Q3 2011 Results

Press release

7 November 2011

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Q3 2011 results PostNL

FY results likely to exceed guided range

Highlights Q3 2011

- Good operating results driven by Mail in NL volume development
- International strong underlying improvement to €4 million (Q3 2010: €(5) million)
- Underlying revenues down 2% to €996 million (organic plus 2%)
- Underlying cash operating income €21 million (Q3 2010: €23 million)
- Net debt position €1,053 million as at 1 October 2011
- Stake in TNT Express: impairment €337 million
- Coverage ratio main pension fund 96%, below minimum required level (around 105%)
- Based on current parameters, stock dividend in 2012

Key figures Q3 2011	As reported			Underlying		
in € millions, except where noted	Q3 2011	Q3 2010	% Change	Q3 2011	Q3 2010	% Change
Revenues	991	1,016	-2.5%	996	1,016	-2.0%
EBITDA	104	134	-22.4%	108	111	-2.7%
Operating income	66	106		70	83	-15.7%
Operating margin	6.7%	10.4%		7.0%	8.2%	
Underlying cash operating income				21	23	-8.7%
Impairment of investments in associates	(337)					
Profit/(loss) from continuing operations	(313)	60				
Profit from discontinued operations		15				
Profit/(loss) for the period	(313)	75				
Profit for the period (excluding TNT Express)	27	60				
Net cash from operating activities	(75)	42				

CEO statement

Harry Koorstra, CEO of PostNL, states: "The positive development in our operations was strongly continued in the third quarter: addressed mail volumes have developed better than expected, OPTA approved new stamp prices that will be effective as of January 2012 and step-by-step Master plan III is being rolled out. Parcels delivers as promised and shows good growth in volumes, revenues and results. International's performance again improved and with the sale of the mailroom activities in Italy in October the focus on value realisation in International has been successfully concluded.

On the back of the operational performance during the first nine months of the year, I expect an underlying cash operating income for the full year above the top end of the €130 – 170 million range.

Since our last results, the financial markets have been extremely turbulent, leading to another impairment on the Express stake. Dutch interest rates are at historically low levels. The coverage ratio of the main pension fund dropped well below the minimum required level, resulting in possible substantial recovery payments in the period 2012 – 2014. In addition, regular pension premiums will probably increase from next year. All this will impact our capability of paying cash dividend the next few years.

We are looking at a variety of ways to mitigate some of the impact of the pension developments.

An improvement in the health of the economy could have a positive impact on pensions and dividend."

Summary outlook 2011

PostNL expects underlying cash operating income to be above €170 million in 2011 mainly driven by better operational performance and the phasing of restructuring cash out. The phasing of the Master plans has developed in such a way that restructuring cash out and implementation costs in 2011 are running below the levels expected at the time we developed our plans. These costs will be incurred in 2012. Due to ongoing substitution and competition, in this second year after full liberalisation, the expected decline in addressed volumes in 2011 in the Netherlands is 8 – 10%. Master plan savings of €60 – 70 million are expected for the year.

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

Reconciliation Q3 2011

Reconciliation Q3 2011 in € millions	Reported Q3 2011	One-offs	Foreign exchange	Underlying Q3 2011	Underlying Q3 2010	One-offs	Reported Q3 2010
Mail in NL	545			545	564		564
Parcels	143			143	133		133
International	362		5	367	345		345
Mail other	62			62	82		82
Intercompany	(121)			(121)	(108)		(108)
Revenues	991	0	5	996	1,016	0	1,016
Mail in NL	17			17	40	5	35
Parcels	16			16	14		14
International	2	2		4	(5)		(5)
Mail other	31	2		33	34	(28)	62
Operating income	66	4	0	70	83	(23)	106
Changes in provisions *				(15)	(14)		
Changes in pension liabilities				(34)	(46)		
Underlying cash operating income				21	23		
As percentage of underlying revenues				*2.1%*	*2.3%*		

* 2010 comparatives not adjusted

Review of operations Q3 2011

Reported revenues declined year on year by 2.5% to €991 million and reported operating income declined to €66 million. The reported loss for the period was €313 million (Q3 2010: profit of €75 million), mainly impacted by the €337 million impairment of the stake in TNT Express.

Underlying revenues declined by 2.0% compared to the prior year, mainly due to disposals in International. Organic growth was 2.0%.

Underlying operating income decreased by €13 million to €70 million, which represents an underlying operating margin of 7.0% (Q3 2010: 8.2%). This decline is due to the drop in mail volumes and price/ mix changes in Mail in NL (€15 million), higher pension expenses (€5 million), increased Master plan implementation costs (€9 million) and other items (€13 million), partly offset by Master plan savings (€18 million) and improved contributions from Parcels and International (€11 million).

The one-offs in Q3 2011 are resizing of €2 million in International and €2 million rebranding in Mail other. In Q3 2010, the total one-offs amounted to €(23) million, for a large part demerger-related.

Underlying cash operating income was €21 million, down €2 million against the prior year, due to the combination of lower underlying operating income (€13 million), higher cash outflow from provisions (€1 million) and lower changes in pension liabilities (€12 million).

Net cash from operating activities was €(75) million, €117 million lower than the prior year, mainly due to lower operating income (€13 million), changes in working capital (€56 million), which saw a strong improvement in Q3 2010, and a repayment in 2010 of Dutch income taxes in respect of 2008 (€43 million).

At the end of the third quarter, net debt was €1,053 million, which compares to €993 million at the end of 2010.

Demerger and stake TNT Express N.V.

As of 31 May 2011, the legal demerger of the Express Business became effective. In Q3, PostNL received €6.5 million dividend in cash from TNT Express and the share in the Q3 result of TNT Express was €1.5 million. The share price of TNT Express declined from €7.32 to €5.22. PostNL had to impair the stake at the end of the third quarter by € 337 million. The book value of the stake in TNT Express at the end of Q3 amounts to €846 million.

