

Purchase commitments

At 31 December 2011, PostNL had unconditional purchase commitments of €42 million (2010: 62) that are primarily related to various service and maintenance contracts. These contracts for service and maintenance are primarily for information technology, security, salary registration and cleaning.

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

At the end of 2011, PostNL, on behalf of its subsidiaries, had various parental and bank guarantees outstanding. However, none (2010: 0) result 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 pension liabilities

As at 31 December 2011, the coverage ratio of the main pension fund was 99.8%. As the coverage ratio is below the minimum funding requirement of around 104%, PostNL has been invoiced a top-up payment of around €38 million. The coverage ratio of 99.8% includes the receivable of this top-up. In a formal letter to the board of the pension fund, PostNL disputed the necessity of this payment. At the coverage ratio of 99.8%, the deficit of the main pension fund is around €240 million, of which around €230 million can be allocated to PostNL (the remainder to TNT Express). If the coverage ratio is still below the minimum funding requirement by the end of Q1 2012, PostNL may be invoiced a second top-up payment of around €21 million. Based on the current short-term recovery plan, the coverage ratio has to be above the minimum funding requirement before 1 January 2014.

By the end of the year, the coverage ratio of the smaller PAO pension fund was around 102%. As the coverage ratio is below the minimum funding requirement of around 104%, PostNL has been invoiced a top-up payment of around €1 million. In a formal letter to the board of the pension fund, PostNL disputed the necessity of this payment. If the coverage ratio of this fund is still below the minimum funding requirement by the end of Q1 2012, PostNL may be invoiced a second top-up payment of around €0.5 million.

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 results of operations, liquidity, capital resources or financial position. The company believes it has provided for all probable liabilities deriving from the normal course of business.

29 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 various techniques and financial derivatives are utilised by PostNL 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

Parts of PostNL's borrowings are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on PostNL's financial results in any given reporting period. 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. At 31 December 2011, PostNL's gross interest-bearing borrowings, including finance lease obligations, totalled €1,670 million (2010: 1,585), of which €1,639 million (2010: 1,577) 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 31 December 2011, 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 €6 million higher (2010: 1). 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 held at bank. Equity would be impacted by €0 million (2010: 1), due to the change in the interest curve projection applied for calculation of the fair value for the £450 million FX swap, as well as the €6 million (2010: 1) impact on profit before income taxes (see also note 30).

Foreign currency exchange risk

PostNL does have international operations which 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 other functional currency.

The Group Treasury department matches and manages the intragroup and external financial exposures. Although the company generally enters into hedging arrangements and other contracts in order 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 currency of PostNL's external hedges is the British pound, of which the 2011 exchange rates to euro are shown below:

Exchange rates main foreign currency

	Year opening[1]	Year end closing[2]	Annual Average[3]
British pound	0.86080	0.83530	0.86954

(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 to require 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. PostNL currently has no net investment hedges outstanding. Significant acquisitions and local debt are usually funded in the currency of the underlying assets.

At 31 December 2011, if the euro had weakened 10% against the British pound with all other variables held constant, the profit before income tax on the foreign exchange exposure on financial instruments would have been €0 million lower (2010: 0). The net income sensitivity to movements in euro/sterling exchange rates compared to 2010 has not changed. Equity would have been impacted by €0 million (2010: 0).

Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom PostNL enters into financial transactions are unable to fulfil the terms of the 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 customers' 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 customers of PostNL account for 7% of the outstanding trade receivables as per 31 December 2011.

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:

Undrawn committed credit facilities

At 31 December	2011	2010
Multicurrency Revolving Credit Facilities	570	1,100

(in € millions)

The table below 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	Bookvalue
Outgoing flows based on the financial liablities 2011					
Euro bonds	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	**450**	**190**	**565**	**1,294**	**1,968**
Outgoing flows based on the financial liablities 2010					
Euro bonds	89	178	578	1,349	1,537
Other loans	5	33	6		41
Financial leases	4	2	1		6
Short term bank debt	1				1
Trade accounts payable	154				154
Other current liabilities	110				110
Total liquidity risk	**363**	**213**	**585**	**1,349**	**1,849**

(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 €400-€500 million of undrawn committed facilities; (3) structured funding via 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.

30 Financial instruments

(No corresponding financial statement number)

Summary financial instruments

In line with IFRS 9 and 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 2011						
Other loans receivable		2				2
Other financial fixed assets		1				1
Accounts receivable	6	458				458
Prepayments and accrued income	7	121				121
Cash and cash equivalents	8	668				668
Total		**1,250**	**0**	**0**	**0**	**1,250**
Assets as per balance sheet 2010						
Other loans receivable		3				3
Other financial fixed assets		3				3
Accounts receivable	6	450				450
Prepayments and accrued income	7	108				108
Cash and cash equivalents	8	65				65
Total		**629**	**0**	**0**	**0**	**629**

(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 2011					
Long term debt	13	1,567	40		1,607
Trade accounts payable		219			219
Other current liabilities	14	142			142
Total		**1,928**	**40**	**0**	**1,968**
Liabilities as per balance sheet 2010					
Long term debt	13	1,582			1,582
Trade accounts payable		154			154
Other current liabilities	14	113			113
Total		**1,849**	**0**	**0**	**1,849**

(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

The Eurobonds of €1,040 million (2010: 1,040) and the GBP bond of £450 million (2010: £450) are measured at amortised cost of €1,557 million (2010: 1,537). 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 exchange contracts)'.

For the outstanding Eurobonds, see the table below:

Outstanding Euro bonds

At 31 December	Nominal value	Costs/discount to be amortised	Hedge accounting	Carrying value	Fair value
3.875% Euro bond 2015	400	13	No	387	406
5.375% Euro bond 2017	640	3	No	637	645
7.500% Euro bond 2018 (GBP 450 million)	568	3	Yes	533	617
Total outstanding Euro bonds 2011	**1,608**	**19**		**1,557**	**1,668**
3.875% Euro bond 2015	400	17	No	383	405
5.375% Euro bond 2017	640	4	No	636	670
7.500% Euro bond 2018 (GBP 450 million)	568	4	Yes	518	587
Total outstanding Euro bonds 2010	**1,608**	**25**		**1,537**	**1,662**

(in € millions)

Finance leases

Total debt on finance leases mainly consists of financial lease contracts on plant and equipment.

For the outstanding finance leases, see the table below:

Outstanding finance leases

At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Other leases	4	fixed	No	4	4
Total outstanding finance leases 2011	**4**			**4**	**4**
Other leases	6	floating/fixed	No	6	6
Total outstanding finance leases 2010	**6**			**6**	**6**

(in € millions)

Interest rate and cross-currency swaps

In 2011, PostNL had a €30 million interest rate swap outstanding for which PostNL pays fixed and receives floating interest, and a £450/€568 million cross-currency swap to hedge foreign exchange exposure on the £450 million Eurobond. These swaps act as the hedge on the cash flow interest rate risk on outstanding short-term debt and as the hedge on the cash flow currency risk on outstanding long-term debt related to the £450 million Eurobond, respectively.

Since all prior forward starting swaps have been designated as cash flow hedges, the market value movements of the effective portion of the hedges are included in equity. The market value will stay in equity (the hedge reserve) and will be straight-line amortised to the income statement. Net financial expense includes an amortisation of €2 million from the hedge reserve.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amounts to a result of €0 million (2010: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounts to a result of €0 million (2010: 0).

An overview of interest rate and cross-currency swaps is presented below:

Outstanding swaps

At 31 december	Nominal value	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value
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

(in € millions)

1 Please also see under explanatory text relating foreign exchange contracts.

Foreign 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.

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 sterling/euro cross-currency swap mainly relates to movements in the sterling/euro exchange rates and offsets the movement in the carrying value of the £450 million Eurobond.

The details related to outstanding foreign exchange contracts for 2011 are presented below:

Outstanding foreign exchange contracts

	Note	At 31 December Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2011						
Asset	7	0	0	34	fair value	No
Liability	15	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 in equity on the effective portion of the forward exchange contracts as of 31 December 2011 amount to €0 (2010: 0). These reserves are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement.

31 Earnings per share

(No corresponding financial statement number)

For calculating basic earnings per share, an average of 383,374,983 ordinary shares is taken into account. For calculation purposes, the profit attributable to shareholders of €1,736 million (2010: 347) has been applied. The diluted number of ordinary shares is nil as PostNL's share-based payments have a cash-settled nature.

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	2011	2010
Number of issued and outstanding ordinary shares	392,301,442	376,339,096
Shares held by the company to cover share plans	62,114	188,757
Average number of ordinary shares per year	383,374,983	373,536,123
Diluted number of ordinary shares per year	0	1,489,885
Average number of ordinary shares per year on fully diluted basis in the year	**383,374,983**	**375,026,008**

(in shares)

32 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 2011 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.

Key pro rata information regarding all of PostNL's joint ventures in which PostNL has joint decisive influence over operations is set out below and includes balances at 50%.

Key pro rata data Joint ventures

Year ended at 31 December	2011	2010
Non-current assets	13	18
Current assets	71	98
Equity	31	27
Non-current liabilities	12	30
Current liabilities	41	59
Net sales	180	214
Operating income	7	10
Profit attributable to the shareholders	**4**	**2**
Net cash used in operating activities	(28)	(11)
Net cash provided by/(used in) investing activities	1	(2)
Net cash provided by/(used in) financing activities	14	(1)
Changes in cash and cash equivalents	**(13)**	**(14)**

(in € millions)

33 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 2011, purchases of PostNL from its joint ventures amounted to €43 million (2010: 64). No sales were made by PostNL companies to its joint ventures (2010: €1 million). The net amounts due to the joint venture entities amounted to €32 million (2010: 40).

As at 31 December 2011, no material amounts were payable by PostNL to associated companies. In 2011, the value of the transactions with Express amounted to €3 million and related to business activities in the first five months of 2011 prior to the demerger.

Related party transactions with PostNL's pension fund and the Board of Management and Supervisory Board are presented in notes 11 and 19 respectively.

Relationship agreement PostNL and TNT Express

Following the demerger, 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 TNT Express' corporate governance.

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

Pursuant to the pension arrangements concluded between PostNL, TNT Express and the pension funds, PostNL has provided a subsidiary guarantee for TNT Express in 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 TNT Express' future pension payments, barring certain unforeseen circumstances. The guarantees of PostNL will only exist as long as the coverage ratio of the fund(s) is below a certain level. If the coverage ratio rises above that level and remains above that level for three consecutive quarters, the guarantees lapse.

As at 31 December 2011, no events have occurred that triggered disclosure of a significant contingent asset or liability following the aforementioned agreements with TNT Express.

34 Segment information

(No corresponding financial statement number)

Following the demerger of TNT Express and the revised reporting structure of PostNL, the segment information changed and PostNL identified 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. The sales from PostNL to Express in the first five months of 2011 amount to €4 million.

Segmentation – results

The table below presents reconciliation of the segment information relating to the income statement of the reportable segments:

Segmentation - results 2011

Year ended at 31 December 2011	Mail in NL	Parcels	International	Mail 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	-	(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 expenses						(101)
Result from investments in associates						(25)
Impairment of investments in associates						(636)
Income taxes						(78)
Profit from discontinued operations						2,159
Profit for the period						**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)

Taxes and net financial income 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, which is reported on a monthly basis to the chief operating decision makers.

The material exceptional items in 2011 as included in operating income are:

- demerger-related costs of €23 million which are reported in Mail Other amounting to €22 million and €1 million in Mail in the Netherlands,
- rebranding cost of €9 million, book gain of €38 million mainly related to the sale of 'Belgische Distributiedienst' and the cash pension contribution of €5 million which are reported within Mail Other,
- Restructuring-related charges for Netwerk VSP addressed of €7 million which are reported in Mail in the Netherlands, and
- resizing costs of €13 million within International.

The material non-cash item for 2011 is the impairment charge on real estate of €12 million which is reported in Mail in the Netherlands.

Total operating income for Mail Other amounts to €104 million (2010: 241) which related mainly to pension income of €102 million, book gains relating to divestments which were held for sale of €40 million and contribution of shared services of €14 million offset by demerger costs of €22 million and €33 million of unallocated costs, being board and shareholders costs and rebranding costs.

Segmentation - results 2010

Year ended at 31 December 2010	Mail in NL	Parcels	International	Mail other	Intercompany	Total
Net sales	2,384	484	1,273	122	11	4,274
Intercompany sales	144	77	19	219	(459)	0
Other operating revenues	10	3	2	4		19
Total operating revenues	**2,538**	**564**	**1,294**	**345**	**(448)**	**4,293**
Other income	11	-	13	(2)		22
Depreciation/impairment property, plant and equipment	(55)	(6)	(6)	(17)		(84)
Amortisation/impairment intangibles	(15)	(3)	(14)	(4)		(36)
Total operating income	**188**	**80**	**(29)**	**241**		**480**
Net financial expenses						(106)
Result from investments in associates						(1)
Income taxes						(91)
Profit from discontinued operations						69
Profit for the period						**351**
Attributable to:						
Non-controlling interests						4
Equity holders of the parent						**347**
Number of employees (headcount)	56,409	3,068	15,803	1,875		77,155

(in € millions, except employees)

In 2010, the material non-cash items related to the net restructuring-related charges of €187 million (including a curtailment gain of €54 million) mainly within the reportable segment Mail in the Netherlands and a €20 curtailment gain in Mail Other. The reportable segment International included an impairment charge for goodwill of €11 million and a book profit as a result of divestments of €6 million.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below:

Segmentation - balance sheet 2011

At 31 December 2011	Mail in NL	Parcels	International	Mail 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**
Cash out for capital expenditures	44	52	11	30	137
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**

(in € millions)

1 PostNL's investment in TNT Express N.V. is included in the Mail other segment.

The total assets of Mail Other of €2,818 (2010: 6,799) include investment in the associate TNT Express amounting to €936 million (2010: 0). In 2010, the total assets of Mail Other included the assets held for demerger (€5,531 million) and assets held for sale (€123 million) and the total liabilities of Mail Other of €2,054 million included the liabilities related to assets held for demerger (€2,011 million) and liabilities held for sale (€26 million).

The segmented balance sheet information at 31 December 2010 is as follows:

Segmentation - balance sheet 2010

At 31 December 2010	Mail in NL	Parcels	International	Mail other[1]	Total
Intangible assets	93	8	60	5	166
Property, plant and equipment	394	18	32	55	499
Trade accounts receivable	215	21	175	1	412
Other current assets	102	9	101	10	222
Total assets	**897**	**57**	**384**	**6,799**	**8,137**
Cash out for capital expenditures	77	3	13	16	109
Trade accounts payable	61	16	55	22	154
Other current liabilities	656	69	151	232	1,108
Total liabilities	**1,272**	**131**	**226**	**4,065**	**5,694**

(in € millions)

1 Discontinued Express and EMN businesses are included in the Mail other 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	2011	2010
Europe		
The Netherlands	2,826	2,916
United Kingdom	632	558
Italy	202	207
Germany	522	395
Rest of Europe	78	180
Rest of the World	**23**	**18**
Total net sales[1]	**4,283**	**4,274**

(in € millions)

[1] Including sales to Express in the period Jan/Jun 2011.

Geographical segmentation - assets

	2011			2010		
At 31 December 2011	Intangible assets	Property, plant and equipment	Financial fixed assets	Intangible assets	Property, plant and equipment	Financial fixed assets
Europe						
The Netherlands	117	417	942	106	466	15
United Kingdom	21	12		23	13	
Italy	3	5	8	1	3	3
Germany	35	15	8	36	15	9
Rest of Europe		1	4		1	4
Rest of the World		**1**	**1**		**1**	
Total	**176**	**451**	**963**	**166**	**499**	**31**

(in € millions)

The company does not have significant reliance on its major customers.

35 Subsequent events

(No corresponding financial statement number)

In its press release of 17 February 2012, TNT Express announced that it had received an unsolicited non-binding and conditional proposal from United Parcel Service, Inc. (UPS) for the acquisition of the whole of the issued capital of TNT Express at an indicative price of €9 per ordinary share. The retained stake in TNT Express is valued at €5.77 per share at 31 December 2011. TNT Express' share price was €9.39 at 24 February 2012 close of business. Continuation of this level would have a significant positive impact on result and equity of PostNL.

36 Postal regulation and concession

(No corresponding financial statement number)

Postal regulation in the Netherlands

Since 1 April 2009, the key legislation regulating PostNL's activities has been 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 B.V. ("Koninklijke PostNL") has been designated as provider of the universal postal services. The Postal Act 2009 sets the requisites for these universal postal services. In connection with the Dutch Postal Act 2009, the parliamentary Postal Decree 2009 specifies the services that constitute the universal postal services.

Furthermore, Koninklijke PostNL is regulated by the Postal Regulation 2009, which 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 the number of postal outlets, quality of domestic universal postal services and 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 vis-à-vis 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 Supervisory Authority for Post and Telecommunications, established by the government, supervises the postal market and Koninklijke PostNL's performance of the universal postal services. The responsibility for postal policy remains under the authority of the minister of Economic Affairs, Agriculture and Innovation.

The universal postal services

Scope
The domestic universal postal services consist of the conveyance against payment of standard single rates of the following postal items:
- 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 letters, bulk printed matter such as advertising, magazines and newspapers or unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act 2009 and in accordance with the rules of the UPU, universal postal services mainly comprise the conveyance against payment of both postal items at standard single rates and of bulk mail items at other than standard single rates, with a maximum individual weight of two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, universal postal services cover the postal services regulated by the UPU.

Regulatory conditions for the provision of universal postal services
Regarding universal postal services, the Dutch Postal Act 2009 imposes various regulatory conditions on Koninklijke PostNL with respect to service provision, such as the number and spread of postal outlets, and tariffs. The Postal Regulation 2009 mainly deals with cost and revenue accounting, detailed tariff regulation, financial administration and reporting. Other than the universal postal services, none of PostNL's postal services are subject to specific governmental control.

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, except for Sundays and public holidays. Koninklijke PostNL is required to deliver on average not less than 95% of all standard single-rated domestic letters the day after the day of posting, excluding Sundays and public holidays. Koninklijke PostNL is required to maintain a network of service points (letter boxes, postal outlets) for the access of the general public to the universal services.

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 limit of 10%. OPTA had to set the 2012 rates before 1 October 2011, based on information and recommended rates provided by PostNL. As of 22 September 2011, OPTA indeed set these 2012 rates in accordance with the recommended rates proposed by Koninklijke PostNL.

Concerning the starting tariffs of 2009, OPTA revoked the appeal it lodged in 2010 with the College van Beroep voor het bedrijfsleven (CBb), regarding a verdict of the Rotterdam court. The question was whether the information on cost allocation provided by Koninklijke PostNL was sufficient or not. The Rotterdam court announced on 1 July 2010 that Koninklijke PostNL's initial information already met the requirements, and that OPTA unjustly failed to set the starting tariffs 2009.

Following each OPTA rate setting, Koninklijke PostNL is allowed to set rates and associated conditions that must be transparent, non-discriminatory, cost-based and uniform. Koninklijke PostNL is required to submit these rate changes to OPTA, while OPTA will assess whether the proposed changes are in accordance with the applicable price cap system.

The price cap system limits tariff developments in two different categories of services, i.e. letters and parcels, to the development of the general Consumer Price Index. Both categories comprise single-rate items, including domestic and abroad. The price cap system uses a weighting factor for each service in these categories.

Accounting and other financial obligations
Koninklijke PostNL's obligations on reporting include a financial report on the performance of the universal postal services. Furthermore, Koninklijke PostNL is required to maintain separate financial accounts within its internal financial administration

for universal postal services. Every year, Koninklijke PostNL must submit to OPTA a declaration of an independent auditor, designated by OPTA, to certify that its financial accounting system complies with these obligations.

Underlying this accounting system and the financial reports to OPTA is a system for allocating cost and revenues to the different types of services. This system complies with the accounting rules laid down in the EU Postal Directive and the Postal Regulation 2009.

Evaluation of universal postal services obligations
As a result of the Dutch Postal Act 2009, the scope of the universal postal services has been reduced and the former reserved area for Koninklijke PostNL no longer exists. Therefore, an announced evaluation of the universal postal service has been started. Based on an Ecorys study, the junior minister of Economic affairs, Agriculture and Innovation intends to reduce the six-days delivery to five-days delivery. He does not intend to reduce the numbers of posto ffices and collection letter boxes now. A proposal to change the Postal Act 2009 regarding the six-day delivery will be sent to parliament in the first half of 2012.

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 Dutch Postal Act 2009, the former junior minister of Economic Affairs has issued an Order in council (AMvB) that requires postal operators to offer employment agreements to their mail deliverers. 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. On 30 June 2010, the labour unions cancelled the collective labour agreement, due to the lack of employees working under the agreement. On request of the junior minister of Economic Affairs, Agriculture and Innovation, Mr Vreeman held an investigation. Following his advice, unions and competitors renegotiated and agreed on a new collective labour agreement. The agreed development of the number of employment agreements is 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. Parties also agreed that workers without employment agreements should at least earn the minimum wage augmented with holiday allowance.

As of 1 January 2012, this collective labour agreement has been declared of generally binding force by the minister of Social Affairs and Employment. However, PostNL is exempted because of its own collective labour agreements.

Mutual services
According to article 13 of the Dutch Postal Act 2009, PostNL is obliged to give its competitors access to its P.O. boxes. This service has to be delivered with reasonable, objectively justifiable and non-discriminatory conditions and remunerations. These conditions and remunerations are being negotiated between parties. Based on article 12 of the Dutch Postal Act 2009, a similar arrangement is made with PostNL's competitors with regard to return-to-sender items of competitors that enter PostNL's processes through the collection boxes.

Corporate statement of financial position

At Before proposed appropriation of profit	Notes	31 dec 2011	31 dec 2010	1 Jan 2010
ASSETS				
Non-current assets				
Investments in Express		-	-	2,702
Investments in Mail		2,442	3,617	3,608
Investments in associates		860	-	49
Total financial fixed assets	37	3,302	3,617	6,359
Pension assets	38	1,200	1,147	958
Total non-current assets		**4,502**	**4,764**	**7,317**
Current assets				
Accounts receivable from group companies	39		506	3
Cash and cash equivalents			-	1
Other current assets		4	1	1
Total current assets		**4**	**507**	**5**
Assets classified as held for demerger	40		2,865	-
Total assets		**4,506**	**8,136**	**7,322**
LIABILITIES AND EQUITY				
Equity				
Issued share capital		31	180	178
Additional paid in capital		151	869	871
Hedge reserves		(12)	(21)	(28)
Revaluation reserve investments in Mail		1,549	2,582	2,582
Other reserves		(892)	739	792
Unappropriated profit		1,091	292	247
Total shareholders' equity	41	**1,918**	**4,641**	**4,642**
Non-current liabilities				
Deferred tax liabilities	48	299	283	239
Euro bonds	42	1,557	1,537	1,527
Other long term liabilities		8	37	37
Total non-current liabilities		**1,864**	**1,857**	**1,803**
Current liabilities				
Accounts payable to group companies	39	576	1,472	648
Other current liabilities		148	166	229
Total current liabilities		**724**	**1,638**	**877**
Total liabilities and equity		**4,506**	**8,136**	**7,322**

(in € millions)

Corporate statement of income and comprehensive income

Year ended at 31 December	Notes	2011	2010
Dividend income	**43**	**525**	**6**
Depreciation, amortisation and impairments	44	(1,033)	-
Salaries, pensions and social security contributions	45	117	186
Other operating expenses	46	(17)	5
Total operating expenses		**(933)**	**191**
Operating income		**(408)**	**197**
Interest and similar income		10	2
Interest and similar expenses		(119)	(110)
Net financial expenses	47	(109)	(108)
Profit before income taxes		**(517)**	**89**
Income taxes	48	2	(10)
Profit for the period from continuing operations		**(515)**	**79**
Profit from investments in discontinued operations	40	1,642	-
Profit for the period attributable to shareholders		**1,127**	**79**
Comprehensive income for the period		1,127	79
Gains on cashflow hedges, net of tax		9	7
Other comprehensive income for the period		9	7
Total comprehensive income for the period		**1,136**	**86**

(in € millions)

The accompanying notes form an integral part of the financial statements.

