Annual report **2014**

We deliver **on our promises**

postnl

Cautionary note with regard to “forward-looking statements”
Some statements in this annual report are “forward-looking statements”. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of PostNL’s control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which PostNL operates and PostNL management’s beliefs and assumptions about future events.

You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this annual report and are neither predictions nor guarantees of future events or circumstances. PostNL does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This annual report can also be viewed on PostNL’s corporate website: postnl.nl/annualreport2014. Any information on the website other than the contents of this annual report does not form part of PostNL’s annual report.

Investing in PostNL’s securities involves risks. Carefully consider the principal main risks set out in chapter Opportunity and risk management of this annual report.

Table of contents

Business report

Governance

Performance statements

Appendices

1 We are PostNL

Services that go further

We are the leading mail and parcels company in the Benelux, and also operate mail and parcel networks in Germany, Italy and the United Kingdom. Spring Global Mail provides business customers with cross-border mail, parcels and packets solutions. We go the extra mile for our customers. Whether its providing seamless e-commerce services or taking care of a customer's last-minute recall, we maintain the highest delivery standards, even during peak delivery moments and in all weathers. On certain days during the December holiday period in 2014, for example, we delivered over one million parcels a day in the Netherlands. We deliver on our promises, to our customers and our stakeholders.

Committed to our customers

We want to make the lives of our customers easier, whether they are senders or receivers. Wherever they are, at home or at work, we focus on understanding their needs and concerns. We develop innovative ways to turn problems into solutions, no matter how intricate. Our commitment to excellent service is an extension of our customer focus. As the business world gets larger and more high-tech, the complexity of logistics increases. Our customers choose to work with us because of our ability to deliver. Whether it's parcels in the evenings and on Sundays or optimising the logistical chain for our customers, we deliver. We make it happen for all our customers.

Customer satisfaction

85%

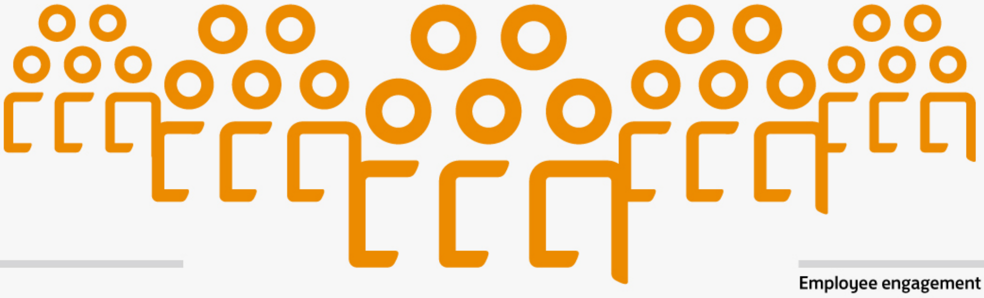
Delivery quality Mail in the Netherlands

96.7%

preliminary

Building successful relationships

Our people are our ambassadors. The moment of delivery – the level of service, the friendliness at the door – defines how customers experience PostNL. Our people have proved time and again that they have the spirit to do whatever it takes. It's in our culture to go the extra mile to fulfil our promises. And in the culture of everyone we work with.



Employees

56,221

Employee engagement score

60%

What it all adds up to

Mail in the Netherlands

Addressed mail volume
(in millions of items)

2,705

Parcels

Volume
(in millions of items)

142

PostNL

Revenue
(in € millions)

4,251

PostNL

Underlying cash operating income (margin)
(in € millions)

293
(+7.0%)

PostNL

Net cash from operating and investing activities (normalised)
(in € millions)

124

2 Message from the CEO

Delivering on our promises

Overall, 2014 was a good year for PostNL, both financially and non financially. We realised revenues of €4,251 million and underlying cash operating income of €293 million, including the results from Whistl, our UK operations. This strengthened our financial position. I am proud that we met our targets through the support of all our people.

We also made progress on our key focus areas, including innovations, our relationship with customers, our delivery quality, improving our operations, and of course employee engagement and the relations with other stakeholders.

PostNL delivered on its promises in 2014, creating a solid base on which to deliver on our 2015 targets.

Our business

Mail in the Netherlands

Mail continues to lie at the heart of our activities, and I am pleased with our achievements in 2014. While revenues decreased to €2,012 million, underlying cash operating income grew to €231 million.

By improving the efficiency of our Mail operations, realising cost savings and implementing necessary price increases, we have been able to offset ongoing volume decline. At the same time, our delivery quality and customer satisfaction improved. We adjust ourselves to the demands of our customers and digitisation by introducing innovative services. For example, we introduced a delivery notification on our small packets, which fit through letterboxes. The volume of these packets continued to grow as a result of e-commerce.

Parcels

E-commerce has brought new excitement to our homes. Boosted by the rise of e-commerce, our Parcels' revenues increased to €854 million and underlying cash operating income to €98 million.

We continued to broaden the services we offer our customers, surpassing their expectations by establishing early morning pick-up points, initiating evening and Sunday delivery, and launching 'before 10AM' and 'before noon' delivery options for our business customers.

As parcel volumes grew, the efficiency of our operations improved. Subcontractor costs increased in line with our expectations. At year-end 2014, around 95 percent of our parcel volumes flowed through our New Logistics Infrastructure. On three days in December we delivered over one million parcels, more than we have ever delivered on a single day before.

International

Overall volumes and revenues in our International segment increased to €1,711 million. Positive contributions came from Nexive in Italy, Whistl in the United Kingdom and Spring Global Mail. In a heavily competitive environment, revenues of Postcon in Germany decreased. Including Whistl, International contributed positively to our result, with underlying cash operating income of €8 million.

Delighting our customers

Our mission is to make the lives of our customers easier. This drives everything we do. Our customers' lives are changing rapidly, driven by increased digitisation and ongoing e-commerce growth. Customers want to determine how, where and when they send and receive letters and parcels.

We maintain, develop and improve our networks and services to surpass these demands. Customer satisfaction increased in 2014 to 85 percent. Our surveys show that customers approve of the progress we are making, the innovations we are introducing and the fact that we keep striving for improvement.

Our people are the heart of our organisation

PostNL is a people company. With over 56,000 employees from different backgrounds and cultures, we reflect the society in which we operate. The drive and enthusiasm of our employees and our business partners determine our success. We again measured how engaged our people feel with the company, and the fact that engagement levels grew to 60 percent illustrates their energy and passion. And we will continue to strive for further improvement. This is equally true for our business partners. In 2014 we put a great deal of effort into better understanding our business partners' needs and wishes and we have taken steps to address these.

Honouring our shareholders

We are doing our utmost to strengthen our financial position, ultimately geared at resuming dividend payments. Our consolidated equity improved to -€597 million at the end of 2014 and our net debt position improved to €683 million, mainly due to an improved cash position. We continue to strive to resume dividend payments in 2016 by delivering on our business performance, although this will also require an improvement in interest rates and an increase in the value of our stake in TNT Express.

Caring for the environment and society

We acknowledge the responsibility we have for our environment. For example, we introduced Euro 6 trucks, reducing our emissions of NOx and small particulates. We also introduced 100 vans that run on natural gas, reducing our CO2 emissions. We started a pilot using electric scooters for mail deliverers in rural areas, and we began installing energy-saving LED lighting across our mail sorting centres.

Our stakeholders remain important

Together with the Central Works Council, we agreed upon a joint vision regarding 'Social leadership and being a good employer in a changing postal and parcel market'.

With our trade unions we agreed on the PostNL collective labour agreement (CLA) and the mail deliverers CLA. These new agreements provide a good balance between the trade unions' demands and the need to continue cost control.

In close cooperation with our pension funds we adjusted the pension scheme, based on legislation changes that came into effect on 1 January 2015.

In 2014 we also connected with other stakeholders. We had frequent meetings with members of the Dutch parliament and with government officials. In November we organised a stakeholder dialogue, bringing together representatives from across our stakeholder groups to give us input for the future.

The Dutch government and the regulator took up a significant amount of our time in 2014, discussing the Postal Act that safeguards the sustainability of the universal service obligation, the possible significant market power in the Dutch market, and the measures surrounding self-employed people.

Looking ahead

Our focus in 2015 remains on maintaining profitability for Mail in the Netherlands by compensating volume declines with further cost savings and targeted price increases. At the same time, pending regulatory issues will continue to be points of interest. We argue that we do not have significant market power and that the measures proposed by the regulator will not benefit Dutch society. Because we are well positioned to further benefit from the growing e-commerce market, we expect Parcels to continue its growth and strengthen its market position. In International we will focus on improving our cash profitability. We will monitor the progress and will take further actions if necessary.

In 2015 we will continue to keep our people at the heart of our company. They are our ambassadors. We will continue to develop our services alongside our customers' demands, satisfying or even surpassing their needs.

We will also continue to fulfil the responsibility we have towards the society in which we operate, by fostering diversity and by staying in close contact with all our stakeholders.

In 2015 we will work hard to deliver on our financial promises: underlying cash operating income of €280 million to €320 million. We know that the 2014 results are a solid base for 2015 and contribute to creating a healthy company that fulfils shareholders' expectations.

Looking back on 2014, I would like to express my sincere appreciation to all our employees. Only through the hard work of our people, delivering high-quality services with a smile, were we able to report these good results. I thank all of our people, our shareholders and other stakeholders for their contribution and support in the past year.

Warm regards,

Herna Verhagen

Business Report

3 How we create value

Through our people we create value for our customers, suppliers, investors and society by providing innovative delivery solutions in a fast changing market.

The growth of e-commerce and further digitisation is ongoing. Competition develops and regulation shifts. We create value by implementing our strategy, supported by our pillars and utilising our value drivers. This can only be achieved through our people, who are the innovators, driving force and ambassadors of the company. The following infographic explains holistically how the main elements are connected.

How we explain our value creation in this business report

The business report can be read independently of the rest of the annual report. It provides a comprehensive but condensed overview of the main developments in 2014.

In the Market and regulatory developments chapter we describe how our markets are developing due to changing customer behaviour. We also highlight the most important changes in the regulatory environment. In the Strategy chapter we provide an in-depth look at our strategic focus areas that are key for the company as a whole and each business area individually, ending with a company-wide SWOT analysis. In the Business developments chapter we explain in detail how our value drivers are supported by our pillars, enabling us to provide our customers with key services and solutions.

Our focus on providing our customers with one of the most sustainable mail and parcel solutions in the market is covered in the Corporate responsibility chapter. In the People chapter we describe how our most powerful asset connects senders and receivers each day, and we explain how we create an environment where people can develop themselves throughout their career to achieve this.

Our financial and corporate responsibility performance over 2014, and outlook for 2015, is described in the Performance 2014 and outlook 2015 chapter. We close the business report with a description of how we manage our main opportunities and risks.

4 Market and regulatory developments

In this chapter we look at the market and regulatory developments that have an impact on the way we create value. Each business segment is impacted uniquely, and we discuss these developments across each segment.

The mail and parcels market is changing rapidly. The needs of both senders and receivers are evolving, which has a profound impact on the delivery market. Competition is increasing across all markets and segments, while regulatory developments are influencing postal markets across Europe. European mail markets are experiencing declining mail volumes, as senders increasingly use online channels. At the same time, e-commerce is growing rapidly, which offers clear opportunities for all business segments.

The most important market and regulatory developments of 2014 are outlined below. A more detailed overview of the relevant regulatory environment can be found in Appendix 1.

Mail in the Netherlands

Our Mail in the Netherlands business segment provides customers with a range of services within the broader communication market. Our services include mail delivery, data and document management, printing, direct mail and billing solutions. We provide accessible, affordable and reliable mail services.

In 2014, the addressed mail market in the Netherlands declined by around 8 percent in volume. Our market share declined by between 2 percent and 3 percent, which was in the range anticipated.

Market developments in the Netherlands are being driven by four main factors:

1. The ongoing shift to digitisation is creating a range of digital alternatives, resulting in strong indirect competition. This causes price pressure and is reducing the number of items being sent by post, which is having a profound effect on mail companies.
2. Customers' purchasing behaviour is increasingly moving online, causing e-commerce to grow. This is creating opportunities for companies such as PostNL.
3. Liberalisation of the postal market has resulted in increased competition in the business market.
4. Regulatory changes, driven by developments in the mail market.

Market developments

Digitisation

The addressed mail market in the Netherlands is continuing to decline. This is partially driven by developments within the broader communication market, with digitisation creating a range of digital alternatives, resulting in strong indirect competition.

In addition, a range of customers, such as banks, insurance companies, governmental agencies and SMEs (small and medium-sized enterprises), are responding to the need to reduce costs and the demands of the end consumer by sending business statements and invoices through email and other online channels.

These changing demands impact our services, creating a hybrid model with both physical mail and digital solutions. In addition, direct mail – and segments such as magazines, Christmas cards and birthday cards – continue to remain important, although they are also declining.

Ongoing growth of e-commerce

E-commerce is growing rapidly, as receivers increasingly purchase their goods and services online. Senders are responding to this growth by demanding faster and more varied delivery options. We are developing new and innovative services that satisfy the needs of both senders and receivers.

Competition: liberalisation of postal markets

We face mail market competition in the Netherlands from parties providing solutions for businesses, resulting in price pressure as they cut costs in a bid to increase their market share. We also face competition from consolidators, who are able to offer lower prices while still making use of our network.

Regulatory landscape

Developments in the domestic mail market are influencing legislative changes. There were a number of important regulatory developments for Mail in the Netherlands in 2014. These are:

- **Stamp prices**: To help guarantee the long-term sustainability of the Universal Service Obligation (USO), stamp prices were raised per 1 January 2014. Additionally, based on intermediate regulation (due to further discussion with ACM on cost allocation) the Netherlands Authority for Consumers

and Markets (ACM) approved further stamp price rises as from 1 January 2015
- **Delivery and collection changes**: From 1 January 2014 we removed Monday delivery from our weekly schedule (mourning cards and medical notifications exempted) and stopped Sunday collections
- **Competition**: The ACM began a public consultation on possible competition challenges experienced by postal companies in the Dutch market. The ACM's draft decision contains measures that appear to aim to create a wholesale market for letter mail in the Netherlands. PostNL has among others argued in its response that the regulatory creation of such a market is not based on a valid market analysis and that these measures will benefit neither Dutch consumers nor postal companies. The ACM is expected to publish its decision in the spring of 2015, which is open to appeal.

Parcels

We provide parcels and logistics services across the Benelux, and internationally through an advanced network of partners. There are three main market developments impacting our Parcels business segment. These are:

1. E-commerce and digitisation are increasing the number of parcels being sent domestically and internationally
2. This growth in e-commerce is fuelling competition in the B2C (business-to-consumer) market
3. The legislator is clarifying the position of our business partners.

E-commerce volumes continued to grow strongly in 2014, expanding by around 10 percent. Overall B2C parcels volume growth was slightly lower, at between 6 percent and 8 percent, due to a decline in non e-commerce volumes, digitisation and bundling of shipments. Additionally, price levels were lower because of the relatively strong growth in large senders. There is limited growth in the B2B market, primarily because of sluggish economic growth and its mature and consolidated character. B2B players are entering the B2C market, looking to seize growth opportunities.

PostNL managed to maintain its market share in the B2C market, and grew its B2B market share.

Market developments

Digitisation and ongoing growth of e-commerce

Global digitisation and the expansion of the e-commerce sector in the Netherlands and internationally, is driving growth in the parcels and logistics industry. This growth is driving changes in the B2C and B2B markets, resulting in the development of specialised delivery solutions. An example is Extra@Home, our two-man delivery service. Within the B2B market, customers are demanding time-critical, high quality, and distinctive propositions. In the B2C market, receivers are moving away from traditional retail channels towards e-commerce and omnichannel. As retailers sell more online, they are struggling with increasingly complex logistics issues. They are looking for partners, such as PostNL, to manage their logistics processes and delivery solutions.

Competition

Competition is increasing in the B2C parcels market in the Netherlands, as operators look to take advantage of the sharp rise in e-commerce. Consumers are demanding greater ease of use, greater control and lower prices regarding shipment of their purchases, and seamless return solutions. For retailers, this means adapting supply chain strategies to deal with complex logistics issues, and seeking out partners who can provide effective omnichannel solutions. At the same time, international e-commerce continues to expand, with corresponding growth in cross-border parcel services. Another key development is sender consolidation. As the larger retailers continue to grow, so does their buying power. This leads to more complex service demands, which can only be serviced by specialised partners.

The B2B market in the Netherlands is consolidated and stable and offers a great deal of potential as the total market is three times larger than the B2C market. B2B customers focus on partnering with logistics players that have a strong position within their specific industry, and are able to offer high quality, tailor-made solutions. Logistics players are seen as an extension of their own business. There are still a lot of parties active in this market, all trying to gain market share. This results in a price competitive environment.

Regulatory landscape

- **Pseudo self-employment:** In 2014 the Dutch Minister for Social Affairs and Employment announced several measures to end pseudo self-employment. One of the key changes is that businesses can be held responsible for the underpayment of workers along the supply chain. Parliament is expected to vote on the proposals in the first half of 2015.
- **Tax position self-employed persons:** The Dutch government wants to change the verification system of whether people are or are not self-employed. A new web module is currently being developed that should be more user-friendly. The changes are expected to result in an increase in responsibility for businesses during the verification process, in order to prevent pseudo self-employment.
- **Working conditions parcel deliverers:** The labour inspectorate launched an investigation into the labour conditions in the parcel delivery sector. PostNL is cooperating fully and has provided the authorities with information on its health and safety procedures and controls.

International

Our International segment consists of four separate units: Germany, Italy, the United Kingdom and Spring Global Mail, a cross-border mail operator. All markets are facing the same challenges we face in our domestic market. In addition to these challenges, each market faces individual market opportunities and regulatory restrictions.

Germany

Market developments

The total volume of mail sent in Germany stabilised in 2014. Despite strong competition, our German operator Postcon maintained its 8 percent volume share and remains the number two player in the market.

Competition

The main competitor in Germany is Deutsche Post AG (DPAG). Our focus is on responding to developments in the market, such as pricing behavior.

Regulatory landscape

Germany's Federal Cartel Office (FCO) continues to investigate the pricing strategy of DPAG for national key account customers in the telecoms industry. Additionally, the Federal Network Agency (FNA) continues to investigate the downstream access (DSA) pricing structure offered by DPAG to two of its subsidiaries. On 1 January 2015, Germany introduced a national legal minimum wage of €8.50 per hour. This could lead to higher costs for our delivery partners, which could lead to increased costs for us.

Italy

Market developments

In 2014, mail market volumes in Italy declined by 6 percent, driven by digitisation. The e-commerce market grew, with online product sales increasing by 28 percent. With online sales making up only 3.5 percent of all retail sales in the country, there is a great deal of potential for further growth in the e-commerce market.

Competition

Incumbent operator Poste Italiane reduced its prices sharply in 2014, mainly in the bank and insurance sector. Poste Italiane continues to prepare to list on the stock market, and is still benefiting from government subsidies based on its Universal Service Obligation.

Regulatory landscape

There remains room for further liberalisation of the postal market in Italy, with the country trailing its European peers. During 2014, the Italian anticorruption authority, ANAC, published guidelines for public administration tenders in the postal sector, which will enhance fair competition.

United Kingdom

Market developments

For the first time since 2004, overall DSA volume fell, declining by 1 percent. Our UK operator Whistl increased its share of the DSA market to 56 percent (2013: 54%). The overall market is expected to continue to decline at around 5 percent per year. Whistl increased its share in the overall market from 25% to 26% in 2014.

Competition

Whistl continued as Royal Mail's major challenger, alongside two other providers who compete in DSA.

Regulatory landscape

In December 2014 Ofcom published a statement on the effects Whistl's end-to-end service (E2E) has on Royal Mail's ability to provide the Universal Service Obligation. Ofcom concluded that Whistl's activities do not present a threat.

At the end of 2014 Ofcom also published a consultation document on the regulation of the prices Royal Mail can charge for access to its network. The end date of the consultation is 24 February 2015, with a formal decision by Ofcom scheduled for summer 2015. Ofcom intends to publish a final decision in the summer of 2015. Royal Mail then has 6 months to implement Ofcom's proposals.

Spring Global Mail

Market developments

Digitisation in the main European economies continued in 2014. The switch to online marketing activities by our larger global account customers impacts our direct mail volumes. However, volume decline rates in international outbound mail markets are slightly lower than in the Netherlands.

The growth of cross-border e-commerce is an opportunity. Spring Global Mail is ideally positioned to take advantage of the strong increase in parcel volumes to and from Asia, providing an affordable and reliable service.

Competition

In general, the competitive landscape remains static for the traditional cross-border mail market. For most Spring Global Mail export markets the incumbent post operator remains the main competitor, with niche wholesalers and consolidators operating in the key United Kingdom and Dutch markets.

Regulatory landscape

We have joined with other postal companies from around the world to create the Interconnect Programme. The aim is to improve the services provided to senders and receivers of cross-border e-commerce items. Through the Interconnect Programme we are discussing the specifications and suitable delivery rates to be applied between members for handling and delivering mail volumes.

The percentages related to the (development of) market shares are PostNL estimates and are not validated by PwC.

5 Our strategy

In this chapter we cover the strategic focus areas that are key for the company as a whole and each business segment individually. The execution of our strategy is supported by our pillars and value drivers, which enable us to create value for all our stakeholders. We use our SWOT analysis to help support and navigate our strategic direction.

Our strategic aim is to:

- Safeguard our Dutch mail business, while maintaining and profitably growing our Benelux parcels business. At the same time we will profitably grow our international mail business in selected countries. We will extend our offering by developing new growth opportunities and expanding our service propositions.
- In doing so we will aim for continued cooperation across the business segments, to seize sales and operating synergies by further integrating our mail and parcels backbone.
- We invest in and develop our most important asset, our people, who are the core of the business and key in delivering our services and solutions to our customers.
- With a clear focus on our company-wide efforts to drive sustainable, future-proof service propositions and ways of working. This enables us to make a distinctive contribution towards solving social and environmental dilemmas. More information can be found in the Corporate responsibility chapter.

Our value drivers

Customer focus, excellent services and solutions and trusted delivery are key value drivers for our strategy. Our aim is to make the lives of our customers, both senders and receivers of mail or parcels, easier. Whether they are at home or at work, we focus on understanding their needs and concerns. We can then develop innovative ways to turn problems into solutions, no matter how intricate. We make it happen for all our customers. We are committed to excellent service and, as the business world gets larger and more high-tech, so does the complexity of logistics. Our customers choose to work with us because of our ability to deliver. We go the extra mile for them. From taking care of a customer's last-minute recall to delivering in all weathers, we maintain the highest delivery standards, even during peak delivery moments. We deliver on our promises, to our customers and our stakeholders.

Our pillars

Our people, state of the art network and IT infrastructure are key pillars enabling our strategy. Our people are our ambassadors. The moment of delivery – the level of service, the friendliness at the door – defines how customers experience our business. Our people have proven time and again that they have the spirit to do whatever it takes. It's in our culture to go the extra mile to fulfil our promises, and in the mindset of everyone we work with. Our customers want smooth mail and parcel delivery solutions. We use our full network capacity to fulfil their needs and provide excellent customer experiences. We are able to provide this service level by managing our networks as one and using an efficient and robust IT infrastructure.

Each business segment is in a different phase of its lifecycle and faces particular challenges (see the Market and regulatory developments chapter for more information). These translate into individual strategic focus areas which are outlined below.

Strategic focus areas

OnePostNL

- Develop new growth that feeds our networks, while extending or expanding our service propositions
- Providing the most efficient and sustainable mail and parcels solutions available
- Invest in our employees and create a more flexible, resilient workforce
- Capture sales and operational synergies, by further developing the integrated mail - parcels backbone

Mail in the Netherlands

Our aim is to keep mail accessible, affordable and reliable. We will do this by:

- Maximising the value of our services to customers, taking into account competition and substitution
- Protect our market share
- Continuing to reduce costs to offset declining mail volumes
- Pursue a multi-channel market approach, with a retail strategy focusing on small and medium sized enterprise market share
- Managing regulatory conditions

Through these focus areas we will maximise sustainable cash flows.

Parcels

Our aim is to provide a range of cutting edge solutions for our customers.
We will do this by:

- Developing our B2C and B2B services and market position through excellent services and innovations
- Operating a state of the art network
- Growing our cross-border parcels model
- Profitably growing our logistics solutions, by optimising and expanding our current networks and capabilities
- Making small acquisitions in niche markets

Through these focus areas we will create profitable growth.