Consolidated equity position

Total equity attributable to equity holders of the parent decreased to €221 million on 1 October 2011 from €566 million as per 2 July 2011. This decrease is mainly due to the impairment of €337 million on the TNT Express stake. Of the total equity of €221 million, an amount of €40 million is non-distributable.

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

The impact of IAS 19 on the 2013 financial position and profit and loss statement will be significant. As at 1 October 2011, the net pension asset amounted to €961 million. This includes net actuarial losses for an amount of €1,335 million. If these net actuarial losses as per Q3 2011 had been recognised immediately, this would have impacted equity of PostNL negatively by a net amount of around €1,000 million, based on current parameters which are heavily dependent on interest rate movements.

Change in accounting principles corporate financial statements (PostNL N.V.)

In 2011, the group has gone through a major restructuring of the group. As a consequence, the consolidated financial statements going forward will only reflect the Mail activities. As from 2011, the group's equity will be affected by the demerger of the Express business.

Looking forward, as from the year ended 31 December 2013, the revised IAS 19 will be applicable. As at the effective date, 1 January 2013, the corridor approach for the accounting of actuarial gains and losses is no longer applicable. Based on current parameters, the anticipated negative net impact on equity of the revised IAS 19 amounts to around €1,000 million. As a result, equity is expected to become negative as per 1 January 2013, in the financial statements for the year ended 31 December 2013. PostNL considers negative equity not a proper reflection of the business, as it could create uncertainty for stakeholders relating to the continuity of PostNL and it prohibits the pay out of (stock) dividend. As the underlying business currently performs in line with or better than our plans and the fair value of PostNL is considerably higher than the expected negative equity suggests, PostNL intends to change the accounting principles in 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. The accounting principles in the consolidated financial statements remain unchanged.

The intended change in accounting in PostNL N.V. includes a revaluation to fair value of the underlying Mail investments resulting in a positive equity in the entity accounts of PostNL N.V. The continuing accounting policy for investments in subsidiaries will be cost (less impairments). This change from GAAP in the corporate financial statements provides additional insight into the equity position of PostNL N.V. and the underlying value of its Mail investments. Upon the adoption of IAS 19 in 2013, we expect that equity in the corporate financial statements will remain positive.

PostNL is assessing whether and how the increase in equity in the corporate financial statements can be distributed to shareholders via stock dividend, which requires shareholder approval, or via bonus shares. The legal capital protection requirements in the Netherlands will be adhered to.

Pensions

By the end of Q3, the coverage ratio of the main pension fund was around 96% (31 December 2010: 107%). The expense for the defined benefit obligations in Q3 2011 amounted to €30 million (Q3 2010: €10 million). The amount for Q3 2010 included a positive impact of €15 million from the Express business.

The total cash contributions for defined benefit obligations were €64 million (Q3 2010: €71 million). The decrease is mainly caused by phasing.

The coverage ratio of around 96% is below the minimum requirement of around 105%. As a result of the decreased coverage ratio the existing short-term recovery plan has been revived. The deficit of all pension funds is around €468 million for PostNL. This compares to cash out (after tax) of around €350 million. Subject to the terms and conditions as agreed between PostNL N.V. and the pension funds, the deficit needs to be solved in a maximum of three years (in quarterly payments). Based on current parameters, if the coverage ratios are still below the minimum requirement by the end of 2011 PostNL will need to pay the first recovery payment of around €40 million in Q1 2012.

We are looking at a variety of ways to mitigate some of the impact of these pension developments.

Rating

Our longer-term aim has always been a credit rating of BBB+/Baa1. The market value of our stake in TNT Express, additional pension premiums, and the current coverage ratio of the pension fund put pressure on this aim.

Dividend outlook

PostNL remains committed to the current dividend policy: 75% of underlying net cash income with a minimum of €150 million per year. Driven by the current developments as described above, PostNL intends to distribute dividend in shares only until consolidated equity is positive, and we have certainty of a BBB+/Baa1 rating. In the meantime, we are focusing on preserving cash as much as possible, for instance through reviewing the planning of capex.

Additional financial indicators

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

- Pensions: gross cash contributions for defined benefit obligations approximately €265 million (2010: €239 million). Pension expense approximately €125 million (2010: €57 million)
- Restructuring cash outflows: €70 - 80 million (2010: €58 million)

Other 2011 financial indicators:

- *Effective tax rate excluding the impact from the stake in TNT Express: around 25%*
- *Cash capex: around €140 million*
- *Implementation costs Master plans: around €65 million (2010: €35 million)*
- *Net financial expense: around €120 million*
- *Rebranding and additional central costs: around €30 million*
- *One-off costs related to the separation: around €23 million*

Q3 financial indicators

Effective tax rate (ETR): 32.5% excluding the impact from the stake in TNT Express *(Q3 2010: 24.1%)*	Mainly caused by prior year adjustments and irrecoverable losses for which no deferred tax asset could be recognised
Cash capex: €29 million *(Q3 2010 : €25 million)*	Phasing and tight capex control
Master plans: savings €18 million, implementation costs €18 million *(Q3 2010: €21 million and €9 million)*	In line with guidance
Net financial expense: €26 million *(Q3 2010: €27 million)*	Expenses in line with previous year and guidance

Q3 segmental overview

Key figures per segment

in € millions, except where noted	Underlying revenues Q3 2011	Underlying revenues Q3 2010	Underlying revenues % Change	Underlying operating income Q3 2011	Underlying operating income Q3 2010	Underlying operating income % Change	Underlying cash operating income Q3 2011	Underlying cash operating income Q3 2010	Underlying cash operating income % Change
Mail in NL	545	564	-3.4%	17	40	-57.5%	0	22	
Parcels	143	133	7.5%	16	14	14.3%	17	14	21.4%
International	367	345	6.4%	4	(5)	180.0%	4	(5)	180.0%
Mail other	62	82	-24.4%	33	34	-2.9%	0	(8)	
Intercompany	(121)	(108)	-12.0%						
PostNL	996	1,016	-2.0%	70	83	-15.7%	21	23	-8.7%

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

Mail in the Netherlands

Mail in the Netherlands' addressed mail volumes declined by 6.9%. The main reason for this decline remains substitution. Underlying revenues declined by 3.4%. Price/mix contributed positively.