Corporate statement of cash flows

Year ended at 31 December	Notes	2011	2010
Cash flows from continuing operations			
Profit/(loss) before income taxes		**(517)**	**89**
Adjustments for:			
Depreciation, amortisation and impairments		1,033	
Share based payments		1	
Investment income:			
Interest and similar income		(10)	(2)
Interest and similar expenses		119	110
Dividend Income from investments in Mail		(519)	(6)
Dividend Income from investments in associated companies		(6)	
Changes in provisions:			
Pension liabilities		(124)	(189)
Other provisions		(5)	(7)
Changes in working capital		(3)	0
Cash generated from operations		**(31)**	**(5)**
Interest paid		(94)	(96)
Income taxes paid		(15)	(21)
Net cash used in operating activities	**49**	**(140)**	**(122)**
Dividend received		525	6
Capital reduction Koninklijke PostNL B.V.		154	
Investments in associates			(2)
Disposal of associates			3
Net cash from investing activities	**50**	**679**	**7**
Cash settlement of share based payments		(1)	2
Repayments of long term borrowings			(10)
Dividends paid		(80)	(119)
Financing related to group companies		(458)	338
Net cash (used in)/from financing activities	**51**	**(539)**	**211**
Change in cash from continuing operations		**0**	**96**
Change in cash from discontinued operations	52	0	(97)
Total changes in cash		**0**	**(1)**
Cash at the beginning of the period		**0**	**1**
Total change in cash		0	(1)
Cash at the end of the period		**0**	**0**

(in € millions)

The accompanying notes form an integral part of the financial statements.

Corporate statement of changes in equity

	Issued share capital	Additional paid in capital	Translation reserve	Hedge reserve	Revaluation reserve investments in Mail	Other reserves	Un-appropriated profit	Total shareholders' equity
Balance at 31 December 2009	**178**	**871**	**(146)**	**(43)**	**0**	**953**	**247**	**2,060**
Change in accounting framework			146	15	2,582	(161)		2,582
Balance at 1 January 2010	**178**	**871**	**0**	**(28)**	**2,582**	**792**	**247**	**4,642**
Total comprehensive income				**7**		**(268)**	**347**	**86**
Final dividend previous year	1	(1)					(64)	(64)
Appropriation of net income						183	(183)	0
Interim dividend current year	1	(1)					(55)	(55)
Share based compensation						29		29
Other						3		3
Total direct changes in equity	**2**	**(2)**	**0**	**0**	**0**	**215**	**(302)**	**(87)**
Balance at 31 December 2010	**180**	**869**	**0**	**(21)**	**2,582**	**739**	**292**	**4,641**
Total comprehensive income				**9**			**1,127**	**1,136**
Second interim dividend 2010	2	(2)					(44)	(44)
Appropriation of net income						248	(248)	0
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**	**0**	**(1,033)**	**(1,631)**	**(328)**	**(3,859)**
Balance at 31 December 2011	**31**	**151**	**0**	**(12)**	**1,549**	**(892)**	**1,091**	**1,918**

(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 'PostNL' or '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. PostNL 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 27 February 2012 and are subject to adoption at the Annual General Meeting of Shareholders on 24 April 2012.

Change of accounting framework

In 2011, PostNL changed the accounting framework in its corporate financial statements from Dutch General Accepted Accounting Principles (Dutch GAAP) to International Financial Reporting Standards as adopted by the European Union (IFRS-EU). The comparative figures have been adjusted accordingly. This change from GAAP in the corporate financial statements provides additional insight into the equity position of PostNL and provides additional information relating to the dividend upstream within the Group and the cash flow and tax position of PostNL N.V.

Looking ahead, the revised IAS 19 will be applicable as of the year ended 31 December 2013. As at the effective date, 1 January 2013, the corridor approach for the accounting of actuarial gains and losses is no longer applicable and these actuarial gains and losses will be immediately recorded via other comprehensive income. As a result, based on current parameters and without the change in accounting principles, equity is expected to become negative as per 1 January 2013 in the corporate financial statements for the year ended 31 December 2013. In accordance with Dutch law, a negative equity according to the corporate financial statements prohibits the payout of (stock) dividend. After the change in accounting framework, equity is expected to remain positive, which facilitates PostNL to propose a distribution of (stock) dividend to its shareholders, subject to sufficient unrestricted reserves being available.

When applying IFRS in the corporate financial statements, PostNL applied the principles of IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). As part of IFRS 1, PostNL assessed the available options of measuring its investments in subsidiaries at the date of transition, being 1 January 2010.

For its investments in subsidiaries related to the Mail business, PostNL opted to measure these investments at fair value, being the deemed cost going forward. For its investments in subsidiaries in the Express business, PostNL opted to measure these investments at its previous carrying value, being the deemed cost going forward.

The change in the accounting framework and the related remeasurement of the investments in subsidiaries of PostNL at the transition date resulted in a revaluation of the underlying PostNL investments amounting to €2,582 million. This remeasurement of investments is recognised in a revaluation reserve within equity in the corporate financial statements of PostNL.

As a result of the change in accounting framework in the corporate financial statements, the following main differences with the consolidated financial statements can be identified:

- revaluation of the Mail investments and relating impairment charge in the corporate financial statements,
- no impairment charge in the corporate financial statements as the Express investments are stated at cost,
- dividend income recognised compared to results from investments in accordance with the equity method, and
- difference in the recorded demerger gain Express due to a difference in valuation upon demerger.

The accounting policy for investments in subsidiaries and associates going forward will be cost (less impairments). Dividends received will be recognised in the income statement. For more details, see paragraph 'Reconciliation from previous GAAP to IFRS-EU' and note 41.

The other main difference to the consolidated financial statements concerns the recording of pension expenses. In accordance with IAS 19.34a, the net defined benefit cost is recognised in the corporate financial statements of PostNL. The other Group companies recognise the costs, equal to the contribution payable for the period, in their financial statements. For PostNL, the contributions received from the other Group companies more than offset the pension expense. The impact of the contributions is represented as participants contributions. As a result the corporate financial statements record a pension income of €124 million for 2011, whereas the consolidated financial statements record pension expenses of €117 million. Refer to note 38.

The accounting principles in the consolidated financial statements remain unchanged.

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 of PostNL 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) and 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 2011.

These are the company's first corporate financial statements prepared in accordance with IFRS-EU and IFRS 1 ***First-time Adoption of International Financial Reporting Standards*** has been applied.

IFRS 1 requires that an entity develops accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS-EU financial statements (31 December 2011). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS-EU (1 January 2010) and throughout all periods presented in the first IFRS-EU financial statements.

An explanation of how the transition to IFRS-EU has affected the reported financial position and financial performance of the company is provided in the paragraph 'Reconciliation from previous GAAP to IFRS-EU'.

Basis of measurement

In the corporate financial statements of PostNL, the same accounting principles have been applied as set out in the notes of 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.

The company has not made 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 already adopted IFRS-EU for the consolidated financial statements, the company based its measurements 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 prior years, investments in Group companies were stated at net asset value ('nettovermogenswaarde'). As a consequence, the determination of the results in the corporate financial statements changed compared to previous years. 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 41 to the corporate financial statements.

Functional and presentation currency

These 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 PostNL'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 37 in 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 PostNL 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.

Assets held for demerger and discontinued operations
Assets held for demerger are stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction or demerger and the transaction is highly probable. Assets held for demerger are no longer amortised or depreciated from the time they are classified as such.

Operations that represent a separate major line of business or geographical area of operations, or that are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or are a subsidiary acquired exclusively with a view to resale and either have been disposed of or have been classified as held for sale, are presented as discontinued operations in the company's statement of income.
Accounting for assets classified as held for demerger, representing the Express business, requires the use of significant assumptions and estimates. In line with IFRS 5 and IFRIC 17, 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.

Reconciliation from previous GAAP to IFRS-EU

The overview below presents the impact of the change in accounting framework from Dutch GAAP to IFRS-EU for shareholders' equity in the corporate financial statements as per 1 January 2010 (transition date).

Reconciliation of total share holders' equity

	1 January 2010
Previous GAAP	**2,060**
Effect transition to IFRS-EU	2,582
IFRS-EU	**4,642**

(in € millions)

As at 1 January 2010, shareholders' equity is €2,582 million higher compared to previous GAAP due to the effect from the measurement of the investments in Mail. The company applied the deemed cost approach for these investments. The deemed cost is derived from the market capitalisation of TNT (previous parent company) of €7,976 million as at 1 January 2010 with an allocation of this fair value to the underlying Mail investments. This allocation is based on the relative share of the equity value of the Mail business, based on the strategic plan projections of both Mail and Express business at that moment.

As at 1 January 2010, the deemed cost of the investments in PostNL amounted to €3,608 million by applying other valuation techniques for which the significant inputs are not based on observable market data. This valuation qualifies as a level 3 valuation in accordance with IFRS 7.27a. The market capitalisation qualifies as a level 1 valuation. The effect of transition to IFRS-EU of €2,582 million is the difference between the deemed costs at 1 January 2010 of €3,608 million and the carrying amount of €1,026 million under previous GAAP.

Notes to the corporate statement of financial position

37 Total financial fixed assets

Total financial fixed assets: 3,302 million (2010: 3,617)

The movement in investments is as follows:

Statement of changes corporate financial fixed assets

	Investments in Express	Investments in Mail	Investments in associates	Total
Balance at 1 January 2010	**2,702**	**3,608**	**49**	**6,359**
Changes in 2010				
Acquisitions/additions to capital	114	9		123
Other changes	49	-	(49)	0
Transfers to assets classified for demerger	(2,865)			(2,865)
Total changes	**(2,702)**	**9**	**(49)**	**(2,742)**
Balance at 31 December 2010	**0**	**3,617**	**0**	**3,617**
Changes in 2011				
Initial value TNT Express N.V.			860	860
Acquisitions/additions to capital		12	-	12
Capital reductions		(154)	-	(154)
Impairments		(1,033)		(1,033)
Total changes	**0**	**(1,175)**	**860**	**(315)**
Balance at 31 December 2011	**0**	**2,442**	**860**	**3,302**

(in € millions)

Investments in Express

In 2010, the additions to capital of €114 million represent recapitalisations in Express investments. The other changes of €49 million represent the internal legal transfer of the Logispring investments to investments in Express. As at 31 December 2010, the investments in Express are nil as these investments have been transferred to assets classified as held for demerger.

Investments in Mail

The subsidiary undertakings of the company as at 31 December 2011, 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.

In 2010, the additions to capital of €9 million represent PostNL's compensation for equity-settled share-based payments to the investments' employees. As the company grants 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, this treatment led to the additions to capital of €12 million.

Capital reductions in 2011 of -€154 million represent capital reductions of investment in Koninklijke PostNL B.V.

In 2011, management assessed the recoverability of the Mail investments following the deteriorated economic climate and the significant share price decline of PostNL during 2011. 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 plan as management considers these forecasts reliable based on past experience. Uncertainties relating to efficiency measures and pension contributions are taken into account. For the Mail investments in Germany, a five-year forecast has been applied.

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.

PostNL 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 PostNL's investments 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 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 and performed a sensitivity analysis for each individual investment. Based on the recoverable value derived from the 2011 strategic planning, taking into account uncertainties relating to effeciency measures and pension contributions, management concluded that an impairment was present for the revalued Mail investments. Consequently, management recorded an impairment charge of €1,033 million in 2011. The impairment charge mainly followed on from reduced business plans compared to early 2010, on average a higher discount rate reflecting PostNL's specific risks, 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.

Investments in associates

Following the demerger of the Express activities, the retained stake in TNT Express is classified as an investment in associates. This investment is measured at cost of €860 million as per 31 December 2011, which represents 29.9% of the original book value of €2,877 million as per 1 June 2011. Management assessed the recoverability of the investment. As PostNL's share in the market value of TNT Express amounts to €936 million as at 31 December 2011 (see note 4 to the consolidated financial statements), management concluded that no impairment is present in the corporate financial statements. This differs from the consolidated financial statements, where a net impairment charge of €636 million on the investment in TNT Express is recorded.

38 Pension assets

Pension assets: 1,200 million (2010: 1,147)

The corporate entity PostNL N.V. 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 €17 million with the consolidated amounts of pension assets (€1,217 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 PostNL. The other Group companies recognise the costs, equal to the contribution payable for the period, in their financial statements. For PostNL, 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 table on the next page. As a result the corporate financial statements record a pension income of €124 million for 2011, whereas the consolidated financial statements record pension expenses of €117 million.

The table on the next page reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the PostNL-sponsored pension plans.

Corporate post-employment benefit plans

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	**(5,074)**	**(3,996)**
Service costs	(92)	(88)
Interest costs	(255)	(227)
Other movements	(15)	
Curtailments/settlements	360	20
Actuarial loss	(51)	(904)
Benefits paid	131	121
Benefit obligation at end of year	**(4,996)**	**(5,074)**
Change in plan assets		
Fair value of plan assets at beginning of year	**5,499**	**4,836**
Actual return on plan assets	381	622
Other movements	19	
Curtailments/settlements	(371)	
Contributions	145	162
Benefits paid	(131)	(121)
Fair value of plan assets at end of year	**5,542**	**5,499**
Funded status as per 31 December		
Funded status	546	425
Unrecognised net actuarial loss	641	704
Unrecognised prior service costs	13	18
Netted pension asset/(liability)	**1,200**	**1,147**
Components of employer pension expense		
Service costs	(92)	(88)
Interest costs	(255)	(227)
Expected return on plan assets	348	339
Amortisation of actuarial loss	(26)	(14)
Curtailment gain		17
Other costs	4	
Participants contributions	145	162
Total post-employment benefit income/(expenses)	**124**	**189**
Weighted average assumptions as at 31 December		
Discount rate	4.8%	5.1%
Expected return on plan assets	6.5%	6.5%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.5%	1.6%

(in € millions)

39 Accounts receivable from and payable to Group companies

Accounts receivable from and accounts payable to Group companies: 0 million and 576 million (2010: 506 and 1,472)

Accounts receivable from Group companies include the following balances:

Corporate accounts receivable from group companies

Year ended at 31 December	2011	2010
PostNL Finance B.V.		500
Other		6
Total	**0**	**506**

(in € millions)

During 2011, the accounts receivables from Group companies were settled. The fair value of the accounts receivable from Group companies approximates the carrying value, due to the short-term nature.

Accounts payable to Group companies include the following balances:

Corporate accounts payable to group companies

Year ended at 31 December	2011	2010
PostNL Finance B.V.	575	
TNT Finance B.V.		1,472
PostNL Holding B.V.	1	
Total	**576**	**1,472**

(in € millions)

The fair value of the accounts payable to Group companies approximates the carrying value, due to the short-term nature. There are no balances at 31 December 2011 that are expected to be settled after 12 months (2010: 0).

40 Assets classified as held for demerger and profit from discontinued operations

Assets classified as held for demerger and profit from discontinued operations 0 million (2010: 2,865) and 1,642 million (2010: 0)

On 2 December 2010, TNT announced the demerger of the Express activities after it received positive advice from the works council and obtained approval from the Board of Management and Supervisory Board. As a consequence, the Express business was reported as discontinued operations/held for demerger as at 31 December 2010 and in the 2010 consolidated income statement the net result of the Express business was presented as a separate line, 'Profit/(loss) from discontinued operations'.

The demerger became effective on 31 May 2011. Some 70.1% of the shares in TNT Express were distributed to shareholders and the remaining share was retained by PostNL. The demerger of TNT Express resulted in a demerger gain of €1,642 million which has been recognised as profits from investments in discontinued operations in the company's income statement. The demerger gain is non-taxable.

The following table presents the breakdown of this net gain on demerger in the corporate financial statements.

Net gain on demerger in corporate financial statements

Year ended at 31 December	2011
Fair value TNT Express N.V. at 1 June 2011	5,296
Book value TNT Express N.V. at 1 June 2011	(2,877)
Value difference	**2,419**
Gross gain on demerger (70.1% of value difference)	**1,695**
Derecognition part of pension asset (net of taxes)	(53)
Net gain on demerger	**1,642**

(in € millions)

As the investment in Express is recorded at cost, the net gain on demerger of €1,642 million differs from the net gain on demerger of €2,086 million as presented in the consolidated financial statements. See note 3 to the consolidated financial statements.

41 Equity

Equity: 1,918 million (2010: 4,641)

Equity consists of equity attributable to the equity holders of PostNL of €1,918 million (2010: 4,641). For the disclosure on issued share capital, additional paid in capital, hedge reserve and demerger impact, reference is made to note 10 of the consolidated financial statements. The 2011 tax impact on the cash flow hedges is €4 million (2010: 2).

The revaluation reserve of €1,549 million (2010: 2,582) is due to the applied deemed cost approach for the Mail investments of €2,582 million as per 1 January 2010, partly offset by the recorded impairment charge of €1,033 million. The revaluation reserve is a legal reserve and is restricted for distribution. Additional paid in capital of €151 million (2010: 869) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company.

The other reserves decreased to -€892 million from €739 million, due to the demerger of Express, partly offset by the reduction of the revaluation reserve and the appropriation of net income.

As at 31 December 2011, the unappropriated profit amounted to €1,091 million (2010: 292), an increase of €799 million. This increase is due to the 2011 comprehensive income of €1,127 million, partly offset by the appropriation of net income from 2010 of €248 million (2010: 183) and paid dividends of €80 million.

The differences between total shareholders' equity and total comprehensive income according to the IFRS-EU consolidated financial statements and corporate financial statements under IFRS-EU as at and for the year ended 31 December 2011 is as follows:

Consolidated to corporate equity

	2011		2010	
Year ended at 31 December	Equity	Income	Equity	Income
Consolidated				
Equity and total comprehensive income attributable to the equity holders of the parent	**400**	**1,838**	**2,424**	**452**
Reconciliation items				
Revaluations	1,741	(841)	2,582	-
Results from investments	(37)	231	(268)	(268)
Other comprehensive income (CTA hedges)	(191)	(93)	(98)	(98)
Other direct equity movements	5	1	1	
Corporate				
Shareholders' equity and total comprehensive income attributable to the equity holders of the parent	**1,918**	**1,136**	**4,641**	**86**

(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

	2011		2010	
Year ended at 31 December	Equity	Income	Equity	Income
Revaluation reserve investments in Mail	2,582	-	2,582	
Impairment investments in Mail	(1,033)	(1,033)	-	-
Impairment investment in Express	636	636	-	-
Difference in demerger gain Express	(444)	(444)	-	-
Total	**1,741**	**(841)**	**2,582**	**0**

(in € millions)

The initial revaluation of the Mail investments as at 1 January 2010 amounts to €2,582 million. Reference is made to the paragraph 'Reconciliation from previous GAAP to IFRS-EU'.

For details of the impairment of the investments in Mail recognised in the 2011 corporate financial statements, reference is made to note 37. For details of the impairment of the investment in Express recognised in the 2011 consolidated financial statements, reference is made to note 4 to the consolidated financial statements.

In the 2011 corporate financial statements, the net demerger gain is lower compared to the net demerger gain as reported in the consolidated financial statement as the TNT Express investment is stated at cost.

Reconciliation item - Results from investments
The 2010 results from investments are €268 million lower in the corporate financial statements as dividend income for 2010 is €6 million, whereas the result in the consolidated financial statements was €274 million.

The 2011 results from investments are €231 million higher in the corporate financial statements as dividend income for 2011 is €525 million, whereas the result in the consolidated financial statement was €294 million.

Reconciliation item - Other comprehensive income
The reconciliation item 'Other comprehensive income' represents hedge and currency translation adjustments which are 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 associate company TNT Express that is recognised in the consolidated financial statements but not in the corporate financial statements.

The 2011 difference in income of €93 million comprises €22 million of other comprehensive income from the associate company TNT Express, €49 million of currency translation adjustments related to movements in exchange rate differences on converting foreign subsidiaries of TNT Express prior to the demerger, and €22 million of gains on cash flow hedges, which do not occur in the corporate financial statements.

The 2010 difference in income of €98 million comprises €105 million of currency translation adjustments, partly offset by €7 million of losses on cash flow hedges, which do not occur in the corporate financial statements.

Reconciliation item – Other direct equity movements
This reconciliation item mainly concerns post-demerger direct equity movements in the associate company TNT Express.

42 Eurobonds
Eurobonds: 1,557 million (2010: 1,537)

For the disclosure on the Eurobonds, reference is made to notes 13 and 30 of the consolidated financial statements.

Notes to the corporate statement of income and comprehensive income

43 Dividend income
Dividend income: 525 million (2010: 6)

Dividend income from the company's subsidiaries and associate companies is recognised when the right to receive payment is established. Dividend income recognised over 2011 and 2010 is €525 million and €6 million, respectively.

44 Depreciation, amortisation and impairments
Depreciation, amortisations and impairments: 1,033 million (2010: 0)

The impairment of €1,033 million concerns the charges incurred on the company's investments in Mail. Reference is made to note 37.

45 Salaries, pensions and social security contributions
Salaries, pensions and social security contributions: 117 million positive (2010: 186 positive)

In accordance with IAS 19.34a, 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, see note 38. PostNL N.V. does not have any employees other than the Board of Management.

46 Other operating expenses
Other operating expenses: 17 million (2010: 5 positive)

Other operating expenses mainly concern demerger costs of €18 million, partly offset by the release from the provision for claims relating to the former Logistics business. For details on the 2011 audit fees as prescribed by article 2:382a, reference is made to note 21 to the consolidated financial statements.

47 Net financial expenses
Net financial expenses: -109 million (2010: -108)

Corporate net financial expenses

Year ended at 31 December	2011	2010
Interest expenses	(117)	(111)
Hedge costs	(2)	1
Interest and similar expenses	(119)	(110)
Interest and similar income	10	2
Net financial expenses	**(109)**	**(108)**

(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 PostNL Finance B.V.

Interest and similar expenses: 119 million (2010: 110)
The interest and similar expenses amount to €119 million (2010: 110) and consist of external interest and similar expenses of €100 million and internal interest and similar expenses of €19 million, of which €5 million are expenses to Express over the first five months of 2011 (2010: 7) and €14 million to Mail companies. The external interest and similar expenses of €100 million (2010: 103) mainly relate to interest expenses on long-term borrowings of €97 million (2010: 100) and interest on taxes of €3 million (2010: 3).

Interest and similar income: 10 million (2010: 2)

The interest and similar income amounts to €10 million (2010: 2) and consists of external interest and similar income of €5 million and internal interest and similar income of €5 million, of which €0 million is income from Express over the first five months of 2011 (2010: 1) and €5 million is income from Mail companies. The external interest and similar income of €5 million (2010: 0) mainly relates to interest income on tax.

48 Income taxes

Income taxes: -2 million (2010:10)

Income taxes amount to -€2 million (2010: 10), or 0.4% (2010: 11.2%) of profit before income taxes.

Corporate effective income tax rate

Year ended at 31 December	2011	2010
Dutch statutory income tax rate	25.0	25.5
Permanent differences:		
Non and partly deductible costs	(0.1)	0.4
Non and partly deductible impairments	(50.0)	
Exempt income	25.4	(1.7)
Other	0.1	(13.0)
Effective income tax rate	**0.4**	**11.2**

(in percentages)

Reported income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate by the profit before income taxes. In 2011, the effective income tax rate was 0.4% (2010: 11.2%). The statutory income tax rate in the Netherlands is 25.0% (2010: 25.5%). Compared to 2010, the effective income tax rate decreased substantially. This was caused by the impact of the non-deductible impairments of the investments in subsidiaries of PostNL in 2011 which amounted to -50.0% and was partially compensated by tax-exempt dividends from PostNL's investments in subsidiaries of 25.4% (2010: -1.7%). Furthermore, the line 'other' in 2010 was impacted by several one-off items which decreased the effective income tax rate of 2010 by 13.0%. These one-off items relate to the revaluation of deferred tax balances due to the enacted lower Dutch corporate income tax rate of 25.0% and other positive effects.