International

Our aim is to be the better alternative for mail and parcels delivery in selected countries and cross-border.
We will do this by:

- Optimising the value of our service
- Increasing our market share and securing a top-two market position
- Managing regulatory conditions

Through these focus areas we will create profitable growth.

Mail in the Netherlands
The aim for Mail in the Netherlands is to safeguard accessible, affordable and reliable mail services in a mature and declining market. We will maximise the value of our services to our customers, protect our market share and support our efforts with continued cost management. We also have a multi-channel market approach, aimed at providing retailers in the SME market with a full suite of services and growing our share of the market. We cannot do this without our employees, who are the ambassadors of our company.

Parcels
We aim to provide a broad range of cutting-edge solutions for our customers that are active in e-commerce, and that are relevant to the changing demands of the market. By enabling e-commerce retailers to concentrate on their core business, we help them grow their business. We also provide our business customers with more flexible delivery options, such as 'before 10:00' and 'before noon'. Going forward, we will pursue further profitable growth in our business parcels propositions, our logistics solutions and our cross border activities by expanding current networks and capabilities. This will ensure that we provide a range of services that fit our customers' needs at every level.

International
In Germany, Italy and the United Kingdom we aim to be the better alternative for mail and parcels delivery. By optimising the value of our services and solutions, we strive to gain market share and secure a top-two position. Spring Global Mail provides a 'gateway to Europe', offering mail and e-commerce cross-border solutions. Our international business grows successfully by focusing on customer needs, continuously improving services and solutions and delivering high levels of service. We share best practices and knowledge to increase our competitiveness with local incumbents.

SWOT analysis

Our SWOT analysis provides us with clear markers that could impact or influence our strategic direction. We actively address each issue to evaluate which steps to take to reduce threats, bolster weaknesses, maintain strengths, while exploiting opportunities. The threats are derived from the major risks further explained in the Opportunity and risk management chapter. The most important takeaways from our SWOT analysis are:

Strengths	Weaknesses
• Leading mail and parcels provider in the Benelux • Number two position in Germany, Italy and the United Kingdom • Strong customer focus and ability to realise logistic solutions • New efficient and low cost logistics infrastructure • Ability to adapt our mail operations via cost savings and increasingly flexible workforce	• Substantial share of PostNL revenue exposed by declining traditional mail market • Absence of a regulatory level playing field in the international postal arena • Negative consolidated equity position
Opportunities	**Threats**
• Combining logistical and digital solutions can create added value for our customers. • Continued strong growth of parcel market in the Benelux • Our networks, employees with wide presence and customer information are enablers for new growth	• Exposure to sector specific and other legal or regulatory changes. • Strong competition in the mail and parcels markets • Continued switch of mail senders to digital communication • Volatility of the value of TNT Express stake and of the pension obligations

How we will use our strengths to balance our weaknesses and counteract threats

We will continue to use our unparalleled physical and online coverage, as well as our state-of-the-art network solutions, to provide high quality logistics services.

We have a proven track record of transforming our business, through cost savings, increasing the quality of our service level, and the drive of our motivated people. We invest in developing the capabilities of our people, and we are creating a more flexible workforce better able to deal with the ongoing business changes.

We continue to improve the efficiency and quality of our mail sorting and distribution by introducing innovative sorting machines, thereby keeping mail accessible, affordable and reliable.

We have developed good working relationships with regulatory authorities, and built up extensive knowledge and experience of the postal environment, over the course of many years. This helps us when preparing for new developments within the legal and regulatory environment. At the end of 2013 we reduced the risk exposure of our TNT Express holding, cutting our stake in half to 14.7 percent.
In 2014 we further reduced our pension risks through new pension plan changes. This included limiting our potential future financing exposure to the pension fund.

How we will take advantage of opportunities

Our employees and networks provide extensive market coverage each and every day, and are key pillars in supporting our current business. They will be strong enablers for future growth opportunities as we develop new solutions to satisfy changing customer demands. We are increasingly able to service our customers' needs as we become more aware of their preferences and habits.

Global digitisation is causing a shift to online sales and fueling the growth of the parcel and logistics industry. We have invested in and developed a logistics infrastructure and skilled workforce that can support accelerated e-commerce growth. We continue to develop solutions for senders and receivers to make online shopping more convenient and accessible.

6 Business developments

In this chapter we look at how we innovated within the market and adapted to regulatory developments in 2014. We discuss how the value drivers and pillars support the business across each segment.

We focus on building long-term relationships with our customers. Supported by our cost efficient network, we provide customers with a range of high quality delivery services. We provide both senders and receivers with more choice, control and convenience through our innovative products and services. This is how we fulfil the changing needs of customers. Our people take pride in making this happen.

Our pillars

Our business segments focus on responding to the main market and regulatory developments. As an integrated organisation we learn from the experiences of each business segment. Based on our customers' needs, we develop a portfolio of innovative mail and parcel services and solutions and ensure we deliver to the highest standards. This is made possible by our pillars, which support all aspects of the business. These are:

People

Our people define how our customers experience our business. They are our ambassadors. Our achievements are based on their spirit to do whatever it takes. We support them in supporting our customers by providing a safe and welcoming working environment, and help them to develop their skills throughout their career. It's in our culture to go the extra mile to fulfil our promises. And in the culture of everyone we work with.

Network

We use and continuously improve our networks to fulfil their needs and provide excellent customer experiences. For example, small packets are now routinely processed through our mail network, which offers customers dedicated track and trace capabilities. The way we operate our networks is unique in Europe, and gives us a competitive advantage.

IT infrastructure

A vital part of making innovation happen, and creating a more future-proof company, is by building a more efficient and robust IT infrastructure. This involves investing in new technologies and shifting from IT systems that are focused on functional requirements to ones focused on business requirements. Our state-of-the-art IT infrastructure is a crucial component in exceeding our customers' needs. It helped to support the redesign and upgrade of our operational infrastructure through the New Logistics Infrastructure (NLI) programme.

Mail in the Netherlands

In the Netherlands we are proud to provide the Universal Service Obligation (USO). Under the terms of the USO we have to deliver mail five days a week with a minimum delivery quality of 95 percent. In 2014 we realised a delivery quality of 96.7 percent (2013: 95.8 percent). We are witnessing a range of market and regulatory developments, such as the decline of physical mail and increasing competition. We focus continuously on our customers and provide them with new and innovative mail solutions to make mail even more relevant. We also continue to focus on cost saving initiatives.

In 2014 we realised significant cost savings, related to the centralisation of our mail activities, cutting Monday delivery, the restructuring of our car unit, the implementation of a leaner head office and marketing and sales organisation, and savings on pensions. These savings were in line with the decline in volume witnessed within the mail market in the Netherlands. Changes to employee numbers are carried out with great care, as they are our greatest asset (more information on this can be found in the People chapter). This is how we keep mail accessible, affordable and reliable for all.

Customer focused

Our customers are senders and receivers. They range from individuals to small businesses, retailers to multinationals, and everyone in between. Their needs are changing rapidly, driven by the ongoing growth in e-commerce and the shift to online communication. Customers want greater control over when and where they send and receive their mail, and we are developing and improving our innovative services and solutions to satisfy these changing demands. These include being able to choose where and when you want your mail delivered, the option for track and trace on small packets ('brievenbuspakjes', which fit through letterboxes), or our e-billing solutions.

Services and solutions

In 2014 we rolled out and refined a range of innovative services and solutions to stay ahead of our customers' changing demands.

Small packets

We introduced track and trace for all small packets ('brievenbuspakjes'). Adding convenience for senders and receivers helps grow the e-commerce market.

'Haal en Breng' service

This is a combined service between our Mail and Parcels segments. It enables our small and medium-sized enterprise (SME) customers to have their letters and parcels collected at the end of the business day, saving them a trip to the post office. We also offer an early-morning delivery service, guaranteeing delivery to customers' premises by 08:30. In 2014 we strengthened our competitive position in cities, by expanding the service levels we offer customers.

Direct marketing

In 2014 we developed direct marketing solutions for SME customers. For example: klantenvinden.nl, which enables customers to identify and target potential customers, and develop a targeted marketing campaign online. We provide a complete service, from customer targeting, design, through to sending out physical mailing or creating a social media campaign.

Billing solutions

We continue to provide our customers with various billing and e-billing solutions, ranging from physical invoice printing to different e-billing solutions. Our 'One Platform' service enables customers to save their content online and output it as print, e-mail, text messaging or to social media. The service remained popular in 2014.

We introduced the following pilot project in 2014, which we aim to roll out in 2015.

'Mijn mail'

We are testing a new service for consumers called 'Mijn Mail' (My Mail). Customers can choose to receive a message when mail arrives for them, and can then decide where and when they want it delivered. This fits within our strategy of offering receiving customers more convenience and control.

Trusted delivery

In 2014 we realised delivery quality of 96.7 percent (2013: 95.8 percent), and we continually adapt our infrastructure and delivery procedures to ensure we always provide our customers with the best service possible. In 2014 we made a number of network changes, which are outlined below.

Centralisation of mail sorting and preparation

We continued to streamline the sorting and preparation activities of our mail activities, and have reduced our preparation centres in the last two years from approximately 260 to around 100. These closures were driven by declining mail volumes. We will further reduce the number of preparation centres in 2015, and we will profit from the increased efficiency of the centralised depots.

Increasing distribution efficiency

In 2014 we began the process of introducing a number of efficiency measures to the delivery routes that we currently undertake by car. First, we decided which routes would be more efficiently served by scooter, and reassigned them. Second, we increased the length of those routes that are better served by car, to optimise the use of our car fleet. This optimisation is further enhanced by our parcel delivery drivers now collecting parcels from our retail locations and taking them to the parcel sorting centres. We will continue rolling out these measures in 2015. These efficiency measures will cut our carbon emissions and reduce the size of our carbon footprint.

We introduced a number of pilot projects in 2014. For example, we piloted two innovative, next-generation sorting machines, the Sorting Machine eXtra (SMX) and the Sorting Machine Coding (SMC). Both machines increase mail-sorting preparation efficiency and increase the quality of the service we provide. The SMX machine is able to sort and sequence both small and large envelopes – C5 and C4 – and is the first machine in the world able to do so. The SMX reduces both preparation and sorting time. It is able to sort 85 percent of mail in sequence order compared to 65 percent achieved by current machines. It also consumes less energy. The SMC makes hand sorting more flexible, enabling us to create more efficient mail routes.

Outlook 2015

- We will continue to execute and develop our cost savings plans while maintaining high service levels. For example, we will make further improvements at our car unit, reduce overheads at our head office and further roll-out the new SMX and SMC sorting machines.
- We continuously look for opportunities to enable our people to service our customers. One example is an app for our postmen, which they can use on a smartphone. We will develop the app further in 2015. It will provide them with more information about their route, including a map, as well as start and end times. They will also be able to chat directly with their team leaders to solve any issues they have when delivering.
- We will continue to manage the impact of regulatory developments by continuing our constructive dialogue with regulators and other stakeholders.

Parcels

Our Parcels segment is one of the leading parcel and logistics service providers in the Benelux. We provide our customers with innovative, market-leading services. We operate internationally through an advanced network of partners, and our goal is to be the e-commerce frontrunner within the Benelux region. We will build on this platform to supply our customers with domestic and international e-commerce solutions, utilising the skills of our people, and the services of our own and our partners' networks and solutions.

Customer focused

We service parcels customers in both the business-to-consumer (B2C) and the business-to-business (B2B) markets. In the B2C market we are innovating within the e-commerce sector to provide solutions that fulfil customers fast-changing needs, such as expanding delivery times and increasing parcel points. In the B2B market we offer parcels and pallets solutions, and respond to customers demand for time critical and multi-colli services. In the logistics market we operate three separate units – Transport, Niche Networks, and e-commerce Services – providing B2C and B2B customers with a range of specialised services.

Services and solutions

In 2014 we rolled out or refined a range of innovative services and solutions to stay ahead of our customers' changing demands.

Business-to-consumer

- Early-morning pick up points: Consumers can now order goods online until midnight, and they will be available for pick up from 08:30 at over 400 local pickup points around the Netherlands
- Evening delivery: We now provide evening delivery on Tuesdays and Thursdays, with the added benefit that customers can also select the delivery time
- In 2014 we added an additional 600 parcel points around the Netherlands and around 500 in Belgium. This provides retailers and SMEs with greater parcel drop-off choice, and consumers with more choice about where to pick up their parcels or drop off their returns
- We act as the gateway to Europe, delivering Asian e-commerce across the continent. At the same time, milk powder is one of the main export products customers send to China through us.

Business-to-business

- In 2014 we concentrated on refining our service levels, and now offer customers service levels on par with the market's leading players
- We launched 'before 10:00' and 'before noon' delivery options, which are both key offerings for business customers
- Another important offering that we rolled out in 2014 is the multi-colli delivery service, where we strive for a 99 percent service level
- We also introduced a dedicated B2B Customer Service, which offers a single point of contact for our B2B customers, offering more personal and efficient service
- We are now licensed to sort and distribute limited amounts of dangerous materials, which is especially interesting for the Healthcare and Personal Care market.

Logistics

- In 2014 we saw increased demand for value-added services that take place within customers' homes, including installation and servicing. Extra@Home is our delivery service that fulfils e-commerce orders of large consumer goods, such as washing machines and bicycles. Customers are increasingly outsourcing delivery, and we are ideally positioned to service customers in the Benelux
- Fulfilment involves storing retailers' goods in our warehouses, packaging, shipping and delivering the goods to the end consumer
- Our courier company Mikropakket continued to develop in 2014. It focuses on high value deliveries, such as jewellery, optical equipment and phones. It operates a highly secure network, with a central distribution point. We expect growth to accelerate in the coming years, with further expansion into the Belgian market.

In 2014 we introduced a number of pilot projects across our Parcels segment.

- First on Continental Europe, we introduced Sunday delivery, a service that is designed to be attractive to both retailers and consumers
- We rolled out unmanned parcel points at ten main stations around the country. We intend to expand the service to other locations in the future as part of our growing number of retail points
- We have researched the most effective ways to ship food, and in cooperation with Wageningen University have developed a storage box that allows frozen, cooled and non-temperature dependent foods to be transported in one container.

Trusted delivery

In recent years we have been redesigning and upgrading our operational infrastructure through the New Logistics Infrastructure (NLI) programme. We are combining sorting and distribution activities in our hybrid depots throughout the Netherlands. This helps us provide a better service to customers, by increasing efficiency and expanding our capacity.

One of the consequences of the NLI programme is increased efficiency within our centres. The loading time of vans has been reduced, requiring less physical effort from the driver and reducing mis-sorting. This benefitted our parcel deliverers - who are mainly made up of business partners - as less time loading vans means more time available to deliver parcels on their routes.

As a large percentage of our distribution is carried out with business partners, in 2014 we focused on developing long-term partnerships. We put a great deal of effort into better understanding our business partners' needs and wishes. We have taken steps to deal with the issues they have. More information can be found in the People chapter.

Outlook 2015

- We will accelerate our innovation drive to capture new opportunities and to fulfil customers' needs. This is the best defence of our strong position in a market where competition will grow, enabling us to take advantage of ongoing growth within e-commerce. For example, we will continue to explore possibilities to bring a low-cost food proposition to the market. Food is one of the most underrepresented e-commerce sectors, and in 2014 we began pilot studies with two local Dutch food retailers.
- Cross-border e-commerce is growing fast. We will continue to focus on the broker model. We will increase our sales activities in highly developed e-commerce countries, not only in Europe but also in China. Given the competitive nature of the market, we will also focus on keeping costs low.
- In 2015 we will complete our New Logistic Infrastructure with the roll out of the 18th and final depot.

International

In addition to our operations in the Netherlands, we also operate four separate units within our International business segment: Germany, Italy, the United Kingdom and Spring Global Mail, a cross-border mail operator. In 2014 we rebranded all of our local country operations. In Germany we rebranded to Postcon, in Italy to Nexive, and in the United Kingdom we rebranded to Whistl.

Germany

Customer focused

In 2014, we implemented the 'Customer is King' and OnePostcon programmes, which enable us to deliver a more customer focused and efficient approach. We now offer customers a central sales point per segment, which provides a better customer experience. This led to a number of new customer signings, including Commerzbank. Ongoing fierce competition in the consolidation market put both volumes and prices under pressure. Despite this, we won the vast majority of tenders we participated in.

Services and solutions

In 2014, Postcon further developed its service 'Postcon Business', whereby the distribution mix between consolidation, downstream access (DSA), own delivery and delivery via partners was optimised. Postcon has also further developed its network coverage options through the addition of new distribution partners.

Trusted delivery

We deliver across Germany, but provide an end-to-end delivery service in the Rhein-Ruhr and Frankfurt regions. Elsewhere we use partners for the last mile distribution. To help maintain an affordable mail service in Germany, in 2014 we began planning for the expected implementation of a legal minimum wage. These include changes to delivery planning and dialogue with clients and partners to best decide how to manage tariff increases.

Italy

Customer focused

In 2014 our share of the mail market further increased to 15 percent (2013: 13 percent). We achieved this growth by:

- Expanding our customer base in the public administration and banking and insurance sectors
- Increasing the geographical coverage of our Formula Certa network, which delivers postal items with track and trace.

We continued to see good cross selling with our print business, Formula Stampa, which prints envelopes, invoices and letters for a broad range of customers. We invested further in full colour printing, enabling us to further expand our customer base and meet the changing needs of our customers. Our parcels business performed well, following the launch of Sistema Economy and Sistema Espresso, delivering parcels via our existing Formula Certa network. We see good opportunities for further growth.

Services and solutions

We created more efficient handling for our customers, by further developing our state-of-the art Formula Certa network through the addition of sorting capacity for our partners.

Trusted delivery

After the launch of Sistema Completo in 2013, our parcel delivery service fully dedicated to e-commerce, we have now launched Sistema Economy and Sistema Espresso, delivering parcels via our existing Formula Certa network.

United Kingdom

Customer focused

Because businesses are demanding ever-greater transparency and insight into mail performance, in 2014 we introduced Mailmark. This service offers businesses the possibility to track their mail through the Royal Mail network, increasing visibility of the mail provider's performance.

Services and solutions

Although the main part of our mail activity is in the downstream access market, we successfully expanded our end-to-end (E2E) service. In 2014 our E2E service increased coverage in London and Manchester and added Liverpool, bringing the number of households we cover to 2 million. This is 7.4 percent (2013: 4.1 percent) of all UK households. We will continue to discuss further investments in E2E with our future partner LDC.

Trusted delivery
In our parcels operation we collect and insert parcels into the network of Royal Mail, similar to the downstream access model used for mail. We are increasingly using other parcel distribution networks to meet customers' needs, providing them with greater flexibility through more delivery options.

Spring Global Mail
Spring Global Mail continued to position itself as a cross-border e-commerce services partner in 2014, as it shifts from being a cross-border mail-only provider. Our focus is on providing a 'gateway to Europe' service for our customers, enabling them to ship parcels from across the world into one hub in Europe.

Increasing numbers of European consumers are purchasing products from Asian web shops. In 2014 we grew our parcel volumes from Asia, working with our partners to provide an integrated distribution service across Europe. As the sales agent for PostNL we offer an affordable and reliable service for distribution to Europe.

We continued to expand our seamless returns solutions, increasingly demanded by all customers in the international packets and parcels market. Our returns solutions ensure that end customers are able to return goods to retailers, manufacturers and fulfilment centres easily and reliably, wherever they are in the world. We also introduced track & trace that can be linked to customers own IT systems.

7 Corporate responsibility

In this chapter we look at our impact on, and our responses to, the environment and society. How we invest in and develop our people is outlined in the People chapter. We cover in detail how our drivers and pillars are shaping our effort to create a more sustainable business.

We provide our customers with one of the most sustainable mail and package solutions in the markets in which we operate. We achieve this by following a corporate responsibility strategy based on three basic principles:

- We will strive to minimise the impact of our products and processes on the climate
- We will contribute towards the vitality of society
- We will ensure that our organisation is flexible and welcoming, and continues to be a good employer and business partner.

These three principles were developed based on stakeholder input. We have ongoing contact with stakeholders on both a formal and informal basis, including an annual meeting where we discuss our CR programme and actions. The outcome of our stakeholder dialogue is summarised below.

Who are our stakeholder groups?	Why is the stakeholder group relevant for us?	Why are we relevant for the stakeholder group?	Main topics
Customers	• Customers are important for business continuity	• Sustainable mail and parcel services • Smooth mail and parcel distribution • Adding value to customers core process	• Environmental impact • Sustainable innovation • Customer focused • Accessible, affordable and reliable mail and parcel services
People Employees	• Employees form the core of our organisation • Employees influence customer satisfaction	• Good employment	• Employee engagement • Diversity and inclusion • Recruitment and career development • Health and safety • Responsible redesign
People Business partners	• Business partners are an important factor in our networks	• Long term partnership	• Environmental impact • Flexible and sustainable partnerships • Economic performance
Suppliers	• Facilitating business processes • Sustainable mail and parcel services	• Economic performance • Sustainable innovation • Long term partnerships	• Economic performance • Sustainable innovation
Investors	• Capital sourcing • Credit rating	• Investment return • Sustainable investment	• Economic performance • Fair taxation • Dividend
Society Government	• Definition/adjustment postal law	• Accessible, affordable and reliable mail and parcel services • Transparent tariffs • Privacy of customers	• Accessible, affordable and reliable mail and parcel services • Fair taxation
Society Media	• Reputation management	• Development of PostNL as large, publicly traded company	• Transparent media relations • Partnership and sponsoring

In addition to our stakeholder dialogue, we selected which topics are visualised in a materiality matrix, which can be found in the CR performance statementschapter.

Main topics

We are closely connected with society through our customers, our people, networks, products and services. In the Netherlands, for example, we deliver to every address. Developments in society have an immediate effect on us. We want to use our people, our network and our expertise to contribute towards the viability and vitality of society.

Environmental impact

As a large logistics company with a footprint across a number of European countries, we have an impact on our environment. While much of our mail is delivered by bike or on foot – both of which are carbon neutral – many of our activities are not. To operate successfully now and over the long term, we concentrate on developing sustainable solutions whenever possible, including for our vehicles, buildings, materials and innovations. In our markets, we want to be the mail and parcels company that makes a tangible contribution towards a sustainable world. We strive to reduce our own carbon footprint, through sustainable procurement, and work to help reduce our customers' carbon footprint.

We offer our business customers a carbon neutral delivery proposition via our website www.groenepost.nl.They can compensate the CO2 impact of the letters and parcels they sent via PostNL. The CO2 impact of the compensated sendings is calculated at 10 kilotonnes CO2 (2013: 13). These emissions were compensated using Gold Standard credits. To stimulate customers to compensate the carbon emissions of the mail and parcels they send with us, we double the amount of money paid by customers for CO2 compensation up to a maximum of €50,000. This additional contribution is invested in green projects in the Netherlands.

Sustainable innovation

Our ambition is to contribute towards the long-term viability of cities by developing new distribution services. We aim to reduce the number of transport operations in city centres by grouping goods together with those of third-party transporters. We are also developing new products for city-centre customers and transporters – such as those in the renovation, construction and food sectors – by introducing more sustainable vehicles. In 2014 we took a number of steps in this direction.

- We introduced 100 green gas vehicles across the Netherlands, which emit extremely low levels of carbon and particulates. These vehicles are also much quieter
- We began piloting other alternative forms of transport on some routes, such as e-scooters
- We joined Green Freight Europe – a leading independent voluntary programme for improving environmental performance of road freight transport in Europe – and Green Deals, a sustainability initiative of the Dutch government.

We started a pilot project in Delft, called 'Stadslogistiek Delft'. The project aims to reduce the carbon footprint of mail and parcel deliveries in the city centre. It will achieve this by consolidating mail and parcel deliveries for the city centre on the edge of town. City deliveries will be made by electric vehicles, improving the air quality and general livability of the city.

Customer focused

Our customer focus involves providing high quality and efficient service, solving complaints and issues quickly and effectively, and ensuring we provide the right information at the first customer contact. Detailed information on our customer indicators can be found in the CR performance statements chapter.