Underlying operating income in Mail in the Netherlands decreased by €23 million to €17 million. Lower addressed volumes and price and mix changes are the main reason for this decline (€15 million). Wage and price inflation had a negative impact of €11 million. Costs to implement further Master plan savings measures were €9 million higher. Other costs were €6 million higher. In Q3, Master plan savings of €18 million were realised.

OPTA has approved the tariff increase on the USO services. As per 1 January 2012, the base domestic rate for letters in the Netherlands will increase by four eurocents to 50 eurocents.

The implementation of the Master plans shows substantial progress. On the path towards the new business model, we will be opening our first central preparation location in Nieuwegein in Q1 2012. The programme of closing other logistical and commercial activities is on track. With the start of the selection programme for front line management, another step is taken towards improved personnel planning.

Parcels

Parcels continued to improve revenues (+7.5%), in line with volume growth (+7.5%). Domestic as well as export contributed to the growth. Underlying cash operating income improved by 21.4%. Underlying cash operating margin was 11.9%.

New contracts were signed with some large clients. The poor weather conditions in the summer led to increased deliveries from internet generated volumes.

New initiatives such as Extra@Home (2-men's handling) and the secured delivery business continued to show good performances.

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 ready to start production in November. Construction of the depots in Den Bosch and Hengelo has started. We have already closed Naaldwijk and Gouda depots. In Q3, capex for Parcels was €8 million.

International

Underlying revenues in € millions	Q3 2011	Q3 2010
UK	163	146
Germany	121	118
Italy	46	46
Spring and Other	37	34
International	367	345

International benefited from better performances on revenues and resizing of the business. Revenues increased by €22 million; excluding the effect of disposals (€15 million) revenues increased by €37 million or 10.7%. Underlying cash operating income showed a strong improvement from €(5) million to €4 million.

United Kingdom realised 11.6% revenue growth to €163 million, mainly due to volume growth in regional sales and fuelled by a price increase of 20% by Royal Mail.

Ofcom (the UK regulator and competition authority) has published a draft of a 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. In general this is positive for TNT Post UK, assuming the VAT distortion, which remains a barrier to delivery competition, is resolved. In 2012, it should be clear in which direction this will develop.

In **Germany**, revenues amounted to €121 million, a 2.5% increase, driven by growth in PostCon, offset by disposals in the regional business. Underlying operating income improved, mainly because of better productivity and indirect cost reductions, resulting from the resizing of regional activities. Germany is still clearly on track towards break-even in 2013.

The Bundesnetzagentur has decided that a minimum price floor for Deutsche Post and its subsidiaries must be established. Competitors, like TNT Post Germany, are not bound by any minimum price and may negotiate their contracts without restrictions due to the fact that they do not have a dominant market position. This is considered to be an important milestone in the path to profitability of the German operations. The verdict in summary proceedings of DPAG against this decision is expected in December.

In **Italy**, revenues were stable at €46 million. Excluding the impact of disposals of €5 million, revenues were up 10.9%. Formula Certa's volumes and revenues successfully continued to demonstrate strong growth on the back of further network expansion, new customer wins and contract up selling at existing customers.

As part of the previously announced portfolio rationalisation of PostNL's activities throughout Europe, PostNL has finalised the agreement to sell its 51% share in Telepost S.p.A. to one of the co-shareholders in the company, Manutencoop Facility Management S.p.A. This transaction successfully finalises the focus on value realisation through partnerships or sale which has led to several transactions over the past one and a half years.

Mail other

Mail other represents the unaddressed activities outside the Netherlands classified as held for sale and head office entities, including the difference between the recorded IFRS employer pension expense for the defined benefit pension plans and the actual cash payments received from the other segments. The latter accounts for €33 million of operating income (Q3 2010: €43 million).

Year-to-date performance

Key figures YTD Q3 2011 in € millions, except where noted	As reported YTD Q3 2011	YTD Q3 2010	% Change	Underlying YTD Q3 2011	YTD Q3 2010	% Change
Revenues	3,127	3,074	1.7%	3,136	3,074	2.0%
EBITDA	371	374	-0.8%	366	477	-23.3%
Operating income	284	293	-3.1%	279	396	-29.5%
Operating margin	9.1%	9.5%		8.9%	12.9%	
Underlying cash operating income				121	208	-41.8%
Impairment of investments in associates	(734)					
Profit/(loss) from continuing operations	(584)	159				
Profit from discontinued operations	2,159	62				
Profit/(loss) for the period	1,575	221				
Net cash from operating activities	(6)	(14)				
Earnings per ordinary share (in € cents)	414.4	59.3				

Reconciliation YTD Q3 2011 in € millions	Reported YTD Q3 2011	One-offs	Foreign exchange	Underlying YTD Q3 2011	Underlying YTD Q3 2010	One-offs	Reported YTD Q3 2010
Mail in NL	1,734			1,734	1,826		1,826
Parcels	442			442	407		407
International	1,085		9	1,094	913		913
Mail other	220			220	256		256
Intercompany	(354)			(354)	(328)		(328)
Revenues	3,127	0	9	3,136	3,074	0	3,074
Mail in NL	133			133	246	187	59
Parcels	63			63	58		58
International	(9)	9		0	(25)	(3)	(22)
Mail other	97	(14)		83	117	(81)	198
Operating income	284	(5)	0	279	396	103	293
Changes in provisions *				(53)	(37)		
Changes in pension liabilities				(105)	(151)		
Underlying cash operating income				121	208		
As percentage of underlying revenues				*3.9%*	*6.8%*		