Income tax expense consists of the following:

Corporate income taxes

Year ended at 31 December	2011	2010
Current tax expense	(32)	(32)
Changes in deferred taxes	30	42
Total income taxes	**(2)**	**10**

(in € millions)

In 2011, the current tax expense amounts to -€32 million (2010: -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 2011, the income tax payable amounts to €62 million (2010: 113). In 2011, PostNL paid income taxes totalling €15 million (2010: 21), which includes tax payments relating to prior years and internal settlements with Group companies within the fiscal unity PostNL.

The following table shows the movements in deferred tax liabilities in 2011:

Statement of changes deferred tax liabilities

	Provisions	Other	Total
Deferred tax liabilities at 1 January 2010	**244**	**(5)**	**239**
Changes charged directly to equity		2	2
Changes charged through statement of income	43	(1)	42
Deferred tax liabilities at 31 December 2010	**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**

(in € millions)

Of the deferred tax liabilities, an amount of €1 million (2010: 1) is to be settled within 12 months and an amount of €298 million (2010: 282) 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

49 Net cash used in operating activities

Net cash used in operating activities -140 million (2010: -122)

Net cash from operating activities from continuing operations decreased by €18 million from -€122 million in 2010 to -€140 million in 2011. The non-cash transactions in the statement of cash flows mainly relate to impairment charges from investments in Mail and changes in pension liabilities and provisions.

Cash generated from operations
The cash generated from operations decreased from -€5 million in 2010 to -€31 million in 2011 due to cash-out for demerger costs (€18 million), Board of Management remuneration (€8 million), the net cash outflow from the provision for claims relating to the former Logistics business (€2 million) and movement in working capital (€3 million).

Interest paid
The total cash-out for interest paid in 2011 is €94 million (2010: 96). In 2011, interest paid mainly includes interest on PostNL's long-term borrowings of €91 million (2010: 94) and interest on taxes of €3 million (2010: 2).

Income taxes paid
In 2011, PostNL paid income taxes amounting to €15 million (2010: 21), which include tax payments relating to prior years of €43 million (2010: 117) and receipts from internal settlements within the fiscal unity of €66 million (2010: 168).

50 Net cash from investing activities

Net cash from investing activities: 679 million (2010: 7)

Dividend received
The total cash inflow for dividend received in 2011 is €525 million (2010: 6). In 2011, dividend was received from Mail Group companies of €519 million (2010: 6) and from the Express stake of €6.5 million (2010: 0).

Capital reductions
In 2011, an amount of €154 million was received from Koninklijke PostNL B.V. as a result of a reduction in capital.

Investments in/disposal of associates
Net cash from investments in associates of €1 million in 2010 related to the investment in Logispring Investment Fund B.V., which was transferred to Express at the end of 2010.

51 Net cash used in financing activities

Net cash used in financing activities: -539 million (2010: 211)

Proceeds from and repayments of long-term borrowings
In 2011, no repayments on long-term borrowings were made. The total net repayments on long-term borrowings in 2010 related to a repayment of €10 million on the €650 million 5.375% Eurobond.

Dividends paid
In 2011, €80 million (2010: 119) was paid in cash dividend, of which €44 million relates to the second interim 2010 cash dividend and €36 million to the interim 2011 cash dividend.

Financing related to Group companies
In 2011, financing related to Group companies amounts to -€458 million (2010: 338). This mainly consists of intercompany financing of PostNL by PostNL Finance B.V. and in 2010 by TNT Finance B.V.

52 Change in cash from discontinued operations

The cash flows from discontinued operations of €0 million (2010: -97) related to recapitalisations of the direct subsidiaries of PostNL in Express.

Additional notes

53 Commitments and contingencies
(No corresponding financial statement number)

Declaration of joint and several liability
As at 31 December 2011, PostNL 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
PostNL forms a fiscal unity with a majority of the Dutch entities for corporate income tax and VAT purposes. A company and its subsidiaries that form part of the respective fiscal unities are jointly and severally liable for taxation payable by these fiscal unities.

Pension commitments
PostNL is the sponsoring employer for two Dutch pension plans: the main plan, described in detail in note 11 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
PostNL 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, €30 million for guarantee facilities to facilitate the issuance of guarantees by various subsidiaries of the group, €92 million to facilitate 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 PostNL for its local businesses.

PostNL has €106 thousands guarantees outstanding (2010: 0) for the benefit of ADM s.r.o., the former PostNL Czech operation, which was disposed of in 2011. These guarantees form an integral part of the disposal deal and will be released once specific provisions of the disposal agreement are met.

54 Financial risk management
(No corresponding financial statement number)

For disclosure on the company's overall risk management programme, reference is made to note 29 to the consolidated financial statements.

55 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 30 to the consolidated financial statements.

56 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 PostNL companies. In some cases, there are contractual arrangements in place under which PostNL sources supplies from such undertakings or such undertakings source supplies from PostNL. Transactions are in principle carried out at arm's length.

Related corporate party transactions PostNL

	2011		2010	
Year ended at 31 December	Transactions	Balances	Transactions	Balances
Dividend income PostNL group companies	519		6	
Dividend income TNT Express stake	6			
Accounts receivable from PostNL group companies/interest income	5			500
Accounts receivable from Express group companies/interest income			1	6
Accounts payable to PostNL group companies/interest expense	(12)	538		
Accounts payable to Express group companies/interest expense	(5)		(7)	1,407
Hedge accounts payable to PostNL group companies/hedge costs	(2)	38		
Hedge accounts payable to Express group companies/hedge income			1	65
Net financing activities from group companies	(458)		338	
Capital reduction Koninklijke PostNL B.V.	154			
Recapitalisation of group companies Express			(97)	
Income tax received from/paid to PostNL group companies	66			
Income tax received from/paid to Express group companies	9		100	

(in € millions)

For compensation of members of the Board of Management and Supervisory Board, reference is made to note 19 to the consolidated financial statements.

Separation agreement TNT Express

For details on the separation agreement with TNT Express, reference is made to note 33, 'Related party transactions and balances' to the consolidated financial statements.

57 Subsequent events

(No corresponding financial statement number)

For disclosure on the company's subsequent events, reference is made to note 35 of the consolidated financial statements.

58 Subsidiaries and associated companies at 31 December 2011

(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, 27 February 2012

Board of Management
H.M. Koorstra (Chairman)
J.P.P. Bos
H.W.P.M.A. Verhagen
G.T.C.A. Aben

Supervisory Board
P.C. Klaver (Chairman)
R.J.N. Abrahamsen
P.M Altenburg
T. Menssen
J. Wallage
W. Kok
M.A.M. Boersma

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 statements

We have audited the accompanying financial statements 2011 as set out on pages 45 to 123 of PostNL N.V., The Hague, which comprise the consolidated and corporate statements of financial position as at 31 December 2011, 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 8 to 44 and 138 to 146 in accordance with part 9 of book 2 of the Dutch Civil Code. Furthermore, the Board of 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 45 to 123 give a true and fair view of the financial position of PostNL N.V. as at 31 December 2011, 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 8 to 44 and 138 to 146, 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 8 to 44 and 138 to 146, 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, 27 February 2012

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 2011.

Dividend proposal 2011

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 2011 dividend of €0.407 per ordinary share, of which €0.214 per ordinary share has been paid as an interim dividend. These amounts include the pass-through of the dividend received from the retained stake in TNT Express. The final dividend of €0.193 will be payable fully in ordinary shares and includes the pass-through of the final dividend to be received from the stake in TNT Express, which is subject to approval by the Annual General Meeting of TNT Express. The dividend in shares will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands.

The conversion rate will be based on the volume-weighted average share price for all PostNL N.V. shares traded on NYSE Euronext Amsterdam over a three trading-day period from 2 May up to and including 4 May 2012 and will be targeted at no premium. There will be no trading in stock dividend rights. The ex-dividend date will be 26 April 2012 and the record date is 30 April 2012. The dividend will be payable as of 8 May 2012.

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €1,015 million out of profit to the reserves. Following this appropriation, an amount of €112 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 2011 dividend has been set at €0.407 per ordinary share of €0.08 nominal value. After adjusting for the 2011 interim dividend of €0.214 per ordinary share as paid out partly in cash and shares in August 2011, the final dividend will be €0.193 per ordinary share based on the outstanding number of 392,301,442 ordinary shares as per 31 December 2011. These amounts include the pass-through of the dividend received from the retained stake in TNT Express. The final dividend of €0.193 will be payable fully in ordinary shares and represents a cash equivalent of €76 million. Upon approval, shareholders will receive their dividend in shares and consequently the corresponding cash equivalent of €76 million will be deducted from the profit attributable to shareholders and added to the reserves.

The dividend in shares will be 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, whereby the final dividend represents a 100% stock dividend:

Appropriation of profit

	2011
Profit attributable to the shareholders	1,127
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, par.2)	(1,015)
Dividend on ordinary shares	**112**
Interim dividend paid	36
Final dividend	**76**

(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 35 to the consolidated financial statements

14 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

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.

Following some general information with respect to the remuneration committee, the second part of this chapter outlines the remuneration policy and the different compensation elements as approved by the 2010 Annual General Meeting of Shareholders of TNT.

The third part of this chapter reflects the actual remuneration of the members of the Board of Management in 2011, while the fourth part outlines the remuneration policy for 2012 for the members of the Board of Management. Finally, the 2011 remuneration of the members of the Supervisory Board is described.

Remuneration committee

The remuneration committee prepares its proposal independently after careful consideration. The remuneration policy is prepared in accordance with all relevant Dutch legal requirements and is compliant, except for contracts entered into prior 2004, with the Dutch Corporate Governance Code.

In preparing the remuneration policy, the remuneration committee also takes into account the remuneration of senior management reporting to the Board of Management. As of May 2011, the remuneration committee has three members: Mr Wallage (chairman as of 25 May 2011), Mr Klaver and Ms Menssen. Since May 2011, the remuneration committee met three times. In 2011, none of the members of the remuneration committee was a member of the management board of another Dutch listed company.

The remuneration committee used professional internal and external advisors.

Remuneration policy 2011

The remuneration policy 2011 equals the 2010 remuneration policy as adopted by the 2010 Annual General Meeting of Shareholders of TNT. 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. Half of the remuneration of the Board of Management, the variable income, is based on the performance of PostNL. The remuneration structure for the Board of Management is designed to balance short-term operational performance with the long-term objectives of PostNL and short-term and mid-term value creation for its shareholders.

The 2011 remuneration policy focuses on the absolute level of compensation and the directors' performance regards the different compensation elements and aims to stimulate well-balanced management behaviour.

The remuneration policy is:
- supportive to the sustainable development of the company,
- aligned with stakeholders' interests and introducing 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 conformity 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
Boskalis	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 2011: base salary

As presented at the Annual General Meeting of Shareholders on 25 May 2011, the annual base salaries for members of the Board of Management were set at €700,000 for Mr H.M. Koorstra, CEO, €350,000 for Mr J.P.P. Bos, CFO, €410,000 for Ms H.W.P.M.A. Verhagen and €350,000 for Mr G.T.C.A. Aben. As presented during this meeting, the base salaries of the new members of the Board of Management were set below median market level. At this meeting, the Supervisory Board clarified its decision to gradually adjust the base salaries to median market level.

Remuneration policy 2011: variable remuneration

The variable remuneration 2011, comprising the 2011 performance bonus, 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 combined short-term and long-term incentive three-year plan, in which the members of the Board of Management have the opportunity to earn an incentive, based on annual targets derived from three-year plans.
- The Supervisory Board has the discretionary authority to amend targets/objectives in the event of substantial adjustments to the strategic plan.
- 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 the achievement of underlying cash EBIT, adjusted net cash flow from operating activities and the demerger are included.
- Non-Financial (40%): the non-financial targets included three focus areas:
  - **Employees:** targets are based on management development, achieving engagement survey objectives and absenteeism.
  - **Environment:** targets are based on achieving CO_2 efficiency improvement targets and health and safety objectives.
  - **Customers:** targets are based on improving customer focus and measuring customer focus through customer satisfaction surveys.

Taking into account the specific situation in 2011 (i.e. the demerger), the Supervisory Board decided to only define one-year targets for 2011.

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 period 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
- no employee contribution.

A compensation for the change in pension scheme and the change in retirement age as of 2006 is paid to members of the Board of Management with contractual arrangements entered into prior to 2004.

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 spouse's and/or dependant's pension in the event of 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.
- Contracts entered into prior to 2004 remain unaltered and are therefore not compliant with the current Dutch Corporate Governance Code.
- Severance payments in the event 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.

The company does not grant loans, including mortgage loans, to the members of the Board of Management and Supervisory Board.

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 to make 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.

Actual remuneration in 2011

Settlement former CEO

The Supervisory Board and Mr M.P. Bakker agreed, in addition to a notice period, a compensation equal to two times Mr M.P. Bakker's base salary. The severance payment of two times the annual base salary is not compliant with the Dutch Corporate Governance Code, however, as Mr M.P. Bakker's contract started prior to 2004, as the company has consistently disclosed in every annual report since 2004, other arrangements were made. For detailed disclosure on the total remuneration of Mr M.P. Bakker in 2011 see note 19 to the consolidated financial statements.

Actual remuneration 2011

The actual remuneration for the Board of Management was set at the 2011 Annual General Meeting of Shareholders.

The table below summarises the 2011 remuneration elements of the current members of the Board of Management of PostNL, starting 1 June 2011 (on a pro rata base for seven months, except for Mr H.M. Koorstra who was a member of the Board of Management for the full year) and calculated in accordance with IFRS. Note: IFRS amounts do not represent actual compensation payout. For detailed disclosure on the remuneration of the former members of the Board of Management, including the demerger settlement of Mr M.P. Bakker, see note 19 to the consolidated financial statements.

Total remuneration Board of Management

	Financial year	Base salary	Performance bonus 2011	Pension costs	Other periodic paid compensation[1]	Share based payment costs[2]	Total
		Fixed	Variable				
Harry Koorstra [3]	2011	670,833	528,281	272,892	361,842	182,022	2,015,870
Chief Executive Officer							
Jan Bos	2011	204,167	191,407	35,723	18,121	885	450,303
Chief Financial Officer							
Herna Verhagen	2011	239,167	188,344	42,601	21,635	-	491,747
member							
Gérard Aben	2011	204,167	163,334	44,318	16,753	-	428,572
member							
Total current members	**2011**	**1,318,334**	**1,071,366**	**395,534**	**418,351**	**182,907**	**3,386,492**

(in €)

1 Includes company costs related to tax and social security, company car and other costs. It also includes salary allowances made as compensation for the change in pension scheme to Mr Koorstra. Furthermore it includes the costs related to the adjusted 2010 bonus of Mr Koorstra of €23,000 and a base salary correction of €54,000 relating to the years 2008 -2010.
2 Related to share base payments costs including unwinding of the 2009 and 2010 Bonus/Matching plans and Performance Share plans for detailed disclosure see note 19 in the Financial Statements.
3 Related to the whole year, acting as member of the Board of Management.

The table below contains a summary of the 2011 variable remuneration targets achievement of the current members of the Board of Management. PostNL discloses quantified financial and non-financial targets that are published in general terms. The actual targets are specific and thus contain competition-sensitive information, and are therefore not disclosed.

Score card

	Board of Management
General financial targets	
- Underlying Cash EBIT	√
- Adj Net cash flow from operating activities	√
- Successful demerger	√
General non-financial targets	
- Employees	X
- Customers	X
- Environment	√

For detailed disclosure on the variable remuneration awarded to the current and former members of the Board of Management, see note 19 to the consolidated financial statements.

Unwinding of TNT N.V. equity schemes

The Supervisory Board of TNT decided, with the approval of the demerger by the Annual General Meeting of Shareholders of TNT on 25 May 2011, to unwind all TNT equity plans. The unwinding concerns the following equity plans:

- the unvested rights on the 2009 and 2010 performance shares,
- the granted 2009 and 2010 matching shares.

All plans were terminated before the demerger so that no 'legacy plans' existed thereafter. The unwinding of the TNT equity schemes has been executed as described below.

- The Supervisory Board of TNT decided, in accordance with its discretionary power under the plan rules, to settle the unvested rights in cash as the vesting period for the performance and matching shares was accelerated. The calculation of the level of this compensation was based on a generally accepted valuation model, validated by an external party. The unwinding of the unvested performance shares and matching shares was paid to the eligible member of the Board of Management.

For detailed disclosure on the cash compensation paid to the current and former members of the Board of Management see note 19 to the consolidated financial statements.

Remuneration policy for 2012

Compared to 2011, no major changes in the 2012 remuneration policy are proposed by the remuneration committee. The remuneration committee has advised the Supervisory Board to maintain the fixed-to-variable compensation ratio (100% base salary and 100% variable income), as approved by shareholders of TNT in April 2010. Furthermore the proportion of financial and non-financial targets for the variable remuneration scheme remains 60% financial and 40% non-financial.

As presented at the 2011 Annual General Meeting of Shareholders, the base salaries for the new members of the Board of Management were set below median market level. The Supervisory Board defined a median market base salary level for members of the Board of Management (excluding the CEO) of €475,000. The Supervisory Board decided to gradually adjust the base salaries in 2012 and 2013 to this median market level. Therefore, the base salary of Mr J.P.P. Bos (CFO) is set at €425,000 for 2012 and €475,000 for 2013. The base salary of Ms H.W.P.M.A. Verhagen is set at €450,000 for 2012 and €475,000 for 2013. The Supervisory Board decided to maintain the base salary of Mr G.T.C.A. Aben at €350.000, based on the specific scope and position of Mr G.T.C.A. Aben as Managing Director Group HR within the Board of Management.

Compared to 2011, the Supervisory Board adopted the proposal that, as of February 2012, the members of the Board of Management will pay an employee pension contribution of 6% of the annual base salary minus the offset for state pension.

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 successive terms of four years each. 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
Harry Koorstra	October 1991	Indefinite	2000	2013	Four years
Jan Bos	January 1997	Indefinite	2011	2015	Four years
Herna Verhagen	June 1993	Indefinite	2011	2015	Four years
Gérard Aben	September 1991	Indefinite	2011	2015	Four years

Remuneration of members of the Supervisory Board

The remuneration of the current members of the Supervisory Board comprises a 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 do not receive any compensation related to performance and/or equity and do not accrue any pension rights with the company. The members of the Supervisory Board do not receive any severance payments in the event of termination. PostNL does not grant loans, including mortgage loans, to any member of the Supervisory Board. The remuneration of the Supervisory Board has changed since June 2011, after the demerger, as follows:

Remuneration of Supervisory Board

		Annual base fee
TNT N.V. pre-demerger	Chairman	60,000
	Member	45,000
PostNL N.V. post-demerger	Chairman	55,000
	Member	40,000
Committees		Meeting fee
Audit & Remuneration	Chairman	2,500
	Member	1,500
Nominations & Public Affairs	Chairman	1,500
	Member	1,000

(in €)

For detailed disclosure on the remuneration of individual members of the Supervisory Board, see note 19 to the consolidated financial statements.

15 Report of the Supervisory Board

From the Chairman of the Supervisory Board

Dear Stakeholders,

Thanks to thoughtful and thorough preparations, the separation of TNT N.V. into two companies, PostNL N.V. and TNT Express N.V., has been completed successfully. More than 99% of the shareholders present at the Annual General Meeting held on 25 May 2011 voted in favour of the separation.

PostNL became an independent listed company as of 31 May 2011, acting under the brand name PostNL. In its first year, the business performance of the stand-alone company was solid with good results in all segments compared to expectations.

Mail in the Netherlands

During the year, several key milestones were met. On the regulatory front, the 10% 'reasonable rate of return' on sales for USO (Universal Service Obligation) products was passed by parliament, which means that the regulatory framework with regard to future tariffs has been clarified. Following this clarification, PostNL announced new stamp prices in October, which became effective as of 1 January 2012. The base domestic rate for letters in the Netherlands has increased by four eurocents to 50 eurocents.

The labour unions' members ratified the agreement pertaining to the Master Plan III restructuring programme, including a limitation of the number of forced redundancies and the conditions under which redundancies can be made. In July, the Dutch Enterprise Chamber rejected the objections made by the works council to the company's intended reorganisations. This ruling means PostNL can go ahead with the necessary reorganisations, including continuing to establish central preparation locations and closing around 300 delivery offices in a phased approach.

It is sad that so many of our colleagues, who form the backbone of our company, have to leave us due to adverse market developments. We thank them for their contribution and wish them well.

Addressed postal item volumes declined by 7.2%, mainly due to a decline in single items, reduced demand for bulk mail and the continuing substitution by electronic media. The volume of unaddressed mail items increased by 22%. The economy product delivered through PostNL and the budget mail service delivered through Netwerk VSP retained volumes in the market, resulting overall in a limited loss of volumes to competition.

Operating revenues decreased by €190 million compared to 2010 (4.3%). Underlying cash operating income came out on €154 million (2010: €288 million) caused by volume decline (7.2%), high restructuring cash-out, higher Master Plan initial costs and increased autonomous costs, partly offset by Master Plan savings.

Parcels

Volumes in Parcels continued to grow, mainly driven by the trend of e-commerce and by new customers. In particular, the good summer period and the fourth quarter contributed to these results. Revenues increased by 7.8% over the year to €608 million. The operational efficiency of the parcels network continues to increase. Underlying cash operating income was €92 million compared to €81 million in 2010.

The progress on the new logistical infrastructure is on track. After the completion of the first hybrid depot in Waddinxveen, the depot in Elst is also operational. Construction of the depots in Den Bosch and Hengelo has started. The new logistical infrastructure lays down the structure to enhance further volume growth.

International

In all three countries, the United Kingdom, Germany and Italy, volumes and revenues increased. Total revenues in 2011 were €1,467 million, a growth of 13.2% compared to 2010. The autonomous growth of revenues in International was 7.8%. International closed the year showing a positive underlying cash operating income of €5 million compared to a loss of €24 million in 2010. PostNL resized its German business, which has already had a positive impact on results.

Pension developments

At the end of 2011, the coverage ratio of PostNL's largest pension fund was below the minimum required level of 104.1%. The decrease compared to 2010 was mainly due to the decrease in the long-term interest rate and the fund's overall investment return.

Equity and Dividend

Possible additional payment obligations to the pension funds and the decrease of the book value of the retained stake in TNT Express N.V. had a negative impact on PostNL's equity position. Taking this into account we are unfortunately not in a position to propose a 2011 final dividend in cash.

We look back on a turbulent year that started a new era for our company.

Kind regards,

P.C. Klaver

Chairman of the Supervisory Board of PostNL N.V.

Authorities, composition and working of the Supervisory Board

The Supervisory Board is charged with supervising the Board of Management and the general course of action 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 positions different from those of the Board of Management.

In performing its duties the Supervisory Board is charged with acting in accordance with the interests of PostNL. It shall take into account the relevant interests of the company's stakeholders, and, to that end, consider 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. The Supervisory Board is responsible for the quality of its own performance and for this purpose annually reviews its performance. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

Composition of the Supervisory Board

PostNL's articles of association require that the Supervisory Board should 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 chairman of the Supervisory Board is Mr P.C. Klaver. After demerger Mr J. Wallage was appointed as vice-chairman.

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 composition of the Supervisory Board changed in 2011 after the demerger of the Express activities from TNT N.V. At the Annual General Meeting of Shareholders held on 25 May 2011, Ms M.E. Harris and Mr W. Kok were available for reappointment and were reappointed. Ms T. Menssen and Mr M.A.M. Boersma were appointed as new members. The central works council supported the reappointment of Ms M.E. Harris and Mr W. Kok, as well as the appointment of Ms T. Menssen and Mr M.A.M. Boersma. Upon reappointment Ms M.E. Harris resigned due to the fact she was appointed as a member of the supervisory board of TNT Express N.V.

In addition to the membership of the Supervisory Board of PostNL N.V., Ms T. Menssen was appointed a member of the audit committee and the remuneration committee and Mr M.A.M. Boersma was appointed a member of the audit committee and the nominations committee. The terms of Mr R. King and Mr S. Levy ended after the demerger. Ms M.E. Harris, Mr R. King and Mr S. Levy were appointed as supervisory board members of TNT Express N.V.