Fair taxation

We adhere to the tax laws and related rules and regulations in the countries in which we conduct our business. Our tax planning is guided by good business sense. As well as creating and maintaining a tax control environment that ensures such compliance, we also believe that developing a relationship with tax authorities based on trust and transparency is an important part of our tax strategy.

Transparent media relationships

We maintain contact with the media and the financial community, ensuring that they are informed about relevant developments in our company in a transparent and timely way.

Partnerships and sponsoring

We use our people, network and expertise to help children in less fortunate circumstances. We run a variety of programmes, the main two of which are outlined below.

King's games

As part of the Netherlands' Koningsdag (King's Day) celebrations held at the end of April each year, in 2014 we sponsored the delivery of 1.1 million Koningsspelen (King's games) t-shirts to 7,700 primary schools around the country. More than ten trucks were needed to deliver the t-shirts. The Koningsspelen involve children taking part in a range of games and activities.

Partnership WFP

Since 2002 we have partnered with the United Nations' World Food Programme (WFP). One of the projects we support is a school-feeding programme in Malawi. This project provides a free school lunch to underprivileged children, and aims to reach 350,000 children each year. The concept is simple: food attracts hungry children to local schools, and in return they get an education that enables them to break out of the vicious cycle of hunger and poverty. Over the course of the partnership our employees have raised funds to support the school feeding programme through a range of fundraising activities. One of those is the publication of the 'Good Food Book', which in 2014 reached its eight edition. Proceeds from the sale of the cookery book, combined with other sponsorship activities, helped provide over 2.5 million meals in 2014.

Our challenges

No matter how well we conduct our business, challenges will always remain. When developing solutions for our challenges, we take into account the advantages and disadvantages for not only ourselves, but also all of our stakeholders. We have identified a number of key challenges which we have highlighted below.

Mobility

One of the most pervasive trends within the postal market is the decline of physical mail, as online and digital communication increases. To counter this we are working hard to provide customers with new and innovative mail solutions to make mail even more relevant. This means our business is changing. And our mix of people has to change with it. Which creates a dilemma. While on the one hand we need to hire people that can drive innovation across our business, on the other we need to assist those impacted by a shrinking mail market. Our solution is to focus on helping those employees affected by job cuts to find work elsewhere, either within the company or externally. One example of how we achieve this is through the PostNL Mobility programme, which has so far helped over 7,700 former employees find a new future outside the company.

Carbon emissions

As a result of the growth of our parcels and international business segments, each year we are driving more kilometres to deliver greater volumes of mail and parcels. At the same time we are working hard to minimise our carbon footprint. This causes a dilemma. From a business perspective our goal is to increasingly deliver mail and parcels wherever and whenever customers want. From an environmental perspective, however, our goal is to reduce our emissions and become the most sustainable mail and parcels company. We work hard to reduce our carbon emissions whenever possible. For more information on our results in 2014, please see the CR performance statements chapter.

8 People

In this chapter we outline how we invest in and develop the company's most important asset, our people.

We are one of the Netherlands' largest private employers. Globally, we employ over 56,000 people who reflect society and represent a broad range of different backgrounds and cultures. We promote diversity within the organisation, and provide a safe working environment where people are valued and respected and feel confident to be themselves.

Our people work for us on a full-time, part-time and temporary basis, including business partners and those who have lost contact with the labour market. We promote sustainable employability, and create an environment where people can develop themselves throughout their career. Our policy is to create a workplace where people are well trained, skilled, productive and remain motivated to work, whether it is within PostNL or elsewhere. What bonds our people together is that they deliver mail and parcels with pride. Our people are the core of our business in all countries.

OnePostNL

To foster an environment that promotes closer collaboration within the company, we focus on creating a OnePostNL culture with the following leading behaviours:

- Working together for OnePostNL
- Being fact-based and decisive
- Taking ownership for results and timely delivery
- Being innovative and customer oriented.

We estimate that we trained approximately 2,000 managers on cultural awareness and how to act as a role model for the desired behaviours. Additionally, managers and their teams held sessions to brainstorm on the best ways to introduce relevant cultural aspects into their day-to-day operations. The aim is to introduce the results of the sessions into the teams' daily working practices as quickly as possible.

We also provided a 'Multicultural Diversity training' for all employees and business partners who work in operations at our Parcels segment, and for many other operations and staff departments across the company. The aim of the training is to understand and respect cultural differences, and respond more accurately to them.

In addition we are in the process of standardising and simplifying our HR processes and policies. Standardisation will help us work and communicate with our people more efficiently and effectively.

Engagement

Every year we carry out an engagement survey. In 2013 we recognised that employees who scored highly on working together had higher engagement levels. At the same time, those with high engagement levels were also more receptive to following our desired cultural behaviours. Consequently, in 2014 we focused on putting greater emphasis on those aspects of our culture programme, to increase our engagement levels. Our approach worked and overall engagement increased from 58 percent to 60 percent year-on-year, while the participation level increased from 44 percent to 53 percent in 2014. Our aim is to continuously improve the engagement of our employees.

Diversity and inclusion

We hire qualified people irrespective of ethnicity, gender, age or sexual orientation. We are convinced that diversity within our workforce and management that reflects society is crucial, and creates a healthier, more sustainable working environment.

Female leadership

Our aim is to increase the number of women that work within management. Through initiatives such as our Women Inclusion Network (WIN), mentoring programmes and paying special attention to female talent in our succession and talent management approach, we have improved the percentage of women in senior management from 19 percent in 2013 to 21 percent in 2014. The percentage of females in management remained almost flat at 25 percent (2013: 26 percent). At year-end 2014, women made up 44 percent of the company's total workforce.

We also became a member of the 'Talent to the Top' charter, a countrywide platform to facilitate and stimulate recruitment and the development of women to senior positions in private and public companies.

Inclusion

By striving for a culture in which differences between people are appreciated, all employees and partners should feel welcome and respected regardless of their ethnicity, gender, age or sexual orientation and irrespective of their background. We want more people in managerial positions with a multicultural background. Similar to the successful women network, we established a Diversity and Inclusion platform that focuses on acquiring and developing future leaders with a multicultural background. In 2014 we successfully organised two multicultural in-house days for future high potential employees from our Young Executive Programme (YEP). A multicultural programme manager was assigned to improve the recruitment of multicultural employees in our YEP.

We sponsor the Giving Back Foundation, which inspires talented and ambitious students from different cultural backgrounds to enter the labour market where they can use their talents and fulfil their ambitions. A number of our managers coach students, which helps them pass on their skills and broaden their multicultural experience. We support several communities to stimulate diversity, including Pride, the gay, lesbian, bi- and transsexual network. Furthermore, we participate in events and initiatives to promote and stimulate diversity, such as the Canal Parade of Gay Pride.

People with limited access to the labour market

We create work experience opportunities for people with limited access to the labour market. We establish partnerships with social employment organisations and network organisations in the Netherlands, such as Locus. We target people with a labour impairment and give them the required work experience through part-time assignments within the new parcel sorting and distribution centres or as deliverers. In 2014, around 980 people participated in these programmes and obtained work experience with us.

Recruitment and career development

Having the right talent is vital for the future of the company. We have looked closely at the skills future leaders will need and we use our succession plans and our training programmes to identify and develop in-house talent. This includes hiring talent from outside the company when necessary. We strive to evaluate the performance of our high-potential employees and senior managers twice per year, including succession planning, development and internal growth. We currently have 126 employees in the high potential and senior executive pipeline.

Attracting young talent is necessary to support the growth and development of the company. In 2014 we continued to focus on the recruitment and retention of young talent and experienced professionals. During the year we hired 18 new trainees for our Young Executive Programme (YEP) and filled 99 vacancies with our experienced professionals.

PostNL has identified five key leadership competences: connecting, entrepreneurship, realising, trust and solving.

They support a management style that is in line with the required cultural changes. In 2014 we introduced new tools to assess employees on these five leadership competences. We introduced an assessment for our senior managers and established an online learning programme for new employees.

Our employees receive feedback on their performance each year during the performance management cycle. In 2014 we evaluated almost 1,800 employees, with the aim of identifying future leaders and specialists.

PostNL Academy

The PostNL Academy is an online learning environment that provides every employee in the Netherlands with a variety of e-learning modules and training opportunities. Employees can improve their skills and, ultimately, their employability.

In 2014 we continued to develop learning based on the 70-20-10 framework, which means that learning and development are viewed through three basic types of activity:

a. Experience: 70% through day-to-day practice
b. Exposure: 20% through informal coaching, personal networks and other collaborative actions
c. Education: 10% through structured courses and programmes.

Mail deliverers

Our mail deliverers start their training at home, with an e-learning module. When they pass they are ready to move onto their practical training. The focus is on the skills required to do the job, effective communication and how to behave when making deliveries.

Drivers

Our drivers begin their training with a film on what it’s like to be a PostNL driver. They then start ‘on the job’ training with an experienced colleague, where they learn the routes and pick-up times they will follow. They also learn about the handheld scanner, which we use to scan and register customers’ deliveries.

In 2014 we started the ‘Driving is a skill’ course, which covers a wide range of skills. These include how to be a safer, more environmentally aware driver, through to tips on how to make your customer service even better. In 2014 over 1,300 drivers followed the course.

Like our mail deliverers, our drivers are the public face of the company. We want them to be proud ambassadors of the company.

Career development programmes

We accelerated the career development of high potential employees through several career development programmes. The goal of the programmes is to train high potential employees on the company’s leadership competences, while taking them to the next level of personal leadership. We frame our development programmes in four (career) phases.

- The Young Executive Programme (YEP) focuses on improving the performance of graduates, while stimulating them to nurture a personal network within the company.

- Young Managers in Action (YMA) focuses on developing managers' core competences. The aim is to increase participants' visibility among senior management and to strengthen their personal network.
- The Mastering Your Leadership Programme (MYLP) teaches participants how to interpret the company's strategy directly into their own business environment, while developing and stimulating entrepreneurship to generate future business opportunities.
- The Leading into the Future (LIFT) programme aims to deepen executives' understanding of the bigger business picture of PostNL, while raising their self-awareness and impact as leaders.

Health and safety

We focus on reducing absenteeism and accident prevention. The main developments in 2014 are outlined below.

Absenteeism

In 2014, our absenteeism level dropped to 4.7% (2013: 5.1%). We operate an active management policy within this area. We also run preventative programmes, which aim to make employees more aware of their health. This includes running health tests, and encouraging them to make use of the network of sporting associations available across the company.

Accidents and incidents

We encourage all business segments to acquire OHSAS 18001 certification, which is a standard for occupational health and safety management systems. In 2014 90% of the organisation was certified to OHSAS 18001 (2013: 90%).

Despite our focus on health and safety a number of incidents occurred in 2014. We deeply regret having to report two fatal accidents, which involved drivers hitting and fatally injuring a cyclist and a road worker.

Responsible redesign

In 2014 we continued with various cost saving programmes and our focus is on helping those employees, affected by job cuts, to find work elsewhere, either within the company or externally. The mobility office offers a complete 'work to work' programme, including various workshops, training sessions, and financial and job consultations to guide employees from one job to another without becoming unemployed. In 2014, almost 190 employees successfully transitioned the Mobility programme and found work outside the company. We also managed to redeploy 285 people internally, while around 270 people left the company voluntarily with a mobility budget.

In 2014 we started the Mobility I PRO programme, which offers the same support for professionals. Around 900 employees were helped by job coaches through Mobility I PRO, and took advantage of one or more services available from Mobility and Mobility I PRO in 2014.

For older employees we introduced the '60+ arrangement' in 2014. This initiative is part of the new collective labour agreement, and enables employees aged 60 or over to work 60% of their contract hours while receiving 80% of their salary. At the end of the period employees retire and leave PostNL. Over 50 employees signed up for this initiative in 2014.

Flexible and sustainable partnerships

As a part of our distribution is carried out with business partners, in 2014 we also focused on developing long-term partnerships. We put a great deal of effort into better understanding our business partners' needs and wishes. We have taken steps to deal with the issues they have - for example, by regularly meeting with their interest groups, together developing and preparing the implementation of a new compensation system, and strengthening the business-partner relationship we have with them. Additionally, we have:

- Created meeting places in a number of locations for business partners, so that they can get together before and after their work
- We have designed new routes that better spread their workload over the week
- We have made agreements within the depots that there will be more mutual contact between business partners and management. Our focus is on creating a sustainable relationship.

Compensation and benefits

We maintain good relations with the trade unions, based on mutual respect and a recognition of our shared interests. We ensure that we actively inform the trade unions about developments within the company and the market in which we operate. This results in a constructive dialogue, in which the interests of our various stakeholders are discussed in a fair and balanced manner. It contributed to the progress we made in 2014 on a number of fronts, including the following:

- We reached a final agreement for the PostNL Collective Labour Agreement (CLA) with the Abvakabo FNV, BVPP, CNV Publieke Zaak and VHP2 trade unions following consent from their members. PostNL sees the new CLA as a good balance between the trade unions' demands and the need to continue to control costs. The new CLA will remain in effect from 1 January 2015 until 31 December 2015. This CLA applies to almost all employees of Mail in the Netherlands, Parcels and the head office.
- In 2014 a new CLA for around 22,000 mail deliverers and Saturday deliverers was agreed with their trade unions. The CLA includes provisions for salary increases and a cost

allowance, and went into effect retroactively as of 1 January 2014. It will remain in effect until 30 September 2015.
- In 2014 the pension schemes were adjusted in anticipation of legislation changes that came into effect on 1 January 2015.

Works council

In 2014 PostNL continued its constructive dialogue with the Central Works Council, the European Works Council, and the other works councils.

With the Central Works Council we agreed upon a joint vision regarding 'Social leadership and being a good employer in a changing postal- and parcel market'. The vision sets out the type of company PostNL wants to be in a globalised environment, in which flexible working relations and part-time jobs play an important role and in which the focus shifts from job security to employability.

In December 2014 PostNL and the Central Works Council evaluated the implementation of the Works Council Statute. This statute regulates the relationship between the company and works councils' members with regard to time allocated to their membership of the works councils, the facilities the company provides for them, and the career development planning of individual works councils' members. PostNL and the Central Works Council jointly concluded that significant improvements were made since the signing of the statute in 2013 and that no modifications in the statute are needed.

9 Performance 2014 and outlook 2015

Integrated Performance Dashboard

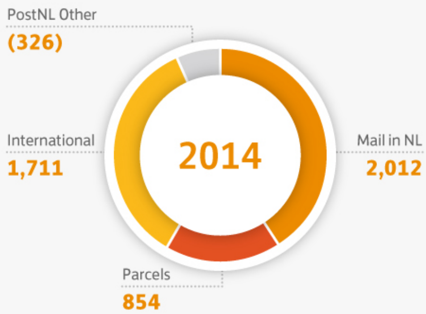
Financial performance

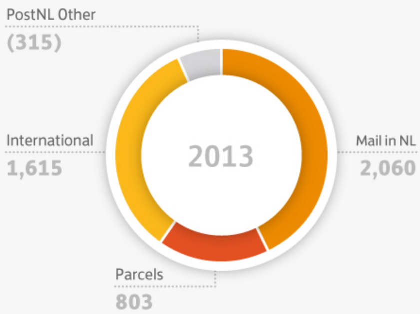
Revenue
(in € millions)

4,251

2014	4,251
2013	4,163

Outlook 2015: Stable



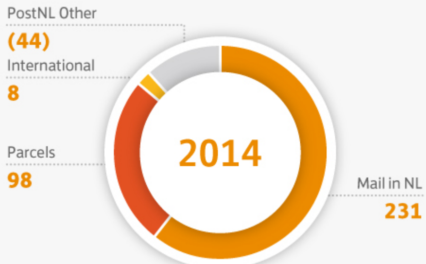


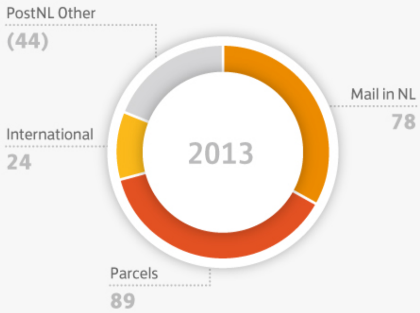
Underlying cash operating income (margin)
(in € millions)

293
(+7.0%)

2014	293
2013	147

Outlook 2015: 280 – 320





Cost savings
(in € millions)

127

2014	127
2013	95

Outlook 2015: 75 – 95

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

220

2014	220
2013	164

Net cash for operating & investing activities (normalised)
(in € millions)

124

2014	124
2013	43

Operational and corporate responsibility performance

Mail in the Netherlands

Addressed mail volume

-10.7%

(in million items)

2014	2,705
2013	3,029

Outlook 2015: **9 – 12%** *decline*

Parcels

Volume growth

+8.8%

(in million items)

2014	142
2013	131

Customer satisfaction

85%

2014	85%
2013	83%

Outlook 2015: ↑

Delivery quality Mail in the Netherlands

96.7%

preliminary

2014	96.7%
2013	95.8%

Outlook 2015: **> 95%**

Employee engagement score

60%

2014	60%
2013	58%

Outlook 2015: ↑

CO_2 efficiency index

57.9

2014	57.9
2013	58.3

Outlook 2015: ↓

This chapter outlines the key financial and corporate responsibility performance of PostNL and the performance of our business segments. Thereafter, we explain the other financial indicators. We conclude with the outlook for 2015.

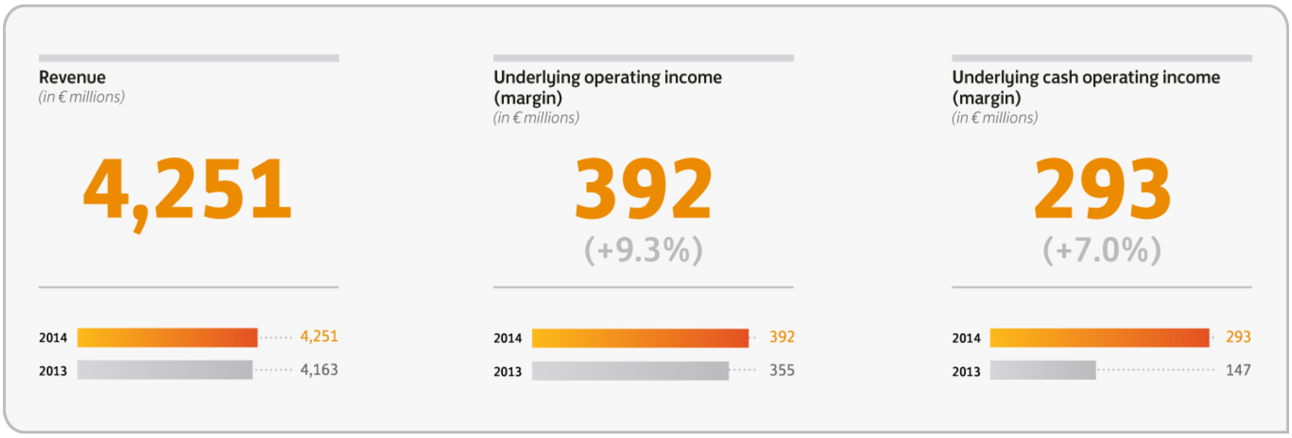
Performance 2014

The key drivers of PostNL's performance include:

- the volumes of mail and parcels delivered, the mix of services PostNL provides to its mix of customers, and the prices PostNL receives for its services,
- the ability to adapt operating expenses to shifting volume levels, by means of costs savings, implementing the restructuring programmes and the level and phasing of restructuring payments,
- the level of pension fund obligations and total pension contributions,
- the development of the value of the stake in TNT Express, and
- in broader perspective satisfied clients and a motivated and engaged workforce.

Please note that the comparative 2013 results have been restated to reflect the impact of the adoption of IFRS 11 and IAS 28R. For detailed disclosure, see note 1.4 to the consolidated financial statements.

PostNL's financial results



In 2014, PostNL's revenue increased by €88 million or 2.1% to €4,251 million (2013: 4,163). Revenue increases at Parcels and International were partly offset by a decrease in revenue in Mail in the Netherlands. Adjusted for foreign exchange rate changes, underlying revenue increased by €44 million or 1.1% to €4,207 million.

Underlying operating income increased by 10.4% to €392 million (2013: 355). The increase of €37 million is explained by cost savings of €95 million (excluding pensions), lower implementation costs (€7 million) and increased results within Parcels (€6 million), partly offset by a negative volume/price/mix effect in addressed mail in Mail in the Netherlands (-€1 million), autonomous cost increases (-€34 million), decreased results within International (-€14 million) and other effects (-€22 million).

Underlying cash operating income amounted to €293 million (2013: 147). The increase of €146 million is explained by the increase in underlying operating income of €37 million and lower changes in pension liabilities (€64 million) and provisions (€45 million).

PostNL's underlying (cash) operating income development

Management monitors the financial performance of the Group and the relating segments via various measures. One of these is the earnings measure 'underlying cash operating income' as this focuses on the underlying cash performance, which is the basis for the dividend policy.

In the analysis of the underlying cash operating performance, adjustments are made for exceptional items, as well as adjustments for non-cash costs for pensions (defined benefit plans) and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows.

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

From reported to underlying (cash) operating income 2014

(in € millions)

Year ended at 31 December	Reported operating income	Rebranding PostNL/ Project costs	Restructuring related charges	Past service pension costs	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	298		4		302	(41)	(30)	231
Parcels	100				100		(2)	98
International	(6)	15			9	(1)		8
PostNL Other	13		4	(36)	(19)	(10)	(15)	(44)
Total 2014	405	15	8	(36)	392	(52)	(47)	293

From reported to underlying (cash) operating income 2013 (restated)

(in € millions)

Year ended at 31 December	Reported operating income	Rebranding PostNL/ Project costs	Restructuring related charges	Impairment assets held for sale	Top up payments pensions	Past service pension costs	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	147		49		56	(34)	218	(80)	(60)	78
Parcels	90		1		3		94	(1)	(4)	89
International	1	6	4	12			23		1	24
PostNL Other	162		23		(59)	(106)	20	(16)	(48)	(44)
Total 2013	400	6	77	12	0	(140)	355	(97)	(111)	147

From reported to underlying operating income

Underlying operating income totalled €392 million in 2014 (2013: 355). Compared to 2013, PostNL's underlying operating income of 2014 increased by €37 million. Underlying operating income excludes exceptional items, which amounted to €13 million in 2014 (2013: 45). Underlying operating income margin was 9.3% in 2014 (2013: 8.5%).

In 2014, the exceptional items were:

- the impact of rebranding and project costs of €15 million in International,
- restructuring-related charges in Mail in the Netherlands (€4 million) and PostNL Other (€4 million), and
- a positive effect of past service pension costs of €36 million, reported in PostNL Other.

In 2013, the exceptional items were:

- rebranding and project costs of €6 million,
- restructuring-related charges of €77 million,
- an impairment of assets held for sale of €12 million related to our UK business Whistl,
- pensions top-up payments, where the business impact was offset by PostNL Other*, and
- a positive effect of past service pension costs of €140 million.

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

From underlying operating income to underlying cash operating income

In 2014, underlying cash operating income almost doubled to €293 million from €147 million in 2013. As a basis, underlying operating income increased by €37 million. Underlying cash operating income margin was 7.0% in 2014 (2013: 3.5%).

The changes in provisions of €52 million in 2014 (2013: 97) represent the difference between the underlying net addition for restructuring and other provisions of €0 million (2013: underlying net release of 1) and the underlying cash settlements of €52 million (2013: 96).

The changes in pension liabilities of €47 million in 2014 (2013: 111) represent the difference between the recorded underlying pension expenses of €122 million (2013: 131), which excludes the positive effect of past service pension costs of €36 million (2013: 140), and the underlying cash payments of €169 million (2013: 242, which excludes €63 million of top-up payments).

The increase of €146 million in underlying cash operating income comprised higher results at Mail in the Netherlands (€153 million) and Parcels (€9 million), offset by a lower result within International (€16 million).

PostNL's corporate responsibility results

Management monitors the corporate responsibility performance of the Group via various measures related to our customers, our people and our sustainability.

Customer satisfaction increased to 85% during 2014 (2013: 83%). We aim for continuous improvements on quality, efficient services, quickly and effectively solving complaints and excellent customer contact. Our people are key to these improvements. During 2014, we made good progress on all aspects which had a positive effect on our customer satisfaction results. As examples, we extended our parcels' delivery time framework, introduced the PostNL app for full track-and-trace of our parcels delivery and introduced our new PostNL website.