* 2010 comparatives not adjusted

in € millions, except where noted	Underlying revenues YTD Q3 2011	YTD Q3 2010	% Change	Underlying operating income YTD Q3 2011	YTD Q3 2010	% Change	Underlying cash operating income YTD Q3 2011	YTD Q3 2010	% Change
Mail in NL	1,734	1,826	-5.0%	133	246	-45.9%	66	181	-63.5%
Parcels	442	407	8.6%	63	58	8.6%	65	58	12.1%
International	1,094	913	19.8%	0	(25)		1	(25)	104.0%
Mail other	220	256	-14.1%	83	117	-29.1%	(11)	(6)	
Intercompany	(354)	(328)	-7.9%						
PostNL	3,136	3,074	2.0%	279	396	-29.5%	121	208	-41.8%

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

Over the first nine months of 2011, PostNL reported revenues increased by 1.7% over the prior year period and operating income declined by 3.1%. Underlying revenues increased by 2.0%, adjusted for PostCon revenues -2.5%. Underlying operating income decreased by 29.5%, underlying cash operating income was down 41.8%.

Net profit was €1,575 million and was largely impacted by the demerger of the Express activities and the remaining stake that PostNL holds in TNT Express. During the first nine months, net cash from operating activities showed a small improvement (€8 million), as the lower operational cash (€105 million) was largely mitigated by lower taxes paid (€114 million).

Mail in the Netherlands underlying revenues declined by 5.0% and underlying cash operating income was down 63.5%, mainly as a result of the decline in addressed mail volumes. Addressed mail volumes were down 8.6%, in line with guidance. Parcels had a good first three quarters of 2011, with revenues up 8.6% and an even better increase in underlying cash operating income (12.1%). International's first nine months were good, with revenues well up and underlying cash operating income also up. Revenues in Mail other were impacted by the sale of De Belgische Distributiedienst and RSM Italy which was closed early in the second quarter, and declined by 14.1%. PostNL's underlying cash operating income was €121 million.

Consolidated interim financial statements

General information and description of our business

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

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

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

Demerger Express

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

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

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

The impact of the demerger on the consolidated statements of financial position, (comprehensive) income, cash flows and changes in equity have been described in detail in our Q2 and HY 2011 report, published on 8 August 2011.

Value of shareholding in TNT Express

After the demerger, the investment in TNT Express has been presented as 'Investments in associates' initially valued at €1,583 million based on the opening share price of TNT Express N.V. at 1 June 2011 of €9.77.

Between 1 June 2011 and 2 July 2011 the share price of TNT Express N.V. declined significantly from €9.77 per share to €7.32 per share. Following this impairment trigger, PostNL performed an impairment test, concluding that the investment in TNT Express N.V. was impaired. Accordingly, the company recognised an impairment charge of €397 million.

Between 2 July 2011 and 1 October 2011 the share price of TNT Express N.V. further declined from €7.32 per share to €5.22 per share. Following this second impairment trigger, PostNL performed an impairment test, concluding that the investment in TNT Express N.V. was impaired. Accordingly, the company recognised a second impairment charge of €337 million.

Equity of PostNL

Equity has been reduced from €2,424 million as at 31 December 2010 to €221 million as at 1 October 2011. This decrease is mainly the result of the demerger of 70.1% of the discontinued Express Business and the recorded impairment charges of €734 million on the retained stake in TNT Express N.V.

Basis of preparation

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

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

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

The impact of IAS 19 on the 2013 financial position and profit and loss statement will be significant. As at 1 October 2011, the net pension asset amounted to €961 million. This includes net actuarial losses for an amount of €1,335 million. If these net actuarial losses as per Q3 2011 had been recognised immediately, this would have impacted equity of PostNL negatively by a net amount of €1,000 million, based on the current parameters which are heavily depending on interest rate movements.

The measure of profit and loss and assets and liabilities is based on the Group Accounting Policies, which are compliant with IFRS as endorsed by the European Union. The pricing of inter-company transactions is done at arm's length.

Shareholding in TNT Express

At demerger, the shareholding in TNT Express was 29.9%. As a result of the dividend distribution by TNT Express in August 2011, this percentage reduced to 29.8%. PostNL's share in the result of TNT Express is included in the consolidated income statement using the equity method taking into account additional depreciation and amortisation ('purchase price adjustments'). These purchase price adjustments are prescribed by IAS 28.23, which states that the difference between the fair (market) value and book value of the TNT Express shareholding should be reflected in the identification of fair value adjustments and intangibles, resulting in additional depreciation and amortisation. As a result the 'Results from investments in associates' in the consolidated income statement will not be equal to 29.8% of the net result attributable to the shareholders as reported by TNT Express. The total impact of the purchase price adjustments amounts to €16 million on an annual basis and €4 million per quarter.

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

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

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

Auditor's involvement

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

Segment information

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

The following table presents the segment information relating to the income statement and total assets of the reportable segments for the first nine months of 2011 and 2010.

YTD Q3 2011 ended at 1 October 2011 in € millions	Mail in NL	Parcels	International	Mail other	Inter company	Total
Net sales	1,630	381	1,055	47		3,113
Inter-company sales/TNT Express	102	57	29	170	(354)	4
Other operating revenues	2	4	1	3		10
Total operating revenues	1,734	442	1,085	220	(354)	3,127
Other income	16		(2)	39		53
Depreciation/impairment property, plant and equipment	(45)	(4)	(5)	(16)		(70)
Amortisation/impairment intangibles	(10)	(2)	(3)	(2)		(17)
Total operating income	133	63	(9)	97		284
Total assets per 1 October 2011	719	102	460	2,620		3,901

YTD Q3 2010 ended at 2 October 2010 in € millions	Mail in NL	Parcels	International	Mail other	Inter company	Total
Net sales	1,715	348	897	90		3,050
Inter-company sales/TNT Express	103	56	15	163	(328)	9
Other operating revenues	8	3	1	3		15
Total operating revenues	1,826	407	913	256	(328)	3,074
Other income	4		8	(3)		9
Depreciation/impairment property, plant and equipment	(40)	(4)	(5)	(13)		(62)
Amortisation/impairment intangibles	(12)	(2)	(2)	(3)		(19)
Total operating income	59	58	(22)	198		293
Total assets per 31 December 2010	897	57	384	6,799		8,137

As at 1 October 2011 the total assets within 'Mail other' included the investment in TNT Express for an amount of €846 million and pension assets and cash. As at 31 December 2010 the total assets within 'Mail other' included the assets classified for demerger for an amount of €5,531 million. Total operating income of 'Mail other' does not include the results from investments in associates or the results from discontinued operations as this is presented below operating income.

