



DE POST - LA POSTE | ANNUAL REPORT 2006

Everything changes but

**reading**



Everything changes but

# writing



We aspire to be the trusted leader in postal solutions for physical and secure electronic delivery and value for money financial services.

We are passionate people and simple processes make the difference in serving our customers and our communities.

De Post-La Poste

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# Key figures

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Millions eur for the year ended 31 December

■ 2006 ■ 2005

## P&L and B/S key figures

Operating Income	2,230.5	2,123.7
Payroll costs	(1,414.9)	(1,414.2)
Other operating costs	(679.6)	(728.2)
Profit from operating activities (EBIT)	135.9	(18.6)
Profit attributable to equity holders	96.0	154.6

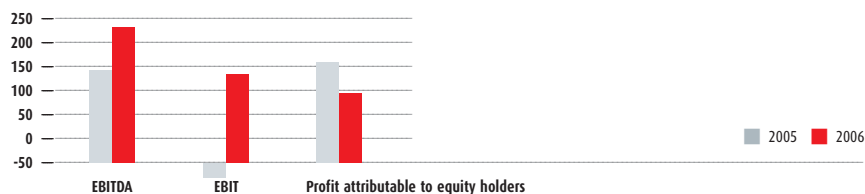
## Equity

Equity	799.2	416.3
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## Other key figures

EBITDA	228.9	147.9
Operating free cash flow	87.6	53.3
Net cash	594.2	522.1
Earnings per share	217.8	-614.0
Dividend per share	103.5	0.0
Number of employees (headcount at year end)	39 373	40 286
Number of employees (FTE at year end)	35 207	36 026

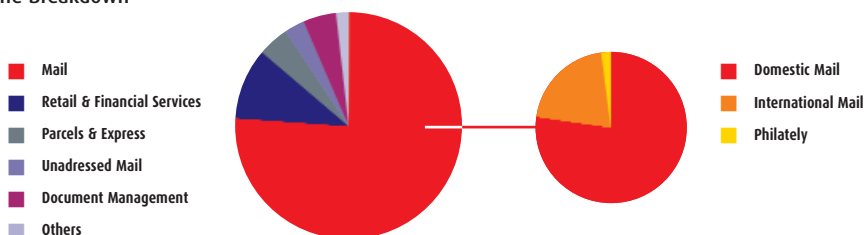
## P&L key figures (millions eur)



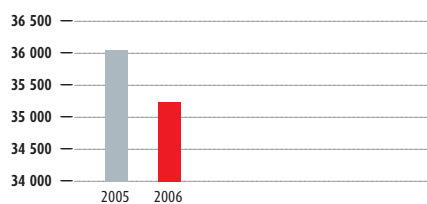
## P&L key figures (millions eur)



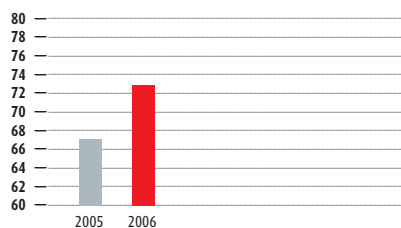
## Income Breakdown



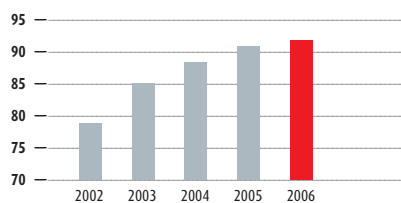
Full time equivalents (31/12)



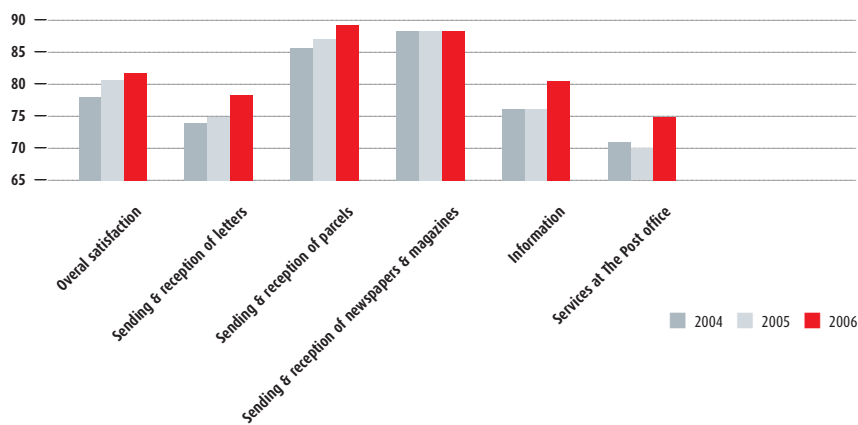
People Motivation (%)



Mail quality D+1 (%)



Customer satisfaction (%)





**MARTINE DUREZ,**  
CHAIRWOMAN OF THE BOARD OF DIRECTORS

## Full of confidence

Last year I concluded my editorial in the annual report 2005 with a challenge : 'We want to perform in 2006 at least as well as we did in 2005'. Today I am delighted to tell you that De Post-La Poste has done better compared to 2005 and preceding years :

- Consolidated operating income was 2,230.5 million euros, versus 2,123.7 million euros in 2005 (+5%). That is an achievement in itself, because total mail volumes are under pressure, a trend that is being felt across Europe. In addition to a vigorous cost-cutting programme in the past few years De Post-La Poste has invested efforts in an active marketing policy. We have identified new market opportunities and developed new products. And the policy has been successful, as proven by the growth in turnover.
- The Group's operational results, which were already improving in 2005, grew further in 2006. The Group's consolidated EBIT was 135.9 million euros in 2006, versus a loss of 18.6 million euros in 2005 .
- Consolidated result after tax was 96.1 million euros, versus 154.6 million euros in 2005. Since 1 January 2006, De Post N.V. - La Poste S.A. has become subject to corporate tax.

These results are good and they illustrate the improvement in the Group's health. The turnaround after the difficult years 2001-2003 is continuing robustly. Johnny Thijs and all De Post-La Poste employees deserve our gratitude.

De Post-La Poste's progress is also good news for our customers. Only a strong and healthy Group can be a social one. If we are to continue to play our social role as public service provider in the coming years we have to improve our economic and operational strength further, especially as the European postal market continues to open up. Major steps in this direction were taken in 2006. The Board appreciates the efforts of all teams to maintain service quality despite far-reaching changes on the ground.

2006 will go down in the history of De Post-La Poste as the first year of the partnership with Post Danmark-C.V.C. The partnership commenced on 17 January 2006 and twelve months later we can say that things are going smoothly. There is a healthy exchange of information, knowledge and experience, and there is an atmosphere of mutual confidence in the new Board of Directors, all of whose members took up their duties at the same time. This was also confirmed by a recent external evaluation of how the Board is functioning. All partners are united around the Strategic Five-year Plan (2005-2009) and have committed to execute it in full. This unity of vision is promising for the company and strengthens the confidence of all stakeholders.

The partners also agree that De Post-La Poste must continue to assume its social role as universal service provider. De Post-La Poste is there for all citizens all over the country. This social role has a cost and its financing must continue to be guaranteed in the future, even if the market is completely liberalised. This is important in the light of the ongoing debate around the draft third European Postal Directive, which aims at full liberalisation. The continued existence and financing of the universal service must be fully guaranteed, before total market liberalisation is put in place. In that regard, 2007 will be a year of very important decisions.

De Post-La Poste's social commitment is huge, due to the very nature of its activities. After all, we visit every household in the country every weekday.

We have great corporate social responsibility in other areas also. Concern for the environment, for example, but also employee training, support for weaker groups, the promotion of diversity and compliance with good governance rules throughout the company. Much has already been done and we now want to examine what further steps we can take.

**MARTINE DUREZ**



**JOHNNY THIJS,**  
CEO OF DE POST - LA POSTE

## Change brings improvement

2006 was a challenging year, but thanks to the enthusiastic commitment of our 39,000 employees we can look back on the past twelve months with great satisfaction. The results are good and the upwards curve, which started in 2004, continues its climb: turnover is rising – due among other things to our offensive strategy in developing and presenting new solutions and services to our customers –, profitability is increasing and our company's health is gradually but surely improving. I would therefore like to express my sincere gratitude to our employees for their dynamism and support. I would also like to thank our customers for their continued confidence in our service and for their understanding with regards to the changes that have been or are in the process of being introduced.

In 2006 we maintained our drive for change, undertaken to improve the efficiency of our organisation to ever-higher levels. It was not always easy, because when it is so fundamental, change may be met with defiance or suspicion. Thanks to the sense of responsibility and dedication of the De Post-La Poste team, our shareholders, the Board of Directors chaired by Martine Durez, the unions and all those who are involved in our operations, the projects were executed as planned.

2006 was certainly a year of fundamental change :

- In January 2006 the Post Danmark-C.V.C. consortium acquired a stake in De Post-La Poste. A new shareholder with a great deal of postal industry knowledge and experience. A new shareholder that stands squarely behind our Strategic Plan 2005-2009, which it wishes to see implemented in full.
- The newly constructed sorting centres Ghent X and Charleroi X opened their doors in mid 2006. Antwerp X and Liege X have followed and the renovated Brussels X will complete the picture. They all came in on schedule and on budget, and most importantly the transition from old to new sorting centres was realized without any loss of quality. We can be proud of our tight teamwork and project management in successfully rising to this challenge. Our investment in the new sorting centres is worth 200 million euros, which makes it the largest at De Post-La Poste ever.
- We have worked very hard all year on the continued optimisation of our operational processes. By way of example, the mail rounds were again successfully adapted to the new realities on the ground. We are well aware of the great demands made on our employees in terms of flexibility. I value their efforts highly.
- We have also thoroughly rationalised our network of red post boxes. This vigorous restructuring has not threatened the proximity of our network for customers. More post boxes have been placed at busy locations and for the most centrally located post boxes the last collection has been put back.
- Our retail network must achieve financial equilibrium by 2009. Here again, we wish to protect the proximity of our services. As a consequence, we will maintain the number of contact points at their current 1300. Small post offices will disappear, but our network will be augmented by more Post Points, a sales channel that has been well received by our customers from day one.
- Lastly, we successfully completed our Refocus project, splitting the mail and retail activities which demand very different skills, at the local level. Now, everyone can concentrate on his or her own type of business.

As you can see, De Post-La Poste continued to make great strides in 2006. Change brought improvement. Quality improved further. But we can and must do even better. I refer a.o. to the waiting times in post offices during peak hours. Throughout the entire organisation, we have to truly believe that good quality and good value for money make the difference in a market that is heading towards more competition and liberalisation.

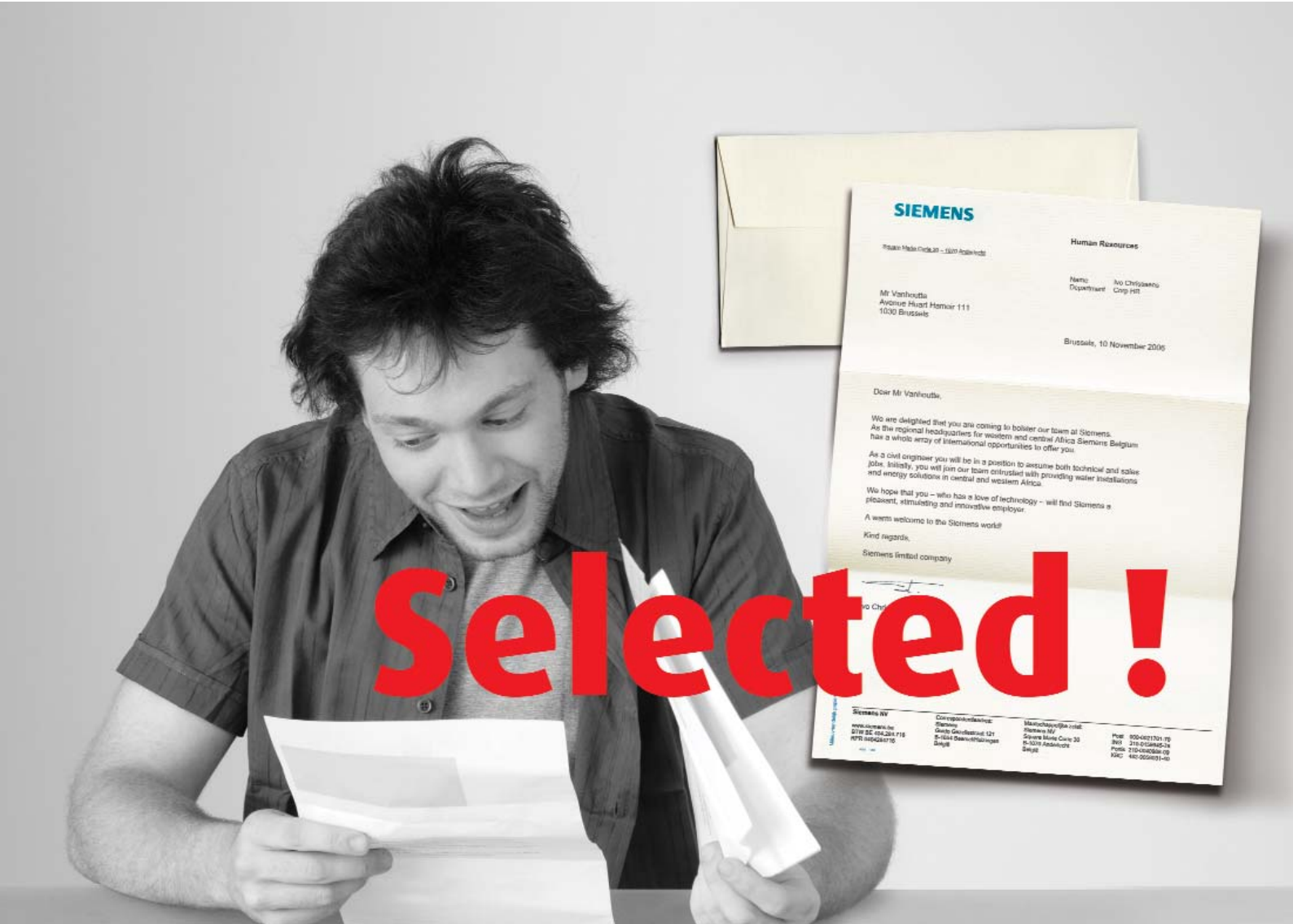
The job is not yet finished. We are halfway through the implementation of our Strategic Plan and we are getting nearer to our main objective: joining the group of the leading European operators. So we have to continue our efforts. More than ever we are motivated to make De Post-La Poste a winner and a stayer in the European marketplace.

They say: "everything is changing..." in our fast evolving world; "... except letters", we would add, with a glint in our eye. Letters will retain their power, whether personal or business correspondence. Letters have a unique power. I noticed this in 2006 when I wrote a letter to more than five million households in our country to explain the changes at De Post-La Poste. The response was stunning. I understood then, more than ever, that our core product has a bright future!

**JOHNNY THIJIS**



# Selecting



**SIEMENS**

Human Resources

Rekin Media Centre - 1000 Antwerpen

Mr Vanhoutte  
Avenue Huard Hemier 111  
1030 Brussels

Name: Mr Christophe  
Department: Corp HR

Brussels, 10 November 2006

Dear Mr Vanhoutte,

We are delighted that you are coming to bolster our team at Siemens. As the regional headquarters for western and central Africa Siemens Belgium has a whole array of international opportunities to offer you.

As a civil engineer you will be in a position to assume both technical and sales jobs. Initially, you will join our team entrusted with providing water installations and energy solutions in central and western Africa.

We hope that you - who has a love of technology - will find Siemens a pleasant, stimulating and innovative employer.

A warm welcome to the Siemens world!

Kind regards,

Siemens limited company

**Selected!**

<b>Siemens NV</b> www.siemens.be SIR 55 04.200.118 RFR 34528710	<b>Correspondence:</b> Siemens Sirey de Ruyterweg 121 B-1034 Daelenplein België	<b>Manufacturing (Belgium):</b> Siemens NV Sirey Mone Camp 33 B-2030 Antwerpen België	<b>Post:</b> 100-0021 1201 19 2001 215-00000014 From: 210-000000 09 RFR 400-00001-00
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## Access in line with the future

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In recent years, the population's needs to access products and services have undergone significant change. In this context, our customers' current demand for access to De Post-La Poste's services and products in different locations at different times is at the heart of our transformation.

Traditionally, access to our products and services was mainly provided by post offices alone. This way of organising our accessibility therefore had to evolve quickly. Not only to ensure that our points of contact will be based on a financially healthy structure from 2009, but also to meet more effectively our customers' new demands.

### DIFFERENT NEEDS, DIFFERENT CHANNELS

The traditional structure for access to our products and services underwent a radical transformation in 2006. In addition to the post offices, which have become fewer in number but offer additional services and better accessibility, almost 100 Post Points have been opened by the end of 2006. These allow customers to benefit from De Post-La Poste basic services during a broad span of opening hours.

This development will continue intensively in 2007. The number of Post Points will be raised to 330, whereas 277 post offices will have closed their doors. In the next two years, all of the contact point network will gradually adapt towards a balance between the two formulas. The total number of these contact points will remain equivalent to the 1,300 currently present in Belgium.

Moreover, contact with our customers continues to develop through other channels. De Post-La Poste's online store, the eShop, has strongly developed since followed up its impressive launch in of 2005. De Post-La Poste's online ordering site has increasingly become an important meeting point for our customers. Over 1 million visitors have registered since its launch, with an average amount per order of over 130 euros. Demand for this type of service is experiencing strong growth and half of eShop's turnover, from its launch in 2005, was realised during the last five months of 2006.

New distribution channels are also in place to strengthen access to our products. The number of supplementary sales outlets (supermarkets, service stations, bookshops, etc.), where our customers can buy stamps rose to over 4,000 in 2006. This is ten times more than in 2004!

The range of products was also strengthened, in particular in supermarkets where, apart from stamps, customers can buy envelopes and pre-stamped packaging. In eight shops operating under the GB brand, a test is also underway with the installation of permanent postboxes that allow customers to send their parcels directly.

### BETTER SERVICES, DELIVERED EVEN MORE EFFECTIVELY

While De Post-La Poste's renewal of contact with its customers involves better accessibility, it also entails better services.

De Post-La Poste's new structure for the network of post offices, which has been effective since June 2006, makes it possible to approach these two goals. By redrawing nationwide territory into 166 stars, the post office network can offer a total number of opening hours that has increased by 20% (mainly at night and at the weekend) and provide a co-ordinated approach for each customer in the zone.

This will to serve even more effectively is also one of the goals of the important Refocus project. This programme involving a reorganisation of the entire company and implemented in 2006 has enabled our staff to be able to concentrate 100% on their profession.

At the same time, investment in staff training continued on a huge scale. Nearly 18,500 days of training were given in 2006 (+11.3%) and close to 21,000 days have been planned for 2007.

Another important point of action is waiting time in De Post-La Poste offices. At the end of 2006, nearly 70 post offices recording significant customer traffic were equipped with a queue management system. This project is based on a global approach to customer flows and also deals with the physical arrangement of the office, its visual aspect and its organisation. The results show a gradual improvement. The first reductions in waiting time may reach nearly 10%. In 2007, the number of post offices equipped with a system of this type should rise to 180.

A special emphasis was also placed on contact with the customer base. The main contact phone number for De Post-La Poste services has become the phone number used by BPO customers. This means that 022/0 1 2 3 4 5 has become a global central contact point for all of our clients.

### THE FIRST ENCOURAGING RESULTS

All of the transformation underway, as well as the sales stimulation programmes are already bearing their first fruits. The savings amounts gathered in 2006 jumped by 13% in 2006, which is better than the market average, with a financial production of close to 900 million euros. De Post-La Poste also became a major partner of the Western Union financial transfer system with over 25,000 transactions per month. Post Points are showing their qualitative complementarity with post offices, as they have already been able to serve more than 300,000 contacts in 2006.



### CONCRETE GOALS

Serving our customers efficiently when they want and in a pleasant environment are the basis for the future of our services of contacts to customers.

Thus, for 2009, eighty per cent of our customers will have to be served in less than five minutes. A renewal of the internal fitting of our De Post-La Poste offices will also be undertaken. In 2007, 120 offices will get a facelift. Finally, the continuous efforts to train staff will be intensified further, with an increase of close to 25%.

One of the major goals of the contact network with the customer base is to achieve a healthy financial situation from 2009. The vast reorganisation implemented and the preliminary results achieved show that we are perfectly in line with this goal.

### FINANCIAL POST WINS ITS WAGER

The radical transformation accomplished in a few years by this essential division illustrates the dynamism that guides all of the company. Financial Post is responsible for managing public and BPO accounts. It has managed not only to rejuvenate itself, it has actually become a benchmark company in the industry in Belgium. In 2006, the main fields of progress were the speed of opening accounts, complaint management, the quality with which transactions were handled and also the fight against fraud which also won Financial Post a special mention as the best service from the Belgian Justice Department.

This demand for quality is the result of an in-depth reorganisation that began three years ago. While all processes and procedures were reviewed and adapted and substantial investments were made in terms of tools and training, it is the continuous investment of an entire team that has allowed this success. As proof of this mobilisation, the satisfaction rate of employees increased by 16% in two years!