Delivery quality for standard mail improved to 96.7% (2013: 95.8%) as a result of active management on quality results together with the adjustment from a six day to a five day delivery model, starting 2014.

Employee engagement increased to 60% (2013: 58%). In 2014, we extended the roll-out of our culture programme, introducing the desired and leading behaviour principles. In 2013, we organised workshops for the top management of the company. In 2014, they became the drivers/promoters towards their teams and people. Working together for one PostNL showed an essential driver for the improved engagement score.

Our CO2 efficiency index improved to 57.9 (2013: 58.3), mainly caused by the improved CO2 efficiency of our buildings. Parcels' New Logistics Infrastructure is nearly completed with state of the art sorting locations, which all have an A+ energy label. Furthermore, several older buildings were sold which had a positive impact on our CO2 efficiency. In 2014, we also made first steps with greengas vehicles.

In 2014, our Dow Jones Sustainability Index score improved to 83 points out of 100 (2013: 80). Our score in the Transparantie Benchmark decreased to 168 points out of 200 (2013: 176), mainly explained by updated criteria where PostNL did not yet apply the GRI G4 principles in 2013. Last, we were rewarded as the best new up-and-coming company within the Benelux on the carbon disclosure project.

For a more extensive description see the chapters on Corporate responsibility, People and the CR performance statements.

Results Mail in the Netherlands

Revenue
(in € millions)

2,012

2014	2,012
2013	2,060

Addressed mail volume

-10.7%

(in million items)

2014	2,705
2013	3,029

Underlying cash operating income (margin)
(in € millions)

231
(+11.5%)

2014	231
2013	78

The volume of addressed mail items declined by 10.7% in 2014 (2013: 11.9% decline). The substitution of traditional mail by electronic communication continued and was the main contributor for the loss of volumes. Between 2 percent and 3 percent of the volume decline was caused by competition.

The following table shows the addressed postal items delivered, split between single items and bulk mail, both for 2014 and 2013.

Operating statistics Mail in NL

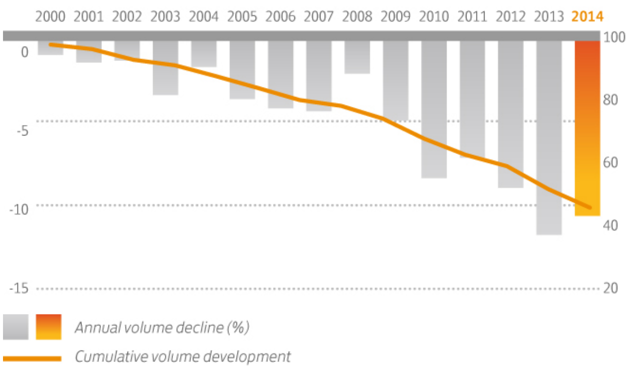
(in million items)

Year ended at 31 December	2014	2013
Single items	624	690
Bulk mail	2,081	2,339
Addressed postal items delivered	2,705	3,029

The following chart shows the cumulative volume development since 2000.

Volume development Mail in the Netherlands

(in %)



In 2014, revenue in Mail in the Netherlands was €2,012 million (2013: 2,060). The decrease by 2.3% was driven by the volume decline of 10.7%, largely offset by a positive price/mix effect. The positive price/mix effect is mainly explained by the stamp price increases per 1 August 2013 and 1 January 2014, and the price increase of the December stamp.

In 2014, total cost savings of €127 million were realised thanks to a smooth implementation of our restructuring plans. Main contributors were the transition to a five-day delivery model and the implementation of a leaner head office and marketing and sales organisation.

Operating expenses Mail in NL

(in € millions)

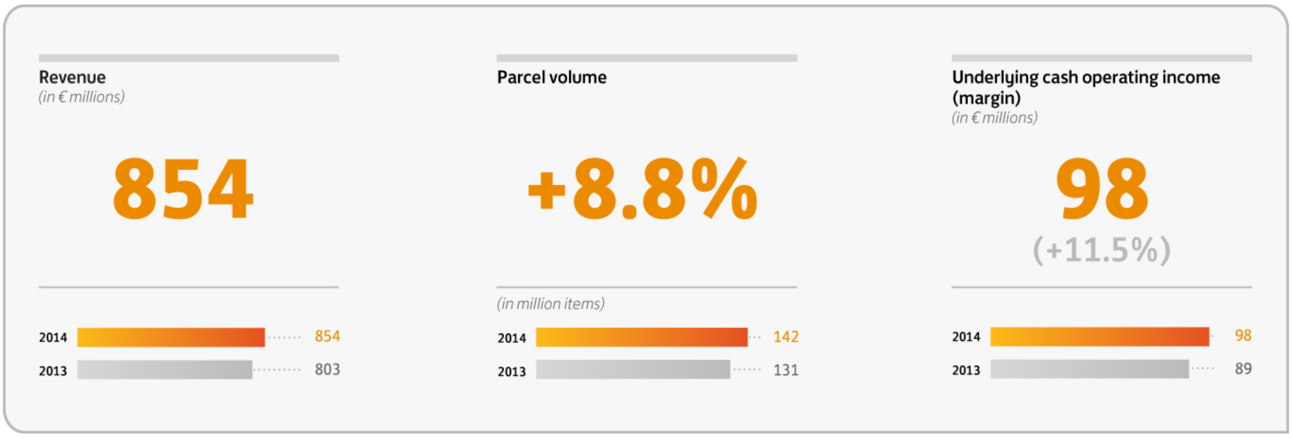
Year ended at 31 December	2014	2013 restated
Cost of materials	35	36
Work contracted out and other external expenses	708	746
Salaries, pensions and social security contributions	767	923
Depreciation, amortisation and impairments	48	59
Other operating expenses	163	155
Total operating expenses	1,721	1,919

In 2014, total operating expenses decreased by €198 million compared to 2013. Main contributors to this decline were lower salaries, pensions and social security contributions (€156 million) and lower work contracted out (€38 million). Salaries, pensions and social security contributions decreased by €156 million, mainly due to cost savings as a result of a smaller employee base, lower additions to restructuring provisions (2014: addition of €4 million; 2013: addition of 49) and lower one-off pension costs (2014: nil; 2013: 22). Work contracted out decreased by €38 million, mainly due to less use of external temporary staff. The cost for depreciation, amortisation and impairments include an impairment of €3 million mainly related to real estate (2013: 9).

Underlying cash operating income increased by €153 million to €231 million in 2014 (2013: 78). The impact of the 10.7% volume decline (-€100 million), autonomous cost increases (-€30 million), other effects (-€19 million) and higher charges from PostNL Other (-€8 million) were more than compensated by a positive price/mix effect (€99 million), strong cost savings (€98 million, excluding pensions), lower implementation costs (€15 million), and lower pension and provision cash out (€98 million).

Despite all changes within operations we were able to further improve our on-time delivery quality to 96.7% (2013: 95.8%), well above the required level of 95%.

Results Parcels



In 2014, volumes in Parcels showed a strong growth, with underlying volumes up by 8.8%. The volume growth was supported by strong growth in international parcels.

The following table shows the number of parcels handled, split between domestic and international, both for 2014 and 2013.

Operating statistics Parcels

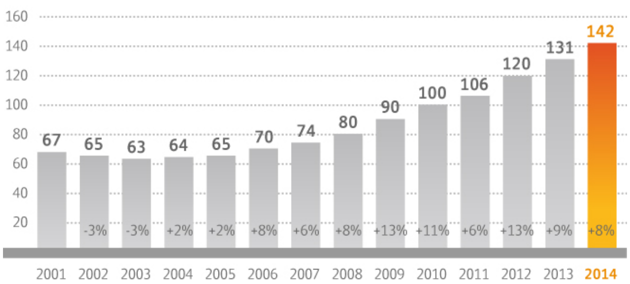
(in million items)

Year ended at 31 December	2014	2013
Domestic	123	118
International	19	13
Total	142	131

The following chart shows the development of parcel volumes:

Volume development Parcels

(in millions of items)



In 2014, revenue of Parcels increased by 6.4% to €854 million (2013: 803), mainly due to strong volume growth of domestic and international parcels driven by continued growth in e-commerce.

The New Logistics Infrastructure (NLI) is nearly completed. At the end of 2014, 17 out of 18 planned new depots were operational. 33 old distribution centres and all old sorting centres are now closed. Over 95% of volumes pass through the new depots. The NLI programme required an investment of around €240 million in total. In 2014, the total spent increased by €21 million to €208 million. The operational efficiency of our parcels network continued to increase due to volume growth and further implementation of the NLI.

Operating expenses Parcels

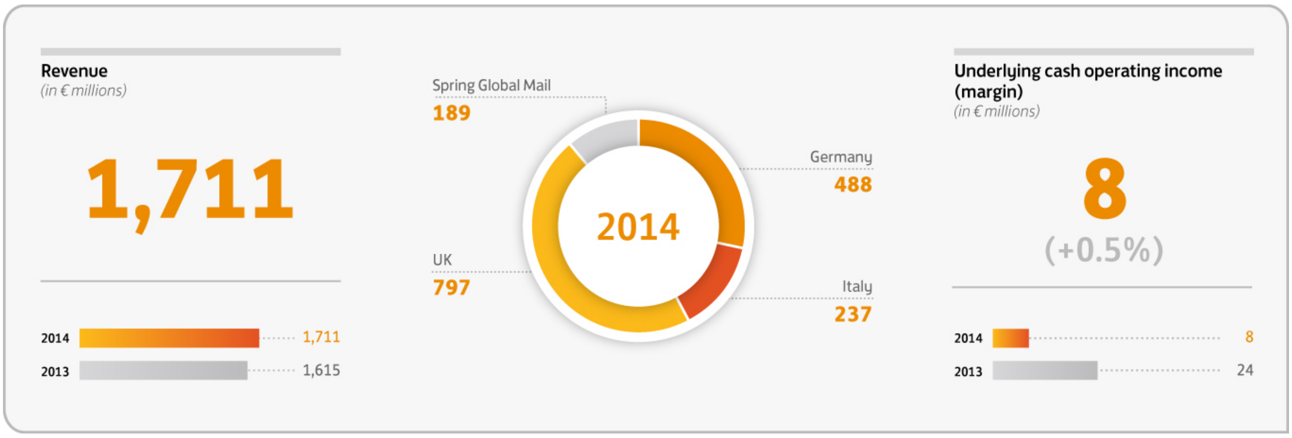
(in € millions)

Year ended at 31 December	2014	2013
Cost of materials	16	18
Work contracted out and other external expenses	524	479
Salaries, pensions and social security contributions	161	167
Depreciation, amortisation and impairments	20	16
Other operating expenses	33	33
Total operating expenses	754	713

In 2014, total operating expenses increased by €41 million compared to 2013. Higher work contracted out is the main contributor (€45 million) and largely related to increased volumes, service expansion and higher business partner costs (€8 million). Salaries, pensions and social security contributions decreased by €6 million, positively influenced by lower one-off pension costs (2014: nil; 2013: 3) and a smaller employee base. As a result of the NLI implementation, depreciation costs increased by €4 million.

Underlying cash operating income increased by €9 million to €98 million in 2014 (2013: 89). Increased results due to volume growth and efficiency improvements (€12 million) and lower implementation costs for the NLI (€2 million) were accompanied by higher business partner costs (-€8 million) and higher initial costs related to our service expansion (-€3 million). Furthermore, cash out from pensions was €6 million lower compared to 2013.

Results International



In 2014, volumes and revenue of International further increased. Total revenue in 2014 was €1,711 million (2013: 1,615), an increase of 5.9%. Adjusted for foreign exchange rate changes, revenue increased by €52 million or 3.2% to €1,667 million in 2014. The increase of €52 million resulted from revenue growth in Italy (€14 million), the United Kingdom (€23 million) and Spring Global Mail (€36 million), partly offset by lower revenue in Germany (-€21 million).

Operating revenue by country

(in € millions)

Year ended at 31 December	2014	2013 restated
United Kingdom	753	730
Germany	488	509
Italy	237	223
Spring Global Mail and other (including eliminations)	189	153
Operating revenue	1,667	1,615
Foreign exchange rate changes	44	
Total operating revenue	1,711	

Total operating expenses of International amounted to €1,718 million in 2014 (2013: 1,614). Adjusted for foreign exchange rate changes of €44 million, total operating expenses increased by €60 million. The increase in operating expenses is mainly explained by volume growth in Italy, UK and Spring Global Mail. Furthermore, operating expenses were impacted by one-off costs of €15 million (2013: 22) related to the rebranding to Postcon, Nexive and Whistl, and start-up losses related to the expansion of our end-to-end services in the UK.

Operating expenses International

(in € millions)

Year ended at 31 December	2014	2013 restated
Cost of materials	25	22
Work contracted out and other external expenses	1,321	1,301
Salaries, pensions and social security contributions	259	231
Depreciation, amortisation and impairments	8	26
Other operating expenses	61	34
Operating expenses	1,674	1,614
Foreign exchange rate changes	44	
Total operating expenses	1,718	

International ended 2014 with an underlying cash operating income of €8 million (2013: 24). The decline of €16 million is mainly explained by the competitive environment in the German consolidation business and start-up losses for our end-to-end services (own last mile distribution) in the United Kingdom, partly offset by improved performance of Spring Global Mail.

Germany

In Germany, results of 2014 were impacted by the fierce competitive environment. Revenue decreased by €21 million or 4.1%. Growth in National and Regional revenues, through additional volumes from existing and new customers, were more than offset by the decline in the consolidation business. As a result profitability decreased. We have initiated actions to attract additional volumes and implement further cost savings to improve profitability.

Italy

Italy saw revenue increase by €14 million or 6.3%, due to the continued growth in Formula Certa volumes and a strong increase in the indirect sales channel. In 2014, Italy experienced price pressure related to Formula Certa from increased competition from Poste Italiane.

United Kingdom

UK revenue, adjusted for foreign exchange rate changes, grew by €23 million or 3.2%. Profitability was as expected impacted by start up losses related to our end-to-end services.

Spring Global Mail

In 2014, revenue of Spring Global Mail and other increased by €36 million (+23.5%). Main contributor was the strong growth in volumes from Asia. Despite some incidental costs, profitability improved compared to 2013.

Results PostNL Other

PostNL Other included head office costs, such as costs of shared services, staff departments and the Board of Management. PostNL Other also includes the result of our customer contact services. Except for shareholder costs and the result on customer contact services, all costs are charged to the other segments.

Results PostNL Other

(in € millions)

Year ended at 31 December	2014	2013 restated
Total operating revenue	233	259
Total operating expenses	(220)	(98)
Underlying cash operating income	(44)	(44)

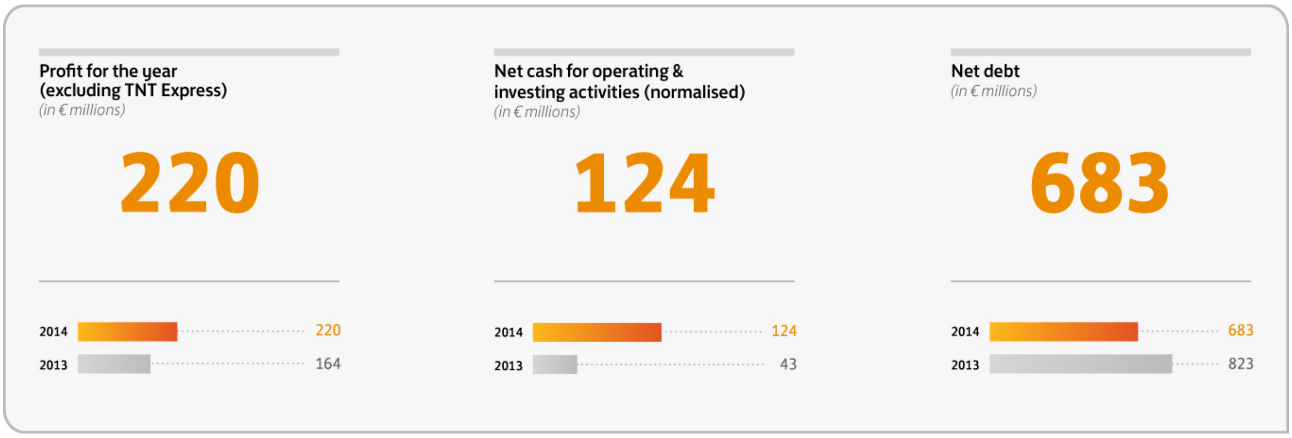
Operating revenues of €233 million in 2014 (2013: 259) largely related to shared service activities that were charged to the business segments. The decline in revenues of €26 million is explained by a decrease in shared service activities, accompanied by a lower cost level resulting from improved efficiency.

In 2014, all staff departments and services made further steps in the realisation of the overhead cost saving programme.

Total operating expenses increased by €122 million to €220 million (2013: 98), mainly due to lower one-off pension income. In 2014, pension costs were positively influenced by a one-off gain of €36 million (2013: 165).

PostNL Other's underlying cash operating income of 2014 remained stable at -€44 million (2013: -44). Lower cash out from pensions and provisions (€15 million) combined with a higher recharge to the business segments (€10 million) was offset by higher autonomous costs (-€4 million), higher implementation costs (-€8 million), higher IT and consultancy costs (-€12 million) and a reverse effect of incidentals in 2013 (-€3 million).

Other financial indicators



In 2014, profit for the year excluding the results related to our stake in TNT Express increased by €56 million to €220 million (2013: 164). The underlying improvement of €56 million mainly resulted from lower net financial expenses of €73 million (2014 adjusted for €6 million dividend received from TNT Express), partly offset by higher income taxes of €18 million. See the table below for the summary consolidated income statement including resulting earnings per share.

Net cash from operating and investing activities was €124 million (2013: 43*). The underlying improvement of €81 million is mainly explained by higher underlying cash operating income (€146 million), lower top-up payments (€63 million) and tight capex management (€21 million), partly offset by higher income taxes paid (-€128 million) and lower reversal of non-cash items (-€29 million), like lower depreciation and amortisation costs.

At the end of 2014, net debt was €683 million, compared to €823 million at the end of 2013. The improvement of €140 million was mainly due to an improved cash position.

** 2013 reported Net cash from operating and investing activities of €492 million, adjusted for the proceeds of the partial sale of TNT Express of €505 million and the interest compensation paid of €56 million as a result of the bond buy back transaction in 2013.*

Summary consolidated income statement

(in € millions)

Year ended at 31 December	2014	2013 restated
Total operating revenue	4,251	4,163
Other income	8	7
Total operating expenses	(3,854)	(3,770)
Operating income	405	400
Net financial expense	(95)	(174)
Results from investments in jv's/associates	(1)	38
Impairment of investments in associates		(369)
Income taxes	(83)	(65)
Profit for the year	226	(170)
Profit for the year (excluding TNT Express)	220	164
Attributable to:		
Non-controlling interests	1	0
Equity holders of the parent	225	(170)
Earnings per ordinary share (in € cents)	51.1	(38.6)
Earnings per ordinary share (excluding TNT Express; in € cents)	49.9	37.3

Earnings per ordinary share are in 2014 based on an average of 440,593,717 outstanding ordinary shares (2013: 439,973,297).

PostNL's profit for the year increased from -€170 million in 2013 to €226 million in 2014. The increase of €396 million was largely influenced by the results related to the stake in TNT Express. The stake caused a negative result of €334 million in 2013 (when it was accounted for as an associate) and a positive result of €6 million in 2014. Profit for the year excluding TNT Express of 2014 increased by €56 million compared to 2013. The related earnings per share increased to 49.9 eurocents (2013: 37.3).

Net financial expense

(in € millions)

Year ended at 31 December	2014	2013 restated
Interest and similar income	10	9
Interest and similar expenses	(105)	(183)
Net financial expense	(95)	(174)

Interest and similar income of €10 million in 2014 (2013: 9) mainly related to interest on banks, loans and deposits of €1 million (2013: 1), interest on taxes of €1 million (2013: 5) and €2 million (2013: 0) related to derivatives. In 2014 an amount of €6 million related to dividend received from TNT Express.

Interest and similar expenses of €105 million in 2014 (2013: 183) mainly related to interest on long-term borrowings of €75 million (2013: 96), interest expenses on pensions of €20 million (2013: 19) and hedge reserves recycled to profit and loss of €2 million (2013: 12). In 2013, financial expenses of €50 million were included related to early repurchased long term borrowings.

Income taxes

(in € millions)

Year ended at 31 December	2014	2013 restated
Current tax expense	70	(26)
Changes in deferred taxes	13	91
Income taxes	83	65

Income taxes amounted to €83 million in 2014 (2013: 65). The increase of €18 million is predominantly explained by the higher profit before income taxes. The effective tax rate before the impact of the stake in TNT Express was 27.4% in 2014 (2013: 28.4%), which is higher than the statutory income tax rate of 25% in the Netherlands. For further details, see notes 2.2 and 3.7 to the consolidated financial statements.

Underlying (net) cash income

(in € millions)

Year ended at 31 December	2014	2013 restated
Underlying cash operating income	293	147
Net financial expense (adjusted)	(75)	(155)
Tax expenses (adjusted)	(78)	(60)
Underlying net cash income	140	(68)

1. Net financial expense excludes interest on pensions of €20 million (2013: 19).

2. Tax expenses adjusted for the tax impact of the exclusion of the interest on pensions.

PostNL's underlying net cash income amounted to €140 million in 2014 (2013: -68). The increase of €208 million is mainly explained by the increase in underlying cash operating income of €146 million. The remaining increase was caused by lower adjusted net financial expense of €80 million, partly offset by higher adjusted tax expenses of €18 million.

Stake in TNT Express and pensions

Stake in TNT Express

At 31 December 2014, PostNL held a 14.7% stake in TNT Express with a value of €445 million (2013: 542). The fair value change of €97 million is explained by the decline in the share price of TNT Express in 2014 from €6.75 to €5.54. In 2014 €6 million dividend was received. PostNL expects to monetise its remaining stake in TNT Express in the medium term.

On 6 December 2013, PostNL sold half its stake or 81,743,614 TNT Express ordinary shares at a share price of €6.20, resulting in gross cash proceeds of €507 million, of which €400 million (including accrued interest) was used to reduce outstanding debt. The remaining proceeds were retained for future debt reduction purposes.

For further details, see note 4.2 to the consolidated financial statements.

Pensions

During 2014, following new fiscal regulations, we made further changes to our pension arrangements effective per 1 January 2015. The main changes are a lower annual accrual rate, a pensionable salary cap of €100,000 (previously no cap was in place) and the change from final pay to average pay for the employees with a personal labour agreement. The changes resulted in a positive effect of past service pension costs of €36 million in 2014.

Also in 2014, parties agreed on merging the pension fund for employees with a personal labour agreement (Stichting Ondernemingspensioenfonds TNT) with the main pension fund (Stichting Pensioenfonds PostNL). The merger is financially effective per 1 January 2015. Execution of the legal merger is expected mid 2015. In order to compensate for the lower coverage ratio of the incoming fund PostNL is committed to an unconditional payment of around €10 million. Payment terms* are equal to the unconditional payment of €150 million committed by PostNL in 2013. Parties also agreed to increase the conditional budget of €300 million in place since 2013 by €15 million to €315 million.

** The unconditional commitment and other possible commitments required from the conditional budget are payable from the moment PostNL pays out dividend, but at the latest 10 years after the amounts become unconditional, in all cases with a payment term of five years as from that date.*

For accounting purposes, we saw a significant decline in the IAS 19 discount rate from 3.5% at 31 December 2013 to 2.3% at 31 December 2014. The resulting increase in pension obligations was partly offset by a lower level of expected future benefit increases (following new financing rules applicable per 1 January 2015). Together with the fund's overall investment return of 16.6% and the cancellation of the impact of the pension asset ceiling and minimum funding requirement applicable per 31 December 2013, the net impact on equity resulting from pensions was limited to -€44 million.

At the end of 2014, Stichting Pensioenfonds PostNL, the main pension fund related to PostNL, had a coverage ratio of 108.9% (2013: 111.9%), above the minimum required level of 104.1%. The decrease compared to 2013 is mainly explained by higher pension obligations due to a significant decline in the long-term interest rate, largely offset by higher pension plan assets due to the fund's investment return of 16.6%. In 2014, no top-up payments were paid to the pension fund (2013: payments of €63 million).

For further details, see note 3.4 to the consolidated financial statements.