Consolidated statement of financial position

in € millions	note	1 October 2011	31 December 2010
Assets			
Non-current assets			
Intangible assets			
Goodwill		120	120
Other intangible assets		44	46
Total	(1)	164	166
Property, plant and equipment			
Land and buildings		239	294
Plant and equipment		112	119
Other		31	33
Construction in progress		39	53
Total	(2)	421	499
Financial fixed assets			
Investments in associates	(4)	851	4
Other loans receivable		3	3
Deferred tax assets		12	21
Other financial fixed assets		2	3
Total		868	31
Pension assets	(5)	1,179	1,153
Total non-current assets		2,632	1,849
Current assets			
Inventory		11	8
Trade accounts receivable		386	412
Accounts receivable		44	38
Income tax receivable		2	3
Prepayments and accrued income		162	108
Cash and cash equivalents	(7)	618	65
Total current assets		1,223	634
Assets classified as held for sale		46	123
Assets classified for demerger	(3)		5,531
Total assets		3,901	8,137
Liabilities and equity			
Equity			
Equity attributable to the equity holders of the parent		221	2,424
Non-controlling interests		17	19
Total	(6)	238	2,443
Non-current liabilities			
Deferred tax liabilities		330	327
Provisions for pension liabilities	(5)	218	231
Other provisions	(8)	225	255
Long term debt	(7)	1,605	1,582
Total		2,378	2,395
Current liabilities			
Trade accounts payable		192	154
Other provisions	(8)	117	134
Other current liabilities		304	257
Income tax payable		100	135
Accrued current liabilities		572	582
Total		1,285	1,262
Liabilities related to assets classified as held for sale		0	26
Liabilities related to assets classified for demerger	(3)		2,011
Total liabilities and equity		3,901	8,137

Consolidated income statement

in € millions	note	Q3 2011	Q3 2010	YTD Q3 2011	YTD Q3 2010
Net sales		988	1,012	3,117	3,059
Other operating revenues		3	4	10	15
Total revenues		991	1,016	3,127	3,074
Other income		7	1	53	9
Cost of materials		(44)	(43)	(141)	(123)
Work contracted out and other external expenses		(461)	(441)	(1,410)	(1,200)
Salaries and social security contributions		(330)	(343)	(1,065)	(1,207)
Depreciation, amortisation and impairments		(38)	(28)	(87)	(81)
Other operating expenses		(59)	(56)	(193)	(179)
Total operating expenses		(932)	(911)	(2,896)	(2,790)
Operating income		66	106	284	293
Interest and similar income		2	5	12	10
Interest and similar expenses		(28)	(32)	(91)	(88)
Net financial (expense)/income		(26)	(27)	(79)	(78)
Results from investments in associates	(4)	(3)			
Impairment of investments in associates	(4)	(337)		(734)	
Profit/(loss) before income taxes		(300)	79	(529)	215
Income taxes		(13)	(19)	(55)	(56)
Profit/(loss) from continuing operations		(313)	60	(584)	159
Profit/(loss) from discontinued operations	(3)		15	2,159	62
Profit for the period		(313)	75	1,575	221
Attributable to:					
Non-controlling interests				(1)	
Equity holders of the parent		(313)	75	1,576	221
Earnings per ordinary share (in € cents) [1]		(84.7)	20.0	414.4	59.3
Earnings per diluted ordinary share (in € cents) [2]		(84.7)	20.1	414.4	59.0
Earnings from continuing operations per ordinary share (in € cents) [1]		(81.9)	16.1	(153.8)	42.7
Earnings from continuing operations per diluted ordinary share (in € cents) [2]		(81.9)	16.1	(153.8)	42.5
Earnings from discontinued operations per ordinary share (in € cents) [1]		(2.8)	3.9	568.2	16.6
Earnings from discontinued operations per diluted ordinary share (in € cents) [2]		(2.8)	4.0	568.2	16.5

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

Consolidated statement of comprehensive income

in € millions	Q3 2011	Q3 2010	YTD Q3 2011	YTD Q3 2010
Profit for the period	(313)	75	1,575	221
Gains/(losses) on cashflow hedges, net of tax	(1)	7	12	13
Currency translation adjustment net of tax			(1)	1
Share changes other comprehensive income associates	6		6	
Continued operations	5	7	17	14
Gains/(losses) on cashflow hedges, net of tax		(1)	22	(12)
Currency translation adjustment net of tax		(72)	49	66
Discontinued operations		(73)	71	54
Total other comprehensive income for the period	5	(66)	88	68
Total comprehensive income for the period	(308)	9	1,663	289
Attributable to:				
Non-controlling interests			(1)	
Equity holders of the parent	(308)	9	1,664	289

The YTD Q3 2011 tax impact on the cash flow hedges from continued operations is €(4) million (2010: €(4) million). The YTD Q3 2011 tax impact on the cash flow hedges from discontinued operations is €(6) million (2010: €4 million). There is no tax impact on the currency translation adjustment.