Having become a genuine reference, Financial Post will continue its progress while depending once again on the value and coherence of its teams.



## Quality, a daily priority

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For several years, the search for quality in the treatment of mail items entrusted to us has been one of the main drivers for transforming our activities.

2006 marks an important stage in this search because, for the first time, the mail quality goals were set at 95%, which is the maximum goal fixed by the Management Contract.

The first months of the year showed that we were able to reach this goal and even exceed it. The levels of quality reached were equal to or over this 95%, an historical record. We are therefore ready, both mentally and technically, to supply a quality that puts us among the leading European operators.

However, the encouraging results of the first months of the year were subsequently put under pressure. Before the summer, our quality levels began to dip, with Prior mail levels slightly above 90% and Non Prior mail levels at around 95%. Nonetheless, the progress of our quality levels rallied: as from mid-October, our quality levels rose again substantially..

In total, the results of the mail quality for all of 2006 record an advance compared with 2005 : 92% for Prior mail (+0.6%) and 95.3% for Non Prior mail (+0.9%). While the result is slightly below the goal for Prior mail, the goal for Non Prior mail was reached for the second consecutive year.

The pressure recorded on our quality results is essentially due to two features. Firstly, the continuation of our internal reorganisation programmes, mainly at the level of distribution, and then a sizeable surge in mail linked to the electoral period that Belgium experienced in the autumn of 2006. While we showed over the past year that reaching high levels of quality was possible, we still have work to do to guarantee this level on a constant basis. We have to continue our efforts so that internal and external constraints are better absorbed by our organisation.

De Post-La Poste counted on raising these levels of performance for all of its products in 2006. The goal notably was to distribute all newspapers before 7.30 am to all subscribers while packets and national packages, which were previously delivered in D+4, now had to be delivered in D+2. The level of quality reached for this new goal exceeded 94%. As another confirmation of the progress recorded, the level of performance for incoming international mail again reached its goal of 93%.



Guaranteeing constant quality involves more flexible organisation that is even more adapted to sudden changes. In 2007, the STAR programme will be introduced in one hundred post offices in charge of distributing mail. This initiative entitled 'Perfect Post' has already allowed 20 offices to improve their operation independently. In practice, the office is adapted depending on the staff's suggestions, whether this is at the level of arrangement, order and cleanliness or again the clarity of the information supplied. Then, the process dynamically continues in order to sustain a continuous improvement in quality.

### A FLEXIBLE HIGH-PERFORMING ORGANISATION

After experiencing a development in depth with the deployment of the Progeo programme in all delivery offices, the distribution of mail was adapted again in 2006.

This entails continually optimising this essential De Post-La Poste activity, which involves 15,000 employees, while spreading the workload as best as possible.

This new development of the distribution of mail involved nearly 400 delivery offices of the 500 present in the country in 2006. The remainder will be reorganised in the first months of 2007.

The adaptation is firstly based on the development of volumes of mail in terms of quantity but also quality, with the type of mail dealt with by De Post-La Poste evolving over time.

The new organisation also takes account of changes made at the level of our range of services, such as the delivery of all newspapers before 7.30 am or the distribution of packages in D+2.

Through this constant search for efficiency, the distribution of mail can be assured by a reduced number of staff.

We also pursued the optimisation of our network of red letterboxes. The renewal of our range of services involves an adaptation to the essential needs of our customers with a reduced number of letterboxes, but better located on the whole and with later mail collection times. This huge reform was successfully completed in the first weeks of 2007.

### TECHNOLOGY AT THE SERVICE OF OUR CUSTOMERS

The biggest change in 2007 in our business of handling mail was undoubtedly the opening of our new sorting centres. Four sorting centres have opened their doors in recent months and replaced our former infrastructure.

The Ghent X sorting centre was the first to open its doors, followed by Charleroi X, Antwerp X and finally Liege X. The successive moves from the former to the new infrastructures were the subject of intensive supervisory organisation and preparation, which made it possible to make a smooth change without having a substantial impact on the sorting quality thanks to everyone's co-operation.

Our most important sorting centre, Brussels X, is the only maintained in its former location. It also receives a makeover, and its entire infrastructure and equipment will be modernised. Together with the four other sorting centres it forms a coherent infrastructure that can achieve a very high level of performance on a constant basis.

This radical transformation of the core of our operations will gradually modify our whole organisation. This is already the case for our mail collection activities. These activities, grouped within logistic platforms, traditionally involved the collection of mail from our customers, but also a preliminary step of the sorting of mail items.

From now on, these sorting activities upstream of the logistics chain can be grouped within our new sorting centres that offer almost doubled processing capacity. From now on, this operation allows staff in charge of collecting mail items to concentrate on their speciality.

Another consequence of the additional processing capacities in the sorting centres is the possibility of absorbing greater quantities of priority mail. This will make it possible to keep only a priority service for all of the mail that is entrusted to us on an individual basis in 2007.

The technologies used will enable these new sorting centres to offer the possibility over time of centralising all sorting operations for our logistics chain. In practice, it will be possible to entrust sorting centres with operations currently performed downstream of the sorting centres : sorting to carrier route and sequencing.

A new technological leap forward made possible by these new sorting centres is the introduction of 'Mail ID'. This new system allows us to position ourselves at the leading edge of services offered at European level. 'Mail ID' enables De Post-La Poste's major customers to print unique barcodes, in order to identify each of their mail items and final addressees. This system makes it possible to improve the quality and speed of sorting significantly but also to check whether the addresses used by our customers are correct and, if necessary, to correct them.

Our goal is for one letter out of five to benefit from this new service from 2007.



## Succeeding together

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De Post-La Poste's business is a business of people. Our wish is to support and accompany our staff through the transformations that the company is experiencing.

2006 was marked by the practical implementation of major internal change programmes such as Refocus, which effectively separated our operational network from our network of contacts with customers.

The past year also made it possible to prepare two essential advances : a new classification of internal functions and STAR 'working together for results'. These two programmes will be deployed in 2007.



### SEPARATE TO ENSURE BETTER CO-OPERATION

De Post-La Poste has two basic businesses that are very different from each other : one operational and logistic business and a business of contact with customers, notably through its network of post offices.

In the past, many staff worked jointly on these two businesses. For example, this was the case of the postmaster, who was often responsible for mail business and activities performed at the counters of his post office. These businesses were effectively separated on June 6, 2006. From now on, each employee is dedicated to a single basic business and to its specific nature.

A reorganisation of this size also required a redesign of the organisation for many staff. Over 200 information sessions were organised and closely followed by 250 training sessions. A complete selection procedure was organised for access to the newly created posts. It was possible to attribute over 1,000 new specialist functions in both the operational and logistic network and in the customer contact network.

### THE CHALLENGE OF ADAPTING TOGETHER

Accompanying change is not just getting it accepted; it is also improving the working environment and co-operation with teams on a continuous basis.

The success of the delicate transition made during transfers from old to new sorting centres by several thousands of employees perfectly illustrates the results that can be obtained by this approach.

In 2006, our staff training experienced a new advance of 18.4%, which is almost 8,400 additional training days. Moreover, over 6,200 days of training were given to facilitate the changeover to the new sorting centres.

This supply will intensify again this year with the goal of offering 65,000 days of training.

Efforts made to improve security have once again led to encouraging results. In total, 2006 recorded a new fall of over 36% in criminal incidents.

The number of attacks against postmen has reached a historically low level at 11 attacks, which is a new reduction of almost 60% compared with 2005.

For its part, the number of attacks against post offices experienced a slight increase at 38 attacks, which is 12% more than 2005. However, the security measures adopted by De Post-La Poste have proved to be efficient because the majority of these attacks failed. All of the staff members that were victims of these attacks received an offer of support and help. 172 employees were therefore offered support on the same day of these events. This support was provided by a specialized team, which provides victims with counselling. Several prevention campaigns were also arranged, in particular on the topics of critical incidents or the abuses of tobacco.

In 2006, the absenteeism rate was 8.57%, which is a stabilisation compared to 2005. The struggle against absenteeism during this period of in-depth change remains a challenge and will demand further efforts by everyone in the coming years if the goals we have set ourselves are to be reached.

Although much remains to be done, the best indicator of progress recorded is that of the general motivation of our staff, which jumped to 73%, compared to 67% in 2004.

### A CLEARER ORGANISATION

In 2007, De Post-La Poste is implementing a new system to classify functions. Organised previously according to ranks and grades, the functions will be organised according to skills from now on. All jobs, whether “contractual” or “statutory”, are ranked in these categories of skills. De Post-La Poste thus allows everyone to evolve in the company while enhancing the value of his or her skills, regardless of the person’s “status”.

### A “STAR” FOR THE FUTURE

De Post-La Poste has been undergoing constant, intensive change for many years. These changes have been linked to many programmes that accompany and support staff. De Post-La Poste’s goal is to enter a new phase and to transform how we work together in a positive and in-depth manner.

The STAR programme ‘working together for results’ is one of the biggest and most ambitious reforms ever launched by De Post-La Poste. This programme is being deployed in 2007 with the goal of it becoming a concrete reality for all workers in the company from 2010.

STAR is not just preparing us for the future; it makes it possible to anticipate future challenges through a fundamental adaptation of our corporate culture and our way of co-operating.

A high performing company is a firm that offers impeccable quality service to its customers. Total commitment by staff is the key to maintaining this level of performance. This is all the more true in De Post-La Poste businesses, which are essentially based on the quality of the work supplied by its teams.

The STAR programme is based on five pillars which together form its field of action

Customer satisfaction ► The quality of our processes ► Staff motivation ► Teamwork ► Leadership

### A “STAR” A DYNAMIC METHOD

#### 1 – Measuring means knowing

Regular measurements are performed for all fields of results. For example, the Customer First programme gauges the satisfaction of our different customer segments regularly. For its part, the quality of our services supplied internally and externally is measured by several operational indicators according to a strict methodology defined at European level (EFQM). Finally, the employees’ motivation is measured regularly by the corporate barometer.

#### 2 – Sharing knowledge

The measures are discussed by all affected staff through team meetings. At this point, it is essential for everyone to be involved in the analysis of these results and the collective search for solutions. Everyone can therefore contribute efficiently to improving our results at his or her own level.

#### 3 – Constant improvement

The solutions proposed by the field teams can then be deployed.

This process becomes continuous, as the results of these solutions will once again be measured by means of permanent study programmes, while new improvements can be made.

Change becomes a real dynamic process, where everyone can provide responses to the problems that arise and measure the effects factually. In that way, everyone is responsible for results and takes a central position in the constant improvement of our services to our customers. For De Post-La Poste, tackling the future is being able to adapt permanently to its new challenges. STAR is a powerful tool for change initiated directly by and for our staff. Our teams will generate improvement and will continue to maintain it.

## A proactive commercial approach

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Our commercial results were very strong in 2006, with an increase of 5% in comparison to 2005, near double our budgeted target. These excellent results translate across-the-board growth, since all our business lines reported better than expected results. At the same time, despite the strong pressure from electronic means of communication, the decline in our volumes of addressed mail was limited to approximately 1%, which was less than our initial forecast.

This overall success is the result of a strategy based on reinforcing our traditional activities, while developing new markets.

### REINFORCING OUR TRADITIONAL ACTIVITIES

The relatively favourable economic environment in Belgium in 2006 had a positive impact on the results achieved in our core business lines. However, these results were very much driven by the proactive commercial approach implemented on our markets. The performances recorded can thus not be attributed solely to the effects of the economic context or the adaptation of our prices in line with inflation.

First, a key area of action involved boosting our traditional products. We have considerably improved the accessibility of our network, by adding, for example, new points of sale for stamps and prefranked packaging.

The reinforcement of our traditional products also includes effective product promotion and developing innovative solutions. By way of example, we launched major promotional campaigns to support sending traditional greeting cards by post, while offering to customers a new hybrid greeting card, which combines the facility of electronic mailing with the force of a written message when received by the recipient.

Our "DM Boost" programme illustrates perfectly our dynamic approach to boosting our traditional activities. This ambitious programme is the framework for our strategy intended to develop direct marketing, through addressed advertising mail.

De Post-La Poste now plays a key role in the development of this medium, which has very strong growth potential. Our sales teams and advisers, as well as tools, such as the Select Post survey, which we have recently put in place, have enabled us to participate actively in the growth of this market in close co-operation with the key market players.

We consider direct marketing to be a major player in the advertising sector. Direct marketing is a medium in its own right and already represents some 14% of the communication market in Belgium.

### DEVELOPING NEW MARKETS

We are also pursuing a proactive growth strategy on the markets, which are already fully liberalised. Belgian Post International continues to grow rapidly in the area of international mail and now ranks among the top 5 in Europe.

Belgian Post International's success is based on the excellent quality of its service, attractive rates and a customised approach to major international customers. On the Belgian market, we have increased our market share by 15% over the last four years. Belgian Post International has also expanded abroad and has won new benchmark contracts, notably with the Publications Office in Luxemburg for the distribution of all the European Union's publications, as well as with the OECD in Paris.

In addition to our growth on the market for the distribution of dailies, we have also achieved significant growth in our non-addressed mail business. Our market share in this highly competitive sector has grown by 14% over the past six years. We are determined to compete even more strongly on this market, with the launch, among others, of our "PubliPack" offering. This new service enables companies to despatch their advertising leaflets in a more effective and attractive way.

In the parcels and packets sector, we not only increased our market share in 2006, but also recorded a 4% growth in volume. This market is a priority in our commercial development strategy and De Post-La Poste is currently preparing a new offering in this sector.

We are also investing in and developing new markets by focusing on activities closely linked to our traditional business lines, where our expertise can play a decisive role. In this regard, we are particularly

active in the area of document management via Speos, eXbo, Asterion (in France) and Certipost (in partnership with Belgacom), which have become benchmark solution providers, if not leaders in their respective business sectors.

In 2006, thanks to the excellent collaboration between these subsidiaries and De Post-La Poste's operating departments, we won major contracts, such as the contract for the dispatching and management of official healthcare certificates, and the contract for the dispatching, processing and financial management of fines. In 2006 De Post-La Poste also won a contract for the management and transfer of official judicial documents.

In accordance with this approach intended to climb the value chain, we are also developing logistics solutions tailored to the needs of our customers. By pooling our resources, we can now offer integrated stock management and distribution services. This new expertise has already been crowned with commercial success.

#### CLEAR FOCUS

All of these commercial developments are clearly focused. First of all, the quality of the services and products we offer is essential in order to ensure that our customers are satisfied. The performance indicators we have put in place to measure on a regular basis our various mail flows, as well as the quality indicators for packets and parcels, are an essential part of our ongoing commitment to improving quality. In 2006, we recorded our best ever quality results for mail and packets.

Second, the progress contributed by new technologies enables us to boost our development. This contribution is particularly visible in the management of documents where, by putting in place technological solutions, we are able to offer new services or improve existing services, in particular, in the area of secure document exchanges offered by Certipost. The contribution of new technologies has also enabled us to deploy all along our logistics chain dynamic mail and parcel tracking systems.

Third, we are committed to the ongoing improvement of our customer contacts at all levels. Progress in this regard involves a more effective system for handling complaints that may be received from customers, as well as making it easier for customers to access our services.

For example, private customers and small businesses now have access to a single contact number for all our activities : 022/ 0 1 2 3 4 5. Our customers are using this new number with increasing frequency and the number of calls handled every month by our call centre was 100,000 at the end of 2006, almost double the number of calls at the beginning of the year. In addition, dedicated teams have been set up with responsibility for developing solutions tailored to the needs of our major accounts.

Lastly, our commercial development must be able to rely on high-quality managerial staff. Over the past few years, the team with responsibility for marketing, sales and customer service has been considerably strengthened with professionals motivated by the company's opportunities and challenges. By combining its expertise with our traditional strengths this team is at the root of our approach as a whole and the success that we have achieved.



## Customer satisfaction

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In 2006, general customer satisfaction increased slightly, with some 82% of De Post-La Poste's customers declaring that they are satisfied with our services, compared to 81% in 2005 and 78% in 2004. This positive trend is fairly remarkable in a year when De Post-La Poste implemented major changes with far-reaching effects on customer habits.

Customer satisfaction with our red letter-boxes is a perfect illustration of the impact of these changes and the efforts made to respond more efficiently to customer needs. We initiated a large-scale letter-box redeployment programme in 2006, which has now been completed. During the implementation of this programme, the level of satisfaction of our residential customers with the proximity of our red letter-boxes declined. However, the efforts made via this programme to improve the times at which mail is collected from red boxes have resulted in a strong increase in customer satisfaction for this service.

The attention paid to our customers has therefore enabled us to improve most of our key indicators.

Customer satisfaction with mail now stands at 78% (+3%) while 89% of our customers were satisfied with our packets and parcels service (+2%). As regards the distribution of newspapers and dailies, customer satisfaction remains high at 88%.

We also achieved significant improvements in terms of customer satisfaction with the information given to customers, with a score of 81% (+5%), as well as regards customer satisfaction with post office counter services : 75% (+5%).

We also analyse customer complaints as an integral part of our ongoing strategy to measure customer satisfaction. Our centralised complaints system has enabled us to put in place numerous improvement programmes to remedy shortcomings identified. This systematic approach based on a factual analysis enables us to ensure that our actions are carefully focused and to confirm our progress in a vulnerable period initiated by the major changes implemented.

### PEOPLE MOTIVATION

In 2006, De Post-La Poste organised, for the second time, a vast survey on employee motivation. This survey, carried out two years after the first such employee survey, enabled us not only to measure the progress achieved, but also and above all to determine the areas on which we need to focus our efforts. This survey was carried out on an anonymous basis, using a comprehensive questionnaire. In 2006, almost 20,000 questionnaires were circulated among employees. The overall results of the survey show a fairly significant improvement in results.

The motivation score for De Post-La Poste's employees is 73%, which is an increase of 6% in comparison to 2004. The main indicators : general satisfaction, commitment and loyalty increased by 6%, 10% and 3% respectively.

These results are encouraging and reflect the impact of the action plan based on areas for improvement identified in 2004. That is why, once again in 2006, we gave priority to analysing the results and developing an appropriate action plan.

The most striking elements noted included, for example, the need to involve our employees more closely in the organisation of their work, to reinforce collaboration between our employees and to keep them better informed about career prospects in their business line.

Communication is a good example of the improvement in the indicators. In this area, although the general indicator has increased strongly (+8%), we still need to improve considerably the clarity of information provided, as well as individual communication between employees and their line manager.

All the areas requiring attention are integrated in an action plan setting out specific actions for all of the company's departments.

## Acting responsibly

De Post-La Poste's primary responsibility is to provide a universal postal service, which essentially means the distribution of post and parcels five days a week regardless of the location.

However, De Post-La Poste's responsibilities to society go beyond the daily service that it provides to the public.

These responsibilities are linked to the impact of our activities on the environment and our social responsibility.

Major efforts have already been made in these areas but we wish to undertake significant in-depth work in 2007 in order to clarify our actions relative to these two responsibilities. Our goal is to define major indicators relating to our environmental and social responsibility this year and to deploy a co-ordinated action programme throughout all our activities from 2008.

More specifically, as regards our energy impact, De Post-La Poste has already taken the lead and adopted a series of measures.

Our commitment at this level is to reduce our energy consumption substantially through ambitious goals. And thus help our country to meet the expectations of the Kyoto Protocol.

A first axis of this approach is targeted at our fleet of 11,000 vehicles that cross the country daily. Our fleet is gradually being equipped with more modern vehicles that fulfil the strictest European standards, Euro 3 and Euro 4 for our vans and Euro 5 for our trucks.

Our efforts also cover our thousands of mopeds with the arrival of a four-stroke engine that reduces CO<sub>2</sub> emissions by nearly 90 %. Moreover, we were the first European postal operator to test electric scooters suitable for postal distribution operationally.

A second axis of our approach concerns the management of our 300 buildings. The reduction of the energy impact of our stock of real estate is currently being performed by continuous awareness development among our staff, as well as investments intended to reduce our energy consumption. These investments such as, for example, improved insulation have the goal of giving short term positive results at the economic and environmental levels.

In 2007, this energy policy will be given new impetus by basing itself on the experience of our Danish partners. In practice, our action on energy consumption will be grouped and integrated into an 'Energy Care Policy'.

This full approach is based on a permanent measurement system, a team of specialists that acts as a point of contact and relay for the entire company, the definition of practical goals for each department and the integration of the impact of energy as a factor to be taken into account in each decision-making process.

### DE POST-LA POSTE, A DIVERSE COMPANY

De Post-La Poste's workforce is a very good reflection of the composition of society, with its rich diversity of cultures, languages, ages, backgrounds and skills. De Post-La Poste consciously embraces this diversity. We are strongly committed to social justice and equal opportunities for all. Many employees from ethnic minorities already work at our sorting centres and this group is increasingly represented among post delivery staff. De Post-La Poste also employs a significant number of people with a disability, and provides jobs and advancement opportunities to people from all age categories, including older employees. The same attention is given to the full representation of women in our organisation. We want to utilise the diversity policy document approved at the end of 2006 to continue to drive our evolution towards ever-greater diversity and to take on a genuine model function.





