Q1 2012 Results

Press release

8 May 2012

Table of contents

Q1 results PostNL

- Highlights Q1 3
- CEO statement 3
- Review of operations Q1 4
- Stake in TNT Express N.V. 5
- Pensions 5
- Consolidated equity position 5
- Outlook 2012 5

Q1 segmental overview

- Key figures per segment 6
- Mail in the Netherlands 6
- Parcels 6
- International 7
- Mail other 7

Consolidated interim financial statements

- General information and description of our business 8
- Basis of preparation 8
- Shareholding in TNT Express 8
- Auditor's involvement 8
- Segment information 9
- Consolidated statement of financial position 10
- Consolidated income statement 11
- Consolidated statement of comprehensive income 11
- Consolidated statement of cash flows 12
- Consolidated statement of changes in equity 13
- Notes to the consolidated interim financial statements 14

Other

- Working days 19
- Press releases since the fourth quarter 2011 results 19
- Financial calendar 19
- Contact information 20
- Additional information 20
- Warning about forward-looking statements 20

Q1 results PostNL

Highlights Q1

- Underlying revenues down 4.6% to €1,061 million
- Underlying cash operating income €49 million
- Net debt position €1,014 million as at 31 March 2012
- Stake in TNT Express: reversal impairment of €570 million
- Coverage ratio main pension fund 99.8%*, below minimum required level (around 104%)

Key figures Q1 2012	As reported			Underlying		
in € millions, except where noted	Q1 2012	Q1 2011	% Change	Q1 2012	Q1 2011	% Change
Revenues	1,067	1,112	-4.0%	1,061	1,112	-4.6%
EBITDA	145	149	-2.7%	147	144	2.1%
Operating income	121	125	-3.2%	123	120	2.5%
Operating margin	11.3%	11.2%		11.6%	10.8%	
Underlying cash operating income				49	75	-34.7%
Underlying cash operating margin				4.6%	6.7%	
Impairment of investments in associates	570					
Profit from continuing operations	641	69				
Profit from discontinued operations		54				
Profit for the period	641	123				
Profit for the period (excluding TNT Express)	70	69				
Net cash from operating activities	17	84				

CEO statement

Herna Verhagen, CEO of PostNL, states: "Overall the start of the year was slightly weaker than anticipated. In the Netherlands, the volume decline in addressed mail was in line with our expectations. We experienced difficulties adapting to the peak / off-peak model and the implementation of the new processes at the central preparation locations resulting in a temporary delay in the further roll-outs. This has its impact on both our clients and our employees. Improvements are being worked on together with the Works Council and we remain focused on our quality. We are confident that the reorganisation will result in the long-term savings we have announced previously.

Within Parcels volumes were up. The average price per parcel was lower due to the mix in revenues. With our recent acquisition of Trans-o-flex, Parcels gains a strong market position on the Belgian and Dutch market for multi-colli shipments. International again contributed positively to underlying cash operating income.

Stability and clarity are very important in these challenging times. The priority for the coming period therefore is to focus on continuing the existing strategy and its implementation."

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

* Including top up invoices from the pension fund (disputed by PostNL)

Review of operations Q1

Reconciliation Q1 2012 in € millions	Reported Q1 2012	One-offs	Foreign exchange	Underlying Q1 2012	Underlying Q1 2011	One-offs	Reported Q1 2011
Mail in NL	579			579	612		612
Parcels	161			161	153		153
International	397		(6)	391	371		371
Mail Other	62			62	94		94
Intercompany	(132)			(132)	(118)		(118)
Revenues	1,067	0	(6)	1,061	1,112	0	1,112
Mail in NL	52			52	76		76
Parcels	22			22	26		26
International	4	1		5	(2)		(2)
Mail Other	43	1		44	20	(5)	25
Operating income	121	2	0	123	120	(5)	125
Changes in provisions *				(22)	(17)		
Changes in pension liabilities				(52)	(28)		
Underlying cash operating income				49	75		
As percentage of underlying revenues				*4.6%*	*6.7%*		