Consolidated statement of cash flows

in € millions and over the period	Q3 2011	Q3 2010	YTD Q3 2011	YTD Q3 2010
Cash flows from continuing operations				
Profit/(loss) before income taxes	(300)	79	(529)	215
Adjustments for:				
Depreciation, amortisation and impairments	38	28	87	81
Share based payments		1	9	4
Investment income:				
(Profit)/loss of assets held for sale	(5)	(2)	(16)	(4)
(Profit)/loss on sale of Group companies/joint ventures	(2)	1	(34)	1
Interest and similar income	(2)	(5)	(12)	(10)
Foreign exchange (gains) and losses		1		
Interest and similar expenses	28	31	91	88
Results from/impairment of investments in associates	340		734	
Changes in provisions:				
Pension liabilities	(34)	(62)	(110)	(251)
Other provisions	(15)	(10)	(53)	197
Changes in working capital:				
Inventory		2	(2)	2
Trade accounts receivable	(1)	1	30	15
Other accounts receivable	(7)	3	(6)	(17)
Other current assets	(3)	8	(60)	(15)
Trade accounts payable	(21)	(15)	37	8
Other current liabilities excluding short term financing and taxes	19	44	(33)	(76)
Cash generated from operations	35	105	133	238
Interest paid	(46)	(42)	(64)	(63)
Income taxes received/(paid)	(64)	(21)	(75)	(189)
Net cash from operating activities	(75)	42	(6)	(14)
Interest received	3		5	1
Dividends received	7		7	
Acquisition of subsidiairies and joint ventures (net of cash)	(2)		(2)	(5)
Disposal of subsidiaires and joint ventures	1		116	
Capital expenditure on intangible assets	(6)	(5)	(15)	(14)
Disposal of intangible assets		(1)		
Capital expenditure on property, plant and equipment	(23)	(20)	(50)	(43)
Proceeds from sale of property, plant and equipment	7	3	59	7
Other changes in (financial) fixed assets		(1)		(2)
Changes in non-controlling interests	(1)		(1)	(1)
Net cash used in investing activities	(14)	(24)	119	(57)
Cash settlement share based payments			(6)	1
Proceeds from long term borrowings			1	1
Repayments of long term borrowings				(11)
Proceeds from short term borrowings	17		33	1
Repayments of short term borrowings		(1)	(3)	(2)
Repayments of finance leases	(2)	(1)	(3)	(2)
Dividends paid	(36)	(55)	(80)	(119)
Financing related to discontinued business		29	498	195
Net cash used in financing activities	(21)	(28)	440	64
Change in cash from continuing operations	**(110)**	(10)	**553**	(7)
Cash flows from discontinued operations				
Net cash from operating activities		47	(53)	103
Net cash used in investing activities		(33)	(86)	(103)
Net cash used in financing activities		(9)	(446)	(218)
Change in cash from discontinued operations		5	**(585)**	(218)
Total changes in cash	**(110)**	(5)	**(32)**	(225)

Consolidated statement of changes in equity in € millions	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Reserve associates	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2009	178	871	(146)	(43)	0	953	247	2,060	20	2,080
Total comprehensive income			67	1			221	289		289
Appropriation of net income						183	(183)			
Final dividend previous year	1	(1)					(64)	(64)		(64)
Interim dividend current year	1	(1)					(55)	(55)		(55)
Transfers to classified as held for demerger									(3)	(3)
Share based compensation						14		14		14
Other						4		4	1	5
Total direct changes in equity	2	(2)				201	(302)	(101)	(2)	(103)
Balance at 2 October 2010	180	869	(79)	(42)	0	1,154	166	2,248	18	2,266
Balance at 31 December 2010	180	869	(41)	(43)	0	1,167	292	2,424	19	2,443
Total comprehensive income			48	34		6	1,576	1,664	(1)	1,663
Appropriation of net income						248	(248)			
Demerger		(867)				(1,425)	(1,504)	(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						13		13		13
Legal reserves reclassifications					2	(2)		0		0
Other						(4)		(4)	(1)	(5)
Total direct changes in equity	(149)	(718)			2	(1,170)	(1,832)	(3,867)	(1)	(3,868)
Balance at 1 October 2011	31	151	7	(9)	2	3	36	221	17	238

On 25 May 2011, the Annual General Meeting of Shareholders approved the reduction of outstanding share capital of PostNL N.V., which was effectuated by way of a reduction of the nominal value of PostNL's shares from €0.48 per share to €0.08 per share. This reduction of share capital amounts to €152 million and was effective as of 4 August 2011.

PostNL's share in non-distributable earnings of TNT Express is recorded in 'Reserve associates' within shareholders' equity. The balance as at 1 October 2011 of €2 million reflects PostNL's share in net profit and direct equity changes for the period June 2011 up to and including September 2011, taking into account the dividend received from TNT Express. The 'Reserve associates' is a legal reserve, which cannot be distributed to the equity holders of the company.

Notes to the consolidated interim financial statements

1. Intangible assets

in € millions	2011	2010
Balance at 1 January	166	209
Additions	17	17
Disposals	(2)	(1)
Exchange rate differences		1
Amortisation	(17)	(19)
Balance at end of period	164	207

At Q3 2011, the intangibles of €164 million consist of goodwill for an amount of €120 million and other intangibles for an amount of €44 million. Goodwill arises from acquisitions in the past in the segments Mail in the Netherlands (€67 million), International (€50 million) and Parcels (€3 million).

The additions to the intangible assets of €17 million consist of €2 million goodwill arisen from the acquisition of Formula Certa Delivery S.r.l. and €15 million additions to software including prepayments for software. The disposals of €2 million relate to the disposal of Lifecycle Marketing in Q2 2011. The Q3 2010 additions consist of €4 million additions to goodwill arisen from the acquisitions of TopPak and Kowin (Kortingsbon.nl) in 2010 and €13 million capital expenditures in software.

2. Property, plant and equipment

in € millions	2011	2010
Balance at 1 January	499	534
Capital expenditures	50	43
Capital expenditures in financial leases		3
Acquisitions		2
Disposals	(20)	(2)
Depreciation and impairments	(70)	(62)
Transfers to assets held for sale	(38)	(11)
Balance at end of period	421	507

Capital expenditures of €50 million mainly concern investments within Mail in NL of €16 million and Parcels of €22 million. The investments mainly relate to sorting centres, vehicle replacements and sorting machinery. The disposals of €20 million mainly relate to the sale of the Head office building and related equipment to TNT Express in Q2. In Q3 2011 a write-down on real estate of €11 million was recorded. In 2011, real estate for an amount of €38 million was transferred to assets held for sale.