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Requesting



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# Corporate Governance

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## GENERAL

As a limited liability company under public law, De Post-La Poste is, in the first place, governed by the Law of 21 March 1991 reforming certain economic public companies (the "1991 Law"). De Post-La Poste is governed by the Belgian Companies Code for all matters not specifically envisaged by the 1991 Law.

As an unlisted company, De Post-La Poste, is not subject to the Belgian Code on Corporate Governance (Lippens Code) of 9 December 2004. De Post-La Poste nevertheless wishes to commit itself to comply with the philosophy of Corporate Governance principles laid down in the Lippens Code on Corporate Governance and the OECD's Guidelines on Corporate Governance of State-owned Enterprises. Some of these principles have already been implemented in the Charter of the Board of Directors and the Committees (see "charter of the Board of Directors and the Committees" hereunder for more information).

The main characteristics of De Post-La Poste's governance model are as follows :

- a Board of Directors that defines the general policy and strategy of De Post-La Poste and supervises the operational management;
- a Strategic Committee, an Audit Committee, a Remuneration and Nomination Committee within the Board to assist and make recommendations to the Board;
- a Managing Director who is responsible for the operational management and who has powers of day-to-day management that are delegated to him by the Board of Directors;
- a Management Committee that, in addition to the powers entrusted to it by the 1991 Law, assists the Managing Director in the exercise of his powers;
- the separation of the mandates of Chairperson of the Board of Directors and Managing Director within the company.

## BOARD OF DIRECTORS

### Powers and functioning

The Board has the authority to take all necessary and useful actions to realise the corporate object of the company, except those reserved to other bodies.

The functioning of the Board of Directors and the Committees promotes the transparency of decisions and their consequences. The Board has adopted charters to implement and specify the rules of good governance and transparency in its operation.

The Board meets at least four times a year at the initiative of the Chairperson or the Managing Director, whenever the interests of the company demand it and whenever at least two Directors request it. It met seven times in 2006.

The Board can deliberate only if at least half of the members are present or represented. All the decisions of the Board are taken by simple majority. However, the Board can only deliberate and decide on matters covered by Article 27 § 2 of the articles of association if at least two category A Directors (appointed by Royal Decree, after consultation in the Council of Ministers) and two category B Directors (chosen by the electoral college which is made up of all the company's shareholders that are not public authorities) are present or represented; the decisions on these matters can only be adopted with the majority of seventy-five per cent of the votes.

In addition, by virtue of the 1991 Law, the following decisions require a two-thirds majority :

- Approval of all renewals or amendments to the Management Contract;
- The taking of participations in companies, associations and institutions that exceed one of the thresholds laid down in Article 13, §2, paragraph one, of the 1991 Law.

In the event of a tie the Chairperson's vote prevails.

The Managing Director presents a monthly activity report on the company's day-to-day management and reports on the financial situation at every meeting. The follow-up of decisions taken at previous meetings is also discussed at every meeting.

## BOARD OF DIRECTORS



### Composition

After consultation in the Council of Ministers, the King appoints by Royal Decree five category A Directors. Four category B Directors are chosen by the electoral college, which is made up of all the company's shareholders that are not public authorities, from the candidates proposed by the holders of category B shares deciding by simple majority. The Managing Director is a member of the Board, but is neither a category A nor a category B Director.

Since 17 January 2006, Martine Durez has been Chairperson of the Board of Directors, which, beside the Chairperson, now comprises the following members :

- Arthur Goethals (A)
- Luc Lallemand (A)
- Christian Leysen (A)
- Jean-François Robe (A)
- Geert Duyck (B)
- Helge Israelsen (B)
- Søren Vestergaard - Poulsen (B)
- Fritz Schur (B)
- Johnny Thijs (Chief Executive Officer)

The remuneration of members of the Board of Directors was established by the General Meeting of Shareholders of 25 January 2000 as follows (gross remuneration per annum) :

- 29.747 euros for the Chairperson, who also chairs the Joint Industrial Committee (Paritair Comité / Commission Paritaire) of De Post-La Poste without a fee or remuneration (the Joint Committee met 12 times in 2006)
- 14.875 euros for the other Directors.

### CHARTER OF THE BOARD OF DIRECTORS AND THE COMMITTEES

The Board has adopted charters to implement and specify the rules of good governance and transparency in its operation. These charters comprise the rules with respect to :

- The role of the Board of Directors and the Committees at the one hand and of the Management Committee and the Managing Director on the other;
- The role of the Chairperson and the General Secretary;
- The periodic reporting to the Members of the Board on the progress and the implementation of the Business Plan and other important developments regarding the Company's activities;
- Requirements to which the members of the Board of Directors need to comply in order to ensure that they have the adequate experience, expertise and competences to fulfill their duties and responsibilities;
- Provide a set of rules aimed at avoiding conflicts of interests and providing guidance on how to inform The Board in a transparent way in case they do occur. The Board can decide to exclude the member who has a conflict of interest in the deliberations and votes on that subject.

The Board will evaluate and improve its activities on a continuous basis to steer the Company in the best way possible.

## MANAGEMENT COMMITTEE

**COMMITTEES CREATED BY THE BOARD OF DIRECTORS**

The Board of Directors has established three Committees, which are responsible for assisting the Board of Directors and making recommendations in specific fields. They are the Strategic Committee, the Audit Committee, and the Remuneration and Nomination Committee.

**Strategic Committee**

The Strategic Committee is responsible for assisting the Board of Directors in defining the group's strategy. Among other things, it makes recommendations on the strategic orientations of the company, the business plan, and acquisition and partnership opportunities. The Strategic Committee is composed as follows :

- Johnny Thijs
- Luc Lallemand
- Helge Israelsen
- Christian Leysen
- Fritz Schur

**Audit Committee**

The Audit Committee is responsible for assisting the Board of Directors in accounting, audit and internal control matters. Among other things, it makes recommendations on the accounting policy, the examination of the accounts, the control of the budget, the examination of the reliability of financial information, and the organization and monitoring of the system of internal controls.

In addition to reviewing audit reports, the Committee monitors the work and the activities of the internal Audit Department. The Director of the internal Audit is accountable functionally to the Chairperson of the Board of Directors and administratively to the CEO. The Audit Committee is composed as follows :

- Helge Israelsen
- Arthur Goethals
- Jean-François Robe
- Geert Duyck

**Remuneration and Nomination Committee**

The Remuneration and Nomination Committee is responsible for making recommendations concerning management appointments and remuneration. Among other things, it makes recommendations on the appointment of the CEO and the remuneration of members of the Management Committee, and any share schemes that could be adopted for executives and staff.

The Remuneration and Nomination Committee is composed as follows :

- Martine Durez
- Arthur Goethals
- Geert Duyck
- Helge Israelsen

### MANAGING DIRECTOR AND THE MANAGEMENT COMMITTEE

After consultation in the Council of Ministers, the King appoints by Royal Decree the Managing Director for a renewable period of six years. If the Chairperson of the Board of Directors is a Dutch-speaker, the Managing Director must be a French-speaker or vice-versa.

The Managing Director is responsible for the operational management and has powers of day-to-day management that are delegated to him by the Board of Directors. He represents the company within the framework of the daily management and the powers delegated to him. This representation includes the exercise of the voting rights attached to shares and interests owned by the company.

The Managing Director regularly reports to the Board and makes recommendations to it concerning the operations, activities and management of the company.

A remuneration of 0.9 million euros was paid to the Managing Director for the year ending 31 December 2006. (2005 : 0.8 million euros). The Managing Director was awarded 174 share options (2005 : N/A) under the Employee Stock Option Plan.

The Managing Director is assisted in the management of the company by a Management Committee, composed as follows :

- Bernard Delvaux : Director Mail Operations
- Luc Luyten : Director Human Resources and Organisation
- Baudouin Meunier : Director Sales & Marketing and Subsidiaries
- Koen Van Gerven : Director Retail and Financial Services
- Johan Vinckier : Director Central Operational Services, ICT & Certipost
- Pierre Winand : Chief Financial Officer

The Management Committee assists the CEO in the management of the company. The Management Committee is also competent as a College to negotiate all renewals and amendments to the Management Contract concluded between the State and the Company. Management Committee members are granted powers at operational level.

A remuneration of 2.8 million euros was paid to the members of the Management Committee, not including the Managing Director, for the year ending 31 December 2006 (2005 : 3.0 million euros). They were awarded 324 share options (2005 : N/A) under the Employee Stock Option Plan.

The Board has decided to create the position of General Secretary. This position is held by Jean-Luc Paternoster. One of his tasks is to ensure compliance with the legal and statutory measures by the social bodies. The General Secretary is also secretary of the Management Committee and the Board of Directors.

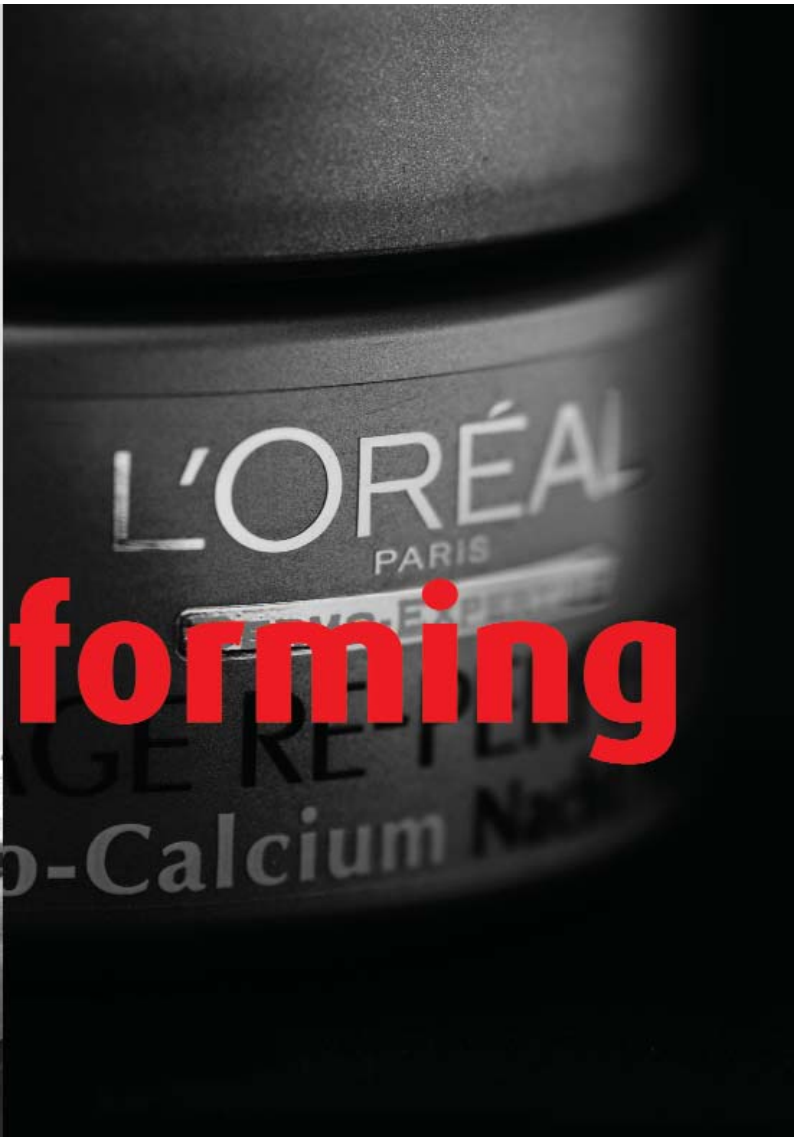
### BOARD OF AUDITORS

A two-member Board of Auditors is responsible for auditing the annual accounts and ensuring that the accounts are accurate. The composition of this Board appointed by the General Meeting of Shareholders of De Post-La Poste is as follows :

- Ernst & Young represented by Pierre Anciaux
- Burg. C.V. Grant Thornton, Lippens & Rabaey, represented by Marleen Mannekens

### GOVERNMENT COMMISSIONER

The Government Commissioner is Els Houtman. She represents the Minister under whose responsibility public companies reside, and monitors compliance with the law, the company's articles of association and the Management Contract.



**Informing**



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THE FUTURE OF MY SKIN

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The never fit so good. Silver slipping. How old I can probably face a lot to walk that... But when you get just only your skin is your health and it's in trouble. It's not even in the face of it but the fact about is important. They're not going to happen! I want to feel beautiful and feel great. It's not too late to give my face the care it deserves. Follow my lead and tell about the future of your skin!

Dear Ms. Wishes,

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OPEN NOW - FREE SAMPLE INCLUDED AND THE CHANCE TO WIN ONE OF A HOST OF PRIZES!

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# Consolidated financial statements 2006

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## 1. SELECTED FINANCIAL FIGURES

Millions EUR for the year ended 31 December	2006	2005
<b>P&amp;L and B/S key figures</b>		
Operating Income	2,230.5	2,123.7
Payroll costs	(1,414.9)	(1,414.2)
Other operating costs	(679.6)	(728.2)
Profit from operating activities (EBIT)	135.9	(18.6)
Profit attributable to equity holders	96.0	154.6
<b>Equity</b>	<b>799.2</b>	<b>416.3</b>
<b>Other key figures</b>		
EBITDA	228.9	147.9
Operating free cash flow	87.6	53.3
Net cash	594.2	522.1
Earnings per share	217.8	-614.0
Dividend per share	103.5	0.0
Number of employees (headcount at year end)	39 373	40 286
Number of employees (FTE at year end)	35 207	36 026

## 2. MILESTONES IN 2006

### 2.1. Regulatory level

#### *De Post N.V. - La Poste S.A. becomes subject to corporate tax*

Since 1 January 2006 and pursuant to the program law of December 27, 2005 (B.G 30.12.05), De Post N.V. - La Poste S.A., the main company within the Group, has become subject to corporate tax.

#### *Finalization of the partnership with Post Danmark A/S and C.V.C.*

On 17 January 2006, the partnership between De Post N.V.-La Poste S.A. and the consortium made of Post Danmark A/S and C.V.C. was finalized and approved by the company's Extraordinary General Meeting.

On the same date, the company's share capital was increased by 340 million euros, from 443.8 million euros to 783.8 million euros, by means of the issuance of 27 323 new A shares and 204 918 new B shares.

The Belgian State remains directly and indirectly the main shareholder of De Post N.V.-La Poste S.A. with 50% of the shares plus 1 share whilst the consortium holds 50% of the shares minus 1 share. Following the finalization of the partnership and of the capital increase, the shareholding structure of De Post N.V.-La Poste S.A. is as follows :

Shareholder	Type of shares	Number of shares	% of shares
Belgian State	A	98 900	24.13%
Société Fédérale de Participations et d'Investissement S.A. / Federale Participatie- en Investeringsmaatschappij N.V.	A	106 020	25.87%
Post Invest Europe S.a.r.l.	B	204 918	50.00%

Société Fédérale de Participations et d'Investissement S.A. / Federale Participatie- en Investeringsmaatschappij N.V. is an investment company wholly owned by the Belgian State.

Post Invest Europe S.a.r.l. is ultimately controlled by Post Danmark A/S and C.V.C.

The Belgian State, Société Fédérale de Participations et d'Investissement S.A. / Federale Participatie- en Investeringsmaatschappij N.V. and Post Invest Europe S.a.r.l. have also signed a shareholder's agreement that organizes, among other things, how the shareholder will share control over De Post N.V.-La Poste S.A.

As a result of the partnership, the company's Board of Directors was restructured. The Board is chaired by Mrs. Martine Durez. In addition, the Board includes Johnny Thijs, Chief Executive Officer, four representatives of the Belgian State and of the Société Fédérale de Participations et d'Investissement S.A. / Federale Participatie- en Investeringsmaatschappij N.V. and four representatives of the consortium.

The partnership allows De Post-La Poste to continue its modernization by re-enforcing its skills and its know-how. De Post-La Poste will benefit from the many years of experience that Post Danmark has built during its own process of modernization as well as the expertise of C.V.C. in financial matters. The partnership also delivers the financial means necessary to meet the significant challenges ahead.

#### ***Market opening***

On October 18th 2006, the European Commission issued its proposal for a third postal directive. The Commission stated that its objective was "to achieve an internal market for postal services through the removal of exclusive and special rights in the postal sector, safeguard a common level of universal services for all users in all EU countries and set harmonized principles for the regulation of postal services in an open market environment, with the aim of reducing other obstacles to the functioning of the internal market".

In practice, the proposed new postal directive implies :

- Full market opening as of 1 January 2009 meaning no reserved area nor special rights to any postal operator ;
- Maintenance of the universal service obligation in the current scope ;
- Each member state to appoint the universal service provider(s) whereby the preferred method would be public tendering ;
- Each member state to determine how the net cost or unfair burden of the universal service obligation will be funded : state aid, state purchase, compensation fund, "pay or play" or any other method compliant with European law.

The proposal contains a wide range of options left open for Member States such as the financing methods for the net cost of the universal service and the licensing schemes. However, this subsidiarity is conditioned by the obligation to respect the European law principles of "proportionality", "objectivity" and "least market distortion".

Currently, De Post-La Poste is the universal service provider for Belgium. In order to fund the net cost of the obligation, De Post-La Poste benefits from a "reserved area" in the segment of letter mail weighting less than 50 grams and priced less than 2.5 times the Prior tariff.

Prior to the issuance of its proposal, the European Commission published the results of a prospective study performed by PricewaterhouseCoopers (May 2006). In line with the regulatory requirements in the current second postal directive, the study has assessed the impact per Member State on the provision of the universal service in case of full market opening in 2009.

As to Belgium, PricewaterhouseCoopers outlines that full market opening in 2009 will have a significant negative impact on the financial equilibrium of De Post -La Poste and therefore suggests flanking measures to mitigate the impact of full market opening on the provision of universal service and on De Post-La Poste. PricewaterhouseCoopers outlines that Belgium is likely to offer good opportunities to new entrants, who would likely capture significant shares of the most profitable markets in this dense, highly

urbanized country, taking advantage of a low labor cost ratio when working with self-employed people compared to working with employees or civil servants. The high delta between those two working situations is due to fiscal and para-fiscal pressure and is recognised by PricewaterhouseCoopers as being the highest in the European Union.

PricewaterhouseCoopers states further that cream skimming by new entrants could threaten the financial viability of De Post-La Poste itself, if it cannot adapt its labor force. PricewaterhouseCoopers suggests to introduce flexibility into the status of civil servants and to negotiate the same collective convention for the entire Belgian postal sector. Furthermore, the study emphasizes the need to suppress the obligation of tariff uniformity for bulk mail and the need to increase franchising of post offices. For Belgium, PricewaterhouseCoopers concludes that if the above matters are resolved, there might still be a need to provide some financing mechanism for the universal service obligation. As to PricewaterhouseCoopers, price increases are only partially effective and suggest that the most effective means of financing the universal service obligation would be a state subsidy.

De Post-La Poste along with nine other European postal operators serving together over 50% of the population of the European Union publicly expressed their concern regarding the proposed directive in particular regarding the financing of the universal service obligation. They noted that the mechanisms proposed by the European Commission as substitute for the reserved area are untested both in operational and in financial terms and do not provide an appropriate legal protection. The postal operators therefore requested that effective financing mechanisms be identified and implemented before the system of the "reserved area", which has a proven track record, be abolished.

The proposed directive follows the co-decision procedure and is being discussed by the European Parliament and by the Council of Ministers.

#### *Secondary legislation*

Two Royal Decrees entered into force in April 2006. They contain regulatory rules with respect to the following items: licensing and declaration conditions for postal operators, the methodology for the calculation of the unfair burden of the universal service, the price-cap regulation, penalization regime in case of non compliance with the quality of service standards, compensation fund.

## **2.2. De Post-La Poste**

### *Opening of new sorting centers*

In 2006, three completely new sorting centers were opened: Gent X on 2 May, Charleroi X on 14 August and Antwerpen X on 6 November. The construction of 4 new sorting centers (Liège X opened on 8 January 2007) and the complete overhaul of Brussels X (to be completed in 2007) are key steps in De Post-La Poste's modernization plan. The total cost of the investment program is estimated at 200 million euros over a period of 4 years, 65 million euros of which was invested in 2006.

The new or overhauled sorting centers benefit from the latest technology in Optical Character Recognition ('OCR') and sorting allowing a significant improvement in quality and in productivity. This will in turn allow De Post-La Poste to eliminate its regional sorting platforms and to sort mail according to the distribution rounds.

The simultaneous construction of 4 sorting centers and their delivery on time and on budget as well as the migration of our operations and personnel from our current sorting platforms to the new ones without any loss in quality represented a very significant technological, organizational and human challenge. De Post-La Poste's success in meeting this challenge demonstrates the skills and know-how of its teams.

***Re-organization of distribution***

In the course of 2006, De Post-La Poste has launched a new phase of the optimization of the distribution rounds, the so-called Georoute 2 project. The objective of the project is to use route planning software and techniques to optimize the rounds of our mail distributors. By the end of 2006, Georoute 2 was implemented in 80% of our distribution offices.