Financial position

Summary consolidated statement of financial position

(in € millions)

At 31 December	2014	2013 restated
Non-current assets	1,187	1,304
Current assets	1,097	951
Assets classified as held for sale	193	194
Total assets	2,477	2,449
Equity	(597)	(692)
Non-controlling interests	7	6
Non-current liabilities	1,577	1,968
Current liabilities	1,358	1,037
Liabilities rel. to assets held for sale	132	130
Total equity and liabilities	2,477	2,449

The non-current assets of €1,187 million at 31 December 2014 (2013: 1,304) consisted of property, plant and equipment of €519 million for land, depots and sorting machinery (2013: 536), financial fixed assets of €538 million including the stake in TNT Express (2013: 638), goodwill of €84 million (2013: 84) and other intangibles of €46 million mainly related to IT software (2013: 46).

The current assets of €1,097 million at 31 December 2014 (2013: 951) mainly consisted of trade accounts receivable of €355 million (2013: 361), prepayments and accrued income of €116 million (2013: 104) and cash and cash equivalents of €585 million (2013: 451).

The assets held for sale amounted to €193 million at 31 December 2014 (2013: 194), of which €174 million (2013: 167) related to our UK business Whistl and €19 million (2013: 27) related to buildings and equipment in the Netherlands.

Non-current liabilities of €1,577 million (2013: 1,968) mainly consisted of provisions for pension liabilities of €538 million (2013: 542) and long-term debt of €912 million (2013: 1,260).

Current liabilities of €1,358 million (2013: 1,037) mainly consisted of accrued liabilities of €540 million related to deposits and terminal dues (2013: 552), short-term debt of €363 million (2013: 21) and other current liabilities of €455 million (2013: 464).

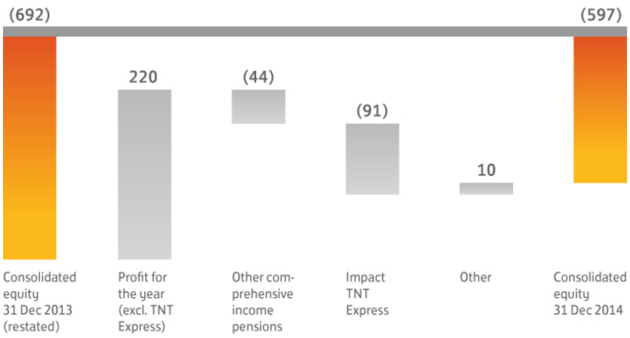
The liabilities related to assets held for sale of €132 million (2013: 130) fully relate to Whistl.

Equity position

Consolidated equity

Consolidated equity attributable to equity holders amounted to -€597 million at 31 December 2014 (2013: -692). The increase of €95 million during 2014 is mainly explained by the profit for the year of €220 million, partly offset by the impact from the stake in TNT Express of -€91 million (fair value adjustment of €97 million, partly offset by €6 million dividend received) and other comprehensive income on pensions of -€44 million.

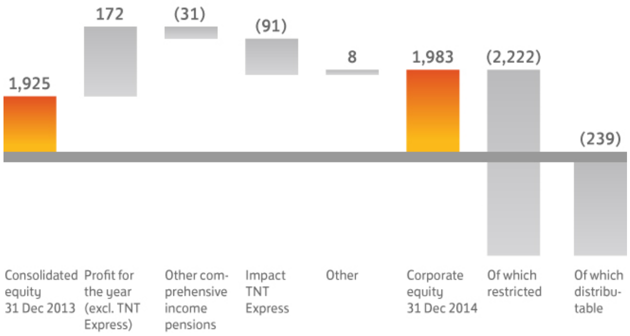
Development of consolidated equity 2014
(in € millions)



Corporate equity

Corporate equity amounted to €1,983 million at 31 December 2014 (2013: 1,925). The increase of €58 million during 2014 is mainly explained by the corporate profit for the year of €178 million, partly offset by the impact from the stake in TNT Express of -€91 million and the corporate's other comprehensive income on pensions of -€31 million. The profit for the year of €178 million included dividend income of €211 million and other results of -€33 million. For further details, see section 6 of the financial statements.

Development of corporate equity 2014
(in € millions)



Funding position

At 31 December 2014, net debt amounted to €683 million (2013: 823). The improvement of €140 million was mainly due to an improved cash position.

Debt maturing within one year is recorded as short-term debt. Debt maturing over one year is recorded as long-term debt. The carrying value of the short- and long-term debt (excluding interest) on 31 December 2014 amounted to €1,275 million (2013: 1,281). For further details, see note 4.1 to the consolidated financial statements.

Debt cash outflows (including interest)
(in € millions)

	< 1 yr	1 - 3 yr	3 - 5 yr
Eurobonds	418	619	424
Other loans	15		
Derivatives		5	
Total	433	624	424

PostNL has a €570 million committed revolving credit facility, which was fully undrawn at the end of 2014. In June 2015, one of the Eurobonds of which €348 million is outstanding (€418 million including interest), will mature. Apart from this, PostNL has no material credit facilities or other debt refinancing in the short term. The derivatives relate to the eurobond denominated in GBP, maturing in 2018. There are no financial covenants.

Actions to strengthen equity and funding position

To strengthen its equity and funding position, PostNL has taken the following steps:

- improving business performance as visible in the increase in underlying cash operating income in 2014, and
- strict control on capital expenditures, limited acquisitions and tight working capital management.

Cash flow data

Summary consolidated statement of cash flows

(in € millions)

Year ended at 31 December	**2014**	2013 restated
Cash generated from operations	**354**	169
Interest paid	**(86)**	(150)
Income taxes received/(paid)	**(72)**	56
Net cash (used in)/from operating activities	**196**	75
Net cash used for capital investments and disposals	**(81)**	(101)
Net cash from acquisitions and disposals	**0**	504
Net cash from other investing activities	**9**	14
Net cash (used in)/from investing activities	**(72)**	417
Net cash from debt financing activities	**(7)**	(372)
Net cash for dividend and other equity changes	**0**	(3)
Net cash used in financing activities	**(7)**	(375)
Changes in cash and cash equivalents	**117**	117

Net cash from operating activities

Net cash from operating activities improved by €121 million to €196 million in 2014. The increase was mainly due to the improvement in cash generated from operations of €185 million and lower interest paid of €64 million, partly offset by higher taxes paid of €128 million.

The increase in cash generated from operations of €185 million is mainly explained by the increase in underlying cash operating income (€146 million), no pension top-up payments in 2014 (2013: 63) and tight capex management (€21 million), partly offset by a lower reversal of non-cash items (-€29 million), like lower depreciation and amortisation costs in 2014, and higher one-off rebranding/project costs.

Interest paid was €86 million in 2014, which decrease of €64 million is largely explained by the bond buy-back transaction in 2013.

In 2014, income taxes paid were €72 million, compared to income tax refunds of €56 million in 2013. The payment in 2014 as well as the refund in 2013 related to updated preliminary prior year tax assessments relating to timing differences in the Netherlands.

Net cash from investing activities

In 2014, net cash used in investing activities amounted to -€72 million (2013: 417 positive). Excluding the disposal proceeds of €505 million, which resulted from the partial sale of the stake in TNT Express in 2013, net cash used in investing activities amounted to -€88 million in 2013. The remaining decrease of €16 million compared to 2013 mainly resulted from lower net cash for capital investments and disposals.

Capital expenditures /proceeds

(in € millions)

Year ended at 31 December	**2014**	2013 restated
Expenditure on property, plant and equipment	**(64)**	(89)
Expenditure on other intangible assets	**(30)**	(26)
Proceeds from sale of property, plant and equipment	**13**	14
Net cash used for capital investments and disposals	**(81)**	(101)

In 2014, net cash capital investments and disposal on property, plant and equipment and other intangible assets amounted to €81 million. The decrease of €20 million compared to 2013 was mainly due to lower investments related to our New Logistics Infrastructure (NLI). Investments in NLI within Parcels amounted to €21 million in 2014 (2013: 57).

Net cash from other investing activities of €9 million (2013: 14) related to interest received of €2 million (2013: 5) and dividend received of €7 million (2013: 9), mainly from the stake in TNT Express.

Net cash used in financing activities

In 2014, net cash from debt financing activities of -€7 million (2013: -372) mainly related to the repayment of German private placements. The cash outflow of €372 million in 2013 mainly related to the early repurchase of long-term borrowings.

Dividend

Dividend proposal 2014

At 31 December 2014, total corporate equity amounted to €1,983 million, of which -€239 million is distributable. Negative distributable corporate equity restricts the payout of a dividend. Accordingly, there will be no dividend proposal.

Based on continuation of operational performance, PostNL aims at resuming dividend distributions in 2016, but this is dependent on improving interest rates and/or the value of its stake in TNT Express.

We refer to the chapter PostNL on the capital markets for a description of our dividend policy.

Dividend paid in 2014

In 2014, no (interim) dividend was paid.

Extract from the articles of association on appropriation of profit

Under PostNL's articles of association, the dividend specified in article 31, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of PostNL's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (articles 31, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the Annual General Meeting of Shareholders (articles 31, paragraph 3). No dividend shall be paid on shares held by PostNL in its own capital (article 31, paragraph 6). Preference shares B were not issued in 2014.

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated the full profit to the reserves. Following this appropriation, there remains no amount at the disposal of the Annual General Meeting of Shareholders. Subject to the adoption of PostNL's financial statements by the Annual General Meeting of Shareholders, no 2014 dividend is proposed.

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

Appropriation of corporate profit

(in € millions)

	2014
Profit attributable to the shareholders	178
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, paragraph 2)	(178)
Dividend on ordinary shares	0
(Interim) dividend paid in cash	0
Final dividend	0

Group companies of PostNL N.V.

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

Subsequent events

There were no subsequent events to report.

Outlook 2015

The tables below show our outlook for 2015 on revenue and underlying cash operating income (margin). Actual 2014 performance is adjusted for the transfer of customer contact services from PostNL Other to Mail in NL and excludes the contribution from our UK operations as we assume a successful closure of the joint venture agreement with LDC after which UK results will be reported as Investments in Joint Ventures.

	Underlying operating revenue		Underlying cash operating income (margin)	
	2014	**outlook 2015**	2014	**outlook 2015**
Mail in NL	2,044	**- mid single digit**	230	**10 to 12%**
Parcels	854	**+ mid single digit**	98	**11 to 13%**
International (excl. UK)	921	**+ low single digit**	2	**1 to 3%**
Total (excl. UK)	3,465	**stable**	287	**280 - 320**

Actuals 2014 adjusted for transfer of customer contact services from PostNL Other to Mail in NL and excluding the contribution from our UK operations.

Other indicators for 2015 (excluding UK):

- Expected volume decline addressed mail of 9 to 12% (2014: 10.7%)
- Cost savings of €75 to €95 million (2014: 127)
- Implementation costs of €25 to €45 million (2014: 27)
- Employer pension expenses of around €150 (2014: 142 of which €122 million in underlying operating income and €20 million in financial expenses)
- Gross regular employer pension contributions of around €150 million (2014: 169)
- Net financial expenses of €75 to €85 million (2014: 95)
- Cash outflow from provisions of €45 to €65 million (2014: 52), of which €40 to €60 million relating to cost savings initiatives (2014: 43 million related to cost savings initiatives)
- Cash capital expenditures of around €115 million (2014:83)

10 **Opportunity and risk management**

In this chapter we look at how we manage our opportunities and risks. In addition we give an overview of the main risks to the strategic objectives and how we mitigate each of those risks.

Opportunity management

Over the last few years we have seen our traditional mail service operations change substantially. Cultural and technological revolutions have transformed the way we communicate and work not only in the Netherlands, but right around the world.

Today, everything we do and every change we make begins and ends with our customers: making their lives and their work easier. Achieving this means understanding their concerns and developing solutions to questions they haven't even asked yet. One of the challenges we face is to develop solutions that enable customers to choose when and where their mail and parcels are delivered.

In 2014 we continued working on capturing and structuring our growth potential. We have set up a coordinated approach to look into the feasibility of new initiatives, and consider our customers' future needs that are not connected to our current portfolio of products and services. Regular progress and conclusions are reported to the Board of Management.

We have structured our future growth potential into four categories:

- Maintain: serve our existing customers with an improved product and services portfolio. One example is Klantenvinden.nl, which enables customers to identify and target potential customers, and develop a targeted marketing campaign online
- Extend: offer existing products and services in new ways, such as introducing track and trace for new product categories
- Expand: invest in new services and customers based upon our core activities, such as investigating grocery delivery solutions
- Integrate: combine our networks to develop new services that meet customers' demands. One example is our Extra@Home delivery service.

To support future growth we are focusing on aligning dedicated business support functions and developments across our activities. For example, within the IT environment we are in the process of switching to a cloud-oriented support and tooling organisation, which will enable us to follow a best-practice model.

Risk management approach

In an increasingly digital world where events are more interlinked than ever before, whilst operating in a highly regulated market, implementing PostNL's strategy is not without risk.

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

Understanding strategic, operational, legal and regulatory, and financial risks (including risks relating to corporate responsibility) is a vital element of PostNL management's decision-making process. PostNL's management reviewed the risk profile regularly throughout 2014 and will continue to do so during 2015. Risks are identified by means of both a bottom-up (line management) and top-down (Board of Management and business segment management) approach; the process covers the entire PostNL business. For those risks deemed material, the Board of Management develops and reviews comprehensive risk response plans.

Risk management and internal control is considered a line responsibility. All segments and head office departments are engaged in this comprehensive risk identification process by means of risk management workshops in which relevant management team members are required to participate. Risks are assessed on the criteria impact, likelihood of occurrence and the effectiveness of internal controls. The effectiveness of internal controls is tested by management. Management is required to follow up on risks improperly mitigated by the internal controls, using action plans.

No matter how comprehensive a risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments from occurring in its business and business environment or that risk responses will be fully effective. Risk mitigation as described below is meant to provide a high-level overview of potential and initiated action points in response to the risks identified and are not to be interpreted as a comprehensive list of risk responses within PostNL.

Main risks

The risks described in this chapter cover the main risks to our strategic objectives as described in the strategy chapter. However, it cannot be considered as an all-inclusive list of risks. Specifically, one of the main uncertainties facing all businesses and markets is related to the potential impact of an economic downturn. The risks related to such an unforseeable event are very difficult to quantify, and while we organise comprehensive risk mitigation techniques, we are not always able to prepare for any consequences these types of events could have on our financial performance and position.

Of the main risks, we have identified six as major risks, which are highlighted in orange. The major risks are:

- USO regulation
- Competition
- Substitution
- Legal and regulatory requirements
- The stake in TNT Express
- Volatility of pension provision.

Strategic risks

USO regulation

We act in highly regulated markets. In the Netherlands we provide the Universal Service Obligation (USO), the basic postal service that ensures postage remains accessible, affordable and reliable for all. Possible changes in the USO regulation could have an adverse impact on PostNL's ability to adapt to market and regulatory developments and changes in customer demand in a timely and effective way.

Risk mitigation

PostNL is enhancing its position as designated provider through a continuous dialogue with the government, decision makers and regulators. In 2014 the Minister of Economic Affairs sent a proposal to change the Postal Act to Parliament. See also our Market and regulatory developments chapter.

Competition

Competition may put pressure on market share, volumes and prices, which could have an adverse effect on revenues and profitability. We are faced with increased competition across both our mail and parcels businesses, as markets are liberalised. PostNL may decide to exit certain businesses or markets in the future, which could result in additional costs related to the discontinuation of operations.

Risk mitigation

Commercial initiatives are in place such as differentiating in service levels, (new) products and adequate pricing, as well as building more long-term customer relationships (customer intimacy), based on our comprehensive network coverage.

Substitution

The ongoing trend amongst consumers to move to digitisation is leading to a decline in physical mail. As a result, the volume of mail is decreasing. This decrease in volume requires PostNL to adapt its infrastructure and delivery procedures. The increasing substitution or alternatives to PostNL's delivery services could reduce revenues and profitability. A decline in the addressed mail volume mix of 1 percent results on average in a decrease of approximately €10 million in profitability.

Risk mitigation

PostNL continuously and consistently takes commercial initiatives to slow down or adapt to substitution, such as increased customer focus, leading to the introduction of a range of new services and solutions. Furthermore, PostNL develops operational processes to adapt more flexible to future volume declines.

Operational risks

Business continuity
PostNL could be materially affected if there was a significant accidental or adverse event. For example, an event affecting critical IT systems, key accounts, key staff, strikes by busines partners, fire or flooding at one of the major hubs. Severe disruption and reputational damage to the business, may result in untimely delivery of services and could impact PostNL's financial performance.

Risk mitigation
At a strategic and tactical level, PostNL constantly assesses whether it has adequate operational capabilities and resources, and is continuously improving the logistical infrastructure. In addition, PostNL continuously updates its processes around business continuity management to ensure the organisation is well prepared for potential adverse risk events. PostNL has a comprehensive insurance coverage and monitoring and is continuously improving relationships with amongst others our business partners.

Execution of cost saving initiatives
Cost saving initiatives, including streamlining our workforce, introducing greater efficiencies across our infrastructure, and reducing costs at our head office may be delayed or not achieve the results intended. Additionally, they could cause labour unrest, a deterioration in the quality of services, and could adversely affect our reputation and financial performance.

Risk mitigation
Cost savings projects are executed via enhanced programmes and are monitored continuously by a programme office. Mechanisms to adjust to changing circumstances have been implemented and are reviewed periodically. Execution via pilots enables smooth implementation on a bigger scale.

Implementation of strategic change projects
The implementation of the business strategy is supported by a change programme. We are undertaking various growth initiatives, restructuring and IT projects, which require significant change, as well as stakeholder management and project management expertise. Coherence between the broad range of projects and operational activities may cause delays in successfully implementing all projects in order to initiate growth and to realise cost savings, and therefore may have a material adverse effect on our mid- and long-term targets. PostNL may lack resources in terms of quantity and quality to execute these projects.

Risk mitigation
All critical projects have been prioritised and are supervised by the Board of Management to ensure an aligned and integrated vision, and senior management commitment of the change agenda. The agenda is monitored by adequate programme management. PostNL also employs and develops in-house expertise, including talent management.

Legal and regulatory risks

Legal and regulatory requirements
PostNL is confronted with complex legal and regulatory requirements in the countries in which it operates. These include, but are not limited to, tariff regulation, competition regulation (including recent developments with respect to significant market power), data protection and privacy, and postal law requirements. Changes in legal and regulatory requirements may have a materially adverse impact on business operations and on PostNL's financial performance.

Risk mitigation
PostNL implements appropriate policies, processes and internal control procedures, which limits exposure to complex legal and regulatory requirements, such as competition law and, anti-bribery acts, and operates a robust integrity programme that includes business principles. PostNL aims to have an open and transparant discussions with regulatory authorities.

Misconduct

At PostNL we want to be known not just for the quality of our products and services, but also for the way we do business. That means doing business in a fair and transparent manner, and in accordance with relevant behavioural and ethical standards. This applies to our managers and employees as well as to our suppliers. Employee, contractor and business partner or supplier misconduct could negatively impact financial performance, lead to the loss of customers, the imposition of monetary penalties or other sanctions imposed by national and local governments (and other regulators) of the countries in which PostNL operates. Additionally, misconduct could harm PostNL's reputation.

Risk mitigation

PostNL implemented a robust internal control framework and operates an integrity programme that includes business principles, a whistleblowing procedure and a pre-employment screening policy, intending to ensure people act in according with the company's preferred way of operation. Additionally, an Integrity committee has been installed. PostNL promotes integrity, which enables, amongst others, providing additional mandatory training regarding specific relevant subjects to selected employees and in its way of communication (tone at the top).

Status of business partners

A change in regulation that has an impact on the self-employed status or labour conditions of business partners could adversely affect PostNL's reputation, or financial performance.

Risk mitigation

PostNL continuously monitors developments in this area and is, where opportune, in dialogue with the regulatory authorities to reach or maintain agreement on the status of business partners. PostNL also agrees upon relevant contractual terms and conditions with business partners in order to comply with these developments, where necessary.

Financial risks

Stake in TNT Express

PostNL holds a financial stake of 14.7 percent in TNT Express and expects to sell this stake in the medium term. Due to volatile capital markets, and depending on the business performance of TNT Express, the fair value of the stake may decline materially. As a consequence, PostNL's equity and funding positions could be negatively affected and this could hinder payment of a (cash) dividend. A decrease in the share price of TNT Express of €0.50 decreases the value of our 14.7% stake in TNT Express by €40 million.

Risk mitigation

As a major shareholder of TNT Express, PostNL will fulfil its role in the best interests of PostNL and its shareholders. PostNL expects to monetise the remaining stake in the medium term to create better value for shareholders. PostNL reviews its position on a regular basis.

Volatility of pension provision

Actuarial assumptions, such as discount rates and demographic variables, have an impact on the valuation of employee benefit plans. A decrease in equity returns or interest rates may negatively affect the funding ratios of PostNL's pension funds, which could lead to an increase in the pension provision, or in multi-year additional funding by PostNL.

Risk mitigation

PostNL is continuously in discussion with the pension fund trustee board, being independent to PostNL. The current financing agreement provides for limited top-up payments. For more information, see note 3.4 to the consolidated financial statements.

Collective labour agreements

Being a good employer is vitally important to PostNL. We focus on engaged employees, culture and diversity, and sustainable employment. Arrangements between employers and unions are established through negotiations. If in the future no agreement can be reached with the unions in the Netherlands to adopt the collective labour agreements, the financial performance could be affected by higher labour costs.

Risk mitigation

PostNL aims to have constructive discussions with its social partners to reach agreements for a defined period. In 2014, two new collective labour agreements were agreed. One for mail deliverers and one for almost all other employees of Mail in the Netherlands, Parcels and the head office. These agreements will remain effective until 30 September 2015 and 31 December 2015 respectively.

Currency and interest rate fluctuations

PostNL is exposed to currency and interest rate fluctuations that could have an adverse effect on its financial position and results. This also relates to the impact of fluctuation on the valuation of the pension provision.

Risk mitigation

PostNL hedges both currency and interest rate risks in accordance with the relevant Group policies. The market interest risk related to the pension liabilities is mitigated by the independent pension fund. For more information, see notes 3.4 and 4.3 to the consolidated financial statements.

Liability of loss or damage

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

Risk mitigation

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

Governance

11 Statement of the Board of Management

Dutch Corporate Governance Code

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

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

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

Unless there is a change of control, severance payments for members of the Board of Management shall not exceed one year's base salary or a maximum of two years' base salary in the first four years. For Ms. Verhagen and Mr. Bos, the contractual severance pay in case of dismissal in their first four-year term has been set at twice the annual salary. Ms. Verhagen and Mr. Bos are in their first four-year term as members of the Board of Management and were employed by PostNL before 2011.

Severance payments in case of a change of control equal the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two.

Employment contracts entered into after 2004 must be brought into line with provision II.2.8 of the Code. PostNL is of the opinion that the agreed severance payment in case of a change of control is realistic, taking into account the special position of members of the Board of Management in a change of control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.

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

PostNL discloses quantified financial and non-financial targets in general terms. The actual targets are specific and thus contain competition-sensitive information. They are therefore not disclosed in advance, but will be disclosed afterwards. See our Remuneration report chapter.

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

Board of Management responsibility statement under Dutch Corporate Governance Code

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

The Board of Management confirms that it is responsible for PostNL's risk management, internal control, integrity and compliance systems and has reviewed the design and the operational effectiveness of these systems for the year ended 31 December 2014. The outcome of this review and analysis has been shared with the audit committee and the Supervisory Board and has been discussed with PostNL's external auditor.

Based on the outcome of the PostNL-specific approach to risk management, internal control, integrity and compliance as outlined above, the Board of Management believes to the best of its knowledge that PostNL's internal control over financial reporting worked effectively over the year ended 31 December 2014 and provides reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

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

In view of the above and based on the outline of the main risks and risk responses described in our chapter Opportunity and risk management, the Board of Management believes it is in compliance with best practice provisions II.1.4 and II.1.5 of the

Dutch Corporate Governance Code.

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

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

- The annual financial statements for the year ended 31 December 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL and its consolidated companies
- The additional management information disclosed in the annual report gives a true and fair view of PostNL and its consolidated companies as at 31 December 2014, the state of affairs during the financial year to which the report relates, together with a description of the main risks facing PostNL.

The members of the Supervisory Board and the Board of Management have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code.

The Hague, 23 February 2015

Herna Verhagen, CEO
Jan Bos, CFO

12 Report of the Supervisory Board

Interview with Piet Klaver, chairman of the Supervisory Board of PostNL N.V.

Mr. Klaver, how do you look back on 2014?
A: It was another challenging year. At the beginning of the year we asked ourselves two questions: would we finally see the long expected recovery of the Dutch and European economy? And what impact would that have on the growth of our parcel business and the mail volumes in the countries where we operate?

Looking back, the economy did not deteriorate further, but it did not really recover either. Fortunately, we saw a healthy growth of our parcel volumes and revenues. Additionally, we improved the operational efficiencies in our parcel business. On the other hand, business partner costs increased and the customer/volume/price mix changed, resulting in a slight decline of the average price. The Supervisory Board looks forward to seeing continuing good results of the various product innovations and expansion of the parcels service offering.

The mail volume decline over 2014 was again significant, but in line with our expectations. We were satisfied to see the ongoing improvement in the operational performance of Mail in the Netherlands, which demonstrates the impact of the smooth execution of the restructuring plans and the realisation of cost reductions. This contributed to the increase of the outlook and the reported underlying cash operating income for the full year.

Our International operations showed revenue growth, although the results were impacted by the competitive environment, particularly in Germany. Our operations in both Germany and the United Kingdom were expecting local regulatory authorities to make rulings on issues we believe would help support a competition-friendly market environment. The German authorities did not yet publish their rulings before year end. In the United Kingdom, Ofcom published a package of measures designed to secure the universal postal service further, helping to make it both financially sustainable and more efficient, which support a competition-friendly market environment and thus our operations.

Management and the labour unions agreed on various new collective labour agreements, finding a healthy balance between improvements for our employees and the requirement to control costs, contributing to a healthy and sound future for PostNL.

Could you elaborate on some of the discussions the Supervisory Board had in 2014?
A: During each meeting we schedule time to discuss the latest business developments and topics that require specific attention, such as regulatory developments (both in the Netherlands and in the other countries where we operate), mail volume decline, the execution of the restructuring plans, quality of service, product innovations and customer demands, developments of our International operations, the working environment for employees and the relations with our business partners.

Furthermore, the Board of Management encourages the business to present projects they are working on to the Supervisory Board. As examples, we discussed the food delivery pilot, PostNL's social media strategy, the reorganisation of the car unit, the Dutch mail market, the IT strategy, growth projects and the plans of the Logistic Solutions unit within Parcels.

Other subjects discussed were PostNL's strategy and budget, the company's cash generation and equity position, the remaining stake in TNT Express, the selection of a new external auditor, corporate responsibility, risk management and internal control, the collective labour agreement negotiations and management development and succession planning. These latter two are recurring, but very important topics, which are not exclusively discussed in the Nomination committee, but also in the full board.

How would you describe the atmosphere in the meetings of the Supervisory Board?
A: We always have good, fruitful discussions among the members of the Supervisory Board and with the Board of Management. Discussions are always open and all attendees express their views and opinions, including our guests. As a result, sometimes discussions run longer than originally scheduled.

The Supervisory Board is happy with the progress the Board of Management is making in improving the financial position of PostNL, making this company fit for the future.

Did the Supervisory Board only hold meetings in 2014 or did you also meet employees and visit the workplace?
A: As a rule, we schedule at least two of our meetings a year at a business location. This year for example, we visited the premises of NetwerkVSP near Leiden and the NLI depot in Den Hoorn. Such visits always include a tour around the premises by the local manager. This allows us to see how the reorganisations and innovations actually work out, and it gives us the opportunity to speak with people at the workplace.

In addition, we welcome presentations from and discussions with those who are directly responsible for the topics that we discuss. This gives us the chance to share their enthusiasm and hear any concerns they may have directly.

Furthermore, individual Supervisory Board members set up meetings related to their membership of specific committees or specific mandates. For example, Thessa Menssen– in her capacity as chairman of the Audit committee – regularly meets with the director Audit & Security. Agnes Jongerius and Jacques Wallage, who are appointed with the enhanced recommendation right of the Central Works Council (this right is described in our chapter Corporate Governance), and I attend meetings of the Central Works Council. Also, Thessa Menssen and Michiel Boersma were fully involved in the selection process for the new external auditor position.

In the 2013 Annual Report you announced that you were planning an external assessment of the functioning of the Supervisory Board. Did this take place, what was the outcome and what will you do with the results?

A: Yes, this took place. In October and November all members of the Supervisory Board, the Board of Management and the corporate secretary had individual interviews with representatives of an external assessment agency. These interviews have been used as input for an assessment report that we discussed in our December meeting. More details can be found further in this chapter.

In view of the discovery and publication of various reporting irregularities at different listed companies (Dutch and international), various stakeholders have requested greater attention be paid to risk management and internal control. Has this topic been discussed by the PostNL Supervisory Board and how do you view PostNL's risk management and internal control systems?

A: Risk management and internal control are indeed topics that we discuss in the Supervisory Board, but not because of the attention paid to the subject by third parties. We also discussed these topics in the past. This year we paid special attention to risk management and internal control within our IT department, given the increasing importance of IT for our strategy and operations. The importance of discussions on risk management in the Supervisory Board was also confirmed at the assessment of the functioning of the Supervisory Board we discussed earlier. The Supervisory Board would like to continue discussing the major strategic and operational risks to ensure an appropriate level of awareness for the short, medium and longer term.

Of course, the Audit committee also discusses risk management and internal control extensively at each meeting in the presence of the director Audit & Security and PwC, our external auditor.

PostNL's internal audit department works closely with our external auditor. More detailed information about our risk management and internal control system can be found in our chapter Opportunity and risk management.

What do you consider the biggest challenge for 2015?

A: Each year, when I look ahead, I see a lot of challenges. Yet when I look back, I am impressed by what people at PostNL have achieved. This year is not different, we will again face challenges in 2015. To continue the profitable way of managing the downsizing of the mail operation and adjusting our operations to regulatory changes. To further strengthen the growth of the Parcels business. And to look for ways to improve the profitability of the international activities. By doing so, we will be able to increase PostNL's equity position. And, most important, to further optimise the working and business environment is such a way that our people and our business partners continue to feel motivated and energised.

What question should we have asked you but didn't?

There is no specific question, although I would like to use this opportunity to thank all PostNL employees and the Board of Management for their commitment and contributions to the performance of PostNL in 2014. Thanks to their efforts, PostNL is well on track to achieving its 2015 targets and the Supervisory Board is happy with the progress we are making.

Meetings of the Supervisory Board

Number of meetings and attendance rate

The Supervisory Board met seven times in 2014, and had two conference calls. All meetings were also attended by the full Board of Management. Almost all meetings were attended by the full Supervisory Board. The attendance percentages can be found in the table below. Five meetings were held at PostNL's head office in The Hague; one meeting was held at the premises of NetwerkVSP near Leiden and one at the NLI depot in Den Hoorn.

Attendance

	Attendance percentage
Supervisory Board (meetings only)	96%
Supervisory Board (incl. conference calls)	94%
Audit committee	100%
Remuneration committee	100%
Nominations committee	100%
Public Affairs committee	100%

Topics discussed

At every meeting, the Supervisory Board discusses business, financial, market and regulatory developments in PostNL's business segments. In 2014, mail volume decline and the execution of the restructuring plans, increasing parcel volume and corporate responsibility issues were recurring topics, as were the International operations, the financial position of PostNL, product innovations, the remaining stake in TNT Express, the selection of a new external auditor, the work environment for PostNL's employees and business partners, growth and PostNL's IT strategy. Furthermore, the Supervisory Board discussed the adjustment of the 2014 outlook, dividend, the equity restatement resulting from the adoption of IFRS 11 and IAS28R on the consolidated balance sheet and an adjustment to current liabilities in the UK, the food delivery pilot, PostNL's social media strategy, the reorganisation of the car unit, competition in the Dutch mail market, the plans of the Logistic Solutions unit within Parcels and the preparation of the AGM.

The adjustment of PostNL's organisation to the declining mail volumes and increasing parcel volumes was and remains an important topic in strategic discussions. The same goes for the amendment of the Dutch Postal Act (introduction of significant market power (aanmerkelijke marktmacht) and the modernisation of the Universal Service Obligation (universele postdienst)) and the Dutch Postal Regulation (tariff mechanism and transparency requirements), as well as certain public and political discussions, such as on self-employed employees in the Netherlands and the regulatory framework in the UK. The Supervisory Board also discussed new products and potential areas for growth in the Netherlands and in the countries where PostNL operates and the matters that are or have been under review by the competition authorities in Germany and the UK.

The Supervisory Board, supported by the Public Affairs committee, performs an oversight role with respect to corporate responsibility issues, supported by PostNL's Internal Audit department, which monitors the CR governance structure and reporting. Further to this responsibility, the Supervisory Board discussed various corporate responsibility-related issues, including labour conditions and the collective labour agreement negotiations, pensions, career development, the reputation of PostNL, diversity and inclusion, the rating of PostNL in the Dow Jones Sustainability Index and the relations between the Supervisory Board and the Board of Management with the works councils and trade unions.

As happens each year, the Supervisory Board discussed the quarterly, half-yearly and annual results and the 2015 budget. Also, the 2013 auditors' report by PostNL's external auditor PwC, the 2013 annual report (including financial statements), the corporate responsibility report and the 2014 management letter of the external auditor were discussed. In the management letter, PwC reported PostNL made significant steps with the strategic IT projects and emphasized the importance of resolving and/or mitigating open deficiencies, which are mainly related to the IT environment (segregation of duties, change management and logical access security), in the new and in the current environment. Furthermore, they recommended to continue keeping focus on proper execution of controls in this period of change. PwC supported the move towards a more integrated Annual Report.

Furthermore, each business segment presented its strategic plan and the Board of Management presented the strategic plan for PostNL as a whole, including financial objectives, outlook and the main risks for PostNL. The outcome of the risk management process, the main risks identified and the mitigation plans in place to manage these risks were shared with the Audit committee of the Supervisory Board and with the Supervisory Board itself. A description of PostNL's major risks and its risk management can be found in the chapter Opportunity and risk management.

Twice a year, the Supervisory Board discusses a litigation overview, describing claims against PostNL and litigation concerning PostNL (with a threshold of €250,000). The Supervisory Board also receives an update on integrity (including the fraud & whistleblower report) twice a year.

Following its assessment (discussed below in 'Evaluation of the Supervisory Board') the Supervisory Board discussed its composition and that of its committees and the profile of the Supervisory Board.

More details about the Supervisory Board can be found in the chapter Corporate Governance and is as such part of this Report of the Supervisory Board.

Meetings of the committees of the Supervisory Board

Audit committee

The Audit committee met five times in 2014. All meetings were attended by the CFO, director audit & security, director accounting & reporting, director control and the external auditor, PwC. The CEO attends the Audit committee meetings when the half-year and full-year results are being discussed. The Audit committee and its chairman also meets the external accountant without management.

At each meeting, the Audit committee discusses the results of and developments in PostNL's business segments. In 2014, the Audit committee discussed PostNL's full-year 2013 results and the first quarter, half-year and third quarter 2014 results and the related press releases. Also, the Audit committee discussed the focus letters of Eumedion, the VEB and the AFM in preparation of the 2014 annual report and the new set up of PostNL's 2014 annual report.

The main financial factors influencing the strategic plan and PostNL's financial performance, including volume development, pricing, cost savings, economic developments, pensions, collective labour agreement and regulatory issues were discussed. The Audit committee also discussed dividend, the development of the interest rates, the remaining stake in TNT Express and the restatements resulting from the adoption of IFRS 11 and IAS28R on the consolidated balance sheet per 1 January 2013 and 31 December 2013 including an adjustment to current liabilities in the UK.

The Audit committee discussed reports on internal control and risk management (reports which are, if necessary, also discussed in the Supervisory Board). Reports from the internal audit function and the external auditor, including the internal audit and PwC's audit plan, management letter and board report, were discussed regularly. The Audit committee receives and discusses half-yearly updates on integrity issues (including the fraud & whistleblower report), claims and litigation, and any actions taken by management, if applicable. The external audit fees were discussed and approved. Contemplated changes in the laws and regulations governing financial reporting, the IAS 19 discount rate, the auditor's functioning and the selection process for the new external auditor were regularly discussed. Two members of the Audit committee were fully involved in the selection and interview process.

Nomination committee

The Nomination committee had three meetings and one telephone conference in 2014. Supervisory Board reappointments were discussed, as were the composition of the Supervisory Board committees. The Nomination committee discussed succession planning in respect of the Supervisory Board, the Board of Management and the adjustment of the internal organisational structure and senior management.

Public Affairs committee

Following a discussion in the Supervisory Board that regulatory developments and employee and labour related topics should no longer be only discussed in depth in the Public Affairs committee, but should be moved to the agenda of the Supervisory Board, the number of meetings of the Public Affairs committee was reduced to three in 2014.

The Public Affairs committee advises the Supervisory Board on the performance of its oversight role with respect to corporate responsibility issues. In relation thereto, the committee reviewed PostNL's 2013 and 2014 CR performance and reporting and the 2014 CR targets. The Dow Jones Sustainability rating, the results of PostNL's employee engagement survey and customer satisfaction levels in the Netherlands, diversity and the reputation of PostNL among its customers, its employees and as an organisation operating in Dutch society at large were discussed.

Remuneration committee

In 2014, the Remuneration committee met three times. It discussed the remuneration of the Board of Management and senior management and the (preparation of the) new pension arrangements for the Board of Management and senior management following the amendment of the Dutch pension legislation.

Further details on remuneration for the Board of Management and the Supervisory Board can be found in our chapter Remuneration report, including a further explanation of the remuneration policy and actual remuneration and the relationship between remuneration and performance of members of the Board of Management for 2014.

Evaluation of the Supervisory Board

The Supervisory Board is responsible for the quality of its own performance. For this purpose, the Supervisory Board discusses its functioning and that of its committees and members annually. The regular process of evaluation consists of a review by questionnaire (profile, rotation plan, dynamics, accountability, effectiveness of the Supervisory Board as a whole and of its committees) combined with a plenary discussion with the Supervisory Board. This year, the Supervisory Board decided to have its evaluation performed with the assistance of an external advisor.

In October and November all members of the Supervisory Board, the Board of Management and the corporate secretary had individual interviews with representatives of an external assessment agency. These interviews have been used as input for an assessment report that was discussed in the Supervisory Board meeting in December. The representatives of the external assessment agency and the corporate secretary attended this discussion in full and the Board of Management attended part of the discussion.

Overall, the Supervisory Board is pleased with its functioning and that of its committees. It is positive about the professionalism and quality of the management reports and the information provided by the Board of Management. The Supervisory Board would welcome scheduling more time for blue sky discussions with a more open agenda and more frequent informal dinners. In view thereof, it will schedule a couple of dinners at the evening preceding the day scheduled for Supervisory Board and committee meetings in 2015. Also, the Supervisory Board will look into the grouping and composition of its committees to improve the committees' efficiency and effectiveness.

Further to the outcome of the assessment, the Supervisory Board does not consider it necessary to amend the Supervisory Board profile.

All members of the Supervisory Board have demonstrated that they have enough time to fulfil their duties as members of the Supervisory Board in an adequate manner.

Composition of the committees of the Supervisory Board

At year end 2014, the committees of the Supervisory Board were composed as follows:

Composition of the committees of the Supervisory Board

Committee	Audit	Remuneration	Nomination	Public Affairs
Chair	Thessa Menssen	Jacques Wallage	Piet Klaver	Frank Rövekamp
Member	Michiel Boersma	Marc Engel	Michiel Boersma	Agnes Jongerius
Member	Agnes Jongerius	Piet Klaver	Marc Engel	Jacques Wallage
Member	Frank Rövekamp		Thessa Mensen	

13 Corporate governance

PostNL N.V. has a two-tier governance with a board of management and a supervisory board. Each board is accountable to the general meeting of shareholders for the performance of its duties. We are a large company (structuurvennootschap) within the meaning of the Dutch Civil Code. Under the large company regime, certain resolutions of the board of management require the prior approval of the supervisory board.

Board of Management

General

Members of the Board of Management are appointed and can be suspended or dismissed by the Supervisory Board. A decision by the Supervisory Board to dismiss a member of the Board of Management can only be taken after the General Meeting of Shareholders has been consulted on the intended dismissal. Further details on the appointment and dismissal of members of the Board of Management can be found in our articles of association.

In 2014 the Board of Management consisted of two members: chairman and chief executive officer (CEO) Ms. H.W.P.M.A. Verhagen and chief financial officer (CFO) Mr. J.P.P. Bos.

The Executive Committee advises and supports the Board of Management. The executive committee consists of the members of the Board of Management and the directors of the PostNL segments (Mail in the Netherlands, Parcels and International), Group HR and Group IT.

In 2014, the Executive Committee consisted of seven members:

- Ms. H.W.P.M.A. Verhagen (CEO and chairman)
- Mr. J.P.P. Bos (CFO)
- Mr. A.C. van Bijnen, responsible for Marketing & Sales Mail in the Netherlands
- Mr. M.J.M. Krom, responsible for International and Group IT
- Mr. G. Mastenbroek, responsible for Parcels
- Mr. R.P.J.M. Muys, responsible for Group HR
- Mr. A.G. Rodenboog, responsible for Operations Mail in the Netherlands.

The responsibility for day-to-day management of the PostNL segments is decentralised within established standards, processes, requirements and guidelines.

Duties of the Board of Management

The Board of Management manages PostNL. It is collectively responsible for setting and implementing our mission, vision and strategy, for the management of the company as a whole and for all decisions taken in this respect.

The Board of Management acts in accordance with the interests of the company. To that end, it considers all relevant interests associated with the company and is committed to managing the company transparently.

The Board of Management is responsible for the company's objectives and strategy, the risk profile laid down in the strategy, the company's financing, the corporate responsibility policy, external communication and for compliance with all relevant legislation. It is required to inform the Supervisory Board and its Audit committee of significant developments and discusses the internal risk management and control systems with them.

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

The Board of Management has incorporated the following bodies to ensure compliance with applicable corporate governance requirements: a Disclosure committee, an Integrity committee and a corporate responsibility council (CR council). For more information on Corporate responsibility, see the chapter Corporate responsibility.

The Disclosure committee advises and assists the Board of Management in ensuring that PostNL's disclosures are accurate and complete and are, where available and appropriate, supported by accurate and reasonable detailed records and comply and are published in accordance with relevant laws and regulations. The terms of reference of the Disclosure committee can be found on our corporate website.

The Integrity committee advises and assists the Board of Management in developing, implementing and monitoring

Group policies aimed at enhancing integrity and ethical behaviour and at preventing fraud. The Integrity committee oversees investigations based on reports of possible breaches under our Business Principles and related policies.

The CR council advises and assists the Board of Management in developing and deploying the CR strategy and integrating it into daily operations and it provides guidance on CR issues, risks and opportunities. Additionally, the CR Council advises the Board of Management on the company's CR targets and oversees the implementation and execution thereof in the daily operations. The CR council meets regularly and reports directly to the Board of Management and the Executive Committee. Both business and staff are represented in the CR Council. The CR council is chaired by Mr. A.G. Rodenboog, member of the Executive Committee.

Specific staff departments – internal audit, legal, tax, procurement, real estate & facilities, human resources, investor relations & treasury, communication and accounting & reporting – support the Board of Management and the segments in the performance of their duties and ensure compliance with applicable laws and regulations.

The by-laws of the Board of Management can be found on our corporate website:
http://www.postnl.nl/en/about-postnl/about-us/management/board-of-management/.

Members of the Board of Management

Below the biographies of the Board of Management are outlined, in which is referred to article 2:132a of the Netherlands Civil Code. This article is described as "number of supervisory positions" in Appendix 5: Glossary and definitions.

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

Ms. Verhagen became chief executive officer on 24 April 2012. She was appointed member of the Board of Management per 31 May 2011 for a period of four years. Her appointment is up for renewal in April 2015. Ms. Verhagen joined TNT Post in 1993 as a sales manager. Following roles as marketing & sales director TNT Post and coordinating managing director Mail NL in the Mail division of TNT N.V., she was appointed managing director Group HR of TNT N.V. in 2007. Ms. Verhagen's portfolio includes corporate strategy, public affairs, communication, corporate responsibility, human resources and internal audit. Furthermore, she is responsible for Mail in the Netherlands, Parcels, International and Group IT.

Ms. Verhagen is a member of the supervisory board of Nutreco N.V. and of the supervisory board of Rexel S.A. She is a member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO-NCW).

Ms. Verhagen holds one position as a member of a supervisory board of a legal entity as referred to in article 2:132a of the Netherlands Civil Code.

J.P.P. (Jan) Bos (1965, Dutch)
Chief Financial Officer

Mr. Bos was appointed chief financial officer and member of the Board of Management per 31 May 2011 for a period of four years. His appointment is up for renewal in April 2015. Mr. Bos joined the Mail division of TNT N.V. in 1997 as controller of its international business unit. He became director finance & control of the Mail division in 2007. Mr. Bos is responsible for legal, procurement, real estate & facilities, control, investor relations & treasury, tax and accounting & reporting. Mr. Bos is a member of the association for registered controllers of the VU University Amsterdam and of the supervisory authority of the University Medical Centre Groningen. Mr. Bos holds no positions as referred to in article 2:132a of the Netherlands Civil Code.

Supervisory Board

General

Members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. The General Meeting of Shareholders can dismiss the Supervisory Board in its entirety by an absolute majority of the votes cast representing at least one-third of the issued share capital. According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. PostNL's articles of association provide that members of the Supervisory Board shall resign periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to limit the number of simultaneous appointments or reappointments. The rotation plan is available on PostNL's corporate website: http://www.postnl.nl/en/about-postnl/about-us/management/supervisory-board/. Further details on the appointment and dismissal of members of the Supervisory Board can be found in our articles of association.

Duties of the Supervisory Board

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL, as well as assisting the Board of Management with advice. The Supervisory Board evaluates the overall organisational structure of the company and the control mechanisms established by the Board of Management, as well as the general and financial risks and the internal risk management and control systems. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

In performing its duties, the Supervisory Board acts in accordance with the interests of PostNL and takes the relevant interests of the company's stakeholders into account. PostNL's Supervisory Board is responsible for the quality of its own performance, which is reviewed annually.

Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the company's business. The by-laws of the Supervisory Board can be found on our corporate website: http://www.postnl.nl/en/about-postnl/about-us/management/supervisory-board/.

Composition of the Supervisory Board

Pursuant to our articles of association, the Supervisory Board has at least three members. Taking this requirement into account, the Supervisory Board decides on the number of its members. At the date of this report, the Supervisory Board consists of seven members. The Supervisory Board prepared a profile of its size and composition, taking into account the nature of PostNL's business and activities and the desired expertise, competences, diversity and background of the members of the Supervisory Board. The Supervisory Board ensures that its composition meets the required profile and is as independent and diverse as possible, assuring sufficient knowledge of mail and communication, logistics, corporate responsibility, management, public affairs, ICT, finance, corporate governance and the capital markets. A Supervisory Board member must be capable of assessing the broad outline of the company's overall policy and should have the specific expertise required to fulfil the duties assigned to his or her designated role within the framework of the profile. Each member should have sufficient time available for the proper performance of his or her duties.

The Supervisory Board evaluates the profile regularly and discusses the profile at the Annual General Meeting of Shareholders and with PostNL's central works council when it amends the profile. The profile of the Supervisory Board is available on our website.

The Supervisory Board is responsible for deciding how to resolve a conflict of interest between members of the Board of Management, members of the Supervisory Board and/or the external auditor on the one hand and the company on the other hand.

The composition of the Supervisory Board did not change in 2014. At the Annual General Meeting of Shareholders held on 16 April 2014, Mr. Wallage was reappointed for a period of four years with the enhanced recommendation right of the central works council.

At the Annual General Meeting of Shareholders in April 2015, Ms. Menssen and Mr. Boersma will be available for reappointment as members of the Supervisory Board.

Internal organisation

Chairman

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

Committees

PostNL's Supervisory Board has an Audit committee, a Nomination committee, a Public Affairs committee and a Remuneration committee. The powers of the committees are limited to an advisory role based on a mandate from the Supervisory Board. Only the Supervisory Board has decision-making power. Each committee reports its findings and conclusions after each meeting to the full Supervisory Board. The committees operate pursuant to terms of reference set by the Supervisory Board according to the law and the Dutch Corporate Governance Code. The terms of reference of these committees are available on our corporate website: http://www.postnl.nl/en/about-postnl/about-us/management

/supervisory-board/.

Audit committee
The Audit committee assists the Supervisory Board on matters including the integrity of PostNL's financial and corporate responsibility reporting and reporting process, financing and finance-related strategies, systems of internal control and financial reporting and systems of risk management. The committee reviews the functioning of the external auditor and the internal audit department, PostNL's tax planning and compliance with relevant legislation and codes of conduct. The Audit committee may hire independent advisors as it deems appropriate.

Nomination committee
The Nomination committee assists the Supervisory Board in drawing up selection criteria and appointment procedures for members of the Supervisory Board and the Board of Management. It also assists the Supervisory Board with developing procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates, and with assessing the size and composition of the Supervisory Board and the Board of Management. The Nomination committee prepares proposals for nominations, appointments and reappointments. At least once a year, the size and composition of the Supervisory Board and the Board of Management and the functioning of the individual members are assessed by the Nomination committee and discussed by the Supervisory Board.

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

Remuneration committee
The Remuneration committee assists the Supervisory Board by proposing the remuneration of the individual members of the Board of Management for adoption by the Supervisory Board on the basis of scenario analyses and taking into account the compensation rate within the company. It also proposes a remuneration policy - including pension arrangements and schemes under which rights to shares are granted for members of the Board of Management - which is submitted for adoption to the General Meeting of Shareholders. In addition, the Remuneration committee prepares the allocation by the Board of Management (after approval by the Supervisory Board) of rights to PostNL shares to senior management (other than members of the Board of Management).

Information by external parties
There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice paid for by the company, if so required.

Members of the Supervisory Board
All members of the Supervisory Board are Dutch and independent in the sense of best practice provision III.2.2 of the Code. Their ages range from 47 to 69. The majority of the members possess a university or equivalent degree. Fields of expertise and experience range from administration/public administration and general management to experience in labour issues or a commercial background.

P.C. (Piet) Klaver (1945, Dutch) – Chairman Supervisory Board
Mr. Klaver was appointed member of the Supervisory Board on 11 April 2008. He has been chairman of the Supervisory Board since 1 January 2009 and was reappointed on 24 April 2012. His current term expires in 2016. Mr. Klaver is chairman of the supervisory boards of Koninklijke Dekker, Dura Vermeer Groep and Blokker Holding. He is a member of the supervisory board of SHV Holdings (vice-chairman), and is a member of the board of African Parks Foundation. Formerly, Mr. Klaver held various positions at SHV Holdings N.V., most recently as chairman of the executive board of directors. He holds eight positions as referred to in article 2:142a of the Dutch Civil Code.

J. (Jacques) Wallage (1946, Dutch) – Vice chairman Supervisory Board
Mr. Wallage was appointed member of the Supervisory Board on 8 April 2010 and vice-chairman of the Supervisory Board in 2011. He was reappointed on 16 April 2014. His current term expires in 2018. Mr. Wallage is chairman of the Council for Public Administration and the advisory council of the Sociale Verzekeringsbank. He is a honorary professor at the University of Groningen, the Netherlands (transition in public administration). He was a member of the Dutch Second Chamber of Parliament and served as a state secretary for Education and Sciences and as a state secretary for Social Affairs and Employment. He was also mayor of the city of Groningen from 1998 until 2009. Mr. Wallage holds one position as referred to in article 2:142a of the Dutch Civil Code.

M.A.M. (Michiel) Boersma (1947, Dutch)
Mr. Boersma was appointed member of the Supervisory Board on 25 May 2011. His current term expires in 2015. He is, among others, non-executive member of the board of Electricia S.A. and Nynas A.B., chairman of the supervisory board of Telegraaf Media Groep, chairman of the supervising body of VieCuri Medisch Centrum Noord-Limburg and member of the board of foundation Protection Fugro. Mr. Boersma is also professor

Corporate Governance for utilities at TIAS, School for Business and Society. Mr. Boersma was CEO of Essent (currently a RWE company) and president of Shell Global Solutions International B.V. Mr. Boersma holds five positions as referred to in article 2:142a of the Dutch Civil Code.

J.W.M. (Marc) Engel (1966, Dutch)

Mr. Engel was appointed member of the Supervisory Board on 16 April 2013. His current term expires in 2017. He is Executive Vice President East Africa and Emerging Markets at Unilever and member of the supervisory board of the IDH The Sustainable Trade Initiative. Since 1995, he has held several positions within the Unilever group. Before that, he worked at Shell International. Mr. Engel holds one position as referred to in article 2:142a of the Dutch Civil Code.

A.M. (Agnes) Jongerius (1960, Dutch)

Ms. Jongerius was appointed member of the Supervisory Board on 16 April 2013. Her current term expires in 2017. She is a member of the European Parliament and affiliated researcher at Institutions for Open Societies of the Utrecht University and member of the supervisory board of FMO, the Dutch development bank. She was president of the Dutch Trade Union Confederation (FNV), a member of the Social and Economic Council (SER) and workers' chair of the Labour Foundation. Ms. Jongerius holds two positions as referred to in article 2:142a of the Dutch Civil Code.

T. (Thessa) Menssen (1967, Dutch)

Ms. Menssen was appointed member of the Supervisory Board on 25 May 2011. Her current term expires in 2015. She is chief financial officer and member of the board of management of Royal BAM Group. She is a member of the supervisory boards of Vitens and Rotterdam Philharmonic Orchestra. Ms. Menssen was chief operating officer of the Port Authority of Rotterdam. She holds two positions as referred to in article 2:142a of the Dutch Civil Code.

F.H. (Frank) Rövekamp (1955, Dutch)

Mr. Rövekamp was appointed member of the Supervisory Board on 24 April 2012. His current term expires in 2016. He is chairman of the board of SimonVoss Technologies GmbH, non executive member of the board of UNIT4, and a member of the boards of Royal Theatre Carré, Kasteel de Haar, Vereniging Vluchtelingenwerk Nederland and Refugees United. He was a member of the Executive Committee and group CMO of Vodafone Group, president and CEO of Beyoo and senior vice president (marketing and revenue management) of KLM Royal Dutch Airlines. Mr. Rövekamp holds two positions as referred to in article 2:142a of the Dutch Civil Code.

Independence and reporting of conflict of interest

Each member of the Board of Management and the Supervisory Board must immediately report and provide all relevant information to the chairman of the Supervisory Board and to the other members of the Board of Management (as applicable) about any conflict of interest or potential conflict of interest, material or not to the company and/or to the relevant member.

If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is material to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and to provide all relevant information. In all situations, this includes information concerning a spouse, registered partner or other life companion, child/foster child or other relatives by blood or marriage up to the second degree.

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

A decision to enter into a transaction involving a conflict of interest with a member of the Board of Management or the Supervisory Board, material or not, to the company or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2014, so best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.4 inclusive of the Code did not apply.

The by-laws of the Board of Management and the Supervisory Board also include a provision that a member of the Board of Management or the Supervisory Board does not participate in any discussion or decision-making that involves a subject or transaction in relation to which the member has a conflict of interest with the company. In 2014, there were no cases whereby conflict of interest occurred.

Securities owned by members of the Boards

Members of the Supervisory Board, the Board of Management and PostNL's senior management are subject to the PostNL Group Policy on Prevention of Insider Trading, which sets rules to prevent insider trading in our financial instruments.

PostNL's Supervisory Board has adopted a policy concerning ownership of and transactions in securities other than PostNL's financial instruments by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and the Supervisory

Board and requires that each member of the Board of Management and Supervisory Board gives at least quarterly notice to PostNL's compliance officer of any changes in his or her holding of securities in Dutch-listed companies.

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

Share ownership is not required to qualify as a member of the Board of Management or Supervisory Board.

The total number of shares held by each member of the Board of Management and the Supervisory Board, other than shares allocated under PostNL's performance share plan, bonus and/or matching plan and/or share option plan, are listed in the table below.

PostNL shares held by Board of Management/Supervisory Board

	At 31 Dec 2014	At 31 Dec 2013
Board of Management		
Herna Verhagen	74,659	41,744
Jan Bos	63,261	38,251
Supervisory Board		
Piet Klaver	20,950	20,950

This table does not include any granted rights on shares allocated to the members of the Board of Management under PostNL's participation in the variable compensation scheme. See note 5.1 to the consolidated financial statements and the chapter Remuneration report under actual remuneration in 2014. The information in this table is publicly available at www.afm.nl

Gender diversity

Pursuant to the Dutch Civil Code, PostNL must have a balanced representation of men and women on its Board of Management and Supervisory Board. This is considered to be the case if at least 30% of the seats are filled by men and at least 30% are filled by women. The Board of Management meets this requirement with one female and one male member, i.e. 50% of the seats are filled by women.

PostNL's Supervisory Board currently has seven members, of which two are women, i.e. 28.6%. Consequently, the Supervisory Board does not fully meet the required 30% female representation. As follows from the profile of the Supervisory Board, (gender) diversity is taken into account when selecting candidates in case of a vacancy in the Supervisory Board. Ultimately, the capacities of the selected candidates are assessed irrespective of the candidate's gender and the most qualified candidates will be nominated for appointment. In 2014, Mr. Wallage was up for reappointment as member of the Supervisory Board. PostNL benefitted from his expertise in his first term and the Supervisory Board decided to propose his reappointment in order to retain his knowledge, experience and expertise.

Corporate secretary

The Board of Management, the Supervisory Board and the Executive Committee is assisted by PostNL's corporate secretary. All members of the Board of Management, the Supervisory Board and the Executive Committee have access to the advice and services of the corporate secretary, who is responsible for ensuring that the Board of Management, the Supervisory Board and the Executive Committee procedures are followed and that each of these bodies acts in accordance with the law, the articles of association and the relevant by-laws.

Shareholders and their rights

General Meeting of Shareholders held on 16 April 2014

On 16 April 2014, PostNL held its Annual General Meeting of Shareholders in The Hague, the Netherlands. The attendance rate was 45.5% of the total outstanding share capital, the same as in 2013.

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

- The adoption of the 2013 financial statements
- The release of the Board of Management and Supervisory Board from liability for the performance of their respective duties during the financial year 2013
- The reappointment of Mr. J. Wallage as member of the Supervisory Board
- Extension of the mandate granted to the Board of Management to issue ordinary shares until 16 October 2015 (limited to 10% of the issued capital at the time of issue and an additional 10% of the issued capital at the time of issue in case of a merger or an acquisition)
- Extension of the mandate granted to the Board of Management to limit or exclude pre-emptive rights to issue ordinary shares until 16 October 2015 (limited to 10% of the issued capital at the time of issue and an additional 10% of the issued capital at the time of issue in case of a merger or an acquisition)
- The authorisation of the Board of Management to decide on the acquisition of its own shares by the company up to a maximum of 10% of the issued capital until 16 October 2015

With respect to the last three bullets, see also the section Articles of association, share acquisition, reduction and increase of issued share capital below.

The agenda, resolutions and voting results for each resolution, the presentations given during the meeting and a webcast of the meeting are available on our website in Dutch and English: http://www.postnl.nl/en/about-postnl/investors/shareholders-meeting/. Minutes of the meeting are only available in Dutch.

Frequency and venue
PostNL is required to hold an Annual General Meeting of Shareholders within six months of the end of the financial year. The agenda for this meeting includes the adoption of the financial statements, a proposal on dividend and the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year. This release only covers liability for matters reflected in the relevant financial statements or otherwise disclosed to the General Meeting of Shareholders prior to the adoption of the relevant financial statements.

General Meetings of Shareholders are held as often as the Board of Management or the Supervisory Board deem necessary, and shall be convened in case of a decision entailing a significant change in the identity or character of PostNL or its business.

Furthermore, the Supervisory Board and the Board of Management are in principle required to convene a shareholders meeting in case one or more shareholders representing at least 10% of the issued share capital so request in writing, stating the proposed agenda in detail.

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

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

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

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

Notice to convene
General Meetings of Shareholders are convened at least 42 days in advance by a notice published on the company's website.

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

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

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

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

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

Major shareholders
To PostNL's knowledge, it is not directly or indirectly owned or controlled by another company or by any government. PostNL does not know of any arrangements of which the operation

might, at a subsequent date, result in a change of control, except as described under 'Foundation Continuity PostNL and preference shares B' below.

The Financial Markets Supervision Act (Wet op het financieel toezicht) imposes a duty to disclose percentage holdings in the capital and/or underlying financial instruments and/or voting rights in the company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such a disclosure must be made to the Dutch Financial Markets Authority (AFM) without delay. The AFM then notifies the company.

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

Amendments to the articles of association

The company's articles of association can be amended upon a proposal by the Board of Management, approved by the Supervisory Board and adopted by the General Meeting of Shareholders. A proposal to amend the articles of association must be stated in a notice convening a General Meeting of Shareholders and announced in such a manner as permitted by law at the time. The proposal shall be passed upon an absolute majority of the votes cast in the General Meeting of Shareholders. PostNL's articles of association are available on our corporate website: http://www.postnl.nl/en/about-postnl/about-us/management/.

Ability of the company to acquire its own shares

Under its articles of association, PostNL may acquire its own shares, provided that they are fully paid up. If such shares are acquired for consideration, the following conditions apply:

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

The Board of Management is authorised to decide to acquire PostNL shares. Such a resolution requires the approval of the Supervisory Board. In addition, the Board of Management requires prior authorisation by the General Meeting of Shareholders. This authorisation may be valid for a period not exceeding 18 months and must specify:

- The number of shares that may be acquired
- The manner in which shares may be acquired
- The price limits within which shares may be acquired.

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

Reduction of issued share capital in general

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

Increase of issued share capital by issuance of shares/pre-emptive rights

PostNL's Board of Management has been designated as the body authorised to resolve on the issuance of shares and to grant rights to subscribe for shares, including options and warrants. Such a resolution is subject to the approval of the Supervisory Board. The scope and duration of this authority of the Board of Management are determined by the General Meeting of Shareholders. The Board of Management cannot be authorised to issue more shares than the number of authorised shares that have not been issued (i.e. the number of authorised shares minus the number of issued shares). The authority may not be granted for a period longer than five years.

The term of designation of the Board of Management as the body authorised to resolve on the issuance of shares may also be extended by amendment of PostNL's articles of association. If no extension is given, the issue of shares or granting of rights to subscribe for shares requires a resolution of the General Meeting of Shareholders. Such a resolution may only be adopted pursuant to a proposal by the Board of Management that has been approved by the Supervisory Board.

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

Pursuant to PostNL's articles of association, shareholders' pre-emptive rights may be restricted or excluded by a resolution of the Board of Management, provided and as long as the Board of Management has been designated as the body authorised to resolve on the issuance of shares. Such a resolution is subject to the approval of the Supervisory Board.

Pursuant to PostNL's articles of association, the provisions relating to the scope and duration of the authority to issue shares and grant rights to subscribe for ordinary shares are also applicable to the scope and duration of the authority to exclude or restrict pre-emptive rights.

Dividend

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

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

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

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

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

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

The PostNL Reserves and Dividend Guidelines are available on our website. Any changes to these guidelines shall be explained in a separate agenda item at the Annual General Meeting of Shareholders.

Foundation Continuity PostNL and preference shares B

Stichting Continuïteit PostNL (Foundation Continuity PostNL) was formed to safeguard PostNL's interests and those of its Group companies and all interested parties. It does this by, among other things, preventing any influences that could threaten PostNL's continuity, independence and identity, as far as possible. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by PostNL or any other legal person.

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

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

The exercise price with respect to the call option is the nominal value of €0.08 per preference share B, although upon exercise only €0.02 per preference share B is required to be paid. The additional €0.06 is due when the Board of Management, subject to the approval of the Supervisory Board, requests payment. Foundation Continuity PostNL has credit facilities in place to enable it to pay the exercise price.

Six months after the issuance of preference shares B, Foundation Continuity PostNL may require PostNL to convene a General Meeting of Shareholders to discuss cancellation of these shares. However, if within these six months Foundation Continuity PostNL should receive a demand for repayment under the credit facilities referred to above, it may also require PostNL to convene a General Meeting of Shareholders. In accordance with PostNL's articles of association, a General Meeting of Shareholders must be convened no more than 12 months after the first date of issuance of any preference shares B to Foundation Continuity PostNL. The agenda for that meeting shall include a resolution regarding the repurchase and/or cancellation of the preference shares B.

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

In 2014, the members of the Board of Foundation Continuity PostNL were Mr. R. Pieterse (chairman), Mr. J.H.M. Lindenbergh, Mr. W. van Vonno and Mr. M.P. Nieuwe Weme. All members of the Board of Foundation Continuity PostNL are independent from PostNL. This means that Foundation Continuity PostNL is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Shareholder dialogue

PostNL endeavours to stay in regular contact with its shareholders. The CEO, CFO and investor relations meet with shareholders during roadshows and conduct individual meetings and calls during the year.

Communication takes place with governance institutions representing shareholder groups before the Annual General Meeting of Shareholders and also during the year.

Furthermore, PostNL organises an annual dialogue with its stakeholders, in addition to the daily, ongoing contacts with customers, regulators, interest groups et cetera. The outcome of the stakeholder dialogue is used as input for PostNL's CR programmes and targets. More information about PostNL's stakeholder dialogue can be found in our chapter Corporate responsibility.

PostNL does not have a specific policy to introduce members of the Supervisory Board to PostNL shareholders. The company has a policy on bilateral contacts with the shareholders which is included in the investor relations policy and published on PostNL's website.

External auditor

PostNL's external auditor, PricewaterhouseCoopers Accountants N.V., is appointed by the General Meeting of Shareholders. PostNL's Audit committee is exclusively authorised, subject to confirmation by the Supervisory Board, to recommend to the General Meeting of Shareholders the appointment or replacement of the external auditor. The Audit committee is directly responsible for overseeing the activities and performance of the external auditor on behalf of the Supervisory Board, including settling disagreements between management and the external auditor regarding financial reporting.

The Audit committee, supported by the Internal Audit director, is required to pre-approve all services the external auditor provides to ensure these do not impair the auditor's independence from PostNL. The Audit committee grants a general pre-approval for certain routine services every year. By law, the external auditor is in principle prohibited to render non-audit services. Conflicts and potential conflicts of interest between the external auditor and PostNL are settled in accordance with the terms of reference of the Audit committee and in particular the annex PostNL Group Policy on Auditor Independence and Pre-Approval, which is available on PostNL's website. See note 2.1.6 to the consolidated financial statements of PostNL N.V. for the fees paid to PricewaterhouseCoopers Accountants N.V. and the distribution of fees between audit and audit-related services.

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

Once every three years, the Audit committee and the Board of Management are required to conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The most recent assessment was held in 2013 and the main conclusions of this assessment were communicated during the 2013 Annual General Meeting of Shareholders. The lead partner and key audit partners rotate after a maximum period of 7 years. Mr. H.C. Wüst has been the lead audit partner since 2011.

On 11 August 2014, following mandatory rotation of the audit firm, PostNL announced that the Supervisory Board will propose to appoint Ernst & Young Accountants LLP as the auditor for PostNL N.V. and to engage the firm for an initial three year term that covers the years 2016, 2017 and 2018 at the 2015 Annual General Meeting of Shareholders.

Internal audit

PostNL's internal audit function provides independent and objective assurance to the Board of Management and the Supervisory Board on the effectiveness of the internal control framework and performs financial and operational audits for the various units within the PostNL group. Audits are scheduled in close cooperation with the business concerned and organised in such a way that the external auditor can rely optimally on the internal audit activities. Each audit is followed by a formal audit report to the management responsible. Adequate follow-up on audit findings is assured. A summary report of audit-related topics (findings, follow-up, etc.) is issued every quarter to the Board of Management and the Audit committee. Audit planning, the quality and professionalism of the audit team and the effectiveness and efficiency of the execution of the audits are supervised by the Board of Management and approved by the Audit committee. The internal audit function reports to the CEO with open communication to the CFO and the Audit committee.

Risk management, internal control, integrity and compliance

With reference to the internal control framework as explained in the chapter Opportunity and risk management, PostNL has built a comprehensive portfolio of Group policies and controls, ensuring discipline in the company's business processes. This supports the Board of Management in its statutory and fiduciary obligations to stakeholders in developing and achieving its strategic, operational and financial objectives. The head office functions are responsible for ensuring that the legal and regulatory compliance objectives are achieved and that decision-making is facilitated and supported by transparent, accurate and relevant information. The Board of Management and the Supervisory Board monitor the effectiveness and efficiency of the risk management, internal control, integrity and compliance framework. They are supported by the Internal Audit department.

Internal control over financial and CR reporting

In 2014, PostNL continued to invest the resources required to document and evaluate the design of internal controls over financial reporting, and continued to test the operational effectiveness of these internal controls. The Internal Audit department performed specific review procedures relating to internal control over financial and corporate responsibility reporting in the entities within the scope of PostNL's internal control framework.

Ways to further strengthen the PostNL control framework and the risk management & internal control reports are discussed in the Internal Control Committee (ICC). The ICC is composed of the CFO, the director accounting & reporting, the director audit & security, and representatives of the risk management and internal control department. The external auditor also attends the ICC meetings. The ICC met five times in 2014.

The risk management and internal control reports are also discussed with the Board of Management and the Audit committee of the Supervisory Board. For more information about risk management, see our chapter Opportunity and risk management.

Integrity

PostNL is committed to sound business conduct. It therefore manages its business according to applicable laws and regulations and according to the PostNL Business Principles, which provide guidance on interaction with colleagues, customers, business partners and society in general. A company-wide integrity programme ensures that the Business Principles, which are published on the PostNL.nl website, are applied consistently throughout the organisation. In addition, senior management is regularly required to follow trainings.

The PostNL Integrity committee advises and assists the Board of Management in developing, implementing and monitoring Group policies and procedures aimed at enhancing integrity and ethical behaviour and preventing fraud. The Integrity committee oversees and coordinates investigations based on reports of possible breaches filed under the PostNL Business Principles, the PostNL Group Procedure on Whistleblowing and the PostNL Group Policy on Fraud Prevention. The committee advises and makes recommendations regarding the guidelines for disciplinary actions. It also advises the Board of Management and line management on the mitigation of fraud risks and on ethical and anti-corruption matters. The Integrity committee reports regularly to the Board of Management and every six months to the Supervisory Board.

Compliance

PostNL's Group policies and procedures reflect and define the view of the Board of Management and the manner in which PostNL conducts its business.

Performance and compliance are monitored regularly in discussions between the appropriate line management and the Board of Management via internal audits, through the monitoring duties of PostNL committees and through the letter of representation. For the purposes of issuing the letter of representation, all managing directors and finance directors of PostNL's Group entities and company-level management reporting directly to the Board of Management perform a self-assessment of their responsibilities in the risk assessment process, effectiveness of internal controls procedures and financial reporting process. As part of this self-assessment process, PostNL requires of its management a semi-annual sign-off of the internal PostNL letter of representation. The signed internal letters of representation are the basis for the letter of representation that the CEO and CFO sign off as part of the audit by the external auditor.

14 Remuneration report

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

General

This chapter outlines the 2014 remuneration policy and the different compensation elements for the members of the Board of Management. The second part of this chapter outlines the actual remuneration of the members of the Board of Management in 2014. The third part reflects any expected changes in the remuneration policy for 2015. Finally, the 2014 remuneration of the members of the Supervisory Board is described. Information on the Remuneration committee can be found in the previous chapters.

Remuneration policy 2014

The 2014 remuneration policy is based on the remuneration policy as adopted by the Annual General Meeting of Shareholders of PostNL on 16 April 2013. The objective of the remuneration policy is to retain, motivate and attract qualified members of the Board of Management of the highest calibre essential for the successful leadership and effective management of a large company. The main principles of PostNL's remuneration policy are:

- sobriety,
- a base salary based on median market levels,
- moderate variable remuneration with focus on both short-term and long-term objectives,
- long-term compensation supportive to the attainment of PostNL's strategy,
- transparency,
- alignment with multi-stakeholder interests,
- responsible and risk-controlling, and
- performance-related for reasonable variable remuneration with payout in cash and in shares.