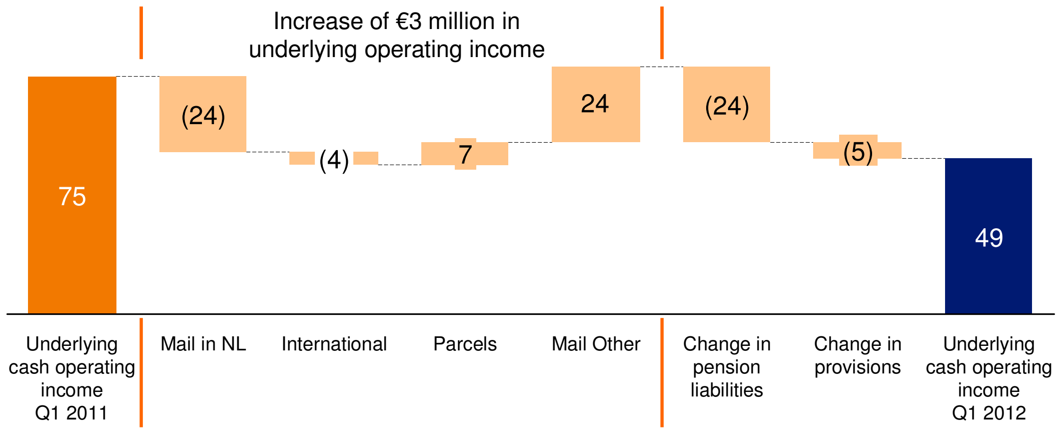
* 2011 comparatives adjusted

Reported revenues decreased year on year by 4.0%to €1,067 million, whilst reported operating income decreased only marginally to €121 million.

Underlying revenues decreased by 4.6% compared to the prior year, mainly due to disposals that took place since Q1 2011. Underlying operating income increased by 2.5% to €123 million, which represents an underlying operating margin of 11.6% (Q1 2011: 10.8%). This increase is mainly caused by lower pension expenses (€17 million) compared to Q1 2011. The remaining decline in underlying operating income is the net result of a drop in mail volumes and price/mix changes in Mail in NL (€(19) million), higher autonomous costs (€(10) million) and increased Master plan implementation costs (€(5) million) not fully compensated by Master plan savings (€11 million), other items (€6 million) and the increased contribution from International and Parcels (€3 million).

The one-offs in Q1 2012 are resizing costs (€1 million) in International, and rebranding costs (€1 million) in Mail Other. In Q1 2011, we had a positive one-off of €5 million due to the pension contribution from TNT Express.

The graph below explains the net decrease in underlying cash operating income. The change in pension liabilities reflects the difference between the lower pension expenses (€17 million) and higher pension cash out (€7 million). The change in provisions reflects the higher cash out from withdrawals from provisions (€5 million).



Net cash from operating activities was €17 million (Q1 2011: €84 million), mainly due to lower cash generated from operations (Q1 2012: €53 million versus Q1 2011: €92 million) and higher income taxes paid (Q1 2012: €33 million versus Q1 2011: €6 million) due to an advanced full year preliminary tax payment.

At the end of Q1, net debt was €1,014 million, which compares to €1,002 million at the end of 2011.

Stake in TNT Express N.V.

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

As announced on 22 March 2012, the expected proceeds of the sale of the stake in TNT Express will be used as follows:

1. Debt reduction according to the financial policy
2. Restore cash dividend according to the dividend policy
3. Investment in further portfolio extension
4. De-risking pensions and / or distributing excess cash to shareholders according to the dividend policy.

As a result of the offer, the share price of TNT Express increased from €5.77 as per 30 December 2011 to €9.26 per share as per 30 March 2012 resulting in a reversal of the impairment on the stake of €570 million. The book value of the stake at the end of Q1 amounted to €1,502 million.

Pensions

By the end of Q1, the coverage ratio of the main pension fund was 99.8%, including the top up payments receivable from PostNL. The coverage ratios as reported by the pension funds of PostNL at the end of Q1 were below the minimum requirement of around 104%. At the end of Q1, the deficit of the pension funds, allocated to PostNL, was around €244 million, resulting in conditional invoices for further top up payments from the pension funds of around €24 million, payable in Q3 2012 if the minimum required level of around 104% is not reached.

The pension expense in Q1 2012 amounted to €16 million (Q1 2011: €28 million). The amount for Q1 2011 included a positive impact of €5 million from Express. The total cash contributions were €68 million (Q1 2011: €61 million).

PostNL disputes the necessity of the top up payments; the related invoices of €61 million have not been paid. As the pension fund boards have a different opinion, a disputes committee is installed.

In February 2012, the employee pension contribution between 4 and 6% for staff with a personal labour agreement was implemented. The pension arrangements and employee contribution for CLA staff are part of the ongoing CLA negotiations.

Consolidated equity position

Total equity attributable to equity holders of the parent increased to €1,033 million on 31 March 2012 from €400 million as per 31 December 2011. This increase is mainly due to the reversal of the impairment of €570 million on the stake in TNT Express. Of the total equity, an amount of €39 million is non-distributable.