3. Held for demerger/discontinued operations

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

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

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

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

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

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

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

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

4. Investments in associates

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

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

in € millions	YTD Q3 2011
Balance at beginning of period	1,583
Share in net result	5
Purchase price adjustments *	(5)
Share in direct equity movements	3
Dividend received	(6)
Impairment	(734)
Balance at 1 October 2011	846

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

The share in the net result and direct equity movements of TNT Express for the period June 2011 to September 2011 is based on the Q2 and HY 2011 and Q3 and YTDQ3 2011 reports of TNT Express, as published on 1 August 2011 and 31 October 2011 respectively. The purchase price adjustments include the net amortisation charge of the identified intangibles for the period June 2011 up to and including September 2011. In the first nine months, PostNL has received dividends of €6.5 million from TNT Express on its stake.

Management assesses the recoverability of the Express stake at each reporting date. Between 1 June 2011 and 2 July 2011 the share price of TNT Express declined significantly from €9.77 per share to €7.32 per share. Following this impairment trigger, PostNL performed an impairment test and concluded that the investment in TNT Express was impaired. Accordingly, the company recognised an impairment charge of €397 million.

Between 2 July 2011 and 1 October 2011 the share price of TNT Express further declined from €7.32 per share to €5.22 per share. Following this second impairment trigger, PostNL performed an impairment test and concluded that the investment in TNT Express was impaired. Accordingly, the company recognised a second impairment charge of €337 million and thereby lowered the book value of its stake in TNT Express to the fair (market) value of €846 million as at 1 October 2011. The fair (market) value has been determined by multiplying the closing share price at 30 September 2011, 17:00 CET of €5.22 by the total number of issued ordinary shares of 543,202,420.

The following table presents summarised financial information of TNT Express, as reported by TNT Express in its Q3 and YTD Q3 2011 report, published on 31 October 2011.

Condensed information TNT Express N.V.		
Balances at end of period/Results and cashflows over the period	1 October 2011	31 December 2010
Non-current assets	3,120	3,281
Current assets	1,641	2,250
Equity	2,930	3,002
Non-current liabilities	388	468
Current liabilities	1,443	2,061
	YTD Q3 2011	YTD Q3 2010
Net sales	5,303	5,145
Operating income	(1)	156
Profit/(loss) attributable to the shareholders	(97)	62
Net cash from operating activities	58	103
Net cash used in investing activities	(114)	(103)
Net cash used in financing activities	(569)	(218)
Changes in cash and cash equivalents	(625)	(218)

All other investments in associates amounted to €5 million (2010: €4 million). These associates relate mainly to minority shareholdings in Germany within the segment International. Together with the stake in TNT Express, the total investments in associates amounted to €851 million.

5. Pensions

The pension assets and pension liabilities of the various defined benefit pension schemes are presented separately on the balance sheet. The pension assets increased by €26 million and the pension liabilities decreased by €13 million, resulting in a net movement of €39 million. This movement is the net result of the recorded defined benefit pension expenses of €86 million (2010: pension income of €68 million), the derecognition of the pension assets related to the demerger of TNT Express of €71 million and contributions paid by PostNL to the pension funds and early retirement payments for a total amount of €196 million (2010: €181 million).

Included in the pension expense of €86 million for 2011 is a contribution received from TNT Express of €5 million. Included in the pension income of €68 million for 2010 is a contribution received from TNT Express of €24 million and a curtailment gain of €74 million related to the Master plan III restructuring.

During the first nine months of 2011, the coverage ratio of PostNL's main pension fund decreased to around 96% from around 107% as per 31 December 2010.

Demerger

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

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

6. Equity

Total equity attributable to equity holders of the parent decreased to €221 million on 1 October 2011 from €2,424 million as at 31 December 2010. The following table presents a summarised overview of the changes in equity.

in € millions	
Balance at 31 December 2010	2,424
Profit/(loss) for the period from continued operations	(584)
Profit for the period from discontinued operations	2,159
Other comprehensive income including non-controlling interests	89
Total comprehensive income for the period	1,664
Impact demerger TNT Express N.V. (70.1% of fair value)	(3,712)
Demerger receivable	(84)
Total direct changes in equity relating to demerger	(3,796)
Other direct changes in equity	(71)
Balance at 1 October 2011	221

The increase in equity due to total comprehensive income of €1,664 million mainly resulted from the profit from discontinued operations of €2,159 million, including a book gain of €2,086 million. The loss from continued operations of €584 million mainly resulted from the impairments of the stake in TNT Express of €734 million in total. Please refer to note 3 'Held for demerger/discontinued operations' and note 4 'Investments in associates' for further details.

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

The other direct changes in equity of €(71) million mainly related to the second interim dividend paid of €44 million over 2010, the interim dividend paid of €36 million for the current year and the share-based compensations of €13 million.

in millions	1 Oct 2011	31 Dec 2010	2 Oct 2010
Number of issued and outstanding shares	392.3	376.3	376.3
of which held by the company	0.1	0.2	0.2
Year-to-date average number of shares	380.3	373.5	372.7
Year-to-date average number of diluted shares		1.5	1.8
Year-to-date average number of shares on a fully diluted basis	380.3	375.0	374.4

7. Net debt

in € millions	2011	2010
Short term debt	66	2
Net receivables from TNT Express	0	(526)
Long term debt	1,605	1,582
Total interest bearing debt	1,671	1,058
Cash and other interest bearing assets	(618)	(65)
Net debt	1,053	993

The net debt position as at 1 October 2011 increased by €60 million compared to 31 December 2010 mainly due to the net cash generated from operations, the receivable demerged to TNT Express, the second interim dividend over 2010 and the interim dividend over 2011, partly offset by the sale proceeds of De Belgische Distributiedienst and RSM Italy.