The Supervisory Board discussed the changes in composition as part of the succession policy of its members and in relation to the profile of the Supervisory Board. In 2011, some minor amendments to the profile were made.

Composition Supervisory Board and committees per 31 December 2011

Name	Nationality	Appointed	Term expires	Committee membership
Mr P. C. Klaver	Dutch	April 2008	2012	Nominations (chair), remuneration
Mr R.J.N. Abrahamsen	Dutch	May 2000	2012	Audit (chair)
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, remuneration
Mr M.A.M. Boersma	Dutch	May 2011	2014	Audit, nominations

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 the profile and rotation plan can be viewed on PostNL's corporate website, postnl.com.

In accordance with the Code the members of the Supervisory Board will not hold more than five memberships in supervisory boards of Dutch listed companies (including PostNL). In this respect, a chairmanship counts twice. The members of the Supervisory Board comply with this requirement.

At the Annual General Meeting of Shareholders in April 2012, Mr P.C. Klaver will be nominated for reappointment as chairman and member of the Supervisory Board. Mr R.J.N. Abrahamsen will resign as member of the Supervisory Board. He has been a member of the Supervisory Board for a period of three terms of four years.

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 Code. The terms of reference of these committees can be viewed on PostNL's corporate website, postnl.com. 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 audits, 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 these 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 to members of the Board of Management, which is submitted for adoption to the Annual 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'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 must 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, minutes of the audit committee are prepared overnight, being available in draft to the full Supervisory Board the next morning prior to the regular Supervisory Board meeting. 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.

Meetings of the Supervisory Board

In 2011, the Supervisory Board held 15 meetings, of which 12 included the presence of the Board of Management. During the first half-year, business and market developments and the results and positions in various market segments within the former Express and Mail division were discussed at every meeting. Strategic, regulatory and corporate social responsibility issues were recurring topics as was the status of the demerger, financing position of the two divisions following separation, composition of both the Supervisory Board and Board of Management, and rules of conduct between both independent (but formerly linked) companies.

During the second half of 2011, the business and market developments and the results and positions in various markets were discussed for the segments Mail in the Netherlands, Parcels and International. For PostNL as a whole, strategy, regulatory issues and corporate social responsibility issues were frequently discussed.

In addition to the abovementioned, the Supervisory Board held two meetings by telephone. Almost all meetings were attended by the full Supervisory Board. There was no frequent absence of any of the members of the Supervisory Board. The attendance rate of meetings of the complete Supervisory Board was 86.2%.

In February 2011, the Supervisory Board discussed the 2010 auditor's report by TNT's auditor PricewaterhouseCoopers Accountants N.V. (PwC), the 2010 integrated annual report (including financial statements) and corporate responsibility report, as well as the dividend proposal over the financial year 2010.

The 2010 financial statements were approved. Discussions were held on the availability and mix of dividend over the financial year 2010. This resulted in the approval by the Supervisory Board of the proposal by the Board of Management to the Annual General Meeting of Shareholders of a distribution of a final dividend of €0.57 per ordinary share (with a nominal value of €0.48 per share). After adjusting for the 2010 interim dividend of €0.28 per ordinary share, paid out partly in cash and partly in shares in August 2010, and the additional interim dividend of €0.29 per ordinary share paid out partly in cash and partly in shares in March 2011, the proposed final dividend was €0 per ordinary share, which was approved by the Annual General Meeting of Shareholders.

The outcome of the risk management process was shared and discussed with the Supervisory Board. Several business issues were discussed. An update on the integrity programme (including the fraud & whistleblower report) and the claims & litigation report was provided. The 2010 fourth quarter results were discussed.

Progress with respect to the demerger of the Express activities from TNT N.V. was discussed. Key issues were the equity gap, appointments of members of the Board of Management, remuneration, level of protection of the future independent companies, appointment of auditors, financial position after the demerger, corporate responsiblity (CR) strategies and governance. The Supervisory Board held private meetings on the demerger progress with its advisor and discussed the functioning of the Supervisory Board and its subcommittees. Points for improvement were discussed and agreed upon.

In March, an additional meeting was held to discuss progress relating to the demerger. Rebranding issues, demerger documentation, the agenda for TNT N.V.'s Annual General Meeting of Shareholders and Extraordinary General Meeting, both held on 25 May 2011, were tabled. Appointment of future members of the Supervisory Board was discussed.

In April, the Supervisory Board held three meetings. In addition to a business update, progress relating to the demerger was discussed. Several demerger documents, including the agendas for the Annual General Meeting of Shareholders and the Extraordinary General Meeting, were approved. The trading update published on 8 April 2011 was tabled, also in relation to the demerger process. The 2011 first quarter results were shared with the Supervisory Board.

In May, the Supervisory Board met in preparation of the Annual General Meeting of Shareholders and the Extraordinary General Meeting held later that day. Investor and other stakeholder feedback on the demerger was discussed, formal approval of demerger documents was granted and a business update was given.

Due to the demerger of the Express activities from PostNL, the strategy meeting held in June each year did not take place in June but in September.

In June, the governance structure, meeting calendar and other post-demerger issues were discussed.

In July, strategic market developments and acquisition projects were discussed.

In August, the half-year results and second quarter results were discussed as well as the outlook for the rest of 2011. The Supervisory Board approved the 2011 interim dividend. An update on the integrity programme (including the half-year 2011 fraud & whistleblower report) was provided.

In September, the Supervisory Board and the Board of Management discussed the strategy of PostNL whereby, in an increasingly difficult market, consolidation of PostNL's current product portfolio was an important topic. 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 Europe were discussed. Risks relating to the realisation of the strategy were discussed.

In November, the third quarter results and an update on the outlook were discussed. The implementation of the EU-IFRS standard for the corporate financial statements of PostNL (replacing Dutch GAAP) was discussed. The reappointment of Mr P.C. Klaver was discussed.

In December, the Supervisory Board discussed and approved the preliminary 2012 budget. The Supervisory Board and the CEO evaluated the functioning of the Board of Management and its individual members. The Supervisory Board discussed in a private meeting the functioning of the Board of Management and each of its individual members. The Chairman of the Supervisory Board held individual meetings with each member of the Board of Management. Its own functioning as a supervisory board and that of its individual members, its profile, composition and competence and the functioning of its committees were discussed in December. This evaluation was carried out based on an elaborate self-assessment and on individual meetings of the Chairman of the Supervisory Board with each member of the Supervisory Board.

The Chairman of the Supervisory Board as well as some individual members had several meetings with the central works council. The implementation of the EU-IFRS standard for the corporate financial statements of PostNL was approved.

Meetings of the committees of the Supervisory Board

Audit committee

In 2011, the audit committee met six times. All meetings were attended by the director audit & security, director reporting & consolidation and Group director control (before demerger the Group director internal audit and the Group director financial reporting consolidation and accounting). All meetings were attended by the CEO, CFO and by the external auditor PwC.

The audit committee discussed the 2010 results and 2011 half-year Board of Management report with PwC, as well as TNT's 2010 annual results and the 2011 first quarter, half-year and third quarter results. It also reviewed press releases and compliance with PostNL's Group policy on auditor independence and pre-approval, as well as internal control over financial reporting. The reports of PostNL's internal audit function were discussed each quarter. The audit committee further reviewed proposals for the 2010 full year dividend and the 2011 interim dividend.

In February, the 2010 annual results were discussed and internal control over financial reporting and the risk management process was reviewed. The 2010 full year dividend (referred to as (second) interim dividend 2010) was discussed. A status update on the proposed demerger was given. In April, the external audit fee proposals for the second half of 2011 for TNT Express and PostNL (if the shareholders would vote positively on the demerger proposal) were approved and the first quarter results were discussed. Updates on pensions and on the situation in Brazil were given.

In August, the second quarter results and half-year results were discussed, as was the dividend policy and the interim dividend 2011 proposal. An update on integrity issues (including the fraud & whistleblower report) and pensions was given. In November, the third quarter results were discussed. In December, the audit committee reviewed the 2012 budget plan and the internal audit plan 2012. The impact of the economic downturn on PostNL's financial position and on the position of the pension fund's coverage ratio was discussed during every audit committee meeting, as well as the development of PostNL's 29.9% share in TNT Express. In October, the implementation of the EU-IFRS standard for the corporate financial statements of PostNL (replacing Dutch GAAP) was discussed. The long-term impact of pensions on the equity of the company and the development of the share in TNT Express N.V., were discussed.

Pre-demerger, the financial reports supporting the strategies of Mail and Express ('the mid-term and growth strategy') were discussed in detail. Post-demerger, the view on development of the business, continuation of the dividend policy, focus on cost savings, possible restraints on investments, and strict management of working capital and cash within PostNL were frequent topics.

Remuneration committee

In 2011, the remuneration committee held seven meetings. The 2010 targets of the TNT N.V. Board of Management were discussed as well as equity plans and share settlement at separation. Bearing in mind the proposed demerger, the remuneration committee proposed a new remuneration policy, which was supported by the Supervisory Board, and it advised on the compensation arrangement of Mr M.P. Bakker. Following approval at the Annual General Meeting of Shareholders in May, the new remuneration policy – including new 2011 variable pay targets – became effective in June. A possible new remuneration policy for 2012 was discussed.

See chapter 14 for further details on remuneration of the Board of Management and the Supervisory Board, including a further explanation of the remuneration policy and actual remuneration figures and the relationship between remuneration and performance of members of the Board of Management for 2011.

Nominations committee

The nominations committee held three meetings in 2011. The Supervisory Board (re)appointments were discussed. Succession planning relating to the Supervisory Board, including the composition of the supervisory boards of the new separate entities Mail and Express, were discussed as well as the composition of the committees of the proposed supervisory boards. Recommendations were made to nominate Mr P.C. Klaver as chairman of the Supervisory Board of PostNL; Ms P.M. Altenburg, Mr W. Kok, Mr R.J.N. Abrahamsen and Mr J. Wallage as members of the Supervisory Board of PostNL; Ms M.E. Harris, Mr S. Levy and Mr R. King as members of the supervisory board of TNT Express N.V. Two new members of the Supervisory Board of PostNL were appointed by the Annual General Meeting of Shareholders, Ms T. Menssen and Mr M.A.M. Boersma.The profile of the Supervisory Board was discussed, as well as the reappointment of Mr P.C. Klaver as member (and chairman) of the Supervisory Board and the succession of Mr R.J.N. Abrahamsen in April 2012.

Public affairs committee
The public affairs committee met five times in 2011. National and international postal regulatory developments were tabled, including during the first five months of 2011, specific Express issues such as landing rights and the regulatory framework within which Express operates in Europe. Developments in OPTA (the independent Supervisory Authority for Post and Telecommunications), as well as the large company regime and the position of PostNL in the Dutch social landscape were discussed.

During the last seven months of 2011, the committee reviewed PostNL's corporate responsibliity (CR) performance and reporting 2010 and the realisation of the CR targets 2011. The Dow Jones Sustainability rating, evaluation of the Dutch Labour Inspection report on social working conditions within the Dutch mail operation,s and the report on the future of labour relations in the Dutch mail market (report Vreeman) were discussed. The committee reviewed and discussed the cost-saving initiatives for the Dutch mail operations (the Master Plans), health and safety issues (including fatalities) and initiatives to reduce the number of fatalities. Collective labour agreements (and related social implications) and regulatory issues were discussed, as well as tariffs and the structure of relations between the Supervisory Board, Board of Management and (central) works councils. The long-term vision of the company relating to the Dutch mail market was discussed.

Induction and training

As new members of the Supervisory Board, Ms Menssen and Mr Boersma attended a full-day induction programme. The Supervisory Board visited various locations of TNT Post UK in the United Kingdom. Some members of the Supervisory Board paid individual visits to business units of PostNL.

Independence of members of the Supervisory Board

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 Dutch Corporate Governance Code.

Diversity within the Supervisory Board

PostNL adheres to best practice provision III.1.3 of the Dutch Corporate Governance Code, which states that information must be given in the annual report on the members of the Supervisory Board themselves. The Supervisory Board has explicitly provided Supervisory Board member information including gender, nationality, age, expertise and social background.

The Supervisory Board consists of seven members. Of these seven members, two are female (29%). With respect to nationality all members are Dutch. The average age is 63, with members ranging in age from 44 to 73. The majority of the members possess a university degree or the equivalent thereof. Members' fields of expertise range from (public) administration and general management to (Dutch) labour issues and commercial backgrounds.

The profile of the Supervisory Board is such that 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. In anticipation of the envisaged demerger, the Supervisory Board has adopted profiles for the new Mail and Express entities.

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 for the induction and training programme for the 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 dismissed by the Board of Management, following the approval of the Supervisory Board.

At PostNL, the corporate secretary is appointed as secretary to the Board of Management and the Supervisory Board and as central officer, as mentioned in the PostNL Group Policy on Prevention of Insider Trading, which can be found on PostNL's corporate website, postnl.com.

There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice at PostNL's expense, if so required. The Supervisory Board made use of this facility by appointing Credit Suisse S.A. for strategic advice relating to the demerger of the Express activities from TNT N.V.

Members of the Supervisory Board in 2011

Outside positions of the members of the Supervisory Board have not been mentioned exhaustively but where relevant to their position as a member of the Supervisory Board of PostNL N.V.

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

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. Furthermore, he is a member of the supervisory boards of ING Group N.V. and SHV Holdings N.V. (vice-chairman). He is a member of the board of African Parks Foundation. Previously Mr Klaver held various positions at SHV Holdings N.V., lastly as chairman of the executive board of directors.

J. (Jacques) Wallage (1946, Dutch)
Mr Wallage was appointed as a member of the Supervisory Board on 8 April 2010. He has been vice-chairman of the Supervisory Board since 31 May 2011. His current term expires in 2014.

Mr Wallage was formerly a member of the Dutch Second Chamber of Parliament and served as a state secretary for the Ministry of Education and Sciences and as a state secretary for the Ministry of Social Affairs. He was mayor of the city of Groningen from 1998 until 2009.

Mr Wallage is 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, the Netherlands (integration and public administration).

R.J.N. (Robert) Abrahamsen (1938, Dutch)
Mr Abrahamsen was appointed as a member of the Supervisory Board on 9 May 2000. His current term expires in 2012.

Mr Abrahamsen is chairman of the supervisory board of Optimix Vermogensbeheer N.V. and is a member of the supervisory boards of Fluor Daniel B.V., B.V. ANP and Bank Nederlandse Gemeenten N.V. He was a member of the management board and chief financial officer of KLM Royal Dutch Airlines N.V. and was senior executive vice-president of ABN AMRO Bank N.V.

P.M. (Nelly) Altenburg (1952, Dutch)
Ms Altenburg was appointed as a member of the Supervisory Board on 8 April 2009. Her current term expires in 2013.

Ms Altenburg is a member of the supervisory boards of MSD B.V., KONI B.V. and member of the supervising body of the pension fund for cooperative building societies. She is chairperson of the 'Duidingscommissie Pakket' of the Healthcare Insurance Board and vice-chairperson of the Netherlands Institute of Psychologists. Previously Ms Altenburg held various positions at the trade union FNV and was member of the board of ABVAKABO FNV. She was a member of the boards of Dutch pension funds ABP and PGGM.

M.A.M. (Michiel) Boersma (1947, Dutch)
Mr Boersma was appointed as a member of the Supervisory Board on 25 May 2011. His current term expires in 2014.

Mr Boersma was CEO of Essent N.V. (presently a RWE A.G. company) and president of Shell Global Solutions International B.V.

Mr Boersma is non-executive member of the board of Neste Oil Corporation, chairman of the supervisory boards of ProRail, KEMA N.V. 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.

W. (Wim) Kok (1938, Dutch)
Mr Kok was appointed as a member of the Supervisory Board on 1 April 2003. His current term expires in 2015.

Mr Kok is president of the Club of Madrid and chairman of the Anne Frank Foundation. Mr Kok was formerly Prime Minister of the Netherlands, minister of Finance, member of parliament, chairman of the Confederation of Dutch Trade Unions and the European Trade Union Confederation, member of the supervisory board of ING Group N.V., non-executive director of Royal Dutch Shell plc and member of the supervisory board of KLM Royal Dutch Airlines N.V. and vice-chairman of the board of trustees of the Rijksmuseum.

T. (Thessa) Menssen (1967, Dutch)
Ms Menssen was appointed as a member of the Supervisory Board on 25 May 2011. Her current term expires in 2015.

Ms Menssen is chief operating officer of the Port of Rotterdam Authority. She is member of the supervisory boards of Vitens N.V., Maritiem Museum Rotterdam and Rotterdam Philharmonic Orchestra.

Former members of the Supervisory Board of TNT N.V.

M.E. (Mary) Harris (1966, British)
Ms Harris was appointed as a member of the Supervisory Board on 20 April 2007. Her term expired in 2011. Ms Harris joined the Supervisory Board of TNT Express N.V. on 31 May 2011.

R. (Roger) King (1940, American)
Mr King was appointed as a member of the Supervisory Board on 20 April 2006. His term expired in 2011. Mr King joined the Supervisory Board of TNT Express N.V. on 31 May 2011.

S. (Shemaya) Levy (1947, French)
Mr Levy was appointed as a member of the Supervisory Board on 7 April 2005. His term expired in 2011. He was vice-chairman of the Supervisory Board as of 1 January 2009. Mr Levy joined the Supervisory Board of TNT Express N.V. on 31 May 2011.

Compliance

In 2011, the Supervisory Board confirmed that no decisions were taken by it that did not comply with its by-laws.

Strategy

Following the announcement on 2 December 2010 providing details of the proposed separation structure and timing, the Supervisory Board discussed together with the Board of Management the progress relating to the proposed demerger of the Express activities from TNT N.V. scheduled to take place mid-2011. These discussions were held in February, March, April and in May.

After the shareholders voted in favour of the demerger proposal in May, several strategic options for the development of PostNL and its businesses were explored and discussed in more detail. Next to autonomous growth in the segment Parcels, broadening the service portfolio to consumers and businesses, and strengthening the position in the United Kingdom, Germany and Italy, a number of potential acquisition opportunities to strenghten the e-commerce portfolio were discussed. Due to the deteriorating economic climate, the pension issue and the development of the value of the retained stake in TNT Express N.V. these acquisitions were not further pursued.

The sale of the retained stake in TNT Express N.V. and the pension issue were recurring items of a strategic nature.

Risks

PostNL's risk management process is described in chapter 12 and the key risks facing PostNL's strategic, operational, legal and regulatory compliance and financial objectives going forward are outlined in chapter 11. The outcome of the risk management process, the principle key risks identified and the mitigation plans in place to manage these risks in the short to mid term are shared and discussed with the audit committee of the Supervisory Board and the Supervisory Board as a whole.

Financial statements

This annual report, including the 2011 financial statements audited by PricewaterhouseCoopers Accountants N.V. (PwC), was 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 124 of chapter 13.

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 financieel toezicht). See also chapter 12 on page 43.

The Supervisory Board recommends that the Annual General Meeting of Shareholders adopts the 2011 financial statements of PostNL. The Annual General Meeting of Shareholders 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 in chapter 4 on page 19.

The Supervisory Board endorses the Board of Management's view on 2012. The Supervisory Board approved the decision by the Board of Management to propose a dividend over 2011 at €0.407 per ordinary share, of which €0.214 was already paid as an interim dividend (at the election of the shareholders in cash or in stock) in August 2011. The (net) final dividend over 2011 received from TNT Express N.V. by PostNL on its retained shares in TNT Express N.V. will be passed on to its shareholders in a form to be determined on by PostNL N.V.

The Supervisory Board wishes to thank the Board of Management and all employees of PostNL for their outstanding contributions in 2011.

Supervisory Board of PostNL N.V.

The Hague, 27 February 2012

16 Corporate governance

PostNL N.V. is a large company (*structuurvennootschap*) falling under the rules of 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.

General

PostNL N.V. is a publicly listed company incorporated under the laws of the Netherlands and listed at NYSE Euronext Amsterdam. PostNL has 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, the company was named TNT N.V.

The Board of Management is collectively responsible for setting PostNL's mission, vision and strategy and the implementation of this, for the management of PostNL as a whole and for all decisions taken in this respect. It takes responsibility for PostNL's overall results. The Board of Management consists of four members: the chairman of the Board of Management and chief executive officer (CEO) Mr H.M. Koorstra, also responsible for the Mail in the Netherlands segment; the chief financial officer (CFO) Mr J.P.P. Bos; the director Parcels and International Ms H.W.P.M.A. Verhagen; and the director Group Human Resources Mr G.T.C.A. Aben.

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL N.V., as well as providing advice to the Board of Management. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management. Members of the Supervisory Board may take positions different from those of the Board of Management. 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 Supervisory Board consists of seven members: the chairman of the Supervisory Board Mr P.C. Klaver, Mr R.J.N. Abrahamsen (chairman of the audit committee), Ms P.M. Altenburg, Mr W. Kok (chairman of the pubic affairs committee), Mr J. Wallage (chairman of the remuneration committee), Mr M.A.M. Boersma and Ms T. Menssen.

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.

PostNL's reporting structure in 2011 was in line with the management structure of its three segments: Mail in the Netherlands, Parcels and International.

Under the Board of Management, and reporting directly to it, is the Extended Executive Committee. This consists of members of the Board of Management and the directors within PostNL's segments. For Mail in the Netherlands this includes Mr P.H. Kunz (Operations), Mr G.H.N.M. Jacobs (Marketing & Sales) and Mr P. Berendsen (Data & Document Management). For Parcels this includes Mr G. Mastenbroek. For International this includes Mr M.J.M. Frusch (Germany), Mr L. Palermo (Italy) and Mr N. Wells (UK). Also members of the EEC are chief information officer Mr M.J.M. Krom, and the director Risk Management and Internal Control Ms M.E. Kaashoek.

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.

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 of the intended appointment/consulted on the intended dismissal. For further details about the appointment and dismissal of members of the Board of Management, see article 17 of PostNL's articles of association.

Members of the Supervisory Board are appointed by the General Meeting following nomination by the Supervisory Board. Furthermore, 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.

PostNL has been a large company from the date of its inception (1998) based on the Enabling Act Koninklijke PTT Nederland N.V. At the Annual General Meeting of Shareholders held on 8 April 2010, it was noted that as a consequence of the new Postal Act (coming into force on 1 April 2009 and replacing the Enabling Act Koninklijke PTT Nederland N.V.), the exceptions to the large company as referred to in book 2 of the Dutch Civil Code (the international holding exemption and the mitigated large company regime) were no longer prohibited. The choice to maintain or abolish the large company regime (in whole or in part) at the level of TNT N.V. by applying for the international holding exemption was put to the General Meeting. The General Meeting rejected the proposal to maintain the large company regime. The Board of Management pledged to prepare a proposal to amend the articles of association in order to abolish the large company regime and put this proposal to vote at the Annual General Meeting of Shareholders in 2011.

As a consequence of mandatory Dutch law and in light of the pledge made at the Annual General Meeting of Shareholders held on 8 April 2010, it was proposed at the Annual General Meeting of Shareholders held on 25 May 2011 to abolish the large company regime and to amend the articles of association in accordance with the proposal tabled during that meeting. The articles of association were approved during that meeting as submitted.

The subsequent demerger of the Express activities from TNT N.V., effective 31 May 2011, affected the applicability of the large company regime to TNT N.V. (renamed PostNL N.V. following the demerger). Specifically, the large company regime applies in full to PostNL N.V. due to this demerger, because the majority of the employees employed by PostNL N.V. and its Group companies are located in the Netherlands. Partial maintenance of the large company regime, referred to as the 'mitigated regime', was not permissible for TNT N.V. after the demerger. In light of these consequences, the demerger resolution adopted at the Extraordinary Meeting of 25 May 2011 also entailed an amendment to the articles of association in which the current large company regime was continued in the form of the identical large company regime required by law. The demerger resolution thereby also implied withdrawal of the present resolution to abolish the large company regime.