The impact of the implementation of the revised IAS 19 (expected implementation date 1 January 2013) on the 2013 financial position and income statement will be significant. As at 31 March 2012, the net pension asset amounted to €1,050 million. This includes net actuarial losses for an amount of €1,440 million. If these net actuarial losses as per Q1 2012 had been recognised immediately, this would have impacted equity of PostNL negatively by a net amount of €1,080 million. These amounts are based on current parameters which are heavily dependent on interest rate movements.

Outlook 2012

On the basis of our Q1 results we reaffirm our outlook for the full year.

	Underlying revenues		Underlying cash operating income / margin	
in € millions, except where noted	2011	2012	2011	2012
Mail in NL	2,429	- low single digit	6.3%	1 to 3%
Parcels	608	+ high single digit*	15.1%	13 to 15%
International	1,467	+ high single digit	0.3%	1 to 2%
Total	4,297	+ low single digit	220	110 to 160
			5.1%	2 to 4%

*Due to shift registered mail from Mail in the Netherlands to Parcels

Q1 segmental overview

Key figures per segment

in € millions, except where noted	Underlying revenues Q1 2012	Q1 2011	% Change	Underlying operating income Q1 2012	Q1 2011	% Change	Underlying cash operating income Q1 2012	Q1 2011	% Change
Mail in NL	579	612	-5.4%	52	76	-31.6%	21	55	-61.8%
Parcels	161	153	5.2%	22	26	-15.4%	23	27	-14.8%
International	391	371	5.4%	5	(2)		5	(1)	
Mail Other	62	94	-34.0%	44	20		0	(6)	
Intercompany	(132)	(118)	-11.9%						
PostNL	1,061	1,112	-4.6%	123	120	2.5%	49	75	-34.7%

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 7.9% adjusted for the 2011 elections. The main reason for this decline remains substitution. Underlying revenues declined by 5.4%, price/mix contributed positively this quarter.

Underlying cash operating income in Mail in the Netherlands decreased by €34 million to €21 million. This decrease is mainly caused by lower addressed volumes and price/mix changes (€19 million), increased autonomous costs (€10 million), an increase in Master plan implementation costs (€5 million) and increased cash out for restructuring and pensions (€6 million). Master plan savings of €11 million were realised.

Mid January, as planned, the first two delivery locations (Ede and Houten) were closed. Simultaneously, the preparation processes of these locations were migrated to the newly opened central preparation location (CPL) in Nieuwegein (sub-location of Utrecht). This CPL will mainly employ part-time sorting staff to prepare the mail for delivery by mail deliverers. As the CPL is staffed with primarily new personnel and newly designed processes, the first weeks after migration faced a number of challenges with respect to processes, quality and staffing.

On 18 March two new CPLs were opened in Utrecht (main location) and Den Bosch and six delivery locations were closed. The preparation work of the delivery locations was transferred to the CPLs while the delivery work migrated to a dedicated mail deliverers' organisation.

The integration in the logistics chain makes it necessary to implement changes in sorting, preparation and delivery simultaneously. A delay in one step directly impacts other steps. Given the complexity of this process and the number of challenges that came up, the further roll-out will be delayed temporarily. The processes will be reviewed and adjusted, together with the Works Council.

Parcels

Parcels continued to improve underlying revenues (+5.2%), mainly due to volume growth (+4.6%). Underlying cash operating income declined by €4 million. Adjusted for phasing of revenues and higher pension cash out, business performance improved by €1 million. Higher volumes and improved operational efficiency were partly offset by a negative price/mix effect. The underlying cash operating margin was 14.3%.

The implementation of the new logistics infrastructure (NLI) is on track. The construction of the depots in Den Bosch and Hengelo is almost finished and they will start operations in Q2. The construction of depots in Breda, Sittard and Amersfoort is progressing according to plan. In Q1, capital expenditures for NLI were €11 million.

On 15 March PostNL Parcels has agreed to acquire the Dutch and Belgian activities of Trans-o-flex, owned by Austrian Post. With this acquisition PostNL Parcels immediately gains a strong market position on the Belgian business to business (B2B) market while strengthening its position on the Dutch market for multi-colli shipments, for example palletised consignments. The acquisition fits in PostNL Parcels' strategy of strengthening its presence in the Benelux market for consolidated parcels. The results will be included as of Q2 2012.

International

Underlying revenues		
in € millions	Q1 2012	Q1 2011
UK	166	148
Germany	131	132
Italy	52	52
Spring and Other	42	39
International	391	371

International underlying revenues increased by 5.4% to €391 million. Excluding the effect of disposals, the increase was over 7%. Underlying cash operating income improved to €5 million from €(1) million in Q1 2011. The improvement was mainly achieved by Germany, which is clearly on track to break-even in 2013.