***Split of our retail and mail organizations***

Until June 2006, the retail and mail distribution organizations shared some resources at local management and back-office level. The main drawback of this organization was that the retail and mail distribution activities are quite distinct in nature, one more commercial and the other more logistics, and require an increasing level of training and specialization. Since 6 June 2006, the two organizations are fully separate with each personnel member being fully dedicated to either retail or mail distribution.

***Evolution of our retail network***

In 2006, 49 Post Points were opened to reach a total of 95. Post Points are retail points owned and operated by third party partners under agency contracts. They are usually located in shopping areas in order to be accessible to as many customers as possible. They offer a number of postal services such as sale of stamps, issuance and collection of registered mail, collect points for parcels, etc...

During the year, post offices were clustered in larger commercial entities and the product and service offering was differentiated between postal offices. This organization allows several retail outlets to coordinate their activities to provide the best possible service to their customers and to have the maximum commercial impact.

In 2006 still, based on a full reorganization of the opening hours, 637 wholly-owned post offices are now open Saturday mornings and 777 are open until 7 pm one day per week.

On 22 November 2006, De Post-La Poste announced its intention to replace, in 2007, 277 small wholly-owned post offices by new Post Points in order to ensure a postal presence in each entity that enjoyed the benefits of a Post office. This measure, which will be executed without any forced dismissals, is designed to ensure the financial and commercial viability of our retail network.

**3. COMMENTS ON FINANCIAL STATEMENTS****3.1. Income Statement**

De Post-La Poste realized during the 2006 financial year a profit after tax of 96.1 million euros (2005 : 154.6 million euros). Compared to last year the operating performance and the financial results have improved, but this effect is totally counter-balanced by the introduction as of 1 January 2006 of corporate taxes which impacted positively 2005 and negatively 2006.

At the operating result level (EBIT), the company registered a profit of 135.9 million euros (2005 : loss of 18.6 million euros). This improvement is driven by the increase of the operating income which rose by ca. 5% to reach 2,230.5 million euros (2005 : 2,123.7 million euros). Operating expenses decreased by 2%, mainly driven by changes in depreciations, amortizations and impairments and other operating charges.

Millions EUR	2006	2005	Delta
<b>Operating Income</b>	<b>2,230.5</b>	<b>2,123.7</b>	<b>5%</b>
Materials cost	-47.0	-43.9	7%
Services and other goods	-511.3	-468.3	9%
Wages, salaries, social charges and pensions	-1,414.9	-1,414.2	0%
Other operating charges	-28.3	-49.4	-43%
<b>Total cash operating costs</b>	<b>-2,001.5</b>	<b>-1,975.8</b>	<b>1%</b>
<b>EBITDA</b>	<b>228.9</b>	<b>147.9</b>	<b>55%</b>
Depreciation, Amortization and Impairments	-93.0	-166.5	-44%
<b>EBIT</b>	<b>135.9</b>	<b>-18.6</b>	<b>-</b>
Financial Results	35.3	-3.1	-
<b>Ordinary result before taxation</b>	<b>171.3</b>	<b>-21.8</b>	<b>-</b>
Taxes	-77.9	177.9	-
Equity pick-up	2.8	-1.5	-
<b>Result after tax (EAT)</b>	<b>96.1</b>	<b>154.6</b>	<b>-38%</b>

Income Statement, 2005-2006

Both 2005 and 2006 were impacted by a series of non-recurring items which affected the operating profit and the result after tax. Normalized EBITDA exclude the impact of those non-recurring items.

Millions EUR	2006	2005	Delta
<b>Reported EBITDA (*)</b>	<b>229.0</b>	<b>147.9</b>	
BPO Usufruct	-1.9	-16.0	
Onerous contract WTC	0.0	-13.7	
Pending Litigations Provision	6.3	6.0	
Accounting corrections on balance sheet	0.3	3.2	
Clean up receivables	0.0	1.1	
WTC lease contract termination agreement	0.0	20.0	
Provisions CLA 2005-2006	0.0	46.8	
One-off payment new insurance distribution contract	0.0	-10.0	
<b>Normalized EBITDA</b>	<b>233.7</b>	<b>185.3</b>	<b>26%</b>

Normalized/Pro-forma EBITDA 2005-2006  
(\*) EBITDA = EBIT - Depreciation, amortization and impairment

### Operating Income

The Group's operating income rose by ca. 5% to 2,230.5 million euros (2005 : 2,123.7 million euros). All our operating activities contributed to this growth.

Millions EUR	2006	2005	Evol Eur	Evol %
<b>Mail</b>	<b>1,725</b>	<b>1,628</b>	<b>96</b>	<b>5.9%</b>
Domestic Mail	1,338	1,285	52	4.1%
International Mail	348	306	42	13.9%
Philately	38	37	1	4.0%
<b>Retail &amp; Financial Services</b>	<b>225</b>	<b>203</b>	<b>22</b>	<b>11.0%</b>
Parcels & Express	96	91	5	5.5%
Unaddressed Mail	69	60	9	14.5%
Document Management	112	104	9	8.4%
Corporate Services	41	61	-20	-32.6%
Intercompany Transactions	-38	-23	-14	60.6%
<b>De Post-La Poste</b>	<b>2,231</b>	<b>2,124</b>	<b>107</b>	<b>5.0%</b>

Operating Income 2005-2006

The Mail segment of activities, representing 77% of the Group's operating income, showed an increase of 5.9% year on year.

Domestic Mail revenues improved by 4.1% (52 million euros). This increase can be decomposed as follows :

- the remuneration for the mail-related public service work carried out by De Post-La Poste increased by 21.9 million euros following the signature of the new Management Contract.
- Direct Mail revenues increased by 11.8 million euros mainly driven by the Telecom/Utilities/Public sector, while the mail order and the routers sectors are structurally decreasing.
- Administrative Mail is 16.4 million euros above last year. The main contributors to the growth are the banking and the telecom sectors
- Press has benefited from a revenue increase of 5.7 million euros thanks to the success of the delivery before 7.30 am and a price increase.
- Daily and Registered Mail revenues decreased by 3 million euros vs. last year as volumes continued the downward trend of the previous years.

The International Mail activity registered a growth of its revenues of 14% (42 million euros). This growth is attributable to all product groups :

- Outbound social mail volumes are in total 3% higher than last year thanks to a favorable product mix between eurozone and the rest of the world.
- Inbound mail revenue exceeds the 2005 figures by 9.5 million euros This evolution is mainly linked to the final settlements on activities relating to previous years.
- Outbound Business Mail, increased by 14 million euros driven i.e. by the new contract with European Union's "Office des Publications".

Compared to last year, the Retail & Financial Services division increased its revenues by 22 million euros mainly due to the increase in the income relating to public service work, the commissions received from our 50% affiliate, Banque de La Poste - Bank van De Post ("BPO") and the remunerations for the back-office work performed by the Financial Post.

Parcels and Express revenues grew by 5 million euros thanks to the Kilopost product and the addition of some large customer accounts to the clientele portfolio.

Unaddressed Mail benefited from higher volumes in the newspaper segment and a gain in market share in the unaddressed activity for Deltamedia.

Document Management revenues improved by 9 million euros mainly attributable to eXbo and Speos Belgium thanks to the contract with the 'RIZIV / INAMI - Federal Social Security Administration' concerning the provision of the healthcare certificates.

#### ***Operating costs***

De Post-La Poste's operating costs for 2006 amounted to 2,094.6 million euros (2005 : 2,142.3 million euros), a 2.2% decrease compared to 2005.

The raw material, consumables and goods for resale amounted to 47.0 million euros, an increase of 3.1 million euros or 7%.

The costs for goods and services increased by 42.9 million euros or 9.2% vs. 2005 and can be analyzed as follows :

Millions EUR	2006	2005	Evol Eur	Evol %
Rent & Rental Costs	54.0	38.8	15.2	39.1%
Maintenance and repairs	63.5	63.3	0.3	0.4%
Energy delivery and other goods	62.0	54.1	8.0	14.7%
Postal and telecom costs	9.9	11.2	-1.2	-11.0%
Insurance costs	20.4	20.2	0.2	1.1%
Transport costs	115.8	99.0	16.8	17.0%
Publicity and advertising	12.4	11.8	0.6	5.3%
Interims and Consultancy	75.1	62.0	13.1	21.1%
Third party remuneration, fees	84.5	93.6	-9.1	-9.7%
Other services	13.6	14.5	-0.9	-6.0%
<b>Total</b>	<b>511.3</b>	<b>468.3</b>	<b>42.9</b>	<b>9.2%</b>

Goods and Services 2005-2006

- Rent and rental costs increased due to a change in accounting treatment of the WTC lease contract. The replacement of the old lease contract by a new agreement in 2006, results in a reclassification of the contract as operational lease (rental costs), whereas it was treated as a financial lease in 2005 (investment)
- Maintenance shows an increase of 0.3 million euros due to higher vehicle maintenance costs.
- Energy delivery and other goods are negatively impacted by the increase of heating costs in buildings (2.7 million euros), by the increase in car fuelling (1.3 million euros) and by the increasing expenses of the costs for the restaurants, for which purchases are organized via Sodexho.
- Telecom costs decreased by 1.2 million euros, as a result of the cost awareness efforts.
- Transport costs increase is mainly due to the growth of our international mail activities. Terminal dues and transport costs relating to this activity have risen by 13 million euros. The price of transport costs for personnel related transport increased by 1 million euros.
- Publicity and advertising costs are 0.6 million euros higher than last year.
- Interim costs increased by 14.8 million euros compared to last year. Interims are used to cover short-term needs in manpower or to bridge short to medium term gaps for significant projects. Our usage of interims in 2006 was influenced by the increase in absenteeism in the second part of the year and by the additional work involved in the start up of and migration to the new sorting centers. Costs for consultancy decreased by 1.7 million euros.
- Third party remuneration and fees decreased by 9.1 million euros mainly due to the lower use of contractors by Taxipost and Deltamedia as Group own resources were better utilized.

Our payroll costs amounted to 1,414.9 million euros in 2006 (2005 : 1,414.2 million euros). This represents an increase of 0.7 million euros.

The positive impact of the reduction of the workforce by 707 FTE on average was compensated by an increase of the average salary cost, mainly due to indexations in September 2005 and November 2006 and the increase in seniority.

In comparison to 2005, depreciation, amortization and impairment charges decreased by 73.5 million euros. This is mainly related to the impairment of 80 million euros on amounts receivable relating to the 3rd Management Contract registered in 2005.

Other operating charges decreased by 21.1 million euros mainly due to the non-recurrent cost of the WTC lease contract termination agreement for 20 million euros in 2005.

The evolution of the financial income and the financial charges impacts positively the net result by ca. 35 million euros, consequence of the significantly improved cash position of The Group. Net financial income is further analysed in chapter 9.9.

Corporate taxes evolve from 177.9 million euros in 2005 to -77.9 million euros in 2006. De Post N.V.-La Poste S.A. became liable to the corporate income tax as from January 1st 2006. On December 31st 2005,

De Post N.V.-La Poste S.A. recognized a deferred tax asset of 179.6 million euros. The cumulative impact of the change in tax status is included in the net profit and loss for the year 2005. In 2006, De Post N.V.-La Poste S.A. recorded a tax charge on its results of the year.

### 3.2. Balance Sheet

#### Assets

The balance sheet total amounted to 2,488.1 million euros in 2006, corresponding to an increase of 15.7% versus 2005. This is explained partly by the rise in current assets, and more specifically the increase in investment securities.

Property, plant and equipment increased by 14.6 million euros versus last year. This growth can be decomposed as follows :

- new acquisitions for an amount of 126.4 million euros of which 65 million euros relate to the new sorting centers
- depreciation and impairment losses (82.2 million euros)
- transfers to assets held for sale (29.7 million euros)

Intangible assets grew by 18% mainly attributable to The Group's investments in software (22.2 million euros) and the consequent development costs, partly compensated by the related amortizations (15.7 million euros).

The investment in associates decreased by 50.4 from 131.1 million euros to 80.7 million euros, reflecting the reduction in the unrealised gains on the BPO's bond portfolio (-39.9 million euros), the pickup of our share of BPO's 2006 results (4.0 million euros) and finally the dividend distribution of the BPO (-2.0 million euros).

Investment property fell by 2.1 million euros from 2005 to 2006 driven by a reduction in the number of owned rental properties.

Long term trade and other receivables decreased by 9.7 million euros due to the settlement of the invoices related to the sale of the Brussels 4 building.

Current assets increased from 1,146 million euros to 1,540.6 million euros. This rise is mostly explained by the growth in the investments securities (353.2 million euros). This was due to the financial investments made in :

- Commercial papers (140.5 million euros)
  - Various asset management contracts (211.3 million euros) that include a capital guarantee clause at maturity. The asset management agreements allow different investment strategies involving acquisitions and disposals of various types of financial instruments, in many cases a mixture of risk-free assets and risk-bearing assets (a wide range of derivative and non-derivative financial instruments, including structured notes and investments in collective investment schemes). The initial investment amounted to 203 million euros, while the unrealized return for 2006 amounted to 8.3 million euros
- The amount of assets held for sale almost doubled from 2005 to 2006 to reach 20.7 million euros mainly due to the expected sale of the site of the former Antwerpen X sorting center.

Trade and other receivables decreased by 18 million euros to 412.1 million euros. This is attributed to year-on-year reduction of our trade receivables driven by the decrease in the settlement of terminal dues and other customers, while deferred charges and accrued income increased by 14 million euros due to the anticipated payment of the rents and the various year-end accruals.

Cash and cash equivalents rose by 14% to 594.2 million euros in 2006 (for details see chapter Cash Flow Statement).

**Liabilities**

The equity increased by 91.9% from 416.3 million euros to 799.2 million euros. The issued capital grew by 340 million euros as a result of the capital increase realized in January 2006 in the framework of the partnership between De Post-La Poste and the PIE consortium. The consolidated reserves increased by 101.5 million euros, resulting on the one hand from the inclusion in the 2005 retained earnings (154.6 million euros) counterbalanced, on the other hand, by the unrealized losses on the bond portfolio of the BPO for 53.1 million euros. End 2006, the retained earnings amounted to 96 million euros.

Non-current liabilities declined by 41.5 million euros to reach 717.2 million euros (2005 : 758.7 million euros). This is mainly caused by a decline of 7.2% in the employee benefits which decreased by 49.4 million euros driven by the utilization of the early retirement provision (-56.9 million euros), the decrease of the work related accident provision (-2.1 million euros) and the increase in post employment and long term employment benefits (+9.6 million euros).

The non current provisions increased by 9.3 million euros attributable to the provisions constituted for litigations and environmental obligations (16.5 million euros), partially compensated by various utilizations (3.5 million euros) and reversals (4.5 million euros).

The current liabilities decreased by 3.5 million euros to reach 971.7 million euros in 2006. This decline was mainly attributed to a decrease in our payroll and social security and other payables, partly compensated by an increase in our trade payables.

**3.3. Cash Flow Statement**

The cash flow from the operating activities generates a cash inflow of 219.6 million euros in 2006 vs. 215.4 million euros in 2005.

The 2006 figures primarily consist of :

- an operating profit from The Group of 135.9 million euros ;
- non cash-items : depreciations and impairments of both property, plant and equipment, intangible assets and assets held for sale (93.0 million euros), the differential in employee benefit obligations (-49.4 million euros) mainly due to the utilization of the early retirement provision
- the reduced needs in working capital (46.9 million euros)
- the inflow from interests received/paid of 35.2 million euros
- the prepayment of the corporate taxes for an amount of 38.7 million euros.

The 2005 figure is composed of clearly different impacts :

- an operating loss from The Group of 18.6 million euros ;
- non cash-items : depreciations and impairments (166.5 million euros) ; the decrease in employee benefit obligations between 2004 and 2005 by 78.6 million euros.
- a significant reduction of the need for working capital of 153.5 million euros, primarily from "trade and other payables" (128 million euros). This contains 54 million euros of other payables, 35 million euros of payroll and social security payables (30 million euros related to rest arrears), 22.5 million euros related to 679-account debts and 16.1 million euros due to other debts related to other postal products. The inflow from "trade and other receivables" takes into account an amount of 36 million euros related to the invoice to the State.
- the cash outflow of interests received/paid of 3.2m
- a very limited tax impact (3.7 million euros) (De Post N.V.-La Poste S.A. is only subject to corporate tax since 2006).

The cash outflow from the investing activities amounts to 132.1 million euros over 2006 (2005 : 162.2 million euros). The 2006 investments break down into 126.4 million euros for tangibles, 24.1 million euros for intangibles and 1.0 million euros for other investments. Cash-out related to investments in

subsidiaries which are not fully consolidated (Certipost) represents 1.9 million euros. Disposals of Property, Plant and Equipment provide a cash inflow of 21.4 million euros.

The free operational cash flow amounts to 87.6 million euros in 2006 (2005 : 53.3 million euros).

The cash outflow emanating from the financing activities amounts to 15.5 million euros in 2006, compared to a 39.5 million euros outflow in 2005. The 2006 amount breaks down into :

- The capital increase by Post Invest Europe S.a.r.l. (300 million euros) and the Société Fédérale de Participation et d'Investissement S.A. / Federale Participatie- en Investeringsmaatschappij N.V. (40 million euros).
- A combined impact of (re-)paid loans and lease debts for 2.3 million euros.
- Investment of cash in securities for -353.2 million euros as the proceeds of the capital increase were invested in investment grade or capital-guaranteed securities

The total cash flow stemming from these three components represents a net increase in cash & cash equivalents of 72 million euros.

#### 4. RISKS AND UNCERTAINTIES

January 1, 2006 marked a new stage in the liberalisation of the postal market. In this increasingly competitive context, De Post-La Poste is adopting internal measures and procedures to manage and limit the regulatory risks.

The company is involved in a number of litigations in the ordinary course of business. These risks and the outcome of the litigations are not always predictable. In these cases, no provision is made.

#### 5. CONSOLIDATED INCOME STATEMENT

Millions EUR for the year ended 31 December	Note	2006	2005
Turnover	9.7 a	2,184.6	2,057.2
Other operating income	9.7 b	46.0	66.5
<b>Total operating income</b>		<b>2,230.5</b>	<b>2,123.7</b>
Materials cost	9.19	(47.0)	(43.9)
Payroll costs	9.8	(1,414.9)	(1,414.2)
Services and other goods		(511.3)	(468.3)
Other operating expenses	9.7 b	(28.3)	(49.4)
Depreciation, amortization and impairment		(93.0)	(166.5)
<b>Total operating expenses</b>		<b>(2,094.6)</b>	<b>(2,142.3)</b>
<b>Profit from operating activities (EBIT)</b>		<b>135.9</b>	<b>(18.6)</b>
Net financing costs	9.9	35.3	(3.1)
Share of result of associates	9.14	2.8	(1.5)
<b>Profit from ordinary activities</b>		<b>174.0</b>	<b>(23.2)</b>
Income tax expense	9.10	(77.9)	177.9
Profit from discontinued operations		-	-
<b>Consolidated net profit for the period</b>		<b>96.1</b>	<b>154.6</b>
Of which :			
Minority interest		0.1	(0.0)
Equity holders of the Company		96.0	154.6

**6. CONSOLIDATED BALANCE SHEET**

Millions EUR as at 31 December	Note	2006	2005
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9.11	773.1	758.5
Intangible assets	9.12	54.9	46.6
Investment securities	9.13	2.7	2.7
Investments in associates	9.14	80.7	131.1
Investment property	9.15	13.9	16.0
Income tax receivable	9.16	21.1	38.8
Trade and other receivables	9.17	1.0	10.7
		<b>947.4</b>	<b>1,004.3</b>
<b>Current assets</b>			
Assets held for sale	9.18	20.7	10.3
Investment securities	9.13	385.1	31.9
Inventories	9.19	8.7	10.2
Income tax receivable	9.16	119.9	141.3
Trade and other receivables	9.17	412.1	430.1
Cash and cash equivalents	9.20	594.2	522.1
		<b>1,540.6</b>	<b>1,146.0</b>
<b>Total assets</b>		<b>2,488.1</b>	<b>2,150.3</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital		783.8	443.8
Reserves		-80.7	-182.2
Retained earnings		96.0	154.6
Minority interest		0.1	0.0
		<b>799.2</b>	<b>416.3</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	9.21	30.8	32.3
Employee benefits	9.22	629.9	679.3
Trade and other payables	9.25	9.4	9.4
Provisions	9.24	46.4	37.1
Deferred tax liabilities	9.16	0.7	0.7
		<b>717.2</b>	<b>758.7</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	9.21	5.1	6.0
Bank overdrafts	9.20	0.1	0.1
Provisions	9.24	7.4	8.5
Income tax payable	9.16	0.4	0.0
Trade and other payables	9.25	958.7	960.7
		<b>971.7</b>	<b>975.3</b>
<b>Total liabilities</b>		<b>1,688.9</b>	<b>1,734.0</b>
<b>Total Equity and liabilities</b>		<b>2,488.1</b>	<b>2,150.3</b>

**7. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**

Millions EUR	Issued capital	Non distributable reserves	Other reserves	Retained earnings	Minority interests	Total
As per 31 December 2004	603.6	-	(328.7)		-	274.9
Total recognized gains and losses			(13.2)			(13.2)
Shares issued						-
Transfer	(159.8)		159.8			-
Result of the year				154.6	0.0	154.6
As per 31 December 2005	443.8	-	(182.2)	154.6	0.0	416.3

Millions EUR	Issued capital	Non distributable reserves	Other reserves	Retained earnings	Minority interests	Total
As per 31 December 2005	443.8	-	(182.2)	154.6	0.0	416.3
Total recognized gains and losses			(53.1)	-		(53.1)
Shares issued	340.0					340.0
Transfer			154.6	(154.6)		-
Result of the year				96.0	0.1	96.0
As per 31 December 2006	783.8	-	(80.7)	96.0	0.1	799.2

Other reserves per December 31st 2006 are composed of 100.2 million euros of Legal Reserve, 9.2 million euros of Earnings of prior years (considered as consolidation reserves) and -190.2 million euros of Consolidation Reserve.