Board of Management

The Board of Management is collectively responsible for setting PostNL's mission, vision and strategy and the implementation of this, for the management of PostNL as a whole and for all decisions taken in this respect. It takes responsibility for PostNL's overall results. The Board of Management consists of four members: the chairman of the Board of Management and chief executive officer (CEO) Mr H.M. Koorstra, also responsible for the Mail in the Netherlands segment; the chief financial officer (CFO) Mr J.P.P. Bos; the director Parcels and International Ms H.W.P.M.A. Verhagen; and the director Group Human Resources Mr G.T.C.A. Aben.

PostNL's reporting structure in 2011 was in line with the management structure of its three segments: Mail in the Netherlands, Parcels and International.

Under the Board of Management, and reporting directly to it, is the Extended Executive Committee. This consists of members of the Board of Management and the directors within PostNL's segments. For Mail in the Netherlands, this includes: Mr P.H. Kunz (Operations), Mr G.H.N.M. Jacobs (Marketing & Sales) and Mr P. Berendsen (Data & Document Management) for Parcels; Mr G. Mastenbroek for International; Mr M.J.M. Frusch (Germany), Mr L. Palermo (Italy), and Mr N. Wells (UK), as well as the chief information officer Mr M.J.M. Krom, and the director Risk Management and Internal Control Ms M.E. Kaashoek.

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.

Duties of the Board of Management

The Board of Management is charged with the management of PostNL, which means, among other things, that it is responsible for setting and achieving PostNL's objectives and strategy (which shall be initiated by the CEO) and 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. Value-based management provides PostNL with an additional framework for decision making within the company, based on objective criteria. Day-to-day decisions in the divisions 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 above-mentioned subjects to, and discusses the internal risk management and control systems with, PostNL's Supervisory Board and its audit committee.

Please refer to the 'Auditor' section for a comprehensive overview of the roles of internal audit and the assurance services provided by the external auditor on page 145.

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 committee (CRC).

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.

The integrity committee is appointed to advise 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, the Group Procedure on Whistleblowing and the Group Policy on Fraud Prevention. The committee advises and makes recommendations with regard to guidelines for disciplinary actions. The integrity committee advises and makes 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.

The CRC advises and assists the Board of Management in deploying the CR strategy, provides guidance on the CR direction, issues and opportunities, and integration of CR in daily operations. It also supports the Board of Management in developing and achieving its CR strategic objectives by Group and divisional 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.

Members of the Board of Management

H.M. (Harry) Koorstra (1951, Dutch)
Chief Executive Officer
Mr Koorstra was appointed chief executive officer and chairman of the Board of Management of PostNL N.V. effective 31 May 2011. He joined the company (then called PTT Post) in 1991 as managing director of the media service business unit and became a member of its Board of Management in 1997. Before joining PostNL, Mr Koorstra worked at VNU N.V. for 15 years, latterly as general director of its Admedia/VNU Magazine Group. Mr Koorstra is chairman of the supervisory board of Postkantoren B.V.

Mr Koorstra's portfolio includes corporate strategy, corporate relations, general counsel, corporate responsibility, public affairs and internal audit. He is also responsible for Mail in the Netherlands. Mr Koorstra was reappointed as a member of the Board of Management for another four-year term in April 2009. Mr Koorstra's term is up for renewal in April 2013.

Mr Koorstra is chairman of the supervisory board of Hermans Investments B.V. and a member of the supervisory board of Royal Swets and Zeitlinger Holding N.V. He is also a member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO-NCW).

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. He joined the company (then called PTT Post) in 1997 as controller of its international business unit. Mr Bos has been director finance & control of the Mail division since 2007. His portfolio includes financial reporting and accounting, risk management and internal control, mergers and acquisitions. Mr Bos' term is up for renewal in April 2015.

Mr Bos is a member of the curatorium for registered controllers (VU Amsterdam).

H.W.P.M.A. (Herna) Verhagen (1966, Dutch)
Director Parcels and International
Ms Verhagen was appointed director Parcels and International and a member of the Board of Management of PostNL N.V. effective 31 May 2011. She joined the company (then called PTT Post) in 1993 as sales manager. After being marketing & sales director TNT Post and coordinating managing director Mail NL in the Mail division of TNT N.V., Ms Verhagen became managing director Group human resources of TNT N.V. and was appointed director Parcels and International in 2011.

Ms Verhagen's portfolio includes International (TNT Post UK, TNT Post Italy, TNT Post Germany), Spring and Parcels. Ms Verhagen's term is up for renewal in April 2015.

Ms Verhagen is a member of the supervisory board of SNS Reaal N.V. and member of the supervisory board of Nutreco N.V.

G.T.C.A. (Gérard) Aben (1950, Dutch)
Director Group Human Resources
Mr Aben was appointed director Group Human Resources and a member of the Board of Management of PostNL N.V. effective 31 May 2011. He joined the company (then called PTT Post) in 1991 as member of the management of PTT Post B.V. (director Personnel Affairs). In 1996 he also took on the role of coordinator HR Express Netherlands. Before joining PostNL, Mr Aben worked for Sara Lee/ Douwe Egberts as HR director and for Royal Dutch Shell as personnel manager.

Mr Aben's portfolio includes human resources Group-wide. Mr Aben's term is up for renewal in April 2015.

Mr Aben is a member of the board of the general employers association (AWVN) and a member of the committee of employment conditions of the employers' association VNO-NCW.

Before the Express business demerged from PostNL N.V., the composition of the Board of Management was as indicated below.

Former members:
M.P. (Peter) Bakker (1961, Dutch)
Chief Executive Officer TNT N.V.
Mr Bakker has been CEO and chairman of the Board of Management since November 2001. Mr Bakker's portfolio prior to the demerger included corporate strategy, corporate relations, general counsel, corporate responsibility, human resources and internal audit.

B.L. (Bernard) Bot (1966), Dutch)
Acting Chief Financial Officer TNT N.V.
Mr Bot was acting CFO of TNT N.V. as of August 2010. After the approval of the demerger, Mr Bot was appointed Chief Financial Officer of TNT Express N.V. as of 31 May 2011.

Mr Bot's portfolio before demerger included financial reporting and accounting, risk management and internal control, mergers and acquisitions, business control, treasury, tax, investor relations, legal and integrity.

M.C. (Marie-Christine) Lombard (1958, French)
Group Managing Director Express division TNT N.V.
Ms Lombard was Group managing director of the Express division and a member of the Board of Management from January 2004 until June 2011. She was appointed chief executive officer of TNT Express N.V. starting 31 May 2011.

H.M. (Harry) Koorstra (1951, Dutch)
Group Managing Director Mail division TNT N.V.
Mr Koorstra was Group managing director of the Mail division and a member of the Board of Management from July 2000 until 31 May 2011. He was reappointed as a member of the Board of Management for another four-year term in April 2009.

Supervisory Board

Duties of the Supervisory Board

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL N.V., as well as providing advice to the Board of Management. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management. Members of the Supervisory Board may take positions different from those of the Board of Management. 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.

In performing its duties, the Supervisory Board is charged with acting 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.

PostNL's articles of association and the by-laws of the Supervisory Board can be viewed on PostNL's corporate website, postnl.com.

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 give periodic notice, at least quarterly, to PostNL's corporate secretary acting as central 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 exempted 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 the table below:

Shares held by the members of the Board of Management and Supervisory Board

	PostNL		TNT Express	
	31 May 2011	31 Dec 2011	31 May 2011	31 Dec 2011
Current members of Board of Management				
Harry Koorstra	26,241	42,105	26,241	26,403
Jan Bos	6,155	13,936	6,155	6,193
Herna Verhagen	15,305	16,205	15,305	15,400
Gérard Aben	6,049	6,405	6,049	6,087
Former members of Board of Management				
Peter Bakker	96,634	-		
Marie-Christine Lombard			17,450	
Bernard Bot			12,933	
Members of Supervisory Board				
Piet Klaver	3,500	18,681	3,500	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 performance share plan and/or any participation in the variable compensation scheme. See note 19 in the Financial Statements and chapter 14 under Actual Remuneration in 2011. The information in this table is publicly available at www.afm.nl.

Conflicts of interest of board members

The Supervisory Board is responsible for determining how to resolve conflicts of interest between members of the Board of Management, members of the Supervisory Board and/or the external auditor and the company.

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) on any conflict of interest or potential conflict of interest that may be of (material) significance 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 (material) significance to the company or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2011, therefore compliance with best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.3 inclusive of the Code was not relevant. The same applies to 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 such member has a conflict of interest with the company. This occurred once in 2011.

Shareholders and their rights

General meetings of shareholders

Annual General Meeting of Shareholders held on 25 May 2011
On 25 May 2011, TNT held its Annual General Meeting of Shareholders at Schiphol-Rijk, the Netherlands. The attendance rate was 66% of the total outstanding share capital, compared to 53% in 2010.

During the Annual General Meeting of Shareholders, all proposed resolutions except one were adopted, including the extension of authority to issue shares. The shareholders voted against release from liability of the members of the Supervisory Board. The reason for not granting release from liability was based on the level of protection in TNT Express N.V. after demerger, which was, in the opinion of the shareholders, not in conformity with good governance. 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 25 November 2012. 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.

In the new (post-demerger) articles of association of PostNL, the mandate of the Board of Management to permit the company to acquire its own shares has been amended to reflect the new Dutch law provision to permit a listed company to acquire up to 50% of its issued shares. The actual percentage of shares the Board of Management of PostNL may resolve to buy back will be decided by the General Meeting of Shareholders when granting its authorisation to the Board of Management, and will usually be a percentage lower than 50%. The extended mandate of a maximum of 50% will only be used 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 29.9% shareholding in TNT Express N.V. In addition, the nominal value of a share was amended from €0.48 to €0.08 (which became effective on 4 August 2011).

Extraordinary General Meeting of Shareholders held on 25 May 2011
On 25 May 2011 and immediately following the Annual General Meeting of Shareholders, TNT N.V. held an Extraordinary General Meeting of Shareholders. The attendance rate was 66% of the total outstanding share capital.

During the Extraordinary General Meeting of Shareholders, one resolution was tabled - the proposal to demerge the Express activities from TNT N.V. The shareholders voted in favour of the demerger by 99.76% of the votes. On 31 May 2011, the demerger effectively took place, leading to the separation of the Express activities.

The resolutions of the meeting, the agenda and the voting results for each resolution, as well as the presentations given during both meetings, can be found on PostNL's corporate website, postnl.com. Minutes of the meeting are available in Dutch on PostNL's corporate website. The webcast of the meeting is available in Dutch and English.

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 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.

Furthermore, in the event that 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.

General Meetings of Shareholders may only 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 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 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.

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 as set by the Board of Management.

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 Protection 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.

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 take place 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.

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 one-tenth 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 will only be used 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 29.9% shareholding in TNT Express N.V. Please refer to PostNL's corporate website, postnl.com.

Authorisation by the General Meeting 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 those 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 influence 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. There are currently no preference shares B issued, although Foundation Continuity PostNL has a call option 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 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 subject to the approval of the Supervisory Board. Foundation Continuity PostNL has credit facilities in place to enable it to pay the exercise price.

PostNL and Foundation Continuity PostNL have entered into the call option agreement to prevent, delay or complicate unsolicited influence of shareholders, including an unsolicited takeover or concentration of power. The issue of preference shares B enables PostNL to consider its position in the circumstances at that time. The preference shares B will be outstanding no longer than is strictly necessary. Once the reason for placing the preference shares B no longer exists, PostNL shall propose to the General Meeting of Shareholders to cancel the preference shares B entirely as a class.

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 this 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). PostNL believes that this may be a useful option in the period before the issuance of preference shares B, without causing a dilution of the rights of other shareholders at that stage.

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.

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's 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's 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-months 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, PricewaterhouseCoopers Accountants N.V. (PwC), is appointed by PostNL's General Meeting. PostNL's audit committee has the sole authority, subject to confirmation by the Supervisory Board, to recommend to the General Meeting 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).

At times, PostNL uses its external auditor to provide services in cases where these services do not conflict with the external auditor's independence. The PostNL Group Policy on Auditor Independence and Pre-Approval governs how and when PostNL may engage its external auditor.

The audit committee is required to pre-approve (supported by the Group director Internal Audit) all services to be provided by the external auditor in order to ensure that these do not impair the auditor's independence from PostNL. Annually, the audit committee grants a general pre-approval for certain routine services. 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 amount of fees for audit and audit-related services and the total amount of fees for non-audit services. See note 21 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.

(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 2011 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.

PostNL's internal audit function operates under the responsibility of the Board of Management and is subject to monitoring by the Supervisory Board, assisted by the audit committee. The Board of Management is required to ensure that the external auditor and the audit committee are aligned in defining the tasks and plans of the internal audit function.

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 code of conduct, as referred to in article 391 paragraph 5 of 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 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 equity 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 (leading to the delivery of shares), 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 note 19 of the financial statements under bonus/matching share plan. Shares delivered in relation to the performance bonus shall be retained for a period of five years. Reference is made to note 19 of the financial statements under 'performance bonus 2011' and to chapter 14 (Remuneration).

- *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 those 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 H.W.P.M.A. Verhagen, Mr J.P.P. Bos and Mr G.T.C.A. Aben are in their first four-year term as members of the Board of Management and were employed by PostNL prior to 2011. For Ms H.W.P.M.A. Verhagen, Mr J.P.P. Bos and Mr G.T.C.A. Aben, the severance pay in the event of dismissal in their first four-year term has been set at twice the annual salary.

The employment contract of TNT N.V.'s former CEO, Mr M.P. Bakker, was entered into prior to 2004 and terminated effective 1 June 2011 with the approval of the demerger. Mr Bakker's position as CEO thus became redundant and he left TNT N.V. after almost 20 years of service, of which the last 14 years as a member of the Board of Management. A settlement arrangement was made with Mr M.P. Bakker, which was calculated based on twice the annual base salary and a notice period. For more information on the settlement, please see note 19 of the financial statements.

As stated in chapter 14, contracts entered into prior to 2004 remain unaltered.

Before the demerger was effectuated, TNT N.V. followed local market practice for that part of the base salary earned in the country of residence by a member of the Board of Management who was not a resident of the Netherlands. This was applicable to Ms M.C. Lombard.

Severance payments in the event 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 appropriate, 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 14 under 'remuneration policy 2011'.

- *Provision IV.3.10 – the report of the general meeting of shareholders shall be made available, on request, to shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report in the following three months.*

PostNL did not publish the report of the General Meeting of Shareholders three months after the end of the meeting (the report was made available on 3 January 2012). The shareholders have the opportunity to react to the report in the three months following 3 January 2012. The report will thus be adopted on 3 April 2012.

In the chapter sections referred to above, 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.

The full text of the Code and the corporate governance statement can be viewed on PostNL's corporate website, postnl.com. Information on (i) the composition and functioning of the Board of Management, (ii) the composition and functioning of the Supervisory Board and its committees, (iii) the functioning of the General Meeting and its key capacities and (iv) 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 - Board of Management Compliance Statement.

17 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 (UPU) is a specialised agency within the United Nations framework. It is responsible for the regulation of cross-border postal services. Practically all nations are members (Member States according to the new UPU terminology) of the UPU. The common rules applicable to cross-border postal services are laid down in the UPU Convention and its regulations. In the Convention, the UPU has established an international system for mutual payments for the delivery of cross-border letter mail, known as the terminal dues system. The purpose is to compensate the destination country's designated operator for delivering international letter post. A different compensation scheme with similar purposes exists for parcel mail.

Since 1 January 2006, a terminal dues system applies under which designated operators from 'target' countries (mostly industrialised countries) pay each other country-specific rates linked to domestic postal tariffs. Over the last five years, the percentage of the domestic 20 grammes tariff paid, gradually increased from 60% in 2006 to 70% in 2011. 'Transition' countries (mostly developing countries) continue to pay each other and target countries a fixed kilogramme rate according to a 'per' item and 'per' kilogramme formula based on world average costs and weight. Transition countries, however, are expected to move towards the target system by 2014, at which time all exchanges will be based on country-specific compensation.

Designated operators have worked together since the 2008 Geneva UPU Congress to continue the development of the terminal dues system, taking into account changing market circumstances. A terminal dues proposal which will cover the period 2014-2017 will be put forward to the 2012 Doha UPU Congress. A global round table will be held in early 2012 to explain and find support for the envisaged new terminal dues system.

REIMS

Most European postal operators view the UPU target terminal dues system as inadequate for its purposes. As a consequence, a large majority of postal operators are party to the separate, multilateral 'REIMS IV agreement' where terminal dues calculations are also based on a percentage of domestic tariffs and in return, higher service quality.

PostNL did not enter into the REIMS IV agreement which came into force on 1 January 2010. PostNL believes that this agreement does not reflect market reality, and does not permit it to compete successfully in its highly competitive home market. Instead, PostNL has concluded bilateral agreements with most of the major European postal operators. By the end of 2010 Deutsche Post AG (DPAG) gave notice of its withdrawal from the REIMS IV agreement. DPAG now shares PostNL's view that the REIMS IV agreement is not sufficiently market oriented.

The REIMS IV agreement is criticised by more and more signatories as an increasing number of postal operators are facing declining mail volumes and stronger competition for cross-border mail. Negotiations on a new multilateral agreement, REIMS V, began in the first quarter of 2011. PostNL participated in the negotiations, which concluded in September 2011. PostNL decided not to sign the REIMS V agreement, because the terms of the agreement would place a heavy burden on PostNL's financial and market position, and create undesirable uncertainties for the future.

EU postal regulation

As of 1 January 2011, the current regulatory framework in the European Union is set by the EU Postal Directive 2008/6/EC amending Directive 97/67/EC, as earlier amended by Directive 2002/39/EC, with regard to the further opening to competition of the community postal services (EU Postal Directive). It includes a harmonised set of minimum obligations for the universal postal services (mandatory postal services), such as service levels, rates, and cost and revenue accounting principles as well as quality of service standards with which all Member States, including the Netherlands, must comply.

Under the current legislation the use of reserved postal services as a financing mechanism has been abolished. This has led to funding through a wide variety of other methods, such as tendering, public funds and compensation funds. Eleven Member States have been permitted to delay opening up their markets untill January 2013. The Postal Directive grants the Member States the discretionary power to determine the scope of the universal postal services, as long as the defined minimum scope is assured.

Export controls

Export control regulations restrict the movement of commodities, persons and/or parties, information and economic resources globally. Export controls are governed by embargoes, sanctions and arms controls legislated by the United Nations, the United States, European Union and other country-specific export controls. PostNL is required to comply with all relevant export control requirements without exception. Some examples of these regulatory authorities include, but are not limited to: Office of Foreign Asset Controls (OFAC), Bureau of Industry and Security (BIS), United Nations Security Council, and the European Union Sanctions.

Postal regulation in the Netherlands

Since 1 April 2009, the key legislation regulating PostNL's activities 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 B.V. ("Koninklijke PostNL") has been designated as provider of the universal postal services. The Postal Act 2009 sets the requisites for these universal postal services. In connection with the Dutch Postal Act 2009, the parliamentary Postal Decree 2009 specifies the services that constitute the universal postal services.

Furthermore, Koninklijke PostNL is regulated by the Postal Regulation 2009, which 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 the number of postal outlets, quality of domestic universal postal services and 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 vis-à-vis 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 Supervisory Authority for Post and Telecommunications, established by the government, supervises the postal market and Koninklijke PostNL's performance of the universal postal services. The responsibility for postal policy remains under the authority of the minister of Economic Affairs, Agriculture and Innovation.

The universal postal services

Scope

The domestic universal postal services consist of the conveyance against payment of standard single rates of the following postal items:

- 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 letters, bulk printed matter such as advertising, magazines and newspapers, or unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act 2009 and in accordance with the rules of the UPU, universal postal services mainly comprise the conveyance against payment of both postal items at standard single rates and of bulk mail items at other than standard single rates, with a maximum individual weight of two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, universal postal services cover the postal services regulated by the UPU.

Regulatory conditions for the provision of universal postal services

Regarding universal postal services, the Dutch Postal Act 2009 imposes various regulatory conditions on Koninklijke PostNL with respect to service provision, such as the number and spread of postal outlets, and tariffs. The Postal Regulation 2009 mainly deals with cost and revenue accounting, detailed tariff regulation, financial administration and reporting. Other than the universal postal services, none of PostNL's postal services are subject to specific governmental control.

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, except for Sundays and public holidays. Koninklijke PostNL is required to deliver on average not less than 95% of all standard single rated domestic letters the day after the day of posting, excluding Sundays and public holidays. Koninklijke PostNL is required to maintain a network of service points (letter boxes, postal outlets) for the access of the general public to the universal services.

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 limit of 10%. OPTA had to set the 2012 rates before 1 October 2011, based on information and recommended rates provided by PostNL. As of 22 September 2011, OPTA did indeed set these 2012 rates in accordance with the recommended rates proposed by Koninklijke PostNL.

Concerning the 2009 starting tariffs, OPTA revoked the appeal lodged in 2010 at the College van Beroep voor het bedrijfsleven ('CBb'), regarding a verdict of the Rotterdam court. The question was whether the information on cost allocation provided by Koninklijke PostNL was sufficient or not. The Rotterdam court pronounced on 1 July 2010, that Koninklijke PostNL's initial information already met the requirements, and that OPTA unjustly failed to set the 2009 starting tariffs.

Following each OPTA rate setting, Koninklijke PostNL is allowed to set rates and associated conditions which have to be transparent, non-discriminatory, cost-based and uniform. Koninklijke PostNL is required to submit these rate changes to OPTA, whereas OPTA will assess whether the proposed changes are in accordance with the applicable price cap system.

The price cap system limits tariff developments in two different categories of services, i.e. letters and parcels, to the development of the general Consumer Price Index. Both categories comprise single rate items, including domestic and abroad. The price cap system uses a weighting factor for each service in these categories.

Accounting and other financial obligations

Koninklijke PostNL's obligations on reporting include a financial report on the performance of the universal postal services. Furthermore, Koninklijke PostNL is required to maintain separate financial accounts within its internal financial administration for universal postal services. Every year, Koninklijke PostNL must submit to OPTA a declaration of an independent auditor, designated by OPTA, to certify that its financial accounting system complies with these obligations.

Underlying this accounting system and the financial reports to OPTA is a system for allocating cost and revenues to the different types of services. This system complies with the accounting rules laid down in the EU Postal Directive and the Postal Regulation 2009.

Evaluation of universal postal services obligations

As a result of the Dutch Postal Act 2009 the scope of the universal postal services has been reduced and the former reserved area for Koninklijke PostNL no longer exists. Therefore, an announced evaluation of the universal postal service has begun. Based on an Ecorys-study the junior Minister of Economic affairs, Agriculture and Innovation intends to reduce the six-days-delivery to five-days-delivery. He does not intend a reduction in the numbers of post offices and collection letterboxes now. A proposal to change the

Postal Act 2009 regarding the six-day-delivery will be sent to parliament in the first half of 2012.

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 Dutch Postal Act 2009, the former junior minister of Economic Affairs has issued an Order in council (AMvB) that requires postal operators to offer employment agreements to their postal deliverers. 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. On 30 June 2010, the labour unions cancelled the collective labour agreement, due to the lack of employees working under the agreement. On request of the junior minister of Economic Affairs, Agriculture and Innovation, Mr Vreeman held an investigation. Following his advice unions and competitors renegotiated and agreed on a new collective labour agreement. The agreed development of the number of employment agreements is 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. Parties also agreed upon workers without employment agreement should at least earn the minimum wage augmented with holiday allowance.

As of 1 January 2012 this collective labour agreement is declared of generally binding force by the Minister of Social Affairs and Employment. However PostNL is exempted because of it's own collective labour agreements.

The junior minister of Economic affairs, Agriculture and Innovation intends to replace the current AMvB with a new one, which contains the new development path.

Mutual services

According to article 13 of the Dutch Postal Act 2009, PostNL is obliged to give its competitors access to its P.O. boxes. This service has to be delivered with reasonable, objectively justifiable and non-discriminatory conditions and remunerations. To date these conditions and remunerations are being negotiated between parties. Based on article 12 of the Dutch Postal Act 2009, a similar arrangement is made with PostNL's competitors with regard to return-to-sender items of competitors that enter PostNL's processes through the collection boxes.