United Kingdom realised 11% underlying revenue growth to €166 million. The increase was mainly caused by the 20% increase in Royal Mail tariffs offset by price pressure in some segments.

We commenced a pilot on end-to-end delivery in some parts of London on 16 April. The phased roll-out of this project started positively. The innovative operation with special scanning equipment and lean delivery units was well received by our customers. With this pilot we can determine the feasibility and best way to implement end-to-end deliveries in the UK.

Packets & Parcels continues to convert a strong pipeline in new business, with a strong sales team in place.

On the regulatory side access has been mandated by April 2012, with price caps only on USO. However, there is still no level playing field, as the VAT issue remains, on which we will continue to focus.

In **Germany**, underlying revenues were in line with last year. Reductions resulting from the discontinuation of business in the non-core areas of Regioservice were compensated by increased revenues elsewhere. Underlying operating income is still increasing as a result of operational improvements, cost savings and the effect of the discontinued business.

Expansion of the current business continues by a strategic cooperation with Deutsche Telekom in De-Mail, and in the Mail Alliance.

In **Italy**, underlying revenues were stable at €52 million. Excluding the effect of some disposals and the impact of the termination of the contract with Poste Italiane, revenues were up like-for-like by around 10%, mainly by the success of Formula Certa.

A new hybrid office mail product is introduced: Formula Ibrida, which allows paying with a prepaid account that can be recharged via credit card.

Mail Other

Mail Other represents the head office activities, 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. Revenues decreased by €32 million, mainly due to the sale of unaddressed activities, which were accounted for as assets held for sale in Q1 2011. Underlying cash operating income increased by €6 million mainly impacted by cost re-allocation in last year's quarter.

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') is a public limited liability company with its registered seat and head office in 's-Gravenhage, the Netherlands.

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.

Following the demerger in 2011, PostNL holds a share of 29.8% in TNT Express N.V. Both PostNL N.V. and TNT Express N.V. are listed on NYSE Euronext in Amsterdam.

Basis of preparation

The information is reported on a year-to-date basis ending 31 March 2012. Where material to an understanding of the period starting 1 January 2012 and ending 31 March 2012, 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 2011 annual report of PostNL N.V. as published on 27 February 2012.

The significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in PostNL's consolidated 2011 annual report for the year ended 31 December 2011.

Last year, the IASB 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 income statement will be significant. As at 31 March 2012, the net pension asset amounted to €1,050 million. This includes net actuarial losses for an amount of €1,440 million. If these net actuarial losses as per Q1 2012 had been recognised immediately, this would have impacted equity of PostNL negatively by a net amount of €1,080 million, based on the current parameters which are heavily dependent 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

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

Over Q1 2012, PostNL's share in net earnings and direct equity movements of TNT Express is still included in the consolidated income statement using the equity method taking into account additional depreciation and amortisation ('purchase price adjustments'). The total impact of the purchase price adjustments amounts to €16 million on an annual basis and €4 million per quarter. As a result of the UPS offer, the share price of TNT Express increased from €5.77 as per 30 December 2011 to €9.26 as per 30 March 2012 resulting in a reversal of the impairment charge of €570 million increasing the value of the stake in TNT Express to its market value of €1,502 million at 30 March 2012.

As a result of the UPS offer and PostNL's irrevocable undertaking, at the end of Q1 2012 the stake in TNT Express was transferred from investments in associates to assets held for sale. IFRS 5 'Assets held for sale' requires assets to be valued at the lower of their fair value less cost to sell and their carrying value.

Auditor's involvement

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

Segment information

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

The following table presents the segment information relating to the income statement and total assets of the reportable segments for the first quarter of 2012 and 2011.

Q1 2012 ended at 31 March 2012 in € millions	Mail in NL	Parcels	International	Mail Other	Inter company	Total
Net sales	545	132	387			1,064
Inter-company sales	33	28	10	61	(132)	
Other operating revenues	1	1		1		3
Total operating revenues	579	161	397	62	(132)	1,067
Other income	9					9
Depreciation/impairment property, plant and equipment	(10)	(1)	(2)	(5)		(18)
Amortisation/impairment intangibles	(3)	(1)	(1)	(1)		(6)
Total operating income	52	22	4	43		121
Total assets per 31 March 2012	682	143	466	3,429		4,720

Q1 2011 ended at 2 April 2011 in € millions	Mail in NL	Parcels	International	Mail Other	Inter company	Total
Net sales	575	133	360	38		1,106
Inter-company sales	36	19	10	55	(118)	2
Other operating revenues	1	1	1	1		4
Total operating revenues	612	153	371	94	(118)	1,112
Other income	8		1			9
Depreciation/impairment property, plant and equipment	(12)	(1)	(2)	(3)		(18)
Amortisation/impairment intangibles	(3)	(1)	(1)	(1)		(6)
Total operating income	76	26	(2)	25		125
Total assets per 31 December 2011	735	129	436	2,818		4,118