Millions EUR	Total Number of shares	Share class A		Share class B	
		Number of shares <sup>(*)</sup>	Million Euro	Number of shares	Million Euro
As per 31 December 2005	177 597.0	177 597.0	443.8	-	-
Changes during the year	232 241.0	27 323.0	40.0	204 918.0	300.0
As per 31 December 2006	409 838.0	204 920.0	483.8	204 918.0	300.0

(\*) the 177.597 shares include 78.697 shares owned by the Société Fédérale de Participations et d'Investissement S.A. / Federale Participatie- en Investeringsmaatschappij N.V., of which the special rights were aligned to the class A shares by the capital increase of 2006.

The shares are without par value. As per shareholder's agreement dated January 17th 2006, Post Invest Europe S.a.r.l. is entitled to a minimum dividend of 10 million euros on the results of 2006 and 2007.

**8. CONSOLIDATED CASH FLOW STATEMENT**

Millions EUR for the year ended 31 December	2006	2005
<b>Operating activities</b>		
EBIT	135.9	-18.6
Depreciation, Amortization and impairment	93.0	166.5
Loss/(gain) on sale of property, plant and equipment	-5.2	-0.7
Change in employee benefit obligations	-49.4	-78.6
Interest received	37.7	21.4
Interests paid	-2.5	-24.6
Change in deferred revenue balance (BPO)	0.0	0.2
Dividends received	2.0	0.0
Income tax paid	-38.7	-3.7
<b>Cash flow from operating activities before changes in working capital and provisions</b>	<b>172.7</b>	<b>62.0</b>
Decrease/(increase) in trade and other receivables	28.0	17.9
Decrease/(increase) in inventories	1.5	1.4
Increase/(decrease) in trade and other payables	9.3	128.1
Increase/(decrease) in provisions	8.2	6.2
<b>Cash flow from operating activities</b>	<b>219.6</b>	<b>215.4</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	19.3	2.1
Proceeds from sale of investments	2.1	11.8
Acquisition of property, plant and equipment	-126.4	-147.1
Acquisition of intangible assets	-24.1	-26.6
Acquisition of other investments	-1.0	-1.4
Acquisition of subsidiaries, net of cash acquired	-1.9	-0.9
<b>Cash flow from investing activities</b>	<b>-132.1</b>	<b>-162.2</b>
<b>Financing activities</b>		
Proceeds from the issue of share capital	340.0	0.0
Proceeds from borrowings	0.7	0.1
Repayment of borrowings	-2.7	-10.5
Payment of financing lease liabilities	-0.3	-1.0
Change in Investment Securities	-353.2	-28.0
Dividends paid	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-15.5</b>	<b>-39.5</b>
<b>Total</b>	<b>72.1</b>	<b>13.8</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalent less bank overdraft as of 1 January	522.1	508.3
Cash and cash equivalent less bank overdraft as of 31 December	594.2	522.1
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>72.1</b>	<b>13.8</b>

## 9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9.1. General information

#### Business activities

De Post N.V. - La Poste S.A. and its subsidiaries (hereinafter referred to as "De Post-La Poste") provide national and international mail services comprising the collection, transport, sorting and distribution of mail, printed documents, newspapers as well as addressed and non-addressed documents.

De Post-La Poste, through its subsidiaries and business units, also sells a range of other products and services, including postal, banking and financial products, express delivery services, document management and related activities. De Post-La Poste also carries out public-interest activities on behalf of the State.

#### Staffing level

De Post-La Poste's headcount amounted to 39 373 at 31 December 2006 (2005 : 40 286). The number of FTE at year-end amounted to 35 207 (2005 : 36 026).

#### Legal status

De Post-La Poste became a limited-liability company under public law at the beginning of 2000. The new articles of association approved by the RD of 17 March 2000 were published in the Belgian Gazette on 22 March 2000. De Post-La Poste has its registered office at the Centre Monnaie - Muntcentrum, 1000 Brussels.

#### Financial Statements

These IFRS consolidated financial statements at 31 December 2006 were adopted by the Board of Directors on 12 April 2007. The numbers contained in this document are expressed in millions of euros, unless stated otherwise.

#### Board of Directors

The company's Board of Directors is made up as follows :

- Chairperson of the Board of Directors :

• Martine Durez

- Non-executive Directors :

• Arthur Goethals

• Geert Duyck

• Helge Israelsen

• Søren Vestergaard - Poulsen

• Fritz Schur

• Jean-François Robe

• Luc Lallemand

• Christian Leysen

- Managing Director :

• Johnny Thijs

### 9.2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union up to 31 December 2005.

### 9.3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

#### **Basis of preparation and declaration of conformity with IFRS**

The consolidated financial statements of The Post for the period ended 31 December 2005 have been drawn up for the first time in compliance with IFRSs (International Financial Reporting Standards), published to date, i.e. the standards published by the International Accounting Standards Board (IASB) and the interpretations published by the IFRIC (International Financial Reporting Interpretations Committee).

Up until 31 December 2004, the consolidated financial statements of The Post were solely prepared in conformity with the statutory and regulatory requirements applicable in Belgium. These rules differ from IFRSs in certain areas. The accounting policies previously applied therefore had to be adjusted to comply with IFRSs. The new accounting policies have been applied uniformly to all the periods presented in these consolidated financial statements. The figures for the year 2006, the comparative figures for the year 2005 and the opening balance sheet at 1 January 2005 (the date of transition) have been restated in accordance with IFRS 1 "First-time adoption of IFRS".

The impact of the transition to IFRSs on the opening equity at 1 January 2005, the 2005 income statement and the equity at 31 December 2005 is explained in Note 9.4.

These consolidated financial statements have been prepared under the historical cost convention, as modified by certain revaluations previously recorded in the statutory accounts and retained in the IFRS accounts, by certain financial assets and liabilities measured at fair value, and certain other assets measured on the basis of their discounted value.

#### **Consolidation**

The parent company and all the subsidiaries it controls are included in the consolidation. No exception is permitted.

#### **Subsidiaries**

Assets and liabilities, rights and commitments, income and charges of the parent and its subsidiaries that it controls exclusively are consolidated in full. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. It is presumed to exist when De Post-La Poste holds at least 50%, plus one share of the entity's voting power; these presumptions may be rebutted if there is clear evidence to the contrary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether De Post-La Poste controls an entity.

Consolidation of a subsidiary takes place from the date of acquisition, which is the date on which control of the net assets and operations of the acquiree is effectively transferred to the acquirer. From the date of acquisition, the parent (the acquirer) incorporates into the consolidated income statement the financial performance of the acquiree and recognises in the consolidated balance sheet the acquired assets and liabilities (at fair value), including any goodwill arising on the acquisition. Subsidiaries are de-consolidated from the date on which control ceases.

Intragroup balances and transactions and unrealised gains and losses on transactions between Group companies are eliminated in full.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

**Goodwill and negative acquisition differences**

Where an entity is acquired, the difference recorded on the date of acquisition between the acquisition cost of the investment and the fair value of the identifiable assets, liabilities and contingent liabilities acquired is accounted for as goodwill (if the difference is positive) or directly as a profit in the income statement (if the difference is negative).

In accordance with the exemption that is allowed under IFRS 1, De Post-La Poste has not restated business combinations that arose prior to 1 January 2005 (date of transition to IFRSs). Goodwill that was reported in the statutory consolidated financial statements at 31 December 2004 is kept unchanged in the IFRS opening balance sheet, subject to an impairment test.

Goodwill is not amortised but is tested for impairment (1) at 1 January 2005 for goodwill that already existed in the Belgian consolidated accounts and (2) annually thereafter.

**Intangible assets**

An intangible asset is recognised on the balance sheet where the following conditions are met : (1) the asset is identifiable, i.e. either separable (if it can be sold, transferred, licensed) or it results from contractual or legal rights; (2) it is probable that the expected future economic benefits that are attributable to the asset will flow to De Post-La Poste; (3) De Post-La Poste can control the resource; and (4) the cost of the asset can be measured reliably.

Two criteria are specified with regards to the application of the IFRS norms : the ICT developments (1) have to be part of projects that are approved by the PAC (Project Assessment Committee) and (2) must have a positive net present value. This in line with the IAS 38 definition, requiring that the activated development days generate future benefits.

Intangible fixed assets are carried at acquisition cost (including the costs directly attributable to the transaction, but not indirect overheads) less any accumulated amortisation and less any accumulated impairment loss.

Within De Post-La Poste, internally generated intangible assets represent mainly IT projects. The expenses in relation to the research phase are charged to the income statement. The expenses in relation to the development phase are capitalized.

Intangible assets are amortised on a systematic basis over their useful life, using the straight-line method. The applicable useful lives are :

<b>Intangible assets</b>	<b>Useful life</b>
IT development costs	5 years maximum
Licences for minor software	3 years
Concessions, patents, customers, know-how, trade marks and other similar rights	to be determined on a case by case basis
Goodwill	N/A, but annual impairment test

**Property, plant and equipment**

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Cost includes any directly attributable cost of bringing the asset to working condition for its intended use. No borrowing cost is included in the cost of property, plant and equipment.

Expenditure on repair and maintenance which serve only to maintain, but not increase, the value of fixed assets are charged to the income statement. However, expenditure on major repair and major maintenance, which increases the future economic benefits that will be generated by the fixed asset, is identified as a separate element of the acquisition cost.

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, except for vehicles. For vehicles, it is the acquisition cost less the residual value of the asset at the end of its useful life. The applicable useful lives are :

Property, plant and equipment	Useful life
Land	N/A
Central administrative buildings	40 years
Network buildings	40 years
Industrial buildings, sorting centres	25 years
Fitting-out works to buildings	10 years
Tractors and forklifts	10 years
Bikes and motorcycles	4 years
All other vehicles (cars, trucks,...)	5 years
Machines	10 years
Furniture	10 years
Computer Equipment	5 years

#### Lease transactions

A finance lease, which transfers substantially all the risks and rewards incident to ownership is recognised as an asset and a liability at amounts equal to the present value of the minimum lease payments (= sum of capital and interest portions included in the lease payments) or, if lower, the fair value of the leased assets. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability in order to obtain a constant rate of interest on the debt over the lease term. The depreciation policy for leased assets is consistent with that for similar assets owned.

Rentals paid/received under operating lease (one that do not transfer substantially all the risks and rewards incidental to ownership of an asset) are recognised as an expense by the lessee/ as an income by the lessor on a straight-line basis over the lease term.

#### Investment properties

Investment properties are carried at acquisition cost less any accumulated depreciation and less any impairment loss. The depreciation amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method.

#### Assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale under a separate heading in the balance sheet if their carrying amount is recovered principally through sale rather than through continuing use. This is demonstrated if certain strict criteria are met (active program to locate a buyer has been initiated, property is available for immediate sale in its present condition, sale is highly probable and is expected to occur within one year from the date of classification).

Non-current assets held for sale are no longer depreciated but may be impaired. They are stated at the lower of carrying amount and fair value less costs to sell.

#### Stamp collection

The stamp collection that is owned by De Post-La Poste and used durably by it is stated at the revalued amount less discount for the lack of liquidity. The revalued amounts are determined every five years on the basis of official prices.

#### Impairment of assets

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell (corresponding to the cash that De Post-La Poste can

recover through sale) and its value in use (corresponding to the cash that De Post-La Poste can recover if it continues to use the asset).

When possible, the tests have been performed on individual assets. When however it is determined that assets do not generate independent cash flows, the test is performed at the level of the cash-generating unit (CGU) to which the asset belongs (CGU = the smallest identifiable group of assets that generates inflows that are largely independent from the cash flows from other CGUs).

An impairment test is carried out annually for a CGU to which goodwill is allocated, but only where there is an indication of impairment for a CGU to which no goodwill is allocated. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Where impairment is identified, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit. Any excess is then allocated to reduce the carrying amount of other fixed assets of the CGU in proportion to their book values, but solely to the extent that the selling price of the assets in question is lower than their carrying amount. Impairment on goodwill may never be reversed at a later date. Impairment on other fixed assets is reversed if the initial conditions that prevailed at the time the impairment was recorded cease to exist, and solely to the extent that the carrying amount of the asset does not exceed the amount that would have been obtained, after depreciation, had no impairment been recorded.

### **Inventories**

Inventories are measured at the lower of cost and net realisable value at the balance sheet date.

The acquisition price of interchangeable inventories is determined by application of the FIFO method (first in, first out). Inventories of minor importance whose value and composition remain stable over time are stated in the balance sheet at a fixed value.

The cost of inventories comprises all costs incurred in bringing inventories to their present location and condition, including indirect production costs. The cost price of stamps includes the direct and indirect costs of production, excluding costs of borrowing and overheads that do not contribute to bringing them to the present location and condition. The allocation of fixed costs of production to the cost price is based on normal production capacity.

A write-down is necessary when the net realisable value at balance sheet date is lower than the cost.

### **Revenue recognition**

Revenue arising from the sale of goods is recognised when an entity transfers the significant risks and rewards of ownership and collectibility of the related receivable is reasonably assured.

Revenue from the rendering of services is recognised according to the stage of completion of the services rendered. In application of this principle, the revenue relative to the stamp and franking machine activity is recognised in income at the time the mail is delivered.

De Post-La Poste also receives commissions on sales of partner products through its network of post offices. Commission income is recorded at the time the services are provided.

### **Receivables**

Receivables are initially measured at their nominal value and later at their amortised cost, i.e. the present value of the cash flows to be received (unless the impact of discounting is not significant).

An individual assessment of the recoverability of the receivables is made. Impairment is recognised where cash settlement is wholly or partially doubtful or uncertain.

Prepayments and accrued income are also presented under this caption.

#### **Investment securities**

Investments securities are initially measured at the fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.

They are subsequently classified in different categories. Measurement of financial assets depends on their classification in one of the following categories :

- 1 - Financial assets held for trading include (a) derivatives and (b) assets that De Post-La Poste has voluntarily decided to classify in the category "at fair value through profit or loss" at the time of initial recognition. These financial assets are measured at their fair value at each balance sheet date, changes in fair value being recognised in the income statement.
- 2 - Held-to-maturity financial assets are financial assets, other than derivatives, with fixed or determinable payments and fixed maturity dates, which De Post-La Poste has the positive intention and ability to hold to maturity. These assets are measured at amortised cost using the effective interest method.
- 3 - Term deposits at more than three months are also measured at amortised cost.
- 4 - Available-for-sale financial assets constitute a residual category that includes all the financial assets not classified under one of the previous categories, for instance investments in equity instruments (other than shares in subsidiaries, jointly controlled entities and associates), investments in open-ended mutual funds and bonds that De Post-La Poste has neither the intention nor the ability to hold to maturity. These available-for-sale financial assets are measured at fair value, with changes in fair value recognised directly in equity until the financial assets are de-recognised, at which time the cumulative gains or losses previously recognised in equity are recycled in profit or loss.

Regular way purchases or sales of financial assets are recognised and de-recognised using settlement date accounting.

The fair values of the financial assets are determined by reference to published price quotations in an active market.

#### **Cash and cash equivalents**

This caption includes cash in hand, at bank, values for collection, short-term investments (with maturity date not exceeding three months as from acquisition date) that are highly liquid and are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value, after deduction of bank overdrafts. These are presented along with the financial liabilities.

#### **Share capital**

Ordinary shares are classified under the caption "share capital".

Treasury shares are deducted from equity. Movements of treasury shares do not affect the income statement.

#### **Employee benefits**

##### *Short-term benefits*

Short-term benefits are recognised as an expense when an employee has rendered the services to De Post-La Poste. Benefits not paid for on the balance sheet date are included under the caption "Payroll and social security payables".

***Post-employment benefits and long-term benefits***

Employee benefits are valued using an actuarial valuation method and provisions are set up for them (under deduction of any plan assets) in so far as De Post-La Poste has an obligation to incur the costs in relation to these benefits. This obligation can be a legal, contractual or constructive obligation ("vested rights" on the basis of past practice).

In application of these principles, a provision (calculated according to an actuarial method laid down by IAS 19) is set up in the context of the post-employment benefits to cover :

- the future costs relative to current retirees (a provision representing 100% of the future estimated costs of those retirees);
- the future costs of potential retirees, estimated on the basis of the employees currently in service, taking account of the accumulated service of these employees on each balance sheet date and the probability that the personnel will reach the desired age to obtain the benefits (the provision is constituted progressively, as and when members of the personnel advance in their careers).

A provision is also created for long-term benefits to cover benefits that will only be paid in a number of years but that are already earned by the employee on the basis of the past service. Here, as well, the provision is calculated according to an actuarial method imposed by IAS 19.

The provision is calculated as follows :

Actuarial valuation of the obligation under IAS 19

- Past service costs not yet recognised (solely for post-employment benefits)
- + Actuarial gains/- actuarial losses not yet recognised (solely for post-employment benefits)
- Fair value of the plan assets

-----  
= Provision to be constituted (or asset to be recognised if the fair value of the plan assets is higher).

The calculation of the obligation is done using the projected unit credit method. Each year of service confers entitlement to an additional credit unit to be taken into account in valuing the benefits granted and the obligations pertaining thereto. The discount rate used is the yield of high-quality corporate bonds or is based on government bonds with a maturity similar to that of the benefits being valued.

In the event that the benefits are modified, there is a past service cost that is recognised in the income statement (an expense for the year if there is an increase in benefits, profit for the year in the event of a reduction in benefits). Only in the case of post-employment benefits is the past service cost spread over the period that the employees may yet have to work in order to qualify for the benefits. The benefits vest immediately in De Post-La Poste. Any modification to these benefits therefore has a direct impact on the income statement.

Actuarial assumptions (concerning the discount rate, mortality factor, costs of future benefits, inflation, etc.) are used to assess employee benefit obligations in conformity with IAS 19. Actuarial gains and losses inevitably appear, resulting (1) from changes in the actuarial assumptions year on year, and (2) deviations between actual costs and actuarial assumptions used for the IAS 19 valuation. In the case of long-term benefits, these actuarial gains and losses are recognised directly in the income statement. In the case of post-employment benefits, De Post-La Poste has opted (a) not to recognise actuarial gains and losses that remain within a corridor of 10% of the higher of the following amounts : the amount of the IAS 19 obligation and the fair value of the plan assets, and (b) to spread in the income statement the actuarial gains and losses that fall outside this corridor over a period equal to the average length of the employees' residual service period.

**Termination benefits**

Where De Post-La Poste terminates the contract of a member of its personnel prior to his normal retirement date or where the employee voluntarily agrees to leave in consideration for benefits, a provision is constituted in so far as there is an obligation on De Post-La Poste. This provision is discounted if the benefits are payable after more than one year.

The benefit obligation plan of the employee benefits is wholly unfunded.

**Provisions**

A provision is recognised only when :

- 1 - De Post-La Poste has a present (legal or constructive) obligation as a result of past events;
- 2 - it is probable (more likely than not) that an outflow of resources will be required to settle the obligation; and
- 3 - a reliable estimate of the amount of the obligation can be made.

Where the impact is likely to be material (mainly for long-term provisions), the provision is estimated on a net present value basis (discount factor). The increase in the provision due to the passage of time is recognised as a financial expense.

A provision for restoring polluted sites is recognised if De Post-La Poste has an obligation in this respect. Provisions for future operating losses are prohibited.

If De Post-La Poste has an onerous contract (the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), the present obligation under the contract is recognised as a provision.

A provision for restructuring is only recorded if De Post-La Poste demonstrates a constructive obligation to restructure at the balance sheet date. The constructive obligation should be demonstrated by : (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

Dividends payable in respect of year N are only recognised as liabilities once the shareholders' rights to receive these dividends (during the course of year N+1) are established.

**Income taxes**

Income tax includes current taxation and deferred taxation. Current taxation is the amount of taxes to be paid (recovered) on the taxable income for the current year together with any adjustment in the taxes paid (to be recovered) in relation to previous years. It is calculated using the rate of tax on the balance sheet date.

Deferred taxation is calculated according to the liability method on the temporary differences arising between the carrying amount of the balance sheet items and their tax base, using the rate of tax expected to apply when the asset is recovered or the liability is settled. In practice, the rate in force on the balance sheet date is used.