Postal regulation in other EU-members

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

Value-added tax on postal services

PostNL initiated a procedure in March 2006 concerning the VAT exemption for Royal Mail in the United Kingdom. The competent court has asked the Court of Justice of the European Union (CJEU) some pre-judicial questions on this matter. The CJEU declared on 23 April 2009 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 not all the supplies of services by the public postal services are VAT exempt. 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. By their very nature, those services meet the special needs of the users concerned. This decision of the CJEU is currently being worked out in a EU Commission VAT-working group and will probably lead to a VAT-Guideline.

The European Commission also believes that excessively large VAT exemptions distort the functioning of the internal market for postal services. Parallel to the TNT Post UK pre-judicial ruling procedure of the Court of Justice of the European Union (CJEU), the European Commission on 10 April 2006 launched an infringement procedure against Germany, Sweden and the United Kingdom because of unjust application of the VAT exemption. Furthermore, many EU countries were asked to change the scope of the national postal VAT exemption, limited to the universal postal services.

In 2011 some EU countries, the United Kingdom included, changed their law reducing the scope of the application to the postal VAT exemption. This process is ongoing.

United Kingdom

The United Kingdom introduced its revised VAT law with changes related to the VAT exemption for postal services with effect from 31 January 2011. This resulted in the withdrawal of the UK arrangement. In reaction, the European Commission ended the infringement procedure. However, PostNL believes that the VAT distortion is not fully resolved yet Hence PostNL submitted a letter to DG TAXUD of the European Commission to file a complaint against the closing of the file. This complaint is still pending with DG TAXUD.

The competent court in the United Kingdom, which initially called in the CJEU, has not rendered its final judgment.

Germany

PostNL initiated a procedure at the German postal regulator ("Bundesnetzagentur") concerning the extremely low tariffs set by Deutsche Post-subsidiary First Mail for services identical to services offered by Deutsche Post itself. On 15 November 2011 the competent court, ("Oberverwaltungsgericht") confirmed the decision of the Bundesnetzagentur, which sustained PostNL's claim. Afterwards, Deutsche Post decided to discontinue First Mail.

Italy
In 2009 PostNL filed complaints at the Italian national competition authority (AGCM) against Poste Italiane concerning abuse of power, in particular for services involving confirmed delivery, time-certain delivery and pro-active notification. The AGCM sustained PostNL's claims on 15 December 2011, and imposed a fine of €39.4 million on Poste Italiane. Though Poste Italiane has appealed against the decision, no suspension was granted for the execution of the payment of the fine.

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. Article 101 prohibits collusion between competitors that may affect trade between Member States and which has the objective of restricting competition within the EU. Article 102 prohibits any abuse of a dominant position within a substantial part of the EU that may affect trade between Member States. National competition authorities and national courts have been empowered to apply articles 101 and 102 in full in close operation with the European Commission in order to ensure the effective and uniform enforcement of these competition rules.

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).

In 2009, NMa finished the consideration of a complaint Sandd made in 2007 and extended in 2008. The complaint especially concerned alleged predatory pricing and conditional sale through PostNL's subsidiary Netwerk VSP Geadresseerd. This behaviour usually is characterised as abuse of dominant position. On 15 December 2009, NMa concluded that PostNL did not abuse its position in any way. Sandd lodged an objection on 26 January 2010, and adduced its arguments on 26 October 2010. NMa has not decided on this appeal yet.

18 Financial policy, investor relations, shareholders' information

PostNL manages its free cash flow via underlying cash operating income and net cash from operating and investment activities.

Financial strategy

PostNL's financing strategy is based on:
- steering business performance by using value-based performance measures,
- managing its free cash flow in the medium and long term, 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, which is necessary to support strategic growth platforms, the restructuring of the Dutch mail business and to absorb some business or economic headwind.

The key components of PostNL's financing strategy mentioned above directly relate to:
- effective risk management, internal control, and compliance,
- financial risk management and insurance,
- aligned legal and funding structures,
- working capital management, and
- return of excess cash from the sale of the retained stake in TNT Express to shareholders.

Capital structure and credit rating

The current capital structure is based on and managed along the following components:
- targeting an investment grade credit rating of BBB+/Baa1,
- availability of €400 - €500 million of undrawn committed facilities,
- structural funding via a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest,
- cash pooling systems ensuring 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 at optimising the cost of capital for the Group, within long-term sustainable boundaries.

PostNL's current long-term credit ratings are BBB (stable outlook) from Standard & Poor's Ratings Services and Baa1 (negative outlook) from Moody's Investors Services. These credit ratings result from an evaluation and analysis of a variety of factors including the retained stake in 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 agents 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 part of the proceeds from the sale of the retained stake in TNT Express.

Investor relations

The investor relations programme includes analyst and investor meetings, conference calls, roadshows and investor conferences. The CFO has the principal responsibility for investor relations, with the active involvement of 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 equal and simultaneous information about matters that may be price-sensitive.

In May 2011, PostNL hosted its first capital markets day to communicate its strategy to the markets. Members of the Board of Management explained PostNL's strategy, discussed the segments in detail and provided both a short-term and 2015 outlook.

The contacts between the Board of Management on the one hand, financial analysts, current and potential investors, and press on the other, are 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 2011, PostNL visited investors in major financial cities in Europe and North America.

Explanation by the Board of Management on quarterly results is given either via group meetings or teleconferences, accessible by telephone and via the corporate website postnl.com. Meetings with institutional investors may be held to ensure that 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, the company's corporate website and newsletters. 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.

PostNL does not pay any fee(s) 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.

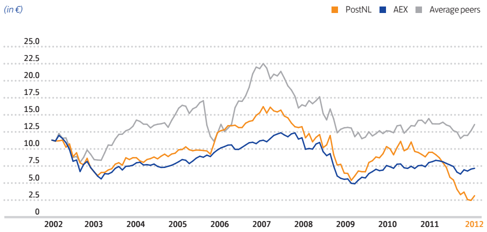
The Board of Management has adopted investor relations and media guidelines with which all members of the Board of Management must abide unless explicitly exempted by the CEO.

Contact with the financial community is dealt with 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

Relative performance to AEX and peers



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 2011, 702 million PostNL (including turnover of the TNT N.V. shares before demerger) shares were traded on NYSE Euronext Amsterdam (2010: 424 million). The market capitalisation of PostNL was €964 million at the end of 2011 (2010: €3,526 million).

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 376,339,096 on 31 December 2010 to 392,301,442 as of 31 December 2011. No preference shares B were issued and outstanding. For more information on PostNL's equity, see note 10 to the consolidated financial statements of PostNL N.V.

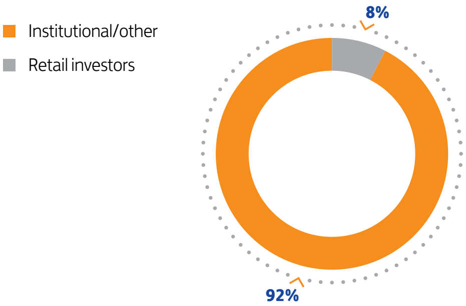
Form of shares	Number of shares	Percentage of outstanding ordinary shares
Bearer shares	386,927,562	98.63%
Non-ADS registered shares	1,456	0.00%
ADSs[1]	5,372,424	1.37%

[1] Held by approximately 30 holders on record.

The majority of PostNL's ordinary shares are in bearer form, therefore the analyses of shareholdings by region and investor type are best estimates based on the information available to PostNL through various market sources. Estimates as of 31 December 2011, and shown as a percentage of total shares outstanding (excluding shares held by the company) on that date are:

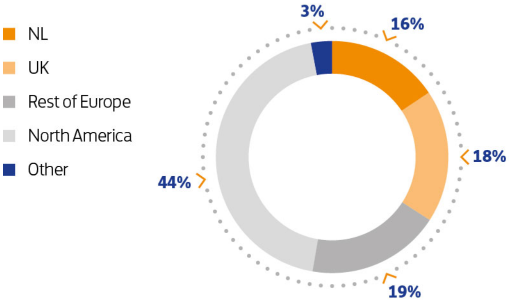
Shareholders by sector

(in %)



Shareholders by country

(in %)



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 Netherlands Authority for the Financial Markets (AFM) without delay. The company is notified by the AFM.

Overview of notifications in 2011

Date of notification	Company	(Indirect) holding	Holding of (indirect) voting rights
22 February 2011	Barclays Plc.	6.81%	6.81%
24 February 2011	Barclays Plc.	0.87%	0.87%
10 June 2011	Mackenzie Financial Corporation	4.25%	5.14%
30 September 2011	Causeway Capital Management LLC	6.76%	5.02%
18 November 2011	Mackenzie Financial Corporation	8.52%	10.07%
25 November 2011	Manning & Napier Advisors, LLC	5.70%	5.01%

Overview of substantial shareholders

Date of notification	Company	(Indirect) holding	Holding of (indirect) voting rights
2 December 2009	Jana/AimCo	5.39%	5.49%
30 September 2011	Causeway Capital Management LLC	6.76%	5.02%
18 November 2011	Mackenzie Financial Corporation	8.52%	10.07%
25 November 2011	Manning & Napier Advisors, LLC	5.70%	5.01%

Dividend

Dividend policy

It is PostNL's intention to pay out a dividend per share which develops substantially in line with the development of its operational performance. PostNL will aim for a dividend pay out of around 75% of the underlying net cash income with a minimum of €150 million per year. PostNL anticipates paying interim and final dividends annually in cash or shares with the interim dividend set at €75 million.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 retained in TNT Express as a purely financial stake. Accordingly, PostNL intends, in addition to the regular dividend defined above and barring unforeseen circumstances, to return any (net) dividends received on its retained stake in TNT Express to the shareholders in a form to be determined by PostNL.

In addition, PostNL has the intention to distribute the excess capital from the sale of (part of) its stake in TNT Express to the shareholders in a manner to be determined by PostNL as soon as reasonably possible and within its distributable equity restrictions. Excess capital will be determined as the headroom within PostNL's targeted credit rating. Proceeds from the sale of (part of) the stake in TNT Express resulting in excess capital that cannot be immediately returned to shareholders because of statutory equity constraints will in the interim be used for capital structure management in the ordinary course of business.

The Reserves and Dividend Guidelines are available on PostNL's corporate website postnl.com.

Dividend 2011

In the first quarter of 2011, PostNL (at that moment: TNT) paid a second interim 2010 dividend of €0.29 per ordinary share, of which €44 million was paid in cash. 3,626,164 ordinary shares were issued as a stock dividend related to the second 2010 interim dividend.

In the third quarter of 2011, PostNL paid a 2011 interim dividend of €0.214 per ordinary share, of which €36 million was paid in cash. 12,336,182 shares were issued as stock dividend related to the 2011 interim dividend.

A final 2011 dividend of €0.193 per share, to be paid fully in shares, will be proposed to shareholders at the Annual General Meeting of shareholders to be held on 24 April 2012.

Other information

Website

For the latest and archived press releases, corporate presentations and speeches, current share price and other company information such as PostNL's online annual report and interim reports, please visit the corporate website at 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.

Visting address

Prinses Beatrixlaan 23
2595 AK The Hague
The Netherlands

Mailing address

PostNL Investor Relations
PO 30250
2500 GG The Hague
The Netherlands

Telephone: +31 888 68 6161
E-mail: ir@postnl.nl
Website: www.postnl.com

Financial calendar 2012

27 February	Publication of 2011 fourth quarter and full year results
24 April	PostNL Annual General Meeting of Shareholders
26 April	Ex dividend date
30 April	Record date
8 May	Payment date
8 May	Publication of 2012 first quarter results
6 August	Publication of 2012 second quarter/half year results
5 November	Publication of 2012 third quarter results

19 Corporate responsibility performance

Corporate responsibility statements

The notes refer to the figures of the corporate responsibility tables on the following pages. The paragraphs corresponding with the notes provide a detailed explanation of the trends in the figures and the initiatives and policies which led to the performance in the area of corporate responsibility.

Corporate responsibility performance

Employee performance

2010 (*) = Restated to reflect the operational scope 2011

	Notes	2011	2010 (*)	2010
Investors in People certification				
Percentage of total headcount working in certified sites	1	96%	95%	91%
Employee Engagement score				
Percentage of engaged employees according to VOICE survey	2	56%	55%	54%
Training hours				
Training hours per FTE	3	21	21	21
Absenteeism				
In percentage of total working hours	4	5.4%	5.4%	5.6%
Voluntary turnover				
Total voluntary turnover	5	15.704	11.259	12.187
Voluntary turnover in percentage of total headcount	5	25%	18%	18%
Internal promotion				
Internal promotion in percentage of total management vacancies	6	72%	62%	62%
OHSAS 18001 certification				
Percentage of total FTE working in certified sites	7	95%	94%	88%
Fatal accidents				
Workplace fatal accidents	8	-	-	-
Road traffic fatal accidents involving own employees (Blameworthy)	8	2	1	1
Road traffic fatal accidents involving own employees (Non-Blameworthy)	8	-	-	-
Road traffic fatal accidents involving subcontractors	8	1	-	-
Total fatal accidents		**3**	**1**	**1**
Serious accidents				
Workplace serious accidents	9	33	50	70
Road traffic serious accidents	9	7	6	6
Total serious accidents		**40**	**56**	**76**
Lost time accidents				
Number of lost time accidents	10	698	1.030	1.580
Lost time accident frequency rate (per 100 FTE's)	10	2.2	3.1	4.4
Blameworthy road traffic incidents				
In number per 100,000 kilometres	11	4.3	5.0	4.9
In percentage of total road traffic incidents	11	73%	78%	78%
Gender profile				
Gender profile (percentage of females of total headcount)	12	41%	41%	41%
Gender profile of management (percentage of females of total management)	12	24%	23%	25%
Employees with a disability				
Number in headcount	13	1.362	1.344	1.462
In % of headcount	13	2.2%	2.2%	2.2%

Stakeholder performance

2010 (*) = Restated to reflect the operational scope 2011

	Notes	2011	2010 (*)	2010
ISO 9001 certification				
Percentage of total FTE working in certified sites	14	95%	95%	89%
Customer satisfaction & on time delivery				
Percentage of total customers in all markets segments[1]	15	89%	91%	91%
On time delivery Mail in the Netherlands	15	96.1%[2]	92.9%[3]	92.9%[3]

1 See for scope note 15
2 Preliminary yet to be validated by Dutch postal supervisor OPTA
3 Excluding impact strikes: 95.3%

Environmental performance

2010 (*) = Restated to reflect the operational scope 2011

	Notes	2011	2010 (*)	2010
ISO 14001 certification				
Percentage of total FTE working in certified sites	16	95%	94%	88%
CO_2 footprint (in ktonnes)				
Scope 1				
Small trucks and vans	19	21	20	22
Large trucks	19	33	25	27
Other operational vehicles		-	-	1
Total Operational Vehicles		54	45	50
Heating (gas, heating fuel)	20	16	23	23
Total scope 1		**70**	**68**	**73**
Scope 2				
District heating	20	-	1	1
Electricity (including electric vehicles)	20	45	47	48
Total scope 2		**45**	**48**	**49**
Scope 3				
Company cars	21	7	8	9
Business travel by air	22	1	1	1
Subcontractors	17	332	213	224
Total Scope 3		**340**	**222**	**234**
Gross PostNL own CO_2 footprint (scope 1 and 2)		115	116	122
Avoided CO_2 emissions (sustainable electricity)	20	-38	-39	-39
Compensated CO_2 emissions (green gas)	20	-3	-	-
Total PostNL own CO_2 footprint	17	**74**	**77**	**83**
Total Net PostNL CO_2 footprint (scope 1, 2 and Subcontractors)	17	**406**	**290**	**307**
CO_2 efficiency index	18	**64.5**	**70.4**	**70.4**
Small trucks and vans				
Efficiency in gr CO_2 per km	19	234	240	237
Vehicles complying with Euro 5	23	37%	20%	19%
Vehicles complying with Euro 4	23	61%	73%	73%
Percentage small trucks and vans neither complying with Euro 5 or Euro 4%	23	2%	7%	8%
Large trucks				
Efficiency in gr CO_2 per km	19	737	717	715
Vehicles complying with Euro 5	23	91%	88%	73%
Vehicles complying with Euro 4	23	-	-	-
Percentage large trucks neither complying with Euro 5 or Euro 4%	23	9%	12%	27%
Buildings				
Efficiency in kg CO_2 per m^2 buildings	20	22.2	30.5	29.4
Sustainable electricity usage (as a % of total electricity usage)	20	85%	84%	83%
Energy efficiency of buildings (of total energy of electricity, gas, heating fuel and district heating in Mega Joules per m^2	20	715	856	804
Other environmental indicators				
Waste in tonnes per FTE	24	0.36	0.36	0.53
Recycling of waste in percentage of total waste	24	58%	67%	72%
Noise complaints	24	7	1	1
Environmental incidents on-site	24	5	11	11
Environmental incidents off-site	24	-	2	2

Social responsibility performance

2010 (*) = Restated to reflect the operational scope 2011

	Notes	2011	2010 (*)	2010
Voluntary contributions (in € 1,000)				
School Feeding Support Programme	25	144	146	146
Kids Moving the World Support		148	261	261
Management & Office		227	180	180
BERL - Jatropha	26	1066	1104	1104
Global experience programme		-	112	112
Total	27	**1585**	**1803**	**1803**

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 10 of this report. This chapter provides an overview and explanation of the results achieved in the four areas.

PostNL's organisation has changed since the publication of the 2010 annual report, as described in chapter 4 of this report. Besides these organisational changes 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 enterpreneurs are made responsible for the business in the region (see chapter 7 for more details). The 2010 results were adjusted for the organisational changes and the exclusion of Regioservice and Turbopost to improve the comparability of the 2010 and 2011 results.

Employees

1 Investors in People certification
Investors in People (IiP) sets the minimum criteria for continuous management and employee development. The percentage of headcount working in certified sites slightly increased to 96% in 2011 due to the disposal of non-certified sites.

2 Employee engagement score
The results of the 2010 engagement survey (VOICE) were analysed and reported to all employees. Each team made an improvement plan by defining actions for their three most important issues. Examples of these improvement areas are communication about the organisational changes and the relationship between performance and payment. The actions and results were monitored during the year.

The annual VOICE survey was conducted In September 2011. Given the uncertainty due to organisational restructuring the impact of actions taken is limited and overall engagement increased slightly to 56% (2010: 55%).

3 Training hours
Training hours per FTE in 2011 were 21 and remained stable compared to 2010.

4 Absenteeism
Absenteeism remains relatively stable at 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 increased in 2011 to 25% (2010:18%). The majority of the voluntary turnover is realised in the Mail in the Netherlands segment where the voluntary turnover of mail deliverers, a growing part of our employees, is the main driver for the increase of the voluntary turnover.

6 Internal promotion
Internal promotion increased slightly to 72% (2010: 62%). New management vacancies emerged on account of the demerger of TNT Express and 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 the minimum health and safety standards for PostNL's operations and creates a platform for ongoing work-related health and safety performance improvements. The change in the percentage of FTE's working in certified sites slightly increased to 95% (2010:94%)due to the disposal of non-certified sites.

8 Fatal accidents
In 2011, PostNL regrets to reports that three fatal accidents occurred, of which one was caused by a subcontractor.

PostNL remains determined to prevent fatalities, and to that end has implemented various initiatives. These initiatives include assessments of all new processes on safety risks and more intense 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 or 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 decrease in 2011 can be mainly explained by the mild winter weather conditions compared to severe conditions in 2010, which had caused slippery roads and pavements.

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 workflow and on the road. When accidents take place an assessment is made in order to further improve safety measures. The decrease in 2011 can be explained by the mild winter weather conditions compared to severe conditions in 2010, which had caused slippery roads and pavements.

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 decrease in 2011 can be mainly explained by the mild winter weather conditions compared to severe conditions in 2010, which had caused slippery roads.

12 Gender profile
PostNL stimulates diversity and has several initiatives to promote development and career opportunities of talented females. The percentage of females was stable at 41%. Female employees in management positions was 24% in 2011 (2010: 23%).

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 slightly to 1.362 which is 2.2% of PostNL's total workforce (2010: 1.344, 2.2%).

Human rights
PostNL is promoting human rights by taking effective measures to avoid and mitigate any adverse human rights impact. The PostNL Business Principles represent the core of PostNL's commitment to human rights worldwide and outline four broad areas: the company, the employees, the business and the company's relationship with the world.

Stakeholders

Stakeholder dialogue
In order to review its CR strategy and results, PostNL collaborates with stakeholders and other sector members. To better understand stakeholder perspectives and concerns regarding risks and responsibilities resulting from operations, a multi-stakeholder dialogue with all stakeholder groups is organised annually by a cross-functional team. The stakeholder dialogue supports PostNL's strategy review, ensuring that CR strategy, policies and practices effectively reflect PostNL’s mission and ambition.

The following key stakeholder groups were identified as having the most significant impact on the business:

- employees,
- customers,
- subcontractors,
- suppliers,
- retail business partners,
- independent entrepreneurs with a PostNL post office,
- investors (including the social responsibility investor community), and
- civil society.

In order to identify its stakeholders, PostNL investigated its impact on key stakeholders by using survey findings and management interviews feedback. The results of these investigations confirm that while customers, employees and regulations shape the operational environment that facilitates or limits PostNL’s potential success, its operations have the greatest direct impact on its employees, the environment and other selected stakeholders.

The scope of the stakeholder dialogue was expanded and includes the retail business partners and independent entrepreneurs linked to PostNL post offices for an even more balanced representation of all stakeholders. The stakeholder online survey was sent to 650 stakeholders across all stakeholder groups.

Analysis of the survey results highlighted the following key points:

- PostNL is regarded as a sustainable organisation with an ambitious CR strategy,
- PostNL is seen as more sustainable than the organisations of the external stakeholder groups,
- Stakeholders' familiarity with the CR strategy and performance could improve, while there could also be more internal and external communication on CR,

- The top four focus areas are satisfied customers, positively engaged employees, mobility (increasing the number of employees who are helped to find a new job) and carbon efficiency of operations,
- Stakeholders consider social responsibility in PostNL's home country, in addition to Moving the World (Malawi), as relevant.

Based on the outcomes of the online survey, the following three subjects were selected for further discussion during the multi-stakeholder dialogue meeting:

- The recognition of results of the four areas: Employees, Stakeholders, Environment and Social responsibility,
- The importance of CR communication, and
- The importance of social responsibility in PostNL's home country.

On 15 December 2011 a multi-stakeholder dialougue session was organised at the Sorteercentrum Nieuwegein in the Netherlands to discuss these subjects and to deliberate on stakeholers' concerns and opinions with respect to CR. The main outcomes of the discussion were:

- All stakeholders recognised the four areas although 'satisfied customers', while very important for the business, was not considered to be a specific CR activity,
- Stakeholders advised PostNL to communicate more about and to focus on: Mobility and increased labour participation, Environment, Moving the World/World Food Programme in Malawi.
- Stakeholders believed that an initiative in the Netherlands could improve the engagement and pride of the employees. Employee engagement and pride is seen as a priority that would benefit the company.

External stakeholders advised to focus on the current initiatives rather than initiating a new programme for the comming two years. PostNL acknowledges these outcomes and takes them into acoount when reviewing its CR strategy, the structure of the report and related actions. The outcomes of the 2011 multi-stakeholders survey and dialogue provide a general overview of opinions, key risks and significant areas, which may vary between the different stakeholders groups.

Through social media, stakeholders are provided with channels and tools to make their voices heard. This is a form of empowerment that offers significant potential for enhancing dialogue, knowledge sharing and networking. Therefore, PostNL embraces social media and facilitates its use where possible, for instance in the communication with employees.

Customers
PostNL believes that total customer focus is a sustainable competitive differentiator and therefore aims to exceed customer expectations by providing distinctive levels of customer care at all contact points. PostNL bases its improvement programmes on quantitative and qualitative customer feedback, which ensures that required improvement actions focus on what is most important to customers.