As at 31 March 2012 the total assets within Mail Other included the stake in TNT Express for an amount of €1,502 million (31 December 2011: €936 million) and pension assets and cash. 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	31 March 2012	31 December 2011
Assets			
Non-current assets			
Intangible assets			
Goodwill		121	121
Other intangible assets		54	55
Total	(1)	175	176
Property, plant and equipment			
Land and buildings		230	238
Plant and equipment		113	112
Other		32	32
Construction in progress		97	69
Total	(2)	472	451
Financial fixed assets			
Investments in associates	(3)	5	940
Other loans receivable		2	2
Deferred tax assets		24	20
Other financial fixed assets			1
Total		31	963
Pension assets	(4)	1,264	1,217
Total non-current assets		1,942	2,807
Current assets			
Inventory		10	9
Trade accounts receivable		396	417
Accounts receivable		45	41
Income tax receivable		4	3
Prepayments and accrued income		162	121
Cash and cash equivalents	(6)	613	668
Total current assets		1,230	1,259
Assets classified as held for sale	(3)	1,548	52
Total assets		4,720	4,118
Liabilities and equity			
Equity			
Equity attributable to the equity holders of the parent		1,033	400
Non-controlling interests		14	14
Total	(5)	1,047	414
Non-current liabilities			
Deferred tax liabilities		363	341
Provisions for pension liabilities	(4)	214	219
Other provisions	(7)	177	201
Long term debt	(6)	1,610	1,607
Total		2,364	2,368
Current liabilities			
Trade accounts payable		207	219
Other provisions	(7)	135	132
Other current liabilities		242	291
Income tax payable		68	94
Accrued current liabilities		657	600
Total		1,309	1,336
Total liabilities and equity		4,720	4,118

Consolidated income statement in € millions	note	Q1 2012	Q1 2011
Net sales		1,064	1,108
Other operating revenues		3	4
Total revenues		1,067	1,112
Other income		9	9
Cost of materials		(46)	(49)
Work contracted out and other external expenses		(500)	(489)
Salaries, pensions and social security contributions		(334)	(373)
Depreciation, amortisation and impairments		(24)	(24)
Other operating expenses		(51)	(61)
Total operating expenses		(955)	(996)
Operating income		121	125
Interest and similar income		1	5
Interest and similar expenses		(27)	(32)
Net financial expenses		(26)	(27)
Results from investments in associates	(3)	1	
Impairment of investments in associates	(3)	570	
Profit/(loss) before income taxes		666	98
Income taxes	(8)	(25)	(29)
Profit/(loss) from continuing operations		641	69
Profit from discontinued operations			54
Profit for the period		641	123
Attributable to:			
Non-controlling interests			
Equity holders of the parent		641	123
Earnings per ordinary share (in € cents) [1]		163.4	32.6
Earnings per diluted ordinary share (in € cents) [2]			32.6
Earnings from continuing operations per ordinary share (in € cents) [1]		163.4	18.3
Earnings from continuing operations per diluted ordinary share (in € cents) [2]			18.3
Earnings from discontinued operations per ordinary share (in € cents) [1]			14.3
Earnings from discontinued operations per diluted ordinary share (in € cents) [2]			14.3

1 For 2012 based on an average of 392,239,328 of outstanding ordinary shares (2011: 377,077,419).
2 For 2012 based on an average of 392,239,328 of diluted outstanding ordinary shares (2011: 377,362,290).

Consolidated statement of comprehensive income in € millions	Q1 2012	Q1 2011
Profit for the period	641	123
Gains/(losses) on cashflow hedges, net of tax	(3)	22
Impact share changes other comprehensive income associates	(5)	
Continued operations	(8)	22
Gains/(losses) on cashflow hedges, net of tax		3
Currency translation adjustment, net of tax		(56)
Discontinued operations		(53)
Total other comprehensive income for the period	(8)	(31)
Total comprehensive income for the period	633	92
Attributable to:		
Non-controlling interests		
Equity holders of the parent	633	92

In Q1 2012, results from TNT Express are accounted for as investments in associates. Profit for the period excluding the results from TNT Express is €70 million (profit for the period minus impairment and results from investments of associates). In Q1 2011, results from TNT Express were accounted for as discontinued operations. Profit for the period excluding the results from TNT Express was €69 million (profit for the period minus profit from discontinued operations).