Deferred taxes are not recognised in respect of : (1) goodwill that is not amortised for tax purposes; (2) the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit; and (3) investments in subsidiaries, branches, associates and joint ventures if it is likely that dividends will not be distributed in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable

that taxable profit will be available against which the deductible temporary difference can be utilised. The same principles apply to recognition of deferred tax assets for unused tax losses carried forward. This criterion is reassessed on each balance sheet date.

Deferred taxes are calculated at the level of each fiscal entity. The deferred tax assets and liabilities of various subsidiaries may not be presented net.

#### 9.4. Impact of the transition to IFRS

The impact of the transition to IFRS on the consolidated opening equity on 1 January 2005, the 2005 consolidated income statement and the consolidated equity at 31 December 2005 is explained below.

	Equity on 1/01/2005	Income statements 2005	Capital increase and other changes in equity	Equity on 31/12/2005
<b>BGAAP accounts</b>	<b>650.5</b>	<b>-108.0</b>	<b>-1.5</b>	<b>541.0</b>
Employee benefits	-443.4	19.9		-423.4
Property, plant & equipment	123.3	27.0		150.2
Intangible assets	10.2	1.1		11.4
Leases	-24.7	25.0		0.3
Investment Obligation (BPO)	-22.2	0.4		-21.8
Impairment of assets	-72.1	23.5		-48.6
Inventories	0.6	0.0		0.6
Provisions	32.1	-11.3		20.8
Financial Instruments	-27.6	6.2		-21.4
Deferred tax	0.1	179.2		179.3
Investment in equity-accounted companies	51.5	0.0	-13.2	38.3
Non-current assets held for sale	-3.2	0.7		-2.5
Other	-0.2	-9.0	1.5	-7.7
<b>TOTAL IFRS restatements</b>	<b>-375.7</b>	<b>262.6</b>	<b>-11.7</b>	<b>-124.7</b>
<b>IFRS accounts</b>	<b>274.9</b>	<b>154.6</b>	<b>-13.2</b>	<b>416.4</b>

#### Employee benefits

De Post-La Poste grants its working and retired personnel post-employment benefits, long-term benefits, termination benefits and allowances in the event of an industrial accident which occurred before 1.10.2000. Asterion group, a subsidiary of De Post-La Poste, offers its personnel only post-employment and other long-term employee benefits. All these benefits have been valued in conformity with IAS 19 (See Note 9.22).

In application of the principles of IAS19, a provision in the sum of 443.4 million euros has been created as of the date of transition of which 260.7 million euros for the post-employment benefits and 179.3 million euros for the long-term benefits. It is, however important to highlight that part of the employee benefits' related provisions are included in BGAAP. Consequently, the amount disclosed in IFRS 1 as IAS 19 impact corresponds to the pure transition effect and does not include the totality of the employee-related liabilities.

#### Property, plant and equipment

Under IAS 16 "Property, Plant and Equipment", IFRS depreciation charges must reflect economic reality. In practice, the depreciation periods have been extended for the majority of the property, plant and equipment compared to the depreciation periods used in the Belgian accounts.

For property, plant and equipment, a component approach has been adopted : the cost of acquisition has been broken down into its major components, and they have been depreciated over their specific useful lives.

Retrospective application of these principles has led to an increase in the carrying amount of property, plant and equipment of 123.3 million euros as at 1 January 2005, of which 74 million euros is for land and buildings, 42.7 million euros is for machinery and equipment and 6.6 million euros is for vehicles.

#### **Intangible assets**

The equity on the date of transition was positively impacted (10.2 million euros) as a result of the activation of the costs of internal IT developments (14.2 million euros). These costs, which for the most part were expensed in the income statement in the Belgian accounts, have been capitalised in the IFRS accounts in accordance with IAS 38 "Intangible assets." On the other hand, several amounts that do not meet the definition of an asset under IFRS are eliminated (-4.0 million euros).

#### **Leases**

The impact recognised on 1 January 2005 (decrease in equity of 24.7 million euros) is explained by the reclassification as a financial lease of a long-term lease contract over a property used by De Post-La Poste, the net book value of the property (after depreciation calculated retrospectively) being less than the amount of the unpaid lease liability on that date. This is also explained by the recognition of certain financial leases within the group Asterion.

#### **Investment Obligation BPO**

As a result of selling the "Postchèques" activity to BPO, De Post-La Poste engaged a contractual obligation to invest 99.6 million euros in certain classes of assets used for the Group's banking activities under the penalty of having to reimburse this amount. IFRS does not allow a partial disposal of long-term assets. Hence the accounting treatment must reflect the situation as if the long-term assets had been kept in the books of De Post-La Poste and had been amortized at a 100%. A negatively impact of 22.2 million euros in equity is recognised on 1 January 2005.

#### **Impairment of assets**

In accordance with the requirements of IFRS 1, an impairment test was carried out on the goodwill appearing in the Belgian consolidated accounts on the date of transition in accordance with the methodology set down by IAS 36 "Impairment of assets." The test led to a decrease of 5.9 million euros on the goodwill of the subsidiary Asterion.

An impairment test was also carried out over the real estate properties of De Post-La Poste. An impairment loss of 25.6 million euros was booked on the properties in the Retail segment whose book value was not supported by either their fair value less costs to sell or their value in use determined on the basis of the expected cash flows for the segment.

De Post-La Poste decided to replace certain sorting centers with new sorting centers, construction of which had commenced in 2004. De Post-La Poste made an assessment of the recoverable amount of the sorting centers at December 31, 2004 on the basis of the estimated selling price and depreciation until the date of disposal. An impairment loss of 30.8 million euros is recognized at 31 December 2004 in the IFRS financial statements in respect of land and buildings and of 9.7 million euros in respect of sorting machinery and equipment.

#### **Inventories**

The increase in equity (0.6 million euros) on 1 January 2005 concerns various adjustments to the inventory of supplies (the spare parts of the sorting centers).

#### **Provisions**

As is shown by the summary of accounting principles in Note 9.3, the criteria for recognition of a provision

are more severe under IFRS than under Belgian accounting law. Various provisions that appear in the Belgian accounts have therefore been eliminated in the IFRS financial statements (provision for major repairs and maintenance in the sum of 6 million euros, provision for own insurance in the sum of 12.7 million euros) or reduced (provision for The WTC in the sum of 26.9 million euros).

On the other hand, a provision has been created in the amount of 14.7 million euros for accounting corrections on balance sheet.

#### **Financial instruments**

The negative impact is mainly the result of valuation of the guarantee over the BPO result granted to Fortis for the results 2007 to 2014. A liability has been recognised in the amount of 27.6 million euros.

#### **Deferred tax**

De Post N.V.-La Poste S.A. became liable to the corporate income tax as from January 1, 2006. Before De Post N.V. - La Poste S.A. was only submitted to the tax « personnes morales/rechtspersonen ». At December 31, 2005, De Post N.V.-La Poste S.A. recognised a deferred tax asset (179.3 million euros) in respect of all temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

#### **Investments in equity-accounted companies**

The principal adjustments concern the jointly controlled entity, BPO, particularly re-measurement of the bond portfolio (OLOs) at fair value, cancellation of a general provision ("Fonds pour risques bancaires généraux / Fonds voor algemene bankrisico's") and the deferred tax impact on these adjustments. The result is an increase in equity of 51.5 million euros on 1 January 2005.

#### **Non-current assets held for sale**

The equity on the date of transition was negatively impacted (3.2 million euros), as the methodology/date of recognition of assets held for sale in BGAAP is different from that in IFRS.

#### **Other**

These relate to an impairment on receivables related to the public services mission of previous years.

### **9.5. Financial risk management**

#### **Financial risk factors**

##### *Exchange rate risk*

All De Post-La Poste's business activities are located in the euro zone. There are very few transactions in foreign currencies, other than for international mandates. The exchange rate risk is consequently virtually nil and is not subject to any form of active management.

##### *Interest rate risk*

There exists a very limited risk in respect of the available credit line for major investments. At 31 December 2006, the risk was nil, since De Post-La Poste had not utilised the credit line.

The jointly controlled entity "Banque de La Poste / Bank van De Post" (BPO) is, like any bank, subject to the interest rate risk, which directly influences its margin. Interest rates likewise influence valuation of BPO's bond portfolio, which are measured at their fair value under IFRS. Since BPO is an equity-accounted entity, 50% of the change in its equity directly influences the consolidated equity of De Post-La Poste.

##### *Credit risk*

The credit risk by definition only concerns that part of De Post-La Poste's activities that do not generate immediate payments in cash. The subsequent risk is covered either by deposited bank guarantees and

direct debit authorisations, solvency investigation of certain types of customers or finally systematic credit-analysis procedures

Furthermore, De Post-La Poste has significant transactions with its shareholder, the Belgian State. Note 9.28 describes the nature of the relations between De Post-La Poste and the Belgian State.

#### *Prices risk*

As indicated above, there exists a price risk in respect of the bond portfolio of the jointly controlled entity, BPO, since the prices of bonds are sensitive to fluctuations in interest rates.

#### *Liquidity risk*

Due to the very nature of its business activities, De Post-La Poste has little need for finance, given that a large portion of its revenues (sales of stamps, etc.) are received in cash.

### 9.6. Business combinations

#### **Asterion Sud SAS**

On January 31st 2006, Asterion SAS acquired an additional 2000 shares in Asterion Sud SAS, thus increasing its participation from 67% to 84%.

The remainder of the shares (1882 shares) will be acquired by Asterion SAS on January 31st 2007.

#### **Elements of the cost of acquisition :**

- Cash paid	0.2
- Direct costs relating to the acquisition	0
<b>Total cost of acquisition</b>	<b>0.2</b>

Fair value of the assets acquired i.e. 17% of 1.6 mio EUR	0.2
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<b>Goodwill</b>	<b>0</b>
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The assets and liabilities are already fully incorporated in the Group figures, the purchase price has been netted of the outstanding Group debt versus the sellers.

#### Carrying amount in the acquired entity

Cash and Cash Equivalents	0.2
Receivables	2.6
Securities	2.1
Non Current Assets	0.6
Liabilities	3.9
<b>Net Assets</b>	<b>1.6</b>

#### **Operando Esv-Gie**

On March 22nd 2006, the extraordinary General Meeting of Operando decided to dissolve the company. As part of the settlement, De Post-La Poste has acquired all assets of Operando and the liquidation of Operando will subsequently be finalised.

The transferred assets are sold free and clear of any third-party rights.

Given the elimination of the intra-Group results, the assets have been incorporated at book value.

The non-deductible VAT has been included in the acquisition cost of the assets for a total of 1.6 million euros.

**Certipost NV-SA**

The Board of Certipost NV-SA decided on October 18th of 2006 to request the payment of the uncalled capital, representing 4.6 million euros. A payment of 3.8 million euros during 2006 and the remaining 0.8 million euros in 2007. Both De Post-La Poste and Belgacom transferred 1.9 million euros on December 21st 2006.

**9.7. Revenues and other operating expenses****9.7 a Operating income**

The operating income of the Group relates to services rendered, for further details see Chapter 3.1 Income Statement.

**9.7 b Other operating income/(expenses)***Other operating income*

Millions EUR	2006	2005
Immobilized production	-	13.8
Capital gains on disposal of fixed assets	7.0	(6.0)
Benefits in kind	1.5	1.0
Commissions received	7.9	6.7
Rental income	6.5	5.8
Contract transfer agreement WTC	12.1	38.6
Other	11.0	6.6
	<b>46.0</b>	<b>66.5</b>

The decrease of ca. 20 million euros between 2005 and 2006 is mainly attributed to the transfer of the long-term renting contract of the WTC building to the State. This event modified the leasing nature of the contract (financial vs. operating lease) hence modifying the accounting treatment.

Rental income is only related to investment properties.

*Other operating expenses*

Millions EUR	2006	2005
Provisions (litigations, environment, restructuring...)	6.0	9.0
Local & Real Estate taxes	7.6	4.5
Impairment on tangible assets	7.5	1.7
Impairment on trade receivables	0.3	1.2
Subsidy "Service Social des Postes / Sociale Dienst van De Post"	5.6	5.6
Contract transfer agreement WTC	-	20.0
Other	1.3	7.4
	<b>28.3</b>	<b>49.4</b>

The decrease between 2006-2005 in other operating expenses of ca. 20 million euros is linked to the settlement in 2005 of 20 million euros, consequence of the contract transfer agreement of the WTC building.

**9.8. Payroll and related benefits**

Millions EUR	2006	2005
Payroll costs	1,247.1	1,265.3
Social security contributions	160.3	150.9
Other personnel costs	4.4	8.5
Contributions to State pension scheme	63.8	64.5
Early retirement (utilization)	(60.6)	(75.0)
	<b>1,414.9</b>	<b>1,414.2</b>

As at 31 December 2006, the headcount of the Group amounted to 39 373 (2005 : 40 286) and is composed as follows :

- Statutory personnel : 26 717
- Contractual personnel : 12 656

The number of FTE at year-end amounted to 35 207 (2005 : 36 026).

**9.9. Net financial income**

Millions EUR	2006	2005
Interest expense	1.5	10.3
Loss on disposal of financial assets	(0.1)	0.1
Other finance costs	1.0	14.3
<b>Financial Costs</b>	<b>2.5</b>	<b>24.6</b>
Dividends received	-	0.1
Interest received	24.0	12.8
Other finance revenue	13.8	8.6
<b>Financial Income</b>	<b>37.8</b>	<b>21.5</b>
<b>Net financial income</b>	<b>35.3</b>	<b>(3.1)</b>

Financial charges decreased by 22.1 million euros between 2005 and 2006. The interest expense comprised 9.5 million euros interest on debts of financial leases (WTC building) in 2005. The new 2006 WTC lease contract is qualified as an operational lease, hence interest charge has been replaced by rental cost (see section 3.1 on operating expenses). The decline in "other finance costs" can be entirely attributed to the accounting corrections in the ATM-projects framework, recorded in 2005.

Both interest income and other financial revenue increased by respectively 88% and 60% thanks to the proceeds of the additional funds from the capital increase of 340 million euros (see also for details note 9.13).

**9.10. Income tax**

Income taxes recognized in the income statement can be detailed as follows :

Millions EUR	2006	2005
<b>Current tax expense</b>		
Current year	(39.1)	(0.4)
Over/(under) provided in prior years	-	(0.8)
	<b>(39.1)</b>	<b>(1.2)</b>
<b>Deferred tax (expense)/income</b>		
Current year	(38.8)	179.0
Over/(under) provided in prior years	-	(0.0)
	<b>(38.8)</b>	<b>179.0</b>
<b>Total income tax (expense)/income in the income statement</b>	<b>(77.9)</b>	<b>177.8</b>

The reconciliation of the effective tax rate with the aggregated weighted nominal tax rate can be summarized as follows :

Millions EUR	2006
<b>Tax expense using statutory tax rate (current period)</b>	<b>59.1</b>
Net profit before tax	174.0
Statutory tax rate	34.0%
<b>Reconciling items between statutory and effective tax</b>	<b>-</b>
Tax effect of rates in other jurisdictions	0.0
Tax effect of change in tax rates	
Tax effect of non taxable revenues	
Tax effect of non tax deductible expenses	21.1
Notional interest deduction	(8.5)
Tax effect of tax losses utilised	(0.5)
Subsidiaries in loss situation	11.4
BPO (equity method)	(1.6)
Interco adjustments	(1.6)
<b>Other :</b>	
Other timing differences	(1.8)
<b>TOTAL</b>	<b>77.9</b>
<b>Tax expense using effective rate (current period)</b>	<b>(77.9)</b>
Net profit before tax	174.0
Effective tax rate	44.8%
Adjustments of tax expense related to prior years	0.2

No tax reconciliation was made for 2005 because De Post N.V. - La Poste S.A., the largest company in the Group, was not subject to corporate taxation for that period. As of 2006, corporate tax rules apply to De Post N.V.- La Poste S.A.

The total income tax expense amounts to 77.9 million euros in 2006 or 44.8% of the profit before taxes less income from associated companies. The recognition of a deferred tax asset (and subsequent income tax profit) in 2005 is explained in note 9.16.

**9.11. Property, plant and equipment**

Millions EUR	Land and buildings	Plant and equipment	Furniture and vehicles	Fixtures and fittings	Other Property, Plant and equipment	Total	2005 Total
<b>Acquisition cost</b>							
Balance at 1 January	838.2	310.6	179.7	51.4	112.2	1,492.1	1,471.3
Acquisitions	32.6	30.6	44.4	11.2	7.7	126.4	147.1
Acquisitions through business combinations	-	-	-	-	-	-	-
Disposals	-	(32.9)	(8.1)	(1.4)	(5.0)	(47.4)	(31.6)
Disposals through the sale of subsidiaries	-	-	-	-	-	-	-
Transfer to other asset categories	(21.4)	21.2	-	-	(62.1)	(62.3)	(29.9)
Other Movements	-	-	-	-	-	-	(64.9)
<b>Balance at 31 December</b>	<b>849.4</b>	<b>329.5</b>	<b>216.0</b>	<b>61.3</b>	<b>52.8</b>	<b>1,508.9</b>	<b>1,492.1</b>
<b>Revaluation</b>							
Balance at 1 January	-	-	-	7.4	-	7.4	7.4
Acquisitions	-	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Disposals through the sale of subsidiaries	-	-	-	-	-	-	-
Transfer to other asset categories	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.4</b>	<b>-</b>	<b>7.4</b>	<b>7.4</b>
<b>Depreciation and impairment losses</b>							
Balance at 1 January	(374.4)	(229.4)	(109.7)	(27.4)	-	(740.9)	(724.3)
Acquisitions through business combinations	-	-	-	-	-	-	-
Disposals	-	34.3	6.8	5.6	0.5	47.2	33.2
Disposals through the sale of subsidiaries	-	-	-	-	-	-	-
Depreciation	(15.4)	(13.2)	(40.0)	(11.0)	(0.8)	(80.5)	(66.3)
Impairment losses	-	(1.7)	-	-	-	(1.7)	-
Transfer to other asset categories	32.3	-	-	-	0.3	32.6	16.6
Other increase (decrease)	-	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>(357.6)</b>	<b>(210.1)</b>	<b>(142.9)</b>	<b>(32.8)</b>	<b>0.0</b>	<b>(743.3)</b>	<b>(740.9)</b>
<b>Carrying amount</b>							
At 31 December 2005	463.8	81.1	70.0	31.5	112.2	758.5	754.4
At 31 December 2006	491.8	119.4	73.3	35.9	52.8	773.1	758.5

The evolution in property, plant and equipment is explained by three main elements :

- New acquisitions : 126 million euros of which 65 million euros concerns the new sorting centers
- Depreciation and impairment losses : 82.2 million euros
- Transfers to assets held for sale : 29.7 million euros

The transfer to other asset categories mainly relates to the separate presentation in the balance sheet of property, plant and equipment held for sale following the adoption of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Therefore, there are no disposals for Land and buildings.

An impairment test was carried out in respect of the non-current assets on the date of transition and at 31 December 2005 and at 31 December 2006 to verify that the book values of the property, plant and equipment are supported by their recoverable amounts.

An impairment loss has been recognised in 2005 in respect to those properties whose carrying amount was supported neither by their fair value less costs to sell nor by the value in use determined on the basis of cash flows anticipated at the level of the CGUs to which these properties are allocated.

The difference of 59.4 million euros in the category "Other property, plant and equipment" (which concerns assets under construction) between 31 December 2006 (52.8 million euros) and 2005 (112.2 million euros) is explained by the transfer of the new sorting centers to the category "Land and Buildings" and "Plant and Equipment", due to their opening in 2006.

### 9.12. Intangible assets

Millions EUR	Goodwill	Development costs	Software	Total
<b>Acquisition cost</b>				
Balance at 1 January	39.8	26.6	97.0	163.4
Acquisitions	-	1.9	22.2	24.1
Disposals	-	-	(0.6)	(0.6)
<b>Balance at 31 December</b>	<b>39.8</b>	<b>28.5</b>	<b>118.5</b>	<b>186.9</b>
<b>Amortization and impairment losses</b>				
Balance at 1 January	(36.9)	(8.1)	(71.8)	(116.8)
Disposals	-	-	0.6	0.6
Amortization	0.0	(5.2)	(10.5)	(15.7)
<b>Balance at 31 December</b>	<b>(36.9)</b>	<b>(13.3)</b>	<b>(81.7)</b>	<b>(131.9)</b>
<b>Carrying amount</b>				
At 31 December 2005	2.9	18.5	25.2	46.6
At 31 December 2006	2.9	15.2	36.8	54.9

Intangible assets grew by 8.4% mainly attributable to the group's investments in developments costs (1.9 million euros) and software (22.2 million euros) partly counterbalanced by the related amortizations (15.7 million euros).

The three most important software developed internally are Poststation (computerisation and modernisation of post offices), Central Intelligence & Tracking System (CITS – customer relationship management software) and Georoute (optimisation of the mail-distribution system).

In accordance with the exemption that is allowed under IFRS 1, De Post-La Poste has not restated business combinations that arose prior to 1 January 2005 (date of transition to IFRS). Goodwill that was reported in the statutory consolidated financial statements at 31 December 2004 is kept unchanged in the IFRS opening balance sheet, subject to an impairment test.