Reconciliation cash flows Inventory	Q3 2011	Q3 2010	YTD Q3 2011	YTD Q3 2010
Cash at the beginning of the period	727	83	65	80
Exchange rate differences	1			
Change in cash from continuing operations	(110)	(10)	553	(7)
Cash at the end of the period	618	73	618	73

8. Provisions

The provisions consist of long and short term provisions for restructuring, claims and indemnities and other employee benefits. In 2011, the balance of the long and short term provisions decreased by €47 million, from €389 million to €342 million.

in € millions	2011	2010
Balance at 1 January	389	215
Additions	3	302
Withdrawals	(55)	(45)
Interest	6	4
Releases	(1)	(61)
Balance at end of period	342	415

The withdrawals of €55 million in 2011 relate mainly to settlement payments following the execution of Master plan initiatives (€31 million), the restructuring programme in Data & Document Management (€5 million) and within the joint venture 'Postkantoren' (€14 million).

9. Taxes

Effective Tax Rate in percentages	YTD Q3 2011	YTD Q3 2010
Dutch statutory tax rate	25.0%	25.5%
Other statutory tax rates	1.3%	1.3%
Weighted average statutory tax rate	26.3%	26.8%
Non and partly deductible costs	1.4%	-0.2%
Exempt income	-4.6%	
Other	3.7%	-0.6%
Effective tax rate - before impact stake Express	26.8%	26.0%
Impact stake Express	-37.2%	
Effective tax rate	-10.4%	26.0%

The effective tax rate in the first nine months of 2011 amounted to -10.4%. This effective tax rate has been strongly impacted by the non deductible impairment of the stake in TNT Express (-37.2%). Excluding this impact the effective tax rate in the first nine months of 2011 would have been 26.8%, which is 0.8% higher compared to the effective tax rate in the first nine months of 2010 of 26.0%. The increase has mainly been caused by the balance of (i) tax exempt book gains relating to the sales of Belgische Distributiedienst and CEE in the first nine months of 2011, (ii) higher non deductible costs in the first nine months of 2011 and (iii) certain one-off items and prior year adjustments that positively impacted the effective tax rate in the first nine months of 2010. The line 'Other' in the first nine months of 2011 (3.7%) is mainly the result of losses for which no deferred tax assets could be recognised due to uncertainty regarding their recoverability.

The income tax paid in the first nine months of 2011 amounted €75 million compared €189 million in the first nine months of 2010. The decrease is mainly the result of higher preliminary tax payments relating to the Dutch fiscal unity in 2010 with respect to prior years compared to a similar tax payment in the third quarter of 2011.

10. Labour force

Headcount	1 Oct 2011	31 Dec 2010
Mail in NL	50,848	56,409
Parcels	2,951	3,068
International	5,954	15,803
Mail other	1,225	1,875
Total	60,978	77,155

The number of employees working in PostNL at 1 October 2011 was 60,978, which is a decrease of 16,177 compared to 31 December 2010. This decrease is mainly the result of the disposal of our activities in Eastern Europe, extra temporary employees that were hired in December 2010 within Mail in NL to handle Christmas mail, resizing programmes within International and the disposal of unaddressed activities which were held for sale.

Average FTE's	YTD Q3 2011	YTD Q3 2010
Mail in NL	25,039	26,221
Parcels	2,576	2,667
International	5,547	7,141
Mail other	1,162	1,745
Total	34,324	37,774

The average number of full time equivalents working in PostNL during the first nine months of 2011 was 34,324, a decrease of 3,450 compared to the same period last year.

11. Related parties

At 1 October 2011, purchases of PostNL from joint ventures for the year to date amounted to €34 million (2010: €51 million). During 2011 no sales were made by PostNL companies to its joint ventures.

The net amounts due to the joint venture entities amounted to €38 million (2010: receivable of €8 million). As at 1 October 2011, no material amounts were payable by PostNL to associated companies. In Q3 2011, the value of the transactions with TNT Express were not material and related to business activities.

As at 1 October 2011, no events have occurred that triggered disclosure of a significant contingent asset or liability under IAS 34 following the relationship agreement and separation agreements with TNT Express.

12. Contingent liability

By the end of Q3, the coverage ratio of the main pension fund was around 96%, below the minimum requirement of around 105%. The relating deficit of all pension funds is around €468 million for PostNL. If the coverage ratios are still below the minimum funding requirement by the end of 2011 PostNL will need to pay the first recovery payment of around €40 million in Q1 2012.

13. Subsequent events

On 3 October 2011, PostNL announced it will introduce new stamp rates from 1 January 2012. The increase falls within the legal limits for price setting and has been reviewed by OPTA. With the new rates, PostNL continues to charge one of the lowest postage rates in Europe.

On 4 October 2011, PostNL and Randstad / Tempo-Team announced they will be launching a Job Company. Under this new initiative, PostNL employees made redundant due to the restructuring of the company's operations process will be offered an income guarantee and the prospect of a permanent job elsewhere.

On 13 October 2011, PostNL announced it has finalized the agreement to sell its 51% share in Telepost S.p.A. to one of the co-shareholders in the company, Manutencoop Facility Management S.p.A. The impact on the financial results was limited.

Working days

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

Press releases since the second quarter 2011 results

Date	Subject
26 August 2011	Announcement conversion rate interim dividend 2011
8 September 2011	PostNL awarded global Supersector Leader in Dow Jones Sustainability Indexes
3 October 2011	New PostNL rates from 1 January 2012
4 October 2011	PostNL and Randstad / Tempo-Team get to work on forming innovative Job Company
13 October 2011	PostNL sells 51% share in Telepost S.p.A. to Manutencoop Facility Management S.p.A.

Financial calendar

Date	Event
27 February 2012	Publication of Q4 & FY 2011 results
24 April 2012	Annual General Meeting of Shareholders
8 May 2012	Publication of Q1 2012 results
6 August 2012	Publication of Q2 & HY 2012 results
5 November 2012	Publication of Q3 2012 results

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Additional information

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

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