Consolidated statement of cash flows

in € millions and over the period	note	Q1 2012	Q1 2011
Cash flows from continuing operations			
Profit/(loss) before income taxes		666	98
Adjustments for:			
Depreciation, amortisation and impairments		24	24
Share based payments			2
(Profit)/loss on assets held for sale		(9)	(8)
Interest and similar income		(1)	(5)
Interest and similar expenses		27	32
Impairments and results of investments in associates		(571)	
Total investment income		(554)	19
Pension liabilities		(52)	(33)
Other provisions		(22)	(17)
Total changes in provisions		(74)	(50)
Inventory		(1)	(1)
Trade accounts receivable		21	38
Other accounts receivable		(4)	3
Other current assets		(41)	(57)
Trade accounts payable		(15)	17
Other current liabilities excluding short term financing and taxes		31	(1)
Total changes in working capital		(9)	(1)
Cash generated from operations		53	92
Interest paid		(3)	(2)
Income taxes received/(paid)	(8)	(33)	(6)
Net cash from operating activities	(9)	17	84
Interest received		7	
Capital expenditure on intangible assets		(6)	(4)
Capital expenditure on property, plant and equipment		(41)	(16)
Proceeds from sale of property, plant and equipment		16	31
Net cash from/(used in) investing activities	(9)	(24)	11
Cash settlement share based payments			(2)
Proceeds from short term borrowings		11	2
Repayments of short term borrowings		(59)	
Repayments of finance leases			(1)
Dividends paid			(37)
Financing related to discontinued business			(73)
Net cash from/(used in) financing activities		(48)	(111)
Change in cash from continuing operations		**(55)**	(16)
Cash flows from discontinued operations			
Net cash from operating activities			(24)
Net cash used in investing activities			(49)
Net cash used in financing activities			71
Change in cash from discontinued operations			(2)
Total changes in cash		**(55)**	(18)

Consolidated statement of changes in equity

in € millions	Issued share capital	Additional paid in capital	Translation reserve	Hedge reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2010	180	869	(41)	(43)	1,167	292	2,424	19	2,443
Total comprehensive income			(56)	25		123	92		92
Second interim dividend 2010	2	(2)				(44)	(44)		(44)
Share based compensation					7		7		7
Other					(2)		(2)		(2)
Total direct changes in equity	2	(2)	0	0	5	(44)	(39)		(39)
Balance at 2 April 2011	182	867	(97)	(18)	1,172	371	2,477	19	2,496
Balance at 31 December 2011	31	151	8	(12)	(1,478)	1,700	400	14	414
Total comprehensive income				(3)	(5)	641	633		633
Total direct changes in equity	0	0	0	0	0	0	0		0
Balance at 31 March 2012	31	151	8	(15)	(1,483)	2,341	1,033	14	1,047

Notes to the consolidated interim financial statements

1. Intangible assets

in € millions	2012	2011
Balance at 1 January	176	166
Additions	6	4
Amortisation	(6)	(6)
Other	(1)	
Balance at end of period	175	164

At Q1 2012, the intangible assets of €175 million consist of goodwill for an amount of €121 million and other intangible assets for an amount of €54 million. Goodwill arises from acquisitions in the past in the segments Mail in the Netherlands (€67 million), International (€51 million) and Parcels (€3 million).

The additions to the intangible assets of €6 million (2011: €4 million) concern additions to software including prepayments for software.

2. Property, plant and equipment

in € millions	2012	2011
Balance at 1 January	451	499
Capital expenditures	41	16
Disposals	(2)	(19)
Exchange rate differences		(1)
Depreciation and impairments	(18)	(18)
Transfers to assets held for sale		(17)
Balance at end of period	472	460

Capital expenditures of €41 million mainly concern investments of €11 million relating to the New Logistics Infrastructure and of €23 million relating to Master plan related projects.

The disposals in Q1 2011 mainly related to the sale of head office investments to TNT Express.

3. Investments in associates/assets classified as held for sale

The initial value of PostNL's investment in TNT Express as per 1 June 2011 amounted to €1,583 million based on a share price of €9.77. During 2011, impairment charges were recorded of €636 million to reduce the value of the stake to the market value of €936 million based on a share price of €5.77 as per 31 December 2011.

The following table presents the changes of the carrying value of the TNT Express stake during Q1 2012.

in € millions	Q1 2012
Balance at 1 January	936
Share in net result	5
Purchase price adjustments *	(4)
Share in direct equity movements	(5)
Impairment	570
Balance at 31 March 2012	1,502

* 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 Q1 2012 is based on the Q1 2012 report of TNT Express, as published on 2 May 2012. The purchase price adjustments include the net amortisation charge of the identified intangibles for the first quarter of 2012.