**9.13. Investment securities**

Millions EUR	2006	2005
<b>Non current investments</b>		
Financial assets held to maturity	2.7	2.7
Financial assets available for sale	-	-
	<b>2.7</b>	<b>2.7</b>
<b>Current investments</b>		
Financial assets at fair value through profit or loss	385.1	31.9
Financial assets held to maturity	-	-
Financial assets available for sale	-	-
	<b>385.1</b>	<b>31.9</b>

Millions EUR	Financial assets held to maturity	Total non current investments	Financial assets at fair value through profit and loss	Total
<b>Acquisition cost</b>				
Balance at 1 January	2.8	2.8	31.9	34.7
Acquisitions	1.1	1.1	353.2	354.2
Disposals	(0.8)	(0.8)	-	(0.8)
Transfer to other asset categories	(0.2)	(0.2)	-	(0.2)
Other movements	(0.1)	(0.1)	-	(0.1)
<b>Balance at 31 December</b>	<b>2.8</b>	<b>2.8</b>	<b>385.1</b>	<b>387.9</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 January	(0.1)	(0.1)	-	(0.1)
<b>Balance at 31 December</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>-</b>	<b>(0.1)</b>
<b>Carrying amount</b>				
At 31 December 2005	2.7	2.7	31.9	34.7
At 31 December 2006	2.7	2.7	385.1	387.8

De Post-La Poste has invested 203 million euros in six asset management contracts. All contracts include a capital guarantee clause at maturity. Their performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about the investments is provided internally on that basis to the company's Management.

Given these characteristics, they have been treated under IFRS as financial assets at fair value through profit and loss. The fair value of the investments amounted to 211.3 million euros end 2006.

In addition, De Post-La Poste held as of 31 December 2006 commercial papers (170.6 million euros). All commercial papers are considered as investment grade.

**9.14. Investment in associates**

Millions EUR	2006	2005
<b>Balance at 1 January</b>	<b>131.1</b>	<b>144.8</b>
Share of profit/(loss)	2.8	(1.5)
Dividends received	(2.0)	-
Participation in capital increase of associates	1.9	0.9
Acquisition of shares in associates	-	-
Disposal of shares in associates	-	-
Other movements in equity of associates	(53.1)	(13.2)
<b>Balance at 31 December</b>	<b>80.7</b>	<b>131.1</b>

**Share of profit/loss**

In both years, the amount is composed of our share in the profit of BPO (2006 : 4.6 million euros and 2005 : 0.6 million euros), partially offset by our share in the Certipost losses (2006 : -1.8 million euros and 2005 : -2.1 million euros).

**Dividends received**

The 2 million euros are the part of the BPO dividend distribution attributed to De Post-La Poste.

**Participation in capital increase**

These amounts represent capital injections made by De Post-La Poste in the Certipost NV-SA subsidiary.

**Other movements**

The amounts represent mainly the reduction in unrealized gains on the bond portfolio of the BPO. The totality of the above items, with the exception of "other movements" are considered as current assets/liabilities.

An overview of the selected financial figures of the associates is presented in the following two tables:

**BPO**

Millions EUR	2006	2005
Total assets	6,576.0	6.257.0
Revenues	272.0	265.8
Profit/(loss)	9.2	4.3

**Certipost Group**

Millions EUR	2006	2005
Total assets	11.1	11.2
Revenues	8.1	15.1
Profit/(loss)	(4.0)	(4.6)

**9.15. Investment property**

Millions EUR	Land	Other invest- ment property	Total
<b>Acquisition cost</b>			
Balance at 1 January	2.2	30.3	32.4
Other movements	(0.2)	(1.0)	(1.2)
<b>Balance at 31 December</b>	<b>2.0</b>	<b>29.2</b>	<b>31.2</b>
<b>Depreciation and impairment losses</b>			
Balance at 1 January	-	(16.5)	(16.5)
Depreciation	-	(0.8)	(0.8)
<b>Balance at 31 December</b>	<b>-</b>	<b>(17.3)</b>	<b>(17.3)</b>
<b>Carrying amount</b>			
At 31 December 2005	2.2	13.8	16.0
At 31 December 2006	2.0	12.0	13.9

Investment property essentially relates to apartments located in buildings hosting post offices.

**9.16. Deferred tax assets and liabilities**

The amount of deferred tax assets and liabilities by type of temporary difference can be detailed as follows :

Millions EUR	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
Property, plant and equipment	22.3	22.9	(42.5)	(42.7)	(20.2)	(19.8)
Intangible assets	-	-	(4.6)	(3.8)	(4.6)	(3.8)
Other investments	1.9	-	-	(0.2)	1.9	(0.2)
Employee benefits	150.4	177.2	-	-	150.4	177.2
Provisions	8.0	14.2	-	-	8.0	14.2
Other items	(0.4)	0.2	5.1	11.5	4.8	11.8
<b>Deferred tax assets/(liabilities)</b>	<b>182.3</b>	<b>214.6</b>	<b>(42.0)</b>	<b>(35.2)</b>	<b>140.3</b>	<b>179.2</b>

De Post N.V. - La Poste S.A. became liable to corporate income tax as from January 1, 2006. At December 31, 2005, De Post-La Poste recognised a deferred tax asset of 179.6 million euros in respect of all temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The financial consequences of the change in the tax status of De Post-La Poste are included in net profit or loss for the year 2005, which explains the significant tax income in the 2005 income statement.

Deductible temporary differences arise in respect of provisions for employee benefits and other provisions, impairment losses, leasing and provision for financial guarantee. Taxable temporary differences arise in respect of accelerated tax depreciation of property, plant and equipment, intangible assets, inventories and revenue recognition.

No deferred tax is recognised on temporary differences arising from investments in subsidiaries and associates, because De Post-La Poste has control on the reversal of the temporary difference and it is probable that they will not be reversed in the foreseeable future.

The temporary differences associated with investments in subsidiaries and associates for which a deferred tax liability has not been recognized aggregate to 0.1 million euros (2005 : 0.9 million euros).

**9.17. Trade and other receivables***Non-current trade and other receivables*

Millions EUR	2006	2005
Trade receivables	0.5	9.9
Other receivables	0.5	0.8
	<b>1.0</b>	<b>10.7</b>

*Current trade and other receivables*

Millions EUR	2006	2005
Trade receivables	362.3	382.4
Tax receivables, other than income tax	6.4	4.8
Other receivables	43.3	43.0
	<b>412.1</b>	<b>430.1</b>

The balance of the non-current trade receivables diminishes following the payment of the outstanding receivable related to the sale of the "Brussels 4" post office building.

For both 2005 and 2006 the "Other receivables" consist almost entirely of accrued income and deferred charges. Important elements herein are the commission to be received from BPO, prepaid rent and other accruals.

The tax receivables relate to the outstanding VAT amounts to be received from the Ministry of Finance.

**9.18. Assets held for sale**

Millions EUR	2006	2005
Property, plant and equipment	20.7	10.3
	<b>20.7</b>	<b>10.3</b>

At 31st December 2006, the Group recognized assets held for sale for 20.7 million euros. The assets consist of buildings. A profit of 2.3 million euros is accounted for in the income statement and is composed as follows :

- 5.2 million euros of gains on the sale of buildings
- 2.9 million euros of impairment due to the sale of the old sorting center Antwerpen X

**9.19. Inventories**

Millions EUR	2006	2005
Raw materials	2.7	2.8
Finished products	3.5	4.0
Goods purchased for resale	3.2	4.1
Reductions in value	(0.6)	(0.7)
<b>Inventories</b>	<b>8.7</b>	<b>10.2</b>

Raw materials include supplies, consumables and a stock of spare parts valued at 0.6 million euros. Finished products represent the stocks of stamps available for sale. Goods for resale mainly include postograms.

The decrease in inventories (1.5 million euros) is included in the section "Materials cost" of the income statement.

### 9.20. Cash and cash equivalents

Millions EUR	2006	2005
Cash in Post Offices	155.9	140.9
Transit accounts	21.6	28.8
Bank current accounts	57.7	48.1
Liquidities put at the disposal of the State Treasury	59.1	303.4
Short term bank deposits	300.0	1.0
<b>Cash and cash equivalent</b>	<b>594.2</b>	<b>522.1</b>
<b>Bank overdrafts</b>	<b>(0.1)</b>	<b>(0.1)</b>
	<b>594.2</b>	<b>522.0</b>

### 9.21. Financial liabilities

#### Non-current liabilities

Millions EUR	2006	2005
Financial guarantee	21.4	22.3
Finance lease liabilities	9.4	9.7
Other borrowings	0.1	0.3
	<b>30.8</b>	<b>32.3</b>

#### Current liabilities

Millions EUR	2006	2005
Unsecured bank loan	0.2	1.0
Finance lease liabilities	4.3	4.6
Other borrowings	0.6	0.4
	<b>5.1</b>	<b>6.0</b>

De Post-La Poste has committed to compensate Fortis, owner of 50% of the shares of BPO, if BPO does not reach agreed upon levels of return on equity for the period 2007 to 2014. The fair value of this obligation as of 31 December 2006 amounts to 21.4 million euros.

The finance lease liabilities are essentially located within the Asterion subsidiary. They relate to the leases contracted for the acquisition of the printing machine park.

The financial lease included in the here above table can be decomposed as follows:

- the leases for a period over 5 years amount to 0.9 million euros for 2006 (2005 : 2.2 million euros)
- the leases between 1 and 5 years amount to 8.5 million euros for 2006 (2005: 7.5 million euros)
- the leases for less than one year amount to 4.3 million euros for 2006 (2005 : 4.6 million euros)

### 9.22. Employee benefits

De Post-La Poste maintains a number of employee benefits plans for its workforce. These plans can be classified as post-employment benefits plans, long-term benefits plans, other long-term benefits plans,

termination benefits plans and workers compensation plans. The benefits granted under these plans differ according to three categories of personnel employed by De Post-La Poste : statutory personnel, baremic contractual personnel and non-baremic contractual personnel.

The plans can be summarized as follows :

#### **Post-employment benefits**

The company grants retired and early retired statutory employees (as well as their spouses and children, in certain occasions) a number of post-employment benefits such as contribution to medical expenses, family allowances, access to company restaurants, train tickets, reduction in bank costs, contribution to funerary expenses and retirement gifts.

#### **Long-term employment benefits**

##### *Jubilee premiums*

Statutory and baremic-contractual employees are entitled to a bonus when they reach 25 and 35 years of service.

##### *Part-time regime (50+)*

Under the Collective Labor Agreement 2005-2006, statutory employees, age between 50 and 59 in 2005 and 2006, are entitled to enter into a system of partial (50%) career interruption. De Post-La Poste makes contributions equal to 7.5% of the gross annual salary for a period of maximum 48 months.

#### **Other long term benefits**

##### *Accumulated Compensated Absence*

In case of absence due to illness, statutory employees are entitled to the payment of 100% of their salary for a period of 63 days plus an additional 21 days per year of service above 3 years. The unused days are cumulated from one year to the other with a maximum of 300 days. In case of an absence for a period longer than the cumulated number of days, the statutory employees are entitled to a reduced pay which varies under some conditions but amounting to circa 80%. If the cumulated amount of available days has not been used by the time of the statutory employees' retirement, it is converted into a cash payment at a set price per day.

In determining the value of the benefit, De Post-La Poste has considered that it was equal to the difference between the salary paid during the period of illness covered by the Compensated Absence system (100% of normal salary) and the compensation paid after the employee has used up his cumulated number of days (amount varying depending on the circumstances but around 80% of normal salary). The expense was assumed to be equal to the movement of the calculated liability from year to year and was classified as actuarial gains/losses.

#### **Termination benefits**

Under the Collective Labor Agreements 2001-2004 and 2005-2006, statutory employees meeting certain age and service conditions could elect to enter into early-retirement schemes whereby De Post-La Poste continues to pay them a portion of their salary at departure and until they reach retirement age. Furthermore, employees meeting certain age and service conditions could elect to benefit from a year of paid holiday the year preceding their entry into the early retirement scheme. In accordance to the Collective Labor Agreements, the existing schemes closed to new entrants on 31 December 2006.

#### **Workers Compensation Plans**

Until 1 October 2000, De Post-La Poste was self insured for injuries on the workplace and on the way to the workplace. As a result, all compensations to workers for accidents which occurred before 1 October 2000 are incurred and financed by De Post-La Poste itself.

Since 1 October 2000, De Post-La Poste has contracted insurance policies to cover the risk.

De Post-La Poste's net liability for employee benefits comprise the following at 31 December :

Millions EUR	2006	2005
Present value of obligations	(633.8)	(707.6)
Fair value of plan assets	0.8	0.6
<b>Present value of net obligations for plan</b>	<b>(633.1)</b>	<b>(707.0)</b>
<b>Present value of net obligations</b>	<b>(633.1)</b>	<b>(707.0)</b>
Unrecognized actuarial gains/losses	3.1	29.4
Unrecognized past service cost	0.2	0.2
Unrecognized asset	(0.2)	(2.0)
<b>Net liability</b>	<b>(629.9)</b>	<b>(679.3)</b>
Employee benefits amounts in the balance sheet		
Liabilities	(629.9)	(679.3)
Assets		
<b>Net liability</b>	<b>(629.9)</b>	<b>(679.3)</b>

The changes in the present value of the obligations are as follow :

Millions EUR	2006	2005
<b>Present value at 1 January</b>	<b>(707.6)</b>	<b>(759.1)</b>
Service cost	(11.0)	(14.5)
Interest cost	(20.0)	(22.1)
Actuarial gains and (losses)	25.2	(6.4)
Benefits paid	79.6	94.5
<b>Defined benefit obligation at 31 December</b>	<b>(633.8)</b>	<b>(707.6)</b>

The expense recognized in the income statement (in the section "Payroll cost") with regard to the employee benefits is presented hereafter :

Millions EUR	2006	2005
Service cost	(11.0)	(14.5)
Interest cost	(20.0)	(22.1)
Actuarial gains and (losses)	(1.0)	22.7
<b>Total</b>	<b>(32.0)</b>	<b>(13.9)</b>

The main assumptions used in computing the benefit obligations at the balance sheet date are the following :

	2006	2005
Rate of inflation	2.0%	2.0%
Future salary increase	3.0%	3.0%
Medical cost trend rate	6.0%	6.0%
Mortality tables	MR/FR	MR/FR

The discount rates vary with the duration of the obligations. They range from 3.85% to 4.5% (2005 : 3.10% to 4.20%).

The liability related to medical expenses is sensitive to changes in the expected annual inflation rates. A positive variance in the annual inflation of the medical expenses of 1% (7% instead of 6%), would impact

the obligation at 31/12/2006 with an increase of 20.7% (+28.3 million euros). Consequently, the obligation would amount to 165.4.

In case of a negative variance of 1% in the annual inflation of the medical expenses (5% instead of 6%) the obligation at 31/12/2006 would amount to 115 million euros. This represents a decrease of 16.1% (-22 million euros).

### 9.23. Share-based payments

In 2006, the Board of De Post-La Poste approved the creation of an Employee Stock Option Plan ('ESOP') for management. Under this plan, De Post-La Poste will grant option rights corresponding to 5,123 shares in three equal installments in 2006, 2007 and 2008. Once granted, the options vest one-third per year over a period of three years. With the exception of the CEO and the Management Committee, the option plan will be available for approximately 73 managers.

The fair value of the option is expensed over the vesting period. In accordance with IFRS 2, the fair value of the options has been determined using the Binomial Option Pricing Model. The charge to the 2006 income statement amounted to 0.02 million euros (2005 : N/A).

The total number of outstanding options is as follows :

Number	2006	2005
Options outstanding at 1 January	0.0	0.0
Options granted during the year	1,706.0	0.0
Options exercised during the year	0.0	0.0
Options forfeited during the year	0.0	0.0
<b>Options outstanding at 31 December</b>	<b>1,706.0</b>	<b>0.0</b>

The fair value of the options and the assumptions used in applying the Binomial Option pricing model are as follow :

EUR	2006	2005
Fair value of options granted	184.8	0.0
Exercise price	1,464.0	NA
Expected volatility	27.9%	NA
Expected option life (in years)	4 years	NA
Risk-free interest rate	3.6%	NA
Expected dividend yield	7.96%	NA

As a result of the establishment of the ESOP, De Post-La Poste has entered into a number of put and call option agreements :

- De Post-La Poste has a call option toward Post Invest Europe S.a.r.l. ('PIE') to purchase the shares relating to the exercised options at a price corresponding to the exercise price.
- PIE has a call option for the shares that De Post-La Poste may purchase from the beneficiaries of the ESOP. The price will be the actual purchase price from the beneficiaries of the ESOP.
- De Post-La Poste has also a put option for the shares it may purchase from the beneficiaries of the ESOP. The price is the lower of the price paid by De Post-La Poste and the exercise price (i.e. the price originally paid by De Post-La Poste to PIE)

These options are not revaluated and do not impact the income statement of De Post-La Poste because, in accordance with IAS 39, the company cannot have a market risk on its own shares.

**9.24. Provisions**

Millions EUR	Litigation	Environment	Onerous contracts	Restructuring	Other	Total
<b>Balance at 1 January</b>	<b>22.7</b>	<b>1.2</b>	<b>19.9</b>	-	<b>1.8</b>	<b>45.6</b>
Provisions made	13.4	2.2	-	0.6	0.3	16.5
Provisions used	(2.1)	(0.1)	(0.3)	-	(1.4)	(3.8)
Provisions reversed	(4.5)	-	-	-	-	(4.5)
Other movements	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>29.5</b>	<b>3.4</b>	<b>19.6</b>	<b>0.6</b>	<b>0.8</b>	<b>53.8</b>
Non current balance at end of year	6.4	0.1	0.3	0.6	0.1	7.4
Current balance at end of year	23.1	3.3	19.3	-	0.7	46.4
	<b>29.5</b>	<b>3.4</b>	<b>19.6</b>	<b>0.6</b>	<b>0.8</b>	<b>53.8</b>

The provision for *litigation* represents a best estimate of the probable losses resulting from litigation or probable litigation between De Post-La Poste and third parties. The period anticipated for the cash outflows pertaining thereto is dependent on developments in and the length of the underlying proceedings.

The provision related to *environment* issues covers among others the removal of asbestos in a number of buildings and the soil sanitation of land. The utilization of the provision for asbestos is foreseen during 2007.

The provision on *onerous contracts* concerns the building WTC and covers the obligations of De Post-La Poste towards the building's owner and the Belgian State. These obligations can be summarised as follows :

- Onerous contract (sub-lease contract to the Office des Etrangers / Dienst Vreemdelingenzaken)
- Onerous contract (period of non-occupation of the buildings)
- Obligation to pay non-abestos-related refurbishment works to bring WTC in its initial rental state
- Obligation to compensate certain renovation costs incurred by the building's owner

This provision for *restructuring* mainly covers the restructuring costs of the sites Aix-en-Provence and Fontenay of the subsidiary Asterion.

**9.25. Trade and other payables****Non-current trade and other payables**

Millions EUR	2006	2005
Other payables	9.4	9.4
	<b>9.4</b>	<b>9.4</b>

**Current trade and other payables**

Millions EUR	2006	2005
Trade payables	186.3	147.8
Payroll and social security payables	419.2	438.3
Tax payable other than income tax	5.8	4.6
Other payables	347.3	369.9
	<b>958.7</b>	<b>960.7</b>

Year over year, the current trade and other payables are remaining stable and present a decrease of 0.2%. However, certain elements are compensating each other :

- The trade payables are increasing by 38.8 million euros (+26%) mainly due to payables relative to the money orders and the terminal dues of International Mail
- Payroll and social security payables are presenting a decrease of 4.5% attributed to a reduction in outstanding holiday and rest arrears.
- The other payables are decreasing by 22.6 million euros, this decline is driven by the settlement of past terminal dues owed to De Post-La Poste by foreign postal operators

### 9.26. Contingent liabilities and contingent assets

De Post-La Poste is the subject of a number of investigations from the European Commission. In August 2005, the European Commission initiated an inquiry under the State aid rules into the Belgian State's compensation mechanism of newspaper distribution by De Post-La Poste. In August 2005, the European Commission initiated an inquiry under the competition law rules into the access to De Post-La Poste's postal network by non-Reims II party postal operators. In February 2006, the European Commission initiated an inquiry under the State aid rules into the extent De Post-La Poste benefits from implicit or explicit state guarantees. De Post-La Poste is cooperating fully with the European Commission in its investigations. No provision has been recorded related to these investigations, given the fact the company at this stage, based upon the current status of the matter has no clear visibility and certainty of the extent and its financial impact, if any.

Reacting to a complaint lodged in November 2005 by one of De Post-La Poste's customers, the Belgian Competition Service formally initiated an inquiry under the competition rule. The customer, who filed separately a claim for damages before the Brussels Commerce Court, alleges that De Post-La Poste acted unlawfully by (1) maintaining separate rates for certain categories of clients; (2) discriminating against certain types of customers and/or "stealing" customers. De Post-La Poste is cooperating fully with the Belgian Competition Service in its enquiry. No provision has been recorded related to this enquiry. No provision has been recorded to this enquiry, given the fact the company has no visibility on the potential financial impact.

### 9.27. Rights and commitments

#### Commitments to acquire fixed assets

The only capital expenditure registered on the balance sheet date and not yet incurred relates to the new sorting centers project, being the 95 million euros purchase commitment with Alteris N.V.-S.A.

#### Commitments for sales of fixed assets

The total amount of this engagement is minor : 0.5 million euros. Furthermore, the amount remains stable, only 0.1 million euros was added over 2006.

#### Guarantees received

At 31 December 2006, De Post-La Poste benefits bank guarantees in a sum of 21 million euros, issued by banks on behalf of De Post-La Poste's customers (2005 : 20 million euros). These guarantees cover extensions of time for payment and are calculated as a function of contractually determined volumes. These guarantees can be called in and paid against in the event of non-payment or bankruptcy. Thus, they offer De Post-La Poste financial certainty during the period of contractual relations with the customer. This amount remained stable over the last 3 years, with an annual variance of less than 1.5 million euros.

**Goods for resale on consignment**

At 31 December 2006, merchandise (lottery tickets, etc.) representing a sales value of 99 million euros had been consigned by partners for the purpose of sale through the postal network.

**Guarantees given**

De Post-La Poste acts as guarantor in the following cases :

- Assurances de La Poste – Vie / Verzekeringen van De Post – Leven (APO) : in the context of two equity swap transactions entered into between APO and respectively Commerzbank AG (30 million euros) and BNP Paribas (10 million euros). These two guarantees expire on 27 April 2009. The guarantee was put in place in the framework of the launch of the Poststock Fund I, a branch 23 product marketed via post offices.
- DoMyMove : 5 million euros guarantee in the framework of the DoMyMove collaboration agreement between De Post-La Poste, Belgacom and Electrabel.

**Funds of the State**

De Post-La Poste settles and liquidates the financial transactions of government institutions (taxes, VAT, etc.) on behalf of the State. The funds of the State constitute transactions “on behalf of” and are presented off balance sheet. These funds reached an amount 17 242 million euros at 31 December 2006 and 15 944 million euros at 31 December 2005.

**9.28. Related party transactions****A. Consolidated companies**

A list of subsidiaries and equity-accounted companies, together with a brief description of their business activities, is given in Note 9.29.

**B. Relations with the shareholders**

The direct shareholders of De Post-La Poste are the Belgian State (24.13%), Société Fédérale de Participations et d'Investissement S.A. / Federale Participatie- en Investeringsmaatschappij N.V. (25.87%), which itself is also held by the Belgian State and Post Invest Europe S.a.r.l. (50%), where 50% are indirectly held by Post Danmark A/S and 50% by C.V.C.

**1) The Belgian State****a) Management Contract**

De Post-La Poste provides postal services to the Belgian State and various government agencies. The Management Contract entered into between De Post-La Poste and the Belgian State, in effect since publication on 20 December 2005 (erratum 16/01/2006) in the Belgian Gazette of the Royal Decree approving the Management Contract, stipulates the rules and conditions for carrying out the tasks that De Post-La Poste assumes in execution of its public-interest activities and the financial intervention of the Belgian State. The Management Contract covers a period of five years as from the date of its publication in the Belgian Gazette.

The Management Contract defines the following public-interest activities :

- Universal postal service :
  - collecting, sorting, transporting and distributing national and international mail;
  - distributing newspapers, printed periodicals and addressed and non-addressed electoral printed documents.
- Financial services :
  - recovering receipts on behalf of third parties;
  - receiving deposits of cash on current account, effecting payments by cheque and wire transfers on such accounts, receiving deposits and effecting payments on behalf of De Post-La Poste or other financial institutions;

- issuance of postal orders, home payment of retirement and survivors' pensions and disabled persons' allowances;
- the payment of attendance fees at elections, the printing and sale of licence stamps on behalf of the Mixed Administrative Belgo-Luxemburg Commission, the accounting of funds and documents of title for traffic penalties, the distribution and payment of documents of title from the National Office for Annual Holidays;
- the printing, sale, reimbursement, replacement and exchange of fishing licences;
- guaranteeing the opening of an account without cash facility and offering a minimum service.

De Post-La Poste also contractually accepts various public-interest activities and services on behalf of the State. These tasks and services are offered as a public service and essentially cover :

- the social role of the postmen;
- appropriate information to the public on request by the competent authority;
- the printing and delivery of electronic mail;
- message certification services;
- the services carried out for State accountants and determination of the daily cash position;
- the sale of revenue and penalty stamps;
- cooperation of De Post-La Poste in the distribution of voting packages and ballot papers;
- cooperation of De Post-La Poste in the printing and distribution of official forms, of offers of employment;
- provision of De Post-La Poste resources for the organisation of examinations for accessing public office;
- the provision in post offices of an appropriate infrastructure allowing, via the internet, facilitation of relations between citizens and the government.

The Management Contract sets down the principles for invoicing the Belgian State. The Belgian State's intervention covers the difference between the actual cost price to De Post-La Poste and the price invoiced to the service-user.

The procedures for invoicing and liquidation applicable to the public-interest activities carried out by De Post-La Poste for the Belgian State are set down in a separate agreement in which the Belgian State undertakes to pay for the public services provided by De Post-La Poste.

#### b) Deferred remuneration

A system of deferred remuneration (= "UV / RD") applies to postal items, pursuant to a contract between De Post-La Poste and the various public agencies. The public agencies write the letters "UV/RD" on outgoing postal items instead of affixing stamps. De Post-La Poste then invoices the various agencies for the UV/RD packages jointly (payment term : 50 or 70 days). The postage prices are in conformity with market conditions and fixed in agreement with the agencies concerned.

#### c) Treasury function

In accordance with the royal decree of 15 July 1997 introducing measures for consolidation of the financial assets of public authorities, De Post-La Poste administers the accounts of institutional entities and the accounts in relation to the Postchèque business. These entities form part of the public authorities sector.

The contract of 20 December 2005 lays down the provisions applicable as between De Post-La Poste and the Federal Public Service for Finance as regards organisation of movements of funds between the two institutions together with the provision of certain funds administered by De Post-La Poste to the Public Treasury.

Under this agreement, two types of funds belonging to public authorities are administered by The Financial Post, i.e. :

1. funds of the State. De Post-La Poste settles and liquidates the financial transactions of government ministries (taxes, VAT, etc.) on behalf of the State. De Post-La Poste records these amounts off balance sheet;
2. funds of the Royal Decree of 15 July 1997. These are the liquidities of various government agencies (National Social Security Office, family allowances, etc.) deposited with De Post-La Poste and recorded off balance. These government agencies are legally obliged to deposit their cash with De Post-La Poste at the end of each accounting year.

The funds of third parties and the own funds of De Post-La Poste are made available to the Treasury. The funds provided by De Post-La Poste are remunerated at the lowest interest rate applied within the context of base refinancing transactions by the Central European Bank.

## **2) Post Danmark**

A number of experts have been provided by Post Danmark in order to assist De Post-La Poste in the realisation of a series of productivity improvement and commercial re-positioning projects (new sorting centers, parcels, etc.). De Post-La Poste takes in charge the salary costs of these experts together with the costs related to their expatriation. The costs invoiced by Post Danmark in relation to these activities amount to 1.2 million euros.

## **C. Relations with BPO**

BPO is a jointly controlled subsidiary of De Post-La Poste and Fortis Bank / Fortis Banque, which engages in business as a credit institution. Its banking and insurance products are offered via the network of post offices.

### ***Framework agreement***

On 28 February 1995, De Post-La Poste and Générale de Banque (now Fortis Bank / Fortis Banque) entered into a framework agreement for the purpose of setting up a partnership for the distribution of banking products. The provisions of the framework agreement have been re-negotiated in 2002. BPO pays De Post-La Poste a commission determined in accordance with market conditions for the distribution of banking and insurance products and for the performance of certain back-office activities. The commission amounted to 90.9 million euros in 2006 (2005 : 85.9 million euros).

### ***Working capital***

BPO has placed 9.0 million euros at the disposal of De Post-La Poste without being able to demand any guarantee or payment of interest by De Post-La Poste. This sum will remain available to De Post-La Poste throughout the term of the framework agreement. It is intended to constitute the working capital enabling De Post-La Poste to conduct business on behalf of BPO.

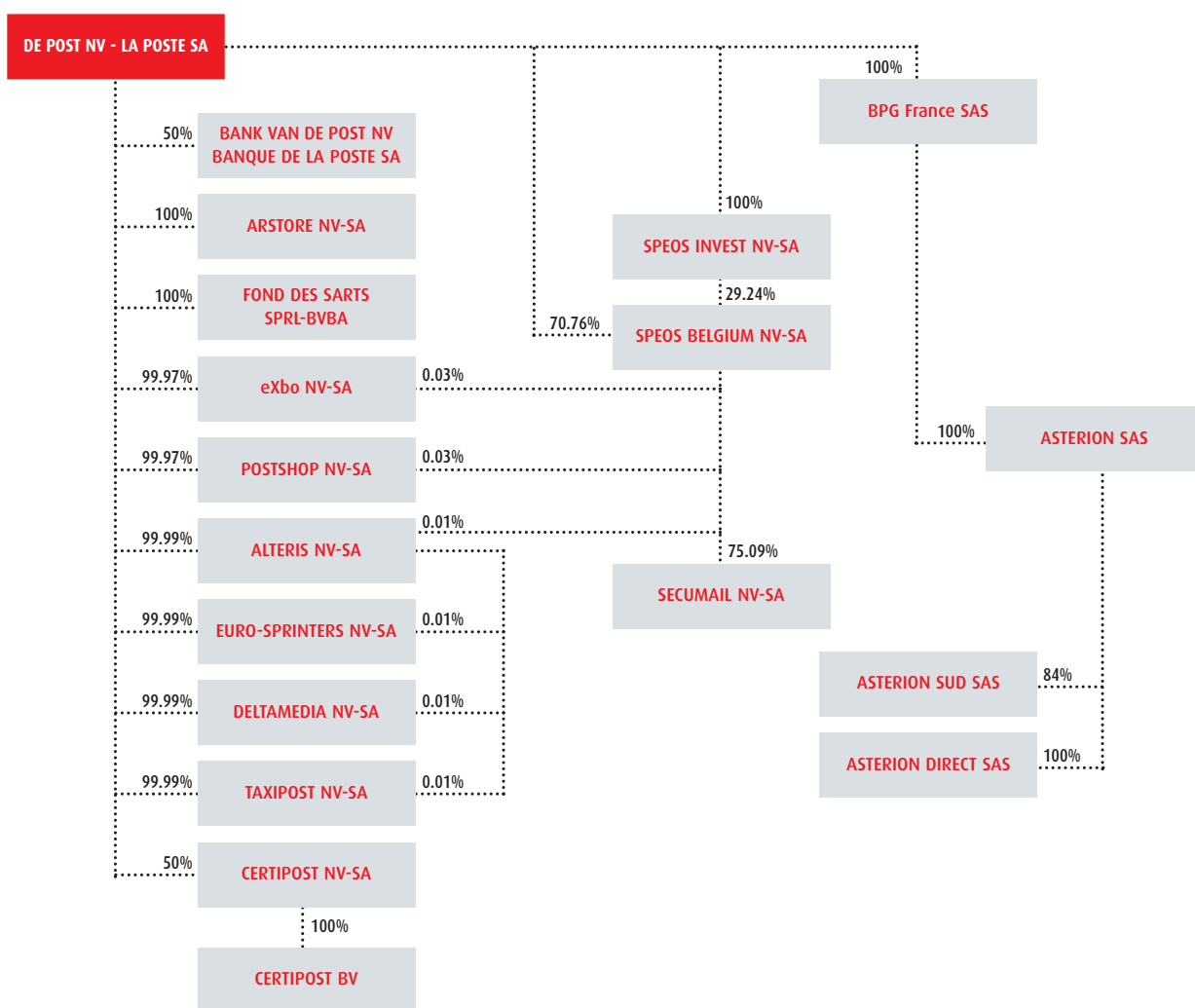
### ***Insurance contract***

A new insurance distribution contract has been concluded between De Post-La Poste, BPO and Fortis.

The parties concerned have agreed to offer and market insurance products via BPO using the distribution network of De Post-La Poste. In effect, up to and including the accounting year 2014, the contract provides for an access fee, a commission on all the insurance products sold by De Post-La Poste and additional commissions if the sales figures laid down are achieved.

**9.29. Group companies**

De Post-La Poste's subsidiaries are presented as follows :



Name	Share of voting rights in % terms	2006	2005	Country of incorporation	VAT no.
Alteris NV-SA (formerly Laterio NV-SA)	100%	100%	100%	Belgium	BE474.218.449
Arstore NV-SA (formerly Vicindo Printing)	100%	100%	100%	Belgium	BE419.892.709
Asterion Direct SAS (formerly Vicindo Symbiose Ouest)	100%	100%	100%	France	FR04324397744
Asterion SAS	100%	100%	100%	France	FR56379440670
Asterion SUD SAS	100%	100%	67%	France	FR53349604439
BPG France SAS	100%	100%	100%	France	FR18352871743
Deltamedia NV-SA	100%	100%	100%	Belgium	BE424.368.565
Euro-Sprinters NV-SA	100%	100%	100%	Belgium	BE447.703.597
Exbo Services International NV-SA	100%	100%	100%	Belgium	BE472.598.153
Fond des Sarts BVBA-SPRL	100%	100%	100%	Belgium	BE473.254.486
Operando ESV-GIE (***)	0%	100%	100%	Belgium	BE475.024.836
Postshop NV-SA	100%	100%	100%	Belgium	BE466.385.403
Secumail NV-SA (*)	75%	75%	0%	Belgium	BE462.012.780
Speos Belgium NV-SA	100%	100%	100%	Belgium	BE427.627.864
Speos Invest NV-SA	100%	100%	100%	Belgium	BE463.888.444
Taxipost NV-SA	100%	100%	100%	Belgium	BE867.722.408

(\*) The minority interests (0.1 million euros at 31 December 2006) shown in the balance sheet concern these subsidiaries.

(\*\*) In liquidation

A brief description of the business activities of the main subsidiaries is given below :

- **Taxipost** operates the domestic and international express services of De Post-La Poste. Taxipost offers a full range of products adapted to the needs of its different customer segments (C2C, B2C, B2B).
- **Euro-Sprinters** offers 24/7 tailor-made transportation services for goods up to 24 tons.
- **Deltamedia** is a major player in the distribution of newspapers and unaddressed mail in Belgium
- **eXbo** helps customers to improve the efficiency of their document flows, be they incoming, internal or outgoing documents. eXbo offers to manage mailrooms, digital mail, copy centre, printing-on-demand, printed matter, franking, mailings, archives, scanning, reception desk and switchboard, office supplies as well as the fleet management of your printers and faxes.
- **Asterion France** and **Speos Belgium** provide services for the outsourcing of administrative and financial document management such as bills, bank statements and pay slips. Services include physical and electronic document management and processing, document scanning, laser edition, enveloping, e-billing, e-viewing and electronic archiving.

#### List of equity-accounted investments

The list of equity-accounted investments can be summarised as follows :

Name	Share of voting rights in % terms	2006	2005	Country of incorporation	VAT no.
Certipost BV	50%	50%	50%	Netherlands	NL102.75.594.B01
Bank van De Post NV - Banque de La Poste SA	50%	50%	50%	Belgium	BE456.038.471
Certipost NV-SA	50%	50%	50%	Belgium	BE454.396.406

A brief description of the equity-accounted companies is given below :

- **Certipost**, a company created in 2003, jointly controlled by De Post-La Poste and Belgacom, enables organisations to communicate electronically with any customer, citizen, supplier and public institution, by automating inbound and outbound information flows, streamlining document exchange and by securing and certifying electronic communications. Furthermore, Certipost is supplier of the digital certificates within the Belgian electronic identity card (eID). Certipost offers solutions enabling electronic invoicing, document exchange within the supply chain, e-government with social security and customs,

electronic registered mail, electronic security, electronic counters and the use of the electronic identity card within organisations.

- the relations with *BPO* are described in Note 9.28.

### 9.30. Events after the balance sheet date

In January, the Belgian Competition Council issued a formal request for information following a formal complaint by Belgische Distributiedienst NV - Belgique Diffusion SA, the leading distributor of unaddressed mail in Belgium, alleging abuse of dominant position by De Post-La Poste through the use of revenues from the universal service obligation activities to cross-subsidize Deltamedia, a subsidiary of De Post-La Poste, and through the offer of discriminatory and abnormally low prices to customers in the unaddressed mail market.

The Belgian Competition Council will hear the case and, on the basis of the answers provided by De Post-La Poste, will decide whether the arguments of Belgische Distributiedienst NV - Belgique Diffusion SA are founded.

De Post-La Poste and its subsidiary Deltamedia are cooperating fully with the Belgian Competition Council in its investigation and believe Belgische Distributiedienst NV - Belgique Diffusion SA's complaint to be without grounds.

# Report of the joint auditors

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**TO THE GENERAL MEETING OF SHAREHOLDERS  
OF LA POSTE SA DE DROIT PUBLIC/ DE POST NV VAN PUBLIEK RECHT  
ON THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

In accordance with legal requirements, we report to you on the performance of the audit mandate that has been entrusted to us. This report contains our opinion on the consolidated financial statements as well as the required additional comments and information.

**UNQUALIFIED OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the consolidated financial statements of La Poste SA de droit public/De Post NV van publiek recht and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2006, prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, and the consolidated statement of income, changes in equity and cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 2,488.1 millions and the consolidated income statement shows a profit for the year, share of the Group, of € 96.0 millions.

***Responsibility of the Board of Directors for the preparation and fair presentation of the consolidated financial statements***

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Responsibility of the Joint Auditors***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements, and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (“*Institut des Réviseurs d’Entreprises/Instituut der Bedrijfsrevisoren*”) and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the Board of Directors and the Group’s officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2006 give a true and fair view of the Group's financial position as at 31 December 2006 and of the results of its operations and its cash flows in accordance with IFRS as adopted for use by the European Union, and with the legal and regulatory requirements applicable in Belgium.

**ADDITIONAL COMMENTS**

The preparation and the assessment of the information that should be included in the annual report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments , which do not modify the scope of our opinion on the consolidated financial statements:

- The annual report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 12 April 2007

The Joint Auditors

Ernst & Young Bedrijfsrevisoren BCVBA  
Represented by

**PIERRE ANCIAUX**  
Partner



Grant Thornton, Lippens & Rabaey BVCV  
Represented by

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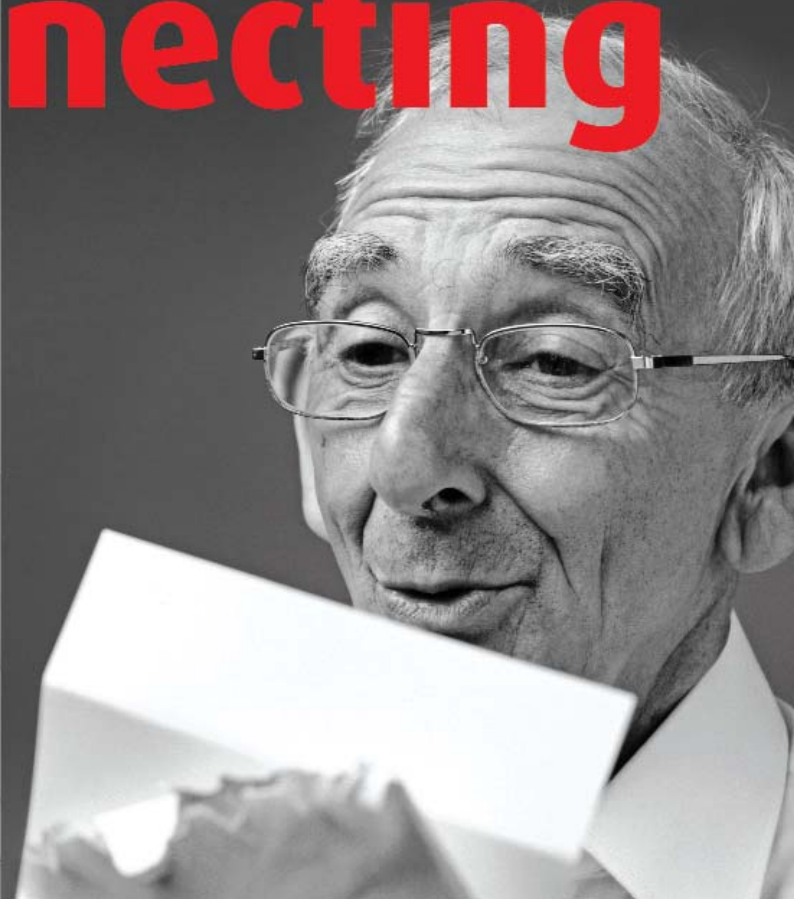
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Everything changes but

**connecting**



Everything changes but

# confiding



grandpa,

All is going well here.  
This trip was a great idea.  
I'm making  
great strides with my French.  
I think I still need a bit longer  
before I've got it nailed.

Could you ask mum and dad  
whether I could stay another  
couple of weeks?

Love  
Louise

PS: second from the left





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