Customer needs, satisfaction and loyalty levels are therefore important markers that are identified through regular contact and structured surveys. PostNL's employees are encouraged to 'go the extra mile' in their service to customers, with an understanding that engaged and motivated employees will deliver an exceptional customer experience, which in turn drives revenue.

14 ISO 9001 certification
ISO9001 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. ISO 9001 certification stabilised at 95% in 2011.

15 Customer satisfaction & on time delivery
PostNL aims to exceed customer expectations. Analysis shows that 'satisfied' and 'more than satisfied' customers are more loyal. Therefore, efforts are made to increase the percentage of 'more than satisfied' customers within the group of 'at least satisfied' customers. Understanding the mindset of 'less than satisfied' customers and obtaining their feedback enables PostNL to develop improvement strategies with the goal of increasing levels of customer retention.

Customers were scored on five customer values. The final score is calculated by taking the weight customers ascribe to these customer values and multiplying these weights by the score for each value. The surveys are optimised by measuring performance on all customer contact points and are compared to competitor performance. This enables PostNL to take immediate action.

To provide representation of a larger customer base it was decided to report on the overall customer satisfaction of Mail in the Netherlands excluding Data and Document Management (DDM). Customer satisfaction was 89% in 2011 (2010: 91%). In 2010, customer satisfaction was reported related to small and medium-sized enterprises of Mail in the Netherlands excluding DDM. The 2011 result is 86% (2010: 89%).

On-time delivery was 96.1% in 2011 (2010: 92.9%, corrected for strikes it was 95.3%). The 2011 percentage is preliminary and is yet to be validated by Dutch postal supervisor OPTA.

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 in 2011, a total of 1,458 customers (1,020 in 2010) sent more than 1,290 million CO_2-neutral letters and parcels (900 million in 2010). The CO_2 impact, 15.529 tonnes, of these mail pieces was compensated by CO_2 gold standard credits. To stimulate customers to compensate the CO_2 emission of the letters and parcels they sent, PostNL doubles the amount of money paid by the customers for CO_2 compensation. This extra money is invested in Green Projects in the Netherlands.

Subcontractors and suppliers
PostNL acknowledges the significant ecological and social impact it has on suppliers' local communities. As such, PostNL is committed to raise 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 environmental friendly and social responsible way. All subcontractors are expected to be social responsible and to act in accordance with all prevailing local and international legislation, and the provisions of the PostNL Business Principles. Within the Parcels segment the delivery is mainly provided by subcontractors. The focus on sustainable subcontracting was enhanced during 2011 and will continue to be in 2012.

PostNL puts great emphasis on a sustainable relationship with its subcontractors in the following areas:

- Sustainable contract relations,
- Open two way communication,
- Supporting new subcontractors in setting up their businesses and realising cost reductions.

These initiatives form the support programme Subco United. The goal of this programme is to create the opportunity to earn a decent living for people with limited perspective on the regular labour market.

The web based communication channel 'Subco.net' provides an easy access platform for potential subcontractors to meet PostNL and to subscribe to PostNL communications. It is PostNL's ambition to make Subco.net its primary communication tool with subcontractors, alongside personal contact on the workfloor.

Subco.net 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 starting entrepreneurs with limited start-up capital, PostNL offers a lease construction without a large initial investment.

In addition to this, PostNL cooperates with the Dutch Government and municipalities offering regular jobs for disabled people. PostNL strives to give them 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

PostNL tries to improve its social and environmental impact is by working with suppliers who are pro-active and innovative in delivering products and services that are social responsible. 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 which both can be found on the corporate website. All suppliers are required to sign a set of guidelines which include relevant social and environmental issues such as: child labour, freedom of association, hazardous substances, etc.

The Sustainable Supply Chain Policy states that suppliers are assessed on sustainability risks. Based on this risk analysis, a group of 20 suppliers was identified for a further analysis of their CR aspects. After studying available CR information on this selected group of suppliers an additional questionnaire was sent out to collect detailed information. Conform our Sustainability Supply Chain Policy all 20 selected suppliers of mail bags, post containers and workwear were visited in 2011. During these visits many improvements compared to former visits were found: including labour cirumstances, safety and environmental management. No issues are detected during all visits.

In 2011, PostNL signed the sustainable purchase manifest (MVIO) of NEVI (Nederlandse vereniging Voor Inkoopmanagement). PostNL also signed a convenant with the Forest Stewardship Council (FSC http://www.fsc.org/) to ensure the use of responsible-produced paper.

For 2012, the selection of suppliers which will be visited based on the risk assesment has been extended to the top 50.

Environment

16 ISO 14001 certification

PostNL has adopted the international standard ISO 14001 to manage its environmental performance. The ISO 14001 certification slightly increased from 94% in 2010 to 95% in 2011. The change in the percentage of FTE's working in certified sites slightly increased due to the disposal of non certified sites.

17 CO_2 footprint

According to 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 occur from sources not owned or controlled by the company.

The CO_2 footprint in kilotonnes is based on a broader scope compared to 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 are an important factor for PostNL, and caputuring the relevant data related to their activities is one of PostNL's biggest challenges in environmental reporting. Subcontracted activities account for 82% (2010: 73%) 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. PostNL includes subcontractor emissions from transport (both road and air) in its overall CO_2 footprint. Emissions of energy consumption of subcontractors buildings are not included due to immateriality. PostNL's calculation of subcontractor CO_2 is based on secondary indicators such as kilometres driven and cost indicators, because primary data (fuel consumption) of subcontracted activities are not available.

The calculation includes four categories, depending on availability of information:

- CO_2 emissions caused by air transport by subcontractors are calculated based on kg per km travelled. Kgs are registered in the operational systems and the Great Circle Distances website is used to retrieve the distances travelled;
- CO_2 emissions from subcontractor activities in the parcel business are calculated based on a combination of available indicators. These include number of kilometres driven through barcode scanning on stops and an estimation of litres of fuel based on the ratio between own and subcontracted assignment hours;
- CO_2 emissions from subcontractor activities by road calculated based on weekly fixed routes and an estimation of the average fuel consumption based on types of vehicle used as far as possible;
- The remaining category of subcontractor CO_2 emissions is calculated based on total subcontractor costs with an estimation of the percentage of costs spent on fuel, which is retrieved from transport sector reports.

Acknowledged industry standards are used in combination with operational data where available for the calculation of emissions. Important standards are: 2011 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting; Methodology Paper for Emission Factors; Europe's Energy Portal (http://www.energy.eu/http://www.energy.eu/) for average historical fuel prices excluding VAT; and the Great Circle Distance for distances in kilometres between airports and transport sector reports on the percentage of costs spent on fuel (EVO, NEA, etc).

Parcels' new logistics infrastructure (NLI) provides an excellent opportunity to reduce the amount of CO_2 of subcontractors. Every new subcontractor and all subcontractors that move to a new depot are required to use at least a Euro 4 vehicle. In the first location in Waddinxveen all distribution routes were rescheduled with a new planning format that reduced the total amount of distribution routes by more than 10%.

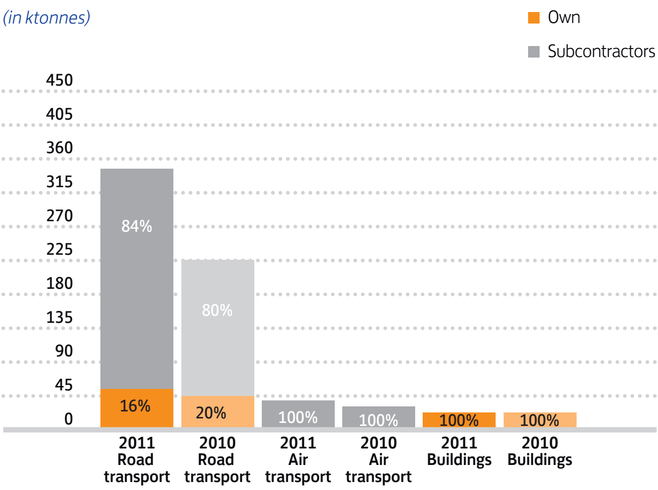
Ample pilot-projects were initiated that focus on cocreating efficient and sustainable solutions for delivering parcels in city centres, using electric and human-powered vehicles. In addition to this, first steps towards initiatives like Lean & Green and the Pan-

European Smart Way-initiative will be made in 2012, as Parcels has the ambition to become frontrunner in Green Logistics in the Netherlands.

PostNL's own CO_2 emissions decreased from 77 to 74 kilotonnes, whereas CO_2 emissions from subcontractors increased from 213 ktonnes to 332 kilotonnes in 2011. This increase can be explained by a number of factors. Due to the significance of subcontractor emissions, PostNL has improved the calculation model where possible. There is a shift in road transport from own transport to subcontractor transport: in 2011 16% own transport and 84% subcontracted transport versus 20% own transport and 80% subcontracted transport in 2010. Germany shows an increase, which can be explained by the change in the business model with Deutsche Post AG mid 2010 with an increase in subcontractor delivery costs. Furthermore, the assumption on the switching point between short and long flights for air transport changed, leading to an increase in kilogrammes per kilometre on short flights compared to long flights. The higher conversion factor for short flights leads to higher emissions. International shows an increase in volumes in 2011 and in 2011 more kilogrammes per kilometre were transported by air.

PostNL total CO_2 footprint (own and subcontractors)

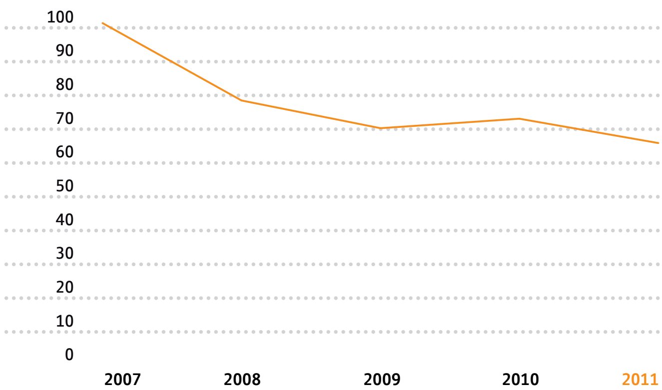
(in ktonnes)



18 CO_2 efficiency index

For 2011, PostNL's CO_2 efficiency index was 64.5, compared to 70.4 in 2010. This is in line with the aim to realise a CO_2 index of 45 in 2020. Main cause for the 2011 decline was the decrease of CO_2 emission of buildings mainly due to the compensation of CO_2 emissions of gas usage and the mild winter weather conditions compared to 2010. The three components of the CO_2 index (buildings, small trucks and large trucks) are weighted based on their absolute CO_2 emission in 2007. The decline of the buildings emissions overcompensate the relatively small incline of small- and large truck emissions.

CO_2 efficiency index performance



19 Road transport

By deploying vehicles of the highest environmental standard and managing the behavioural aspect of drivers, as well as further route optimisation, PostNL delivers tangible gains in fuel efficiency. To achieve drastic reductions in CO_2 emissions, a switch from fossil fuels to alternative fuels is required. PostNL decided to purchase two electric Renault Kangoos to test the feasibility for their use in operations in 2012.

PostNL's own absolute CO_2 footprint improved slightly in 2011 to 74 ktonnes (2010: 77). The CO_2 efficiency of small trucks and vans improved to 234 grams of CO_2 per kilometre (2010: 240). The number of small trucks and vans (mainly Pick up and Delivery (PUD) vehicles) decreased from 3,458 in 2010 to 3,278 in 2011. The CO_2 efficiency of large trucks detoriated to 737 grams CO_2 per kilometre (2010: 717). The number of large trucks (mainly line-haul vehicles) increased from 334 in 2010 to 353 in 2011. The detoriated CO_2 efficiency of the large trucks is caused by a change in the mix of vehicles used. There is a trend in using larger trucks which has a negative effect on the CO_2 efficiency per kilometre.

Although delivering mail and parcels with a new, modern fleet is a crucial element within our CO_2-reduction strategy, it is understood that technique in itself has a limited effect as long as the driver does not show the right attitude. Therefore the focus is on improving driver awareness about fuel efficiency by imparting the best possible skills on the road to limit their impact on the environment. In 2011, the Drive Me Challenge driving competition was organised again. During this unique event drivers participated from Parcelservice, Mail in the Netherlands, TNT Post Italy and TNT Post UK for the title of best driving team. Drivers were challenged on their level of fuel efficiency, road safety, customer excellence and speed of completion.

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.

PostNL believes that incorporating energy efficiency measures in the design of new buildings, in addition to a number of other measures, leads to substantial improvements in the CO_2 efficiency of buildings.

The percentage of sustainable electricity increased to 85% (2010: 84%).

During 2011, PostNL decided to move to using CO_2 neutral produced "Biogas" for its head-office and six Netherland-based sorting centres. Because of the planned change in infrastructure for Mail in the Netherlands, which includes the closing of most of the current buildings and the introduction of a limited number of new buildings, it was decided to introduce "Biogas" for the part of the buildings that will remain in use in the future. Unfortunately the required amount of "Biogas" was not available in the market for 2011. This contributed to the decision to compensate the CO_2 emission of 1.3 milion m^3 gas by buying CO_2 gold standard credits for 2011. A contract was also simultaneously signed for 1.3 million m^3 "Biogas" for 2012.

The winter of 2010 was extreme cold leading to a gradeday correction of the heating energy usage (- 3.6 kg CO_2/m^2) to improve comparability with other years. The mild winter of 2011 has led to a positive correction on used heating energy of +1.7 kg CO_2/m^2. The overall CO_2 efficiency of buildings improved from 30.5 kilograms CO_2 per m^2 in 2010 to 22.2 in 2011, mainly due to the compensation of gas usage.

The change process of the organisation has an important impact giving increased use of buildings during the transition phase. This will influence the achievement of environmental goals at short-term whilst we stay focussed on long-term solutions.

21 Company cars

The company car policy, sets criteria which have a positive effect on the CO_2 emmisions. Only fuel-efficient company cars are permitted. In 2011, 167 employees drove a company car with a hybrid engine compared to 173 in 2010. The total number of company cars increased to 1385 (2010; 1374). Despite the increasing number the total CO_2 emission of company cars decreased to 7 kilotonnes in 2011 (2010; 8).

PostNL signed a Gold Fleet Cleaner Car Contract with Alphabet Lease in 2011. The contract demonstrates the ambition of Alphabet Lease and PostNL to be frontrunners in improving the fuel efficiency of company cars and to pressure policymakers to accelerate the introduction of more fuel-efficient cars. The Gold Fleet ambition aims to achieve a company car fleet average of 120 grams of CO_2 per kilometre for all new leased cars in 2012, which goes beyond the European requirements for vehicle fuel efficiency.

22 Business travel by air

The CO_2 emmision of business travel by air stabilised at 1 Ktonne.

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. Furthermore, trucks more than five years old will be replaced by cleaner trucks in the coming years.

24 Other environmental indicators

Waste of 0.36 ton per fte remains stable with a decrease in recycled waste to 58% (2010: 67%).

An environmental incident is an incident that has led to the pollution of soil, water or air. Five on-site environmental incidents occurred in 2011 (compared to 11 in 2010) and there were no off-site environmental incidents (2 in 2010). No sanctions of non compliance were recieved.

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 2011, 7 complaints were received related to noise as compared to 1 in 2010. No sanctions of non compliance were received.

Sector initiatives

PostNL strongly believes in encouraging cooperations 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.
- SmartWay Europe: In order to manage subcontracted emissions PostNL participates in SmartWay Europe. This cross-sector initiative is aimed at reducing the environmental impact of road freight transport, similar to the SmartWay programme from the Environmental Protection Agency in the United States. 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. The SmartWay programme creates value for subcontractors as it helps them to limit their fuel consumption and increase their competitive advantage. In the future, this programme may provide opportunities for financing environmentally friendly technologies and vehicles. The aim is to implement a common monitoring and measuring system that will be managed and governed by an independent body in Europe.

Social responsibility

For PostNL, corporate responsibility goes beyond responsibly for employees and the environment. PostNL also focus on social responsibility which is mainly made clear through its partnership with the United Nations World Food Programme (WFP) named 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 an important role in raising awareness of global hunger. PostNL provides support to WFP by organising fundraising activities and engaging employees by sharing knowledge. Extra awareness and financial support is achieved 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.

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 90 PostNL employees assisted in the programme by facilitating the interactive game. Since the launch of KMtW in 2004, the foundation has already reached 350,000 children.

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:

- collect funds for the school feeding program of the WFP,
- 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.

With the sale of one book, a child can get 40 nutritious meals at school. Master Chefs for Home Chefs is in its fifth edition and is published in Canada, Italy, Germany, France and the Netherlands. Since the initiative began in 2007, PostNL has donated more than 10 million school meals to the children participating in the WFP school feeding programme.

GSM Retourplan

The 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 via 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.

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 fundraising activities, including sorting of mail and parcels, sports tournaments and auctions. These activities are organised on a voluntary basis outside normal working hours.

Knowledge transfer

Another essential element of the WFP partnership is the provisioning of skilled PostNL specialists to support the school feeding programme. In 2011, three PostNL employees worked as project managers for the school feeding projects in Malawi.

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, to establish a social venture with a local Malawian company, Bio Energy Resources Limited (BERL), for developing 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 that yields nuts, which can be used to produce biofuel. There are multiple benefits:

- the Jatropha crops provide the farmers with an additional annual income,
- the biofuel will 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.

With the professional production plant being finalised, BERL established its complete value chain: BERL now 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 fertilizer to the local market. Moreover, in 2011 BERL met all requirements for Verified Carbon Standard validation, and the Government of Malawi defined pricing and standard policies for Jatropha biofuels.

In 2011 PostNL contributed € 1,066 million to the BERL project (2010: 1,104).

BERL's intention is to continue scaling up to maximise the impact to society and the environment. While PostNL does not find itself in the position to further invest, co-investors are currently being searched for.

27 PostNL's voluntary contributions
PostNL contributes to social responsibility by providing staff and support to the inititatives and projects of Moving the World and BERL. Total contribution was around €1.6 million in 2011, slightly below 2010 (€1.8 million) due to the increased contribution of mail deliverers visiting schools outside their working hours and the termination of the Global Experience Programme.

Outlook 2012

For 2012, PostNL will concentrate on the following main programmes:

- Mobility activities will be continued in 2012 to help employees who lost their jobs due to restructuring programmes to find a job outside PostNL
- PostNL places strong emphasis on diversity in its workforce and management. Therefore, PostNL will continue in 2012 to focus on quality, talent and composition of its workforce and management.
- As a logistics service provider, CO_2 reduction remains important for PostNL. As well as efficiency measures, we continue to track new technology, which we will implement as soon as there is a business case.

20 Corporate responsibility reporting and assurance

Corporate responsibility reporting criteria
The 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 and the GRI Logistics and Transportation sector supplement as far as relevant to PostNL (see Annex 1). PostNL will continue to be a signatory of the UN Global Compact and therefore PostNL reports on the 10 principles therein. A bridge between the GRI G3 indicators and the principles of the UN Global Compact is made in the GRI G3 index in Annex 1. In addition, the 2003 AA1000 framework is used for identification of stakeholders and integration of the stakeholder process in the reporting process. Definitions used for key performance indicators (KPI's) are defined in Annex 3. KPI's 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 the 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 the CO_2 reporting PostNL uses the Greenhouse Gas Protocol (GHG) Corporate Standard. With regard to scope 3 emissions, PostNL has not yet implemented the GHG Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Corporate responsibility reporting scope
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. The demerger of the Express activities was a logical moment for PostNL to evaluate its CR KPI framework with the goal to optimise the fit with business operations and procedures. This evaluation resulted in some changes in the reported CR information.

PostNL's organisation has changed since the publication of the 2010 annual report as described in chapter 4 of this report. Besides these organisational changes 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 enterpreneurial model in which local enterpreneurs are made responsible for the business in the region (see page 29 in chapter 7 for more details). The 2010 results were adjusted for the organisational changes and the exclusion of Regioservice and Turbopost to improve the comparability of the 2010 and 2011 results. Besides the adjusted figures, the originally reported figures of 2010 are also presented to give a comprehensive picture of the data.

This annual report includes only 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 does rely 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.

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 m^2. PostNL defines coverage as the number of full-time equivalents (FTE's) working in entities that report data, divided by the total number of FTE's 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	2011 FTE	2011 Headcount	2010 (*) FTE	2010 (*) Headcount
PostNL Total (in CR reporting scope)	31901	63342	33368	64398
Out of CR reporting scope	4422	5162	5713	6913
Total PostNL	**36323**	**68504**	**39081**	**71311**

The number of FTE's and headcount included in 'Out of CR reporting scope' are people for who 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 2011 and Bio Energy Resources Limited (BERL). Besides the employees PostNL has contracted 22.742 OvO workers ('Overeenkomst voor Opdracht') which 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 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
- All material subcontractor activities are covered in the subcontractor model, but some less material activities are excluded e.g. subcontracted road linehaul transport
- The subcontract 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)
- For commercial air linehaul the subcontractor model uses planned volumes (kgs) of mail which are based on actual 2010 data

External assurance
PostNL has engaged PricewaterhouseCoopers Accountants N.V. (PwC) to provide reasonable assurance on the CR chapters (9,10,19, 20 and the annexes). This year is the first year that we asked PwC to provide reasonable assurance on all CR metrics. In previous years PostNL obtained reasonable assurance on a number of selected KPI's and only limited assurance on the rest of the CR chapters. For the exact assurance scope in previous year, we refer to PwC's assurance report on our 2010 CR chapters (http://www.postnl.com/Images/TNT-Annual-Report-2010_tcm216-571573.pdf). 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 (Royal Nivra).

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 2011. As explained in chapter 20 'corporate responsibility reporting and assurance', we have examined the content of chapters 9, 10, 19, 20 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 Guidelines of the Global Reporting Initiative (GRI) as explained in chapter 20 'corporate responsibility reporting and assurance'. These reporting criteria contain certain inherent limitations which may influence the reliability of the information.

The CR chapters do not cover the information for all entities of PostNL as the CR chapters only include data from PostNL entities that are fully-owned or majority-owned. Detailed information on the reporting scope is given in chapter 20. 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 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.

Emphasis of matter
Without qualifying our opinion, we draw your attention to (1) page 165 of the Annual Report for the disclosure on the change in reporting scope and the 2010 comparative information and (2) to page 166 for the disclosure on the change in our assurance scope to reasonable assurance on the full CR chapters in 2011.