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

As a result of the UPS offer, the share price of TNT Express increased to €9.26 as per 30 March 2012 resulting in a reversal of the impairment charge of €570 million increasing the value of the stake in TNT Express to its market value of €1,502 million as per 31 March 2012. The fair (market) value has been determined by multiplying the closing share price at 30 March 2012, of €9.26 by the total number of issued ordinary shares held by PostNL of 162,130,035. Following the UPS offer, the stake in TNT Express was transferred from investments in associates to assets held for sale.

The following table presents summarised financial information of TNT Express, as reported by TNT Express in its Q1 2012 report, published on 2 May 2012.

Condensed information TNT Express N.V.		
Balances at end of period/Results and cashflows over the period	31 March 2012	31 December 2011
Non-current assets	2,820	2,846
Current assets	1,823	1,855
Equity	2,810	2,812
Non-current liabilities	380	396
Current liabilities	1,453	1,493
	Q1 2012	Q1 2011
Net sales	1,790	1,774
Operating income	37	(79)
Profit/(loss) attributable to the shareholders	16	(106)
Net cash from operating activities	(2)	(24)
Net cash used in investing activities	(13)	(49)
Net cash used in financing activities	(6)	71
Changes in cash and cash equivalents	(21)	(2)

All other investments in associates amounted to €5 million (2011: €4 million). These associates relate mainly to minority shareholdings in Germany within the segment International.

The other assets classified as held for sale of €46 million (2011: €52 million) concern buildings held for sale in the Netherlands.

4. 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 €47 million and the pension liabilities decreased by €5 million, resulting in a net movement of €52 million. This movement is the net result of the recorded defined benefit pension expenses of €15 million (Q1 2011: €26 million) and contributions paid by PostNL to the pension funds and early retirement payments for a total amount of €67 million (Q1 2011: €59 million).

Included in the defined benefit pension expense of €26 million for 2011 is a contribution received from TNT Express of €5 million.

During the first quarter of 2012, the coverage ratio of PostNL's main pension fund remained at 99.8% compared to 31 December 2011.

5. Equity

Total equity attributable to equity holders of the parent increased to €1,033 million on 31 March 2012 from €400 million as at 31 December 2011. The increase of €633 million is mainly due to the impairment reversal of the stake in TNT Express for an amount of €570 million.

in millions	31 Mar 2012	31 Dec 2011	2 Apr 2011
Number of issued and outstanding shares	392.3	392.3	380.0
of which held by the company	0.1	0.1	0.1
Year-to-date average number of shares	392.2	383.4	377.1
Year-to-date average number of diluted shares			0.3
Year-to-date average number of shares on a fully diluted basis	392.2	383.4	377.4

6. Net debt

in € millions	31 Mar 2012	31 Dec 2011
Short term debt	17	63
Long term debt	1,610	1,607
Total interest bearing debt	1,627	1,670
Cash and other interest bearing assets	(613)	(668)
Net debt	1,014	1,002

The net debt position as at 31 March 2012 increased by €12 million compared to 31 December 2011 mainly due to the net cash used in investing activities of €(24) million partly offset by the net cash generated from operations of €17 million.

Reconciliation cash flows in € millions	Q1 2012	Q1 2011
Cash at the beginning of the period	668	65
Exchange rate differences		(1)
Change in cash from continuing operations	(55)	(16)
Cash at the end of the period	613	48

7. Provisions

The provisions consist of long term and short term provisions for restructuring, claims and indemnities and other employee benefits. In Q1 2012, the balance of the long term and short term provisions decreased by €21 million, from €333 million to €312 million.

in € millions	2012	2011
Balance at 1 January	333	389
Additions	2	1
Withdrawals	(24)	(18)
Interest	2	2
Other	(1)	(1)
Balance at end of period	312	373

The withdrawals of €24 million in Q1 2012 relate mainly to settlement payments following the execution of Master plan initiatives including the joint venture 'Postkantoren' (€19 million) and the restructuring of the addressed activities of Netwerk VSP (€2 million).

8. Taxes

Effective Tax Rate	Q1 2012	Q1 2011
Dutch statutory tax rate	25.0%	25.0%
Other statutory tax rates	0.6%	1.0%
Weighted average statutory tax rate	25.6%	26.0%
Non and partly deductible costs	0.6%	0.9%
Exempt income	-0.1%	
Other	0.2%	2.7%
Effective tax rate - before impact of retained stake TNT Express	26.3%	29.6%
Impact of retained stake TNT Express	-22.5%	
Effective tax rate	3.8%	29.6%

The tax expense in PostNL's statement of income in Q1 2012 amounted to €25 million (Q1 2011: €29 million), or 3.8% (Q1 2011: 29.6%) of the profit before tax of €666 million (Q1 2011: €98 million).