To provide a consistent review of the level and structure of the total remuneration at median market level, which is aligned with best market practice, all remuneration components for the members of the Board of Management are reviewed and benchmarked at least every three years against a Dutch peer group. The last benchmark was performed in 2012. The peer group consists of a balanced mix of both AEX and AMX companies with a domestic focus and whose sizes are in line with that of PostNL.

All comparisons are made on a euro basis. Scenario analyses and internal pay relations' analyses have been performed in conformity with provision II.2.2 of the Dutch Corporate Governance Code.

Dutch peer group

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

Mediq is no longer listed and will therefore not be taking into account for future benchmark purposes.

Remuneration policy 2014: base salary

In line with the adopted remuneration policy, the annual base salary of the CEO is €625,000 and that of the CFO €475,000.

Variable remuneration

The variable remuneration has the following characteristics:

- the total variable remuneration potential is capped at 75% of the annual base salary. There is no stretch opportunity,
- a combined short-term and long-term incentive plan in which the members of the Board of Management have the opportunity to earn an incentive based on annual targets (STI) and three-year targets (LTI). Both STI and LTI are capped at 37.5% of annual base salary, and
- it involves a temporary transition plan to prevent a significant moderation of disposable income due to the transition from a short-term incentive to a combined short-term incentive and long-term incentive plan.

Short-term incentive

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

Long-term incentive

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

- it is a conditional share plan based on three-year internal financial targets,
- shares are conditionally allocated to the members of the Board of Management from 2014 onwards. A conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares,
- the conditional shares and their conditional dividend equivalents will vest after a performance period of three years,
- vesting is subject to the extent to which the long-term targets have been achieved,
- the vested shares delivered will remain restricted following the three-year performance period for a period of two years, which is in accordance with the Dutch Corporate Governance Code,
- if a member of the Board of Management leaves the company due to circumstances involving fraud or gross misbehaviour, any accrued rights on the long-term incentive plan are void, and
- if a member of the Board of Management leaves the company due to other reasons, a pro rata performance and time based vesting applies.

Long-term incentive

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

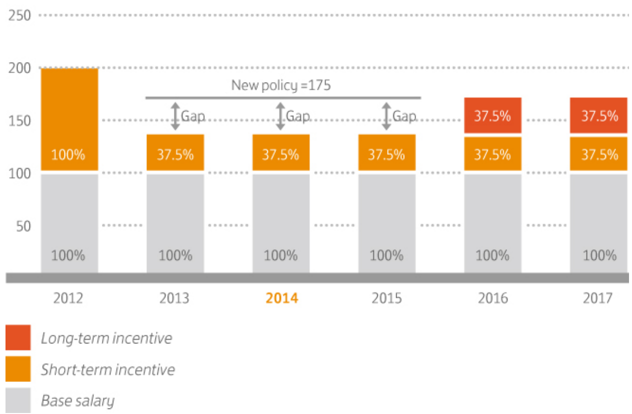
Temporary transition plan

Part of the remuneration policy as adopted by the Annual General Meeting of Shareholders of PostNL on 16 April 2013 is the temporary transition plan. The adopted remuneration policy has a significant impact on the disposable income of the members of the Board of Management both in absolute terms and in terms of timing. The absolute moderation is an intentional effect that is the result of reducing the total maximum variable remuneration potential from 100% to 75% of the annual base salary.

The moderation in time is an unintentional side-effect due to the introduction of a long-term incentive plan via a performance share plan. As the first allocation of shares under the long-term incentive plan will not take place until early 2016, an income gap will arise in the years 2013-2015 amounting to 37.5% per year, as the graph below shows.

Remuneration transition plan

(in %)



This temporary transition plan compensates the gap arising in the years 2013 to 2015 and provides for an annual award of restricted shares over three years, subject to the provision of continued employment. The restricted shares are awarded on the basis of the same annual targets applicable to the short-term incentive.

In compliance with the Dutch Corporate Governance Code, the members of the Board of Management may not sell their PostNL shares before the earlier of five years from the date of grant or the end of their employment, although any sale of shares for the purpose of using the proceeds to pay for the tax relating to the vesting of these shares is exempted.

Pensions

In 2014, the pension scheme applicable to the current members of the Board of Management is a career average scheme. The main features of this career average scheme are:

- retirement age of 67 years,
- pensionable income based on average annual base salary only offset for state pension at fiscal minimum,
- annual accrual rate for the old age pension of 2.15%,
- benefits conditionally indexed during accrual, and
- an employee contribution of 6%.

Other

Besides the elements of the remuneration package as shown, the remuneration policy contains the following (contractual) arrangements and provisions.

Severance payments

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

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

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

Claw-back and change of control

On 1 January 2014, the 'claw-back bill' came into force. This bill, applicable to management and supervisory boards of listed companies, creates a legal basis for the claw-back. Since the Supervisory Board of PostNL already had the option of a claw-back, this will not result in a change to the remuneration policy for 2014.

Additionally, the claw-back bill imposes a duty upon PostNL to claw back in the event of a change of control if that causes an increase in the value of PostNL shares held by the Board of Management, which have previously been awarded to them as remuneration. This also applies for shares awarded as remuneration prior to 1 January 2014.

In the event of a change of control, the proceeds of any share grant would be capped.

Discretionary authority

In a general sense, the Supervisory Board has the authority to adjust the remuneration of members of the Board of Management upwards or downwards. Furthermore, the Supervisory Board has the discretionary authority to decide on one-off payments to members of the Board of Management in special circumstances. If and when such a discretionary adjustment is made, a transparent substantiation will be provided, explaining the Supervisory Board's motivation for making use of this discretionary authority.

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

Contractual arrangements

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

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

As of 1 January 2013, the Dutch Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht) entered into force. With the entry of this legislation, the employment relationship between directors and listed public companies is no longer governed by employment contract law. This legislation will be applicable for any future members of the Board of Management.

Appointment details

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

Actual remuneration in 2014

The table below summarises the 2014 remuneration elements of the members of the Board of Management of PostNL calculated in accordance with IFRS and the remuneration policy for 2014. Note that IFRS amounts expensed for the period do not necessarily represent the actual compensation payout. For detailed disclosure on the remuneration of the members of the Board of Management, see note 5.1 to the consolidated financial statements.

Remuneration Board of Management

		Fixed remuneration	Variable remuneration						
		Base salary	Accrued for short-term incentive 2014	Accrued for long-term incentive 2014	Accrued for temporary transition plan	Other periodic compensation	Pension costs	**Total 2014**	Total 2013
Herna Verhagen	Chief Executive Officer	625,000	234,375	114,095	234,375	113,536	212,995	**1,534,376**	1,502,867
Jan Bos	Chief Financial Officer	475,000	178,125	88,138	178,125	74,682	168,178	**1,162,248**	1,115,164
Total remuneration		1,100,000	412,500	202,233	412,500	188,218	381,173	**2,696,624**	2,618,031

The other periodic compensation included company costs related to tax and social security, company car and other compensation.

The scorecard contains a summary of achievements of the 2014 variable remuneration Short Term Incentive targets by the members of the Board of Management. In line with the STI target achievements, the Temporary Transition Plan shares will be granted to the members of the Board of Management.

Scorecard against target

	2014
General financial targets	
Underlying cash operating income PostNL	v
Adjusted net cash flow from operating/investing activities	v
General non-financial targets	
Employees	
Engagement survey	v
Customers	
Customer satisfaction	v
Quality score	v
Environment	
CO_2 reduction	v

PostNL discloses quantified financial and non-financial targets in general terms. The actual target outcomes are specific and thus contain competition-sensitive information. These are therefore not disclosed.

Remuneration policy for 2015

The pension scheme of the Board of Management will change, due to new tax legislation that will take effect on 1 January 2015. The government intends to keep pension schemes in the Netherlands affordable through the following measures:

- Base salaries above €100,000 a year will no longer be eligible for retirement benefits (i.e. old age pension and survivors' pension).
- The pension accrual rate will be reduced to a maximum of 1.875% in career average schemes.

As a result of these changes in the tax legislation the pension scheme of the Board of Management will need to be changed, resulting in a negative impact on the agreed compensation and benefits package of the Board of Management.

In 2015, the pension scheme will be adjusted in line with the adjustments for senior management and can be summarised as follows:

- career average scheme
- retirement age of 67 years
- pensionable income capped at statutory maximum salary of €100,000 (maximum 2015) offset for state pension
- annual accrual rate for the old age pension of 1.875%
- benefits conditionally indexed during accrual
- employee contribution of 6%
- structural annual compensation of 19% of the gross base salary above the maximum salary of €100,000 (maximum 2015) and a temporary allowance of 5% (decreasing with 20% per year for the next 5 years) to enable the Board of Management to arrange for their own pension provision for the salary exceeding €100,000.

No further changes in the remuneration policy are expected for 2015.

Remuneration of members of the Supervisory Board

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

Remuneration of Supervisory Board

(in €)

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

For detailed disclosures on the remuneration of individual members of the Supervisory Board, see note 5.1 to the consolidated financial statements.

15 PostNL on the capital markets

Investor relations

The main goal of our investor relations activities is to build our financial brand. To make that happen, we inform the financial community about relevant developments in our company in a transparent and timely way. We maintain an active dialogue with the financial community. We comply with all rules and regulations of NYSE Euronext Amsterdam and the Dutch Financial Markets Authority (AFM).

Our investor relations programme consists of meetings with analysts and investors, conference calls, roadshows, investor conferences and workshops. In addition, PostNL communicates with the financial community through press releases, the publication of the annual report, General Meetings of Shareholders and the company's corporate website. In 2014, PostNL visited investors in major financial cities in Europe and North America.

Explanation by the Board of Management of quarterly results is given either at group meetings and/or conference calls which are accessible by phone and on the corporate website. Meetings with investors are scheduled regularly to ensure the investment community receives a balanced view of the company's strategy, performance and the issues faced by the business.

Results presentations and General Meetings of Shareholders are broadcast via webcasting. The corporate website provides all relevant information with regard to publication dates and procedures concerning webcasting. For further information, please visit PostNL's corporate website.

Contact between the Board of Management, the financial community and the press is carefully handled and structured. The company will not compromise the independence of analysts in relation to the company and vice versa. Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the company. PostNL does not pay any fees to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies. Contact with our financial stakeholders is taken care of by the members of the Board of Management, PostNL's investor relations professionals and, less frequently, by other PostNL employees specifically mandated by the Board of Management.

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

Share and bond information and performance

Shares, eurobonds and listing

The shares of PostNL N.V. (ticker: PNL) are listed on Euronext Amsterdam and included in the AMX index. PostNL N.V. shares trade in the United States in the over-the-counter (OTC) market via ADRs. The OTC code is PNLYY. Options on PostNL shares are traded on NYSE Liffe Amsterdam.

In 2014, 998 million PostNL shares were traded on Euronext Amsterdam (2013: 1,518 million shares). The average daily number of shares traded was 3.9 million (2013: 6.0 million). The market capitalisation of PostNL was €1,367 million at the end of 2014 (2013: €1,826 million).

PostNL has three eurobonds that are listed on Euronext Amsterdam:

- PNL 3.875% 2015 (ISIN NL10000117190), nominal value €349 million
- PNL 5.375% 2017 (ISIN NL10006133175), nominal value €508 million
- PNL 7.5% 2018 (ISIN NL10006380537), nominal value £314 million.

2014 relative performance to the AMX index

PostNL's authorised share capital is divided into 1,500,000,000 shares of €0.08 each and consists of 750,000,000 ordinary shares and 750,000,000 preference shares B. The number of issued and outstanding ordinary shares was 440,920,801 on 31 December 2014 (2013: 439,973,297 shares). In 2014, 947,504 shares were issued for the share plan for employees. No preference shares B were issued and outstanding. For more information on PostNL's equity, see note 4.5 to the consolidated financial statements.

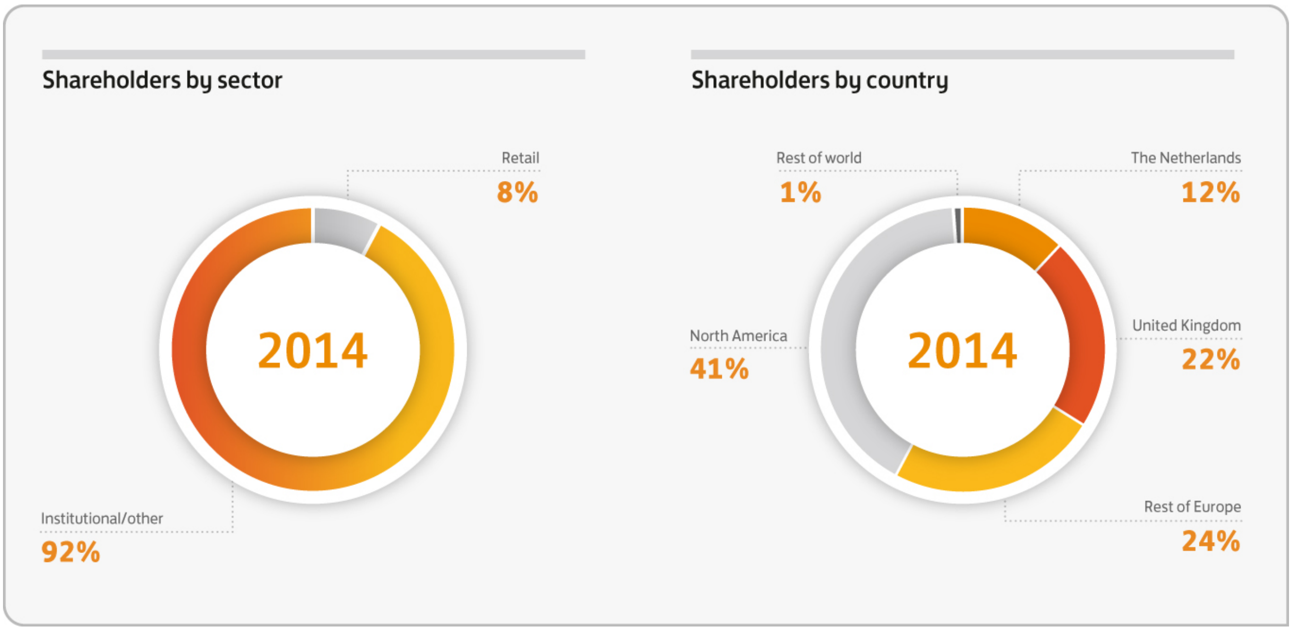
Major shareholders

Pursuant to the Financial Markets Supervision Act (Wet op het financieel toezicht), shareholders must disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%,20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the AFM without delay. Our substantial shareholders are listed in the next table, Overview of substantial shareholders (>3%).

Since November 2012, investors also have to disclose short positions in the company that exceed 0.5% of outstanding shares. At the end of 2014, no notifications on short positions in PostNL were disclosed.

Shareholders by sector and by country

The distribution of our shares between retail and institutional shareholders did not materially change compared to 2013. In 2014, Dutch institutional shareholders held 12% of the outstanding shares of PostNL, slightly up from 10% in 2013, while North American shareholders held 41% of the shares (2013: 33%). This was mainly balanced by shareholders from the United Kingdom and the rest of Europe holding fewer shares.



Overview of substantial shareholders (>3%)

Date of notification	Company	(Indirect) Holding	Holding of (indirect) voting rights)
6 February 2015	UBS Group AG	3.07%	2.51%
3 February 2015	Norges Bank	3.17%	3.17%
10 September 2014	Edinburgh Partners	3.05%	3.05%
15 July 2014	Fidelity Management & Research LLC	3.01%	3.01%
2 June 2014	Causeway Capital Management LLC	10.01%	8.19%
15 March 2012	Manning & Napier Advisors LLC	6.76%	5.02%

Dividend

Dividend in 2014

PostNL did not declare a final 2013 dividend nor an interim 2014 dividend.

At 31 December 2014, total corporate equity amounted to €1,983 million, of which -€239 million is distributable. Negative distributable corporate equity restricts the payout of a dividend. Accordingly, there will be no 2014 dividend proposal.

Based on continuation of operational performance, PostNL strives to resuming dividend distributions in 2016, but this will require improving interest rates and/or the value of its stake in TNT Express.

Dividend policy

PostNL's focus is on bringing the company back into a situation where it can resume paying a cash dividend as soon as possible.

It is PostNL's intention to pay out a dividend per share which develops substantially in line with the development of our operational performance. PostNL will aim for a dividend payout of around 75% of underlying net cash income. PostNL anticipates paying interim and final dividends annually in an optional dividend, which means shareholders can decide whether they want to receive cash or shares. The interim dividend will be set at 75% of the underlying net cash income over the first half of the year. Underlying net cash income is defined as 'profit attributable to equity holders of the parent' adjusted for significant one-off and special items, cash out from provisions and additional cash pension contributions. This normalisation adjustment is based on the underlying cash operating income, separately reported as one of the key performance indicators of the company.

The conditions for paying out a dividend are positive consolidated equity and certainty of a BBB+/Baa1 credit rating.

PostNL considers the ordinary shares it holds in TNT Express as a purely financial stake. Until a dividend is restored, PostNL will not return to shareholders any dividends or net dividends received on its TNT Express shares.

The Reserves and Dividend Guidelines are available on PostNL's website.

Other information

Website

For the latest and archived press releases, presentations, share price information and other company information, such as our online annual report and interim reports, please visit PostNL's website.

Visiting address

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2500 GG The Hague
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E-mail: ir@postnl.nl
Website: postnl.nl/en

Financial calendar 2015

23 February	Results fourth quarter and full year 2014
14 April	Annual General Meeting of Shareholders
6 May	Results first quarter 2015
3 August	Results second quarter and half year 2015
2 November	Results third quarter 2015

Performance Statements

CR performance Statements

16 CR performance statements

Customer indicators

	Notes	2014	2013	2012	2011
Customer satisfaction as percentage of total customers	*1*	**85%**	83%	79%	Not reported
Delivery quality of Mail in the Netherlands (preliminary)	*2*	**96.7%**	95.8%	93.9%	96.1%
ISO 9001 certification (percentage of total FTE working in certified sites)	*3*	**91%**	91%	91%	95%

People indicators

	Notes	2014	2013	2012	2011
Workforce					
Full time equivalents (FTE)	*4*	**28,944**	31,016	33,284	33,827
FTE out of CR reporting scope		**1,409**	1,365	1,834	1,926
FTE in CR reporting scope		**27,535**	29,651	31,450	31,901
Headcount	*4*	**56,221**	59,280	66,411	65,508
Headcount out of CR reporting scope		**1,842**	1,983	2,444	2,166
Headcount in CR reporting scope		**54,379**	57,297	63,967	63,342
Employee engagement					
Employee engagement score (percentage of engaged employees)	*5*	**60%**	58%	56%	56%
Recruitment and career development					
Investors in People certification (percentage of headcount working in certified sites)	*6*	**94%**	94%	95%	96%
Training hours per FTE	*7*	**19**	19	23	21
Internal promotion (percentage of total management vacancies)	*8*	**76%**	52%	66%	72%
Diversity and inclusion					
Percentage of females in management	*9*	**25%**	26%	23%	24%
Health and safety					
Fatal accidents	*10*	**2**	0	3	3
Serious accidents	*10*	**16**	24	24	40
Lost time accidents	*10*	**661**	666	690	698
As frequency rate per 100 FTEs		**2.4**	2.3	2.2	2.2
OHSAS 18001 certification (percentage of FTE working in certified sites)	*11*	**90%**	90%	91%	95%
Absenteeism (percentage of total working hours)	*12*	**4.7%**	5.1%	5.5%	5.4%
Blameworthy road traffic incidents (per 100,000 kilometres)	*13*	**3.4**	3.5	3.8	4.3
As percentage of total road traffic incidents		**84%**	79%	65%	73%

Environmental indicators

	Notes	2014	2013	2012	2011
Environmental impact					
CO_2 efficiency index	14	**57.9**	58.3	61.8	64.5
Buildings	15				
Efficiency (kg CO_2 per m2)		**13.9**	14.8	19.7	22.2
Electricity usage in KwH/m2 building		**101**	103	113	118
Sustainable electricity usage (as % of total electricity usage)		**82%**	81%	81%	85%
Gas usage in m3/m2 building		**5.8**	9.0	9.5	9.5
Small trucks and vans	16				
Efficiency (gr CO_2 per km)		**241**	244	238	234
Fuel usage liters diesel/100 km		**8.8**	9.2	8.9	9.1
Vehicles complying with Euro 6		**4%**	0%	0%	0%
Vehicles complying with Euro 5		**92%**	78%	53%	37%
Vehicles not complying with Euro 6 and Euro 5		**4%**	22%	47%	63%
NOx emissions in kg		**18,802**	21,284	24,808	33,530
NOx emissions (gr/km)		**0.29**	0.32	0.35	0.37
PM10 emissions in kg		**806**	1,618	2,600	4,115
PM10 emissions (gr/km)		**0.01**	0.02	0.04	0.05
Large trucks	17				
Efficiency (gr CO_2 per km)		**740**	720	712	737
Fuel usage liters diesel/100 km		**26.6**	26.8	26.8	27.8
Vehicles complying with Euro 6		**34%**	17%	0%	0%
Vehicles complying with Euro 5		**66%**	83%	92%	91%
Vehicles not complying with Euro 6 and Euro 5		**0%**	0%	8%	9%
NOx emissions in kg		**72,971**	84,291	88,646	97,348
NOx emissions (gr/km)		**1.52**	1.86	2.14	2.19
PM10 emissions in kg		**791**	933	1,039	1,176
PM10 emissions (gr/km)		**0.02**	0.02	0.03	0.03
Absolute carbon footprint (in ktonnes)	18				
Small trucks and vans		**16**	16	17	21
Large trucks		**36**	35	32	33
Heating (gas, heating fuel)		**10**	16	16	16
Scope 1 gross		**62**	67	65	70
Compensated carbon emissions Greengas trucks (credits)		**(0)**			
Avoided carbon emissions heating (biogas)		**(2)**	(2)	(2)	(3)
Scope 1 net		**60**	65	63	67
Electricity (including electric vehicles)		**43**	48	45	45
District heating		**1**	1	1	
Scope 2 gross		**44**	49	46	45
Avoided carbon emissions (sustainable electricity)		**(35)**	(39)	(36)	(38)
Compensated carbon emissions buildings (credits)		**(6)**	(6)	(4)	
Scope 2 net		**3**	4	6	7
Company cars		**9**	9	8	7
Business travel by air		**1**	1	1	1
Subcontractors		**174**	135	132	143
Scope 3 gross		**184**	145	141	151
Compensated carbon emissions company cars (credits)		**(9)**	(9)	(8)	(7)
Compensated carbon emissions business travel by air (credits)		**(1)**	(1)	(1)	(1)
Scope 3 net		**174**	135	132	143
PostNL's own gross carbon footprint (total scope 1 and 2)		**106**	116	111	115
PostNL's own net carbon footprint (total scope 1 and 2)		**63**	69	69	74
PostNL's total gross carbon footprint (total scope 1, 2 and 3)		**290**	261	252	266
PostNL's total net carbon footprint (total scope 1, 2 and 3)		**237**	204	201	217
Other environmental indicators					
ISO 14001 certification (percentage of total FTE working in certified sites)	19	**91%**	91%	91%	95%

Section 1: Basis of preparation

In this section...

This section sets out the Group's CR reporting policies and reporting guidelines applied in the CR performance statements. We also give an overview of the reporting process and critical estimates and judgements included in the CR performance statements.

We also provide an overview of the scope of the CR performance statement and data revisions.

At the end of the section we provide a description of the scope of the external assurance.

We have increased the integration of our financial and corporate responsibility performance. As a next improvement step, this year we are reporting in accordance with the comprehensive option of the latest GRI G4 guidelines. This is on basis of reasonable assurance on chapters: We are PostNL, Message from the CEO, How we create value, Market and regulatory developments, Our strategy, Business developments, Corporate responsibility, People, and CR performance statements. This is over and above the audit carried out on the financial statements. In our 2013 Annual Report the reasonable assurance scope was only limited to the chapters People, Corporate responsibility and CR performance statements.

Why follow GRI G4 guidelines?

There are a variety of reasons to adopt GRI G4 reporting guidelines. One of the most important is that under these guidelines materiality is positioned particularly strong which is considered crucial if we are to realise our strategy.

What are our material topics?

Material topics are those that have a direct or indirect impact on our ability to create, preserve or weaken economic, environmental and