Amsterdam, 27 February 2012

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 page number / reference	Extent of reporting	Global compact Principles
Strategy and analysis				
1.1	CEO Statement	Chapter 1, p. 7	Fully reported	
1.2	Key impacts, risks and opportunities	Chapter 1, p. 7 and Chapter 2 pp. 8-10	Fully reported	
Organisational profile				
2.1	Name of the organisation	Chapter 2, p. 8	Fully reported	
2.2	Products, and/or services	Chapter 2, pp. 8-10	Fully reported	
2.3	Operational structure	Chapter 2, pp. 8-10	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. 8, Chapter 4, pp. 14-20, Chapter 5, pp. 21-24, Chapter 6, pp. 25-27 and Chapter 7, pp. 28-31	Fully reported	
2.6	Nature of ownership	Introduction and financial and corporate responsibility highlights	Fully reported	
2.7	Markets served	Chapter 5, pp. 21-24, Chapter 6, pp. 25-27 and Chapter 7, pp. 28-31	Fully reported	
2.8	Scale of the organisation	At a glance, Chapter 4, pp. 14-20, Chapter 19, pp. 79-88 and pp. 102-104	Fully reported	
2.9	Significant operational changes	Introduction and financial and corporate responsibility highlights, Chapter 3, pp. 11-13	Fully reported	
2.10	Awards received	Chapter 4 pp. 14-15 and Chapter 10, p. 37	Fully reported	
Report profile				
3.1	Reporting period	Introduction and financial and corporate responsibility highlights	Fully reported	
3.2	Previous report	Introduction and financial and corporate responsibility highlights	Fully reported	
3.3	Reporting cycle	Introduction and financial and corporate responsibility highlights	Fully reported	

NR	G3.1 Indicator	Disclosure page number / reference	Extent of reporting	Global compact Principles
3.4	Contact point for questions	Chapter 18, p. 153	Fully reported	
Report scope and boundary				
3.5	Reporting period	Chapter 20, pp. 165-167	Fully reported	
3.6	Boundary of the report	Chapter 20, pp. 165-167	Fully reported	
3.7	Limitations on the reporting scope	Chapter 20, pp. 165-167	Fully reported	
3.8	Reporting basis	Chapter 20, pp. 165-167	Fully reported	
3.9	Data measurement techniques	Chapter 20, pp. 165-167	Fully reported	
3.10	Re-statements of information	Chapter 19, p. 157, Chapter 20, pp. 165-167	Fully reported	
3.11	Significant changes from previous reports	Chapter 20, pp. 165-167	Fully reported	
GRI content index				
3.12	GRI content index	Annex 1. pp. 168-172	Fully reported	
Assurance				
3.13	Assurance	Chapter 20, p. 167	Fully reported	
Governance				
4.1	Governance structure	Chapter 16, pp. 138-146	Fully reported	
4.2	Indicate relation between chair of the highest governance body and executive officer	Chapter 16, pp. 138-146	Fully reported	
4.3	Independence of Board of Management	PostNL does not have a unitary board structure. 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 16, pp. 142-143, Chapter 18, pp. 151-153	Fully reported	
4.5	Executive remuneration and performance	Chapter 14, pp. 126-129	Fully reported	
4.6	Conflict of interest at the Board of Management	Chapter 16, pp. 141-142	Fully reported	
4.7	Process for determining composition, qualifications and expertise of highest governance body	Chapter #, pp. 131-133	Fully reported	
4.8	Mission and value statements	Chapter 2, pp. 8-10	Fully reported	
4.9	Board of Management governance	Chapter 16, pp. 138-146	Fully reported	
4.10	Evaluation of the Board of Management	Chapter 14, pp. 126-129, Chapter 15, pp. 130-137	Fully reported	
Commitment to external initiatives				
4.11	Precautionary principles	Annex 1, p. 168	Fully reported	
4.12	External charters, principles or initiatives	Annex 1, p. 168	Fully reported	
4.13	Associated memberships	Chapter 19, p.162	Fully reported	
Stakeholder engagement				
4.14	List of stakeholders	Chapter 19, p. 158	Fully reported	
4.15	Stakeholders identification	Chapter 19, p. 158	Fully reported	
4.16	Stakeholder engagement	Chapter 19, pp. 158-160	Fully reported	
4.17	Stakeholders' key issues	Chapter 19, pp. 158-160	Fully reported	
Economic performance indicators				
DMA	Objectives & results	Chapter 4, pp. 14-20		
DMA	Responsibility	Chapter 12, pp. 43-44		
DMA	Policy	Chapter 12, p. 43		
DMA	Monitoring	Chapter 12, pp. 43-44, Chapter 15, pp. 131-133		
EC 1	Direct economic value	Chapter 4, pp. 14-20, Chapter 13, pp. 46-49 and Chapter 18, pp. 151-153	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. 40-42	Partially reported *	
EC 3	Benefit plan	Chapter 3, p. 12, Chapter 4, pp. 15-17	Fully reported	7
EC 4	Financial governmental assistance	PostNL does not receive significant financial assistance from governments.	Fully reported	
EC 6	Local suppliers	Chapter 19, pp. 158-160	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

NR	G3.1 Indicator	Disclosure page number / reference	Extent of reporting	Global compact Principles
EC 8	In kind or pro bono engagement	Chapter 19, pp.163-164	Fully reported	
Environmental management approach				
DMA	Objectives & results	Chapter 10, pp. 37-39, Chapter 19, pp. 160-162		
DMA	Responsibility	Chapter 16, pp. 139-140		
DMA	Policy	Chapter 10, p. 37		
DMA	Monitoring	Chapter 19, pp. 160-162		
DMA	Environmental performance indicators	Chapter 19, pp. 160-162		
EN 1	Volume of materials used	Chapter 19, pp. 160-162	Partially reported *	8
EN 2	Recycled materials	Chapter 19, p.162	Fully reported	8, 9
EN 3	Direct primary energy consumption	Chapter19, pp.155-156 and Chapter 19, pp. 160-162	Partially reported *	8
EN 4	Indirect primary energy consumption	Chapter19, pp. 155-156 and Chapter 19, pp. 160-162	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 19, pp. 155-156	Fully reported	8
EN 17	Other indirect greenhouse gas emissions	Chapter 19, pp. 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 19, p. 162.	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 19, p. 162	Partially reported *	8
EN 23	Significant spills	Chapter 19, p. 162	Fully reported	8
EN 26	Environmental impact mitigation	Chapter 10, p. 38, Chapter 10, p. 39, Chapter 19, pp. 160-162	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 19, p. 162	Fully reported	8
Labour practices and decent work performance indicators				
DMA	Objectives & results	Chapter 9, pp. 33-36, Chapter 10, pp. 37-39, Chapter 19, pp. 157-158		
DMA	Responsibility	Chapter 16, pp. 139-140		
DMA	Policy	Chapter 9, pp. 33-36, Chapter 10, p. 37-39		
DMA	Monitoring	Chapter 19, pp. 155-156 and pp. 157-158		
LA 1	Breakdown of workforce	At a glance, Chapter 9, p. 79-88, Chapter 20, pp. 165-167	Fully reported	
LA 2	Employee turnover	Chapter 9, pp. 33-36, Chapter 19, pp. 155-156, Chapter 19, pp. 157-158	Fully reported	6

NR	G3.1 Indicator	Disclosure page number / reference	Extent of reporting	Global compact Principles
LA 4	Collective bargaining agreements	All the entities within PostNL are responsible for the collective bargaining agreements. Information is available at entitiy level. Chapter 17, pp. 147-149	Partially reported *	1, 3
LA 5	Minimum notice periods	Chapter 17, pp. 147-149 and Chapter 19, pp. 157-158	Fully reported	3
LA 7	Occupational health and safety and absenteeism	Chapter 9, p. 35, Chapter 10, p. 37 and Chapter 19, pp. 155-157	Fully reported	1
LA 8	Education to assist workforce	Chapter 9, pp. 33-36	Fully reported	1
LA 10	Training per employee	Chapter 9, p. 34 and Chapter 19, p. 157	Partially reported *	
LA 13	Employee diversity & gender governance	Chapter 9, p. 35 and Chapter 19, pp. 155-157	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 14, p. 127-128	Partially reported *	1, 6
Human rights performance indicators				
DMA	Objectives & results	Chapter 10, pp. 37-39 and Chapter 19, pp. 157-158		
DMA	Responsibility	Chapter 16, pp. 139-140		
DMA	Policy	Chapter 10, pp.37-39		
DMA	Monitoring	Chapter 19, pp. 155-156 and pp. 157-158		
HR 1	Human right clauses in investment	Chapter 12, pp. 43-43	Fully reported	1, 2, 3, 4, 5, 6
HR 2	Supplier screening on human rights	Chapter 19, pp. 158-160	Fully reported	1, 2, 3, 4, 5, 6
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. 43	Partially reported *	1, 2, 4, 6
HR 5	Association and collective bargaining	Chapter 17, pp. 147-149, Chapter 19, pp. 157-158 and pp. 158-160	Partially reported *	1, 2, 3
HR 6	Child labour	Chapter19, pp. 157-158 and pp. 158-160	Partially reported *	1, 2, 5
HR 7	Forced labour	Chapter 19, pp. 157-158 and pp. 158-160	Partially reported *	1, 2, 4
Society performance indicators				
DMA	Objectives & results	Chapter 10, p.37-39, Chapter 19, pp. 155-156 and pp. 163		
DMA	Responsibility	Chapter 12, p. 43 and Chapter 16, pp. 139-140		
DMA	Policy	Chapter 10, p. 37-39		
DMA	Monitoring	Chapter 19, pp. 163-164		
SO 1	Impact on communities	Chapter 19, pp. 163-164	Partially reported *	
SO 2	Corruption risks	Chapter12, p. 43	Fully reported	10
SO 3	Anti-corruption training	Chapter 12, p. 43	Partialllly reported *	10
SO 4	Actions against corrpution	Chapter 12, p. 43	Fully reported	10
SO 5	Lobbying	Chapter19, p. 162	Partially reported *	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
SO 8	Regulatory non-compliance sanctions	Chapter11, pp.40-42 and Chapter 19, p.162.	Fully reported	
Product responsibility performance indicators				
DMA	Objectives & results	Chapter 5, p. 21, Chapter 6, p.25 , Chapter7, pp. 28-31 and Chapter 19, pp. 160-162,		
DMA	Responsibility	Chapter16, pp. 139-140		
DMA	Policy	Chapter 10, pp. 37-39		
DMA	Monitoring	Chapter 10, pp. 37-39 and Chapter 12, p. 43		
PR 1	Product life cycle	Chapter 5, p.21, Chapter 6, p. 25 and Chapter 7, pp. 28-31	Fully reported	1
PR 3	Product information	Chapter5, p. 21, Chapter6, p. 25 and Chapter 7, pp.28-31	Fully reported	8
PR 6	Communication programmes	PostNL's marketing communication does not conflict with generally accepted ethical or cultural standards, neither is a vulnerable group targeted.	Not reported *	
PR 9	Product non-compliance	Chapter 9, pp. 104-106	Fully reported	

NR	G3.1 Indicator	Disclosure page number / reference	Extent of reporting	Global compact Principles
Sector supplement indicators				
LT 1	Ship registry	This indicator is not relevant. PostNL does not own ships.	Fully reported	
LT 2	Fleet composition	Chapter 19, p. 155 and Chapter 19, pp.160-162	Fully reported	
LT 3	Environmental reduction	Chapter 19, pp. 160-162	Fully reported	
LT 4	Renewable direct energy sources and energy efficiency	Chapter 19, pp. 155-156 and pp. 160-162	Fully reported	
LT 5	Renewable indirect energy sourcesand energy efficiency	Chapter 19, pp. 155-156 and pp.160-162	Fully reported	
LT 6	Traffic congestion	Chapter 9, pp. 33-34 and Chapter 10, p. 38	Partially reported	
LT 7	Noise management and abatement	Chapter 19, p. 162	Fully reported	
LT 8	Environmental impact of real estate	Chapter 19, pp. 155 and pp. 161-162	Fully reported	
LT 9	Work patters of mobile worker	Chapter 19, pp. 155-156 and pp. 157-158	Fully reported	
LT 10	Personal communication	Chapter 19, pp.157-158	Fully reported	
LT 11	Substance abuse	Chapter 19, pp. 157-158	Fully reported	
LT 12	Road fatalities per kilometres driven	Chapter 19, p. 155-156 and pp. 157-157	Fully reported	
LT 13	Ship safety inspections	This indicator is not relevant. PostNL does not own ships.	Fully reported	
LT 14	Mail accesibility	Chapter 17, pp. 147-150	Fully reported	
LT 15	Humanitarian Programmes	Chapter 19, pp. 163-164	Fully reported	
LT 16	Labour providers	Chapter 9, p. 33 and Chapter 19, pp. 158-160	Partially reported *	
LT 17	Continuity of employment	Chapter 9, p. 33	Partially reported *	

* These indicators have been found to be partially immaterial or immaterial for PostNL's operations; 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 FTE's of the total number of FTE's.

FTEs reporting on: 2010(*) Restated to reflect the operational scope of 2011	2011	2010	2010
Workforce			
Headcount	63,342	64,398	67,925
Full time equivalent	31,901	33,368	36,408
EMPLOYEES			
Training hours			
Training hours	93%	89%	84%
Fatal accidents			
Workplace fatal accidents	100%	100%	100%
Blameworthy road traffic fatal accidents (with a PostNL employee involved)	100%	100%	100%
Non-blameworthy road traffic fatal accidents (with a PostNL employee involved)	100%	100%	100%
Blameworthy road traffic incidents			
Blameworthy road traffic incident rate	100%	99%	99%
Lost time accidents			
Number of lost time accidents	100%	100%	99%
Lost time accident frequency rate	100%	100%	99%
Diversity			
Gender profile	100%	100%	100%
Gender profile of management	100%	99%	100%
Employees with a disability	100%	96%	98%
Employees with a disability (in percentage of headcount)	100%	95%	98%
Absenteeism			
Absenteeism	100%	100%	100%
Turnover and promotion			
Voluntary turnover	100%	98%	100%
Internal promotion	100%	100%	100%
ENVIRONMENT			
Operational vehicles			
Number of small trucks and vans (<7.5 tonnes)	100%	100%	100%
Number of large trucks (> 7.5 tonnes)	100%	100%	100%
CO_2 efficiency small trucks and vans (< 7.5 tonnes)	100%	100%	98%
CO_2 efficiency large trucks (> 7.5 tonnes)	100%	100%	100%
Buildings			
CO_2 efficiency buildings	93%	100%	100%
Energy efficiency buildings	93%	100%	100%
Sustainable electricity usage	100%	100%	100%
Company Cars			
Number of company cars	100%	100%	100%
EU standard for trucks (only EU countries)			
Small Trucks	100%	100%	100%
Large Trucks	100%	100%	100%
Waste			
Total waste per FTE	94%	94%	88%
Percentage of waste seperated for recycling	94%	94%	88%
OTHER STAKEHOLDERS			
Subcontractors			
Subcontractor road traffic fatal accidents	100%	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
Deivery 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-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 Netherlands 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 into an accident to be reported if the employee is also 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, NGO's (Non Governmental Organizations) 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 the net CO_2 equivalent emissions from activities are zero.

Community investment
World Food Programme including costs for knowledge transfer, hands-on support, raising awareness and funds for WFP and cash donations.

Company cars
Company-owned or leased vehicles made at the disposal of an employee for commuting and business travel. This category also includes hired vehicles used for business expansion reasons (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, the means of attaining those objectives and monitoring performance.

Corporate responsibility
Corporate responsibility is the umbrella term for the obligation a company has in considering 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
Soundinig board for the Board of Management for CR 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
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 Indices 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, leakages and so forth. The environmental incidents are divided in on- and offsite incidents. Onsite incidents occurred on depots, hubs, offices and other locations owned, leased, rented or operated directly by PostNL. Offsite incidents occurred 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 that define levels of vehicular emissions like nitrogen oxides NOx and particulate matter (PM).

Express activities / Express business
The Express activities of TNT N.V. consisting of on-demand door-to-door express delivery services for customers sending documents, parcels and freight, which activities after the demerger of TNT N.V. on 31 May 2011 are exercised by TNT Express.

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 (FTE's)
FTEs is 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. Starting in1997, the GRI gained independence in 2002, is an official collaborating centre of 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 Initiative (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 meant 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 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 standard is an international standard for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key Performance Indicators (KPI's)
KPI's 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 above (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
The whole of reorganisations and restructurings carried out by PostNL as of 2001, aiming at cost reduction and cost flexibilisation.

Master Plan III
Third wave of Master Plans, starting in 2011.

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 into 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 of 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 temperature.

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 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 landscape. For more information go to 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 known to as particulate matter (PM), 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 micrometers or less.

PostNL N.V.
A public limited liability company incorporated under the laws of the Netherlands, listed at the Amsterdam Stock Exchange, with statutory seat in The Hague, the Netherlands, and having 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 is one where 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 included also. Road traffic fatal accidents with PostNL employees involved that are still under investigation are reported as non-blameworthy fatal road traffic accidents until proof is provided to the contrary.

Road traffic serious accident
A road traffic 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 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 a public limited liability company incorporated under the laws of the Netherlands, listed at the Amsterdam Stock Exchange, with statutory seat in Amsterdam, the Netherlands, and having its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands, which company simultaneously with the demerger on 31 May 2011 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 at the Amsterdam Stock Exchange, with statutory seat in Amsterdam, the Netherlands, and having its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands, which company 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 (in the case of the Clean Development Mechanism, provided by article 12 Kyoto Protocol) or Emission Reduction Units (in the case of Joint Implementation, provided by article 6 Kyoto Protocol) under the Kyoto Protocol.

Voluntary turnover
Voluntary turnover is 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 whilst 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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DIRECTORS' RESPONSIBILITY STATEMENT
UNDER DUTCH FINANCIAL MARKETS SUPERVISION ACT

In conjunction with the EU Transparency Directive as incorporated in chapter 5.1a of the Dutch Financial Markets Supervision Act (Wet 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 2011 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 2011 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, 27 February 2012

H.M. Koorstra
Chief Executive Officer

J.P.P. Bos
Chief Financial Officer

H.W.P.M.A. Verhagen
Member of the Board of Management

G.T.C.A. Aben
Member of the Board of Management

POSTNL N.V. CORPORATE GOVERNANCE STATEMENT

PostNL N.V. 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 executive management under the supervision of an independent supervisory board.

The Board of Management and its duties

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, including setting and achieving PostNL's objectives and strategy (which shall be initiated by the CEO) and associated risk profile, the development of results (for which it takes responsibility), as well as corporate responsibility issues relevant to PostNL.

The Board of Management consists of the chairman of the Board of Management and chief executive officer (CEO) Mr H.M. Koorstra, also responsible for the Mail in the Netherlands segment, the chief financial officer (CFO) Mr J.P.P. Bos, the director International & Parcels Ms H.W.P.M.A. Verhagen and the director Group Human Resources Mr G.T.C.A. Aben.

Under the Board of Management and reporting directly to it is the Extended Executive Committee (EEC). It consists of the members of the Board of Management and the directors within PostNL's segments. For Mail in the Netherlands this includes Mr P.H. Kunz (Operations), Mr G.H.N.M. Jacobs (Marketing & Sales) and Mr P. Berendsen (Data & Document Management). For Parcels this includes Mr G. Mastenbroek. For International this includes Mr M.J.M. Frusch (TNT Post Germany), Mr L. Palermo (TNT Post Italia) and Mr N. Wells (TNT Post UK). Also members of the EEC are the Chief Information Officer Mr M.J.M. Krom and the director Risk Management and Internal Control Ms M.E. Kaashoek.

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. PostNL aims to provide stakeholders with a clear view on corporate decisions and decision-making processes. Value-based management provides PostNL with an additional framework for decision making within the company, based on objective criteria. Day-to-day decisions in 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 2011 Annual Report chapter corporate governance (which can be found on PostNL's corporate website postnl.com).

The 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 committee (CR Committee).

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.

The integrity committee is appointed to advise 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, the Group Procedure on Whistleblowing and the Group Policy on Fraud Prevention. The committee advises and makes recommendations with regard to guidelines for disciplinary actions and 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.

The CR Committee advises and assists the Board of Management in deploying the CR strategy, provides guidance on the CR direction, issues and opportunities, and to integrate CR in daily operations. It also supports the Board of Management in developing and achieving its CR strategic objectives by Group 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, the terms of reference of the disclosure committee, the PostNL Business Principles, the Group Procedure on Whistleblowing and the Group Policy on Fraud Prevention 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 providing advice to the Board of Management. In performing its duties the Supervisory Board acts in accordance with the interests of PostNL taking into account 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 evaluates the main organisational structure and the control mechanisms established by the Board of Management. Members of the Supervisory Board may take positions different from those of the Board of Management. 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, Mr J. Wallage (vice-chairman of the SB and chairman of the remuneration committee), Mr R.J.N. Abrahamsen (chairman of the audit committee), Ms P.M. Altenburg, Mr W. Kok (chairman of the pubic affairs committee), Mr M.A.M. Boersma and Ms T. Menssen.

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 2011 some minor amendments to the profile were made, aligning it with the company's structure after demerger.

Composition Supervisory Board and committees per 31 December 2011

Name	Nationality	Appointed	Term expires	Committee membership
Mr P. C. Klaver	Dutch	April 2008	2012	Nominations (chair), remuneration
Mr R.J.N. Abrahamsen	Dutch	May 2000	2012	Audit (chair)
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, remuneration
Mr M.A.M. Boersma	Dutch	May 2011	2014	Audit, nominations

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.

In accordance with the Dutch corporate governance code (the "Code") the members of the Supervisory Board will not hold more than five memberships in supervisory boards of Dutch listed companies (including PostNL). In this respect, a chairmanship counts double. The members of the Supervisory Board comply with this requirement.

At the Annual Meeting on 24 April 2012 Mr P.C. Klaver will be nominated for reappointment as chairman and member of the Supervisory Board. Mr R.J.N. Abrahamsen will resign as member of the Supervisory Board. He has been a member of the Supervisory Board for a period of three terms of four years.

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 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 audits, 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 these 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, minutes of the audit committee are 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 2011 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.

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.

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 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 25 May 2011
On 25 May 2011, PostNL (then still under the name TNT) held its Annual General Meeting of Shareholders at Schiphol-Rijk, the Netherlands. The attendance rate was 66% of the total outstanding share capital, compared to 53% in 2010.

During the Annual General Meeting of Shareholders all proposed resolutions except one were adopted, including the extension of authority to issue shares. The shareholders voted against release from liability of the members of the Supervisory Board. The reason for not granting release from liability was based on the level of protection in TNT Express N.V. after demerger, which was, in the opinion of the shareholders, not in conformity with good governance. 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 25 November 2012. 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.

In the new (post demerger) articles of association of PostNL the mandate of the Board of Management to permit the company to acquire its own shares has been amended to reflect the new Dutch law provision to permit a listed company to acquire up to 50% of its issued shares. The actual percentage of shares the Board of Management may resolve to buy back will be decided by the general meeting of shareholders when granting its authorisation to the Board of Management and will usually be a percentage lower than 50%. The extended mandate of a maximum of 50% will only be used by PostNL in case of a return of (part of the) proceeds to its shareholders as a result of a (partial) sale of the 29.9% shareholding in TNT Express N.V. The nominal value of a share was amended from €0.48 to €0.08 (which became effective on 4 August 2011).

Extraordinary General Meeting of Shareholders held on 25 May 2011
On 25 May 2011 and immediately following the Annual General Meeting of Shareholders, PostNl (then still under the name TNT N.V.) held an Extraordinary General Meeting of Shareholders. The attendance rate was 66% of the total outstanding share capital.

During the Extraordinary General Meeting of Shareholders one resolution was tabled being the proposal to demerge the Express activities from PostNL. The shareholders voted in favour of the demerger with 99.76% of the votes. On 31 May 2011 the demerger effectively took place leading to the separation of the Express activities.

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.

Foundation Continuity PostNL and preference shares B

'Stichting Continuïteit PostNL' (Foundation Continuity PostNL) was formed to safeguard PostNL's interests and those 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 influence 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 2011 Annual Report chapter corporate governance at postnl.com.

The Dutch corporate governance 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 equity 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 (leading to the delivery of shares), 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. Shares delivered in relation to the 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. Ms Verhagen, Mr Bos and Mr Aben are in their first four-year term as members of the Board of Management. They have been employed by PostNL prior to 2011. For these members of the Board of Management the severance pay in the event of dismissal in the first four-year term has been set at twice the annual salary.

The employment contract of PostNL's former CEO, Mr M.P. Bakker, was entered into prior to 2004 and terminated effective 1 June 2011 with the approval of the demerger. Mr Bakker's position as CEO thus became redundant and he left PostNL (then still called TNT N.V.) after almost 20 years of service of which the last 14 years as a member of the Board of Management. A settlement arrangement was made with Mr Bakker which was calculated based on two times the annual base salary and a notice period. Contracts entered into prior to 2004 remain unaltered.

Before the demerger was effectuated PostNL followed local market practice for that part of the base salary earned in the country of residence by a member of the Board of Management who was not a resident of the Netherlands. This was applicable to Ms Lombard.

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.

- *provision IV.3.10 – the report of the general meeting of shareholders shall be made available, on request, to shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report in the following three months.*

PostNL did not publish the report of the general meeting of shareholders three months after the end of the meeting (the report was made available on 3 January 2012). The shareholders have the opportunity to react to the report in the three months following 3 January 2012. The report will thus be adopted on 3 April 2012.

In the relevant chapters of the 2011 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.

For the Board of Management's statement pursuant to chapter 5.1a of the Dutch Financial Markets Supervision Act please refer to the 2011 Annual Report (chapter 12 - Board of Management Compliance Statement).