The profit before tax in Q1 2012, excluding the impact of the stake in TNT Express of €571 million (predominantly covering the reversal of the impairment of last year), would have been €95 million with a corresponding effective tax rate in Q1 2012 of 26.3%. Results of the stake in TNT Express are non taxable and impacted the effective tax rate in Q1 2012 by -22.5%.

The effective tax rate – before the impact of the stake in TNT Express – over Q1 2012, compared to Q1 2011, is 3.3% lower and is mainly impacted by two effects captured in the line "Other": prior year tax adjustments and lower irrecoverable losses for which no deferred tax assets could be recognised.

The income tax paid in Q1 2012 amounted to €33 million compared to €6 million in Q1 2011. In order to obtain a payment discount, preliminary tax payments of €33 million were made for the Dutch entities for the full year 2012.

9. Cash flow statement

The cash generated from operations decreased from €92 million in Q1 2011 to €53 million in Q1 2012. Main contributors for this decline are lower profits (excluding the impairment reversal of €570 million) and higher cash out for pensions, restructuring payments and working capital.

The net cash from operating activities decreased by €67 million to €17 million from €84 million last year, mainly due to an increase in the tax paid from €6 million in Q1 2011 to €33 million in Q1 2012.

The net cash used in investing activities increased by €35 million mainly due to higher capital expenditures of €27 million and lower proceeds from sale of PP&E of €15 million. The interest received of €7 million mainly relates to interest on income tax. Higher capital expenditures are mainly due to Master plan related projects and the New Logistics Infrastructure. The higher proceeds from PP&E in Q1 2011 related to the sale of head office investments to TNT Express (€17 million).

10. Labour force

Headcount	31 Mar 2012	31 Dec 2011
Mail in NL	52,910	55,622
Parcels	2,844	2,907
International	5,952	5,777
Mail Other	1,205	1,202
Total	62,911	65,508

The number of employees working in PostNL at 31 March 2012 was 62,911, which is a decrease of 2,597 compared to 31 December 2011. This decrease is mainly the result of extra temporary employees that were hired in December 2011 within Mail in NL to handle Christmas mail and outflow relating to Master plan initiatives.

Average FTE's	Q1 2012	Q1 2011
Mail in NL	24,052	25,933
Parcels	2,469	2,579
International	5,107	6,876
Mail Other	1,201	1,972
Total	32,829	37,360

The average number of full time equivalents working in PostNL during the first three months of 2012 was 32,829, a decrease of 4,531 compared to the same period last year following reductions within operations in the Netherlands and Germany and as a result of divestments in Italy, Belgium and Eastern Europe in 2011.

11. Related parties

At 31 March 2012, the year to date purchases of PostNL from joint ventures amounted to €7 million (2011: €12 million). During 2012 no sales were made by PostNL companies to its joint ventures.

The net amounts due to the joint venture entities amounted to €27 million (2011: €26 million). As at 31 March 2012, no material amounts were payable by PostNL to associated companies. In Q1 2012, the value of the transactions with TNT Express was not material and related to business activities.

As at 31 March 2012, no events have occurred that triggered disclosure of a significant contingent asset or liability under IAS 34 following the relationship agreement and separation agreement with TNT Express.

12. Contingent liability

The coverage ratios of both pension funds of PostNL at the end of Q1 2012 were below the minimum requirement of around 104%. These coverage ratios include the top up payments receivable from PostNL of €61 million. PostNL disputes the necessity of the top up payments; the related invoices of €61 million have not been paid.

At the end of Q1 2012, the deficit of the pension funds, allocated to PostNL, was around €244 million, resulting in conditional invoices for further top up payments from the pension funds of around €24 million, payable in Q3 2012 if the minimum required level of around 104% is not reached.

13. Subsequent events

On 19 April 2012, PostNL announced that Harry Koorstra, CEO of PostNL, has decided to resign his position with immediate effect. The Supervisory Board has appointed Herna Verhagen as CEO of PostNL on 24 April 2012 following positive advice by the Central Workers Council.

On 24 April 2012, PostNL N.V.'s Annual General Meeting of Shareholders (AGM) adopted the 2011 financial statements and determined the dividend over 2011 at €0.407 per ordinary share, of which €0.214 per ordinary share has been paid as an interim dividend. The final dividend of €0.193 will be fully payable in ordinary shares.

ERROR: ioerror
OFFENDING COMMAND: image

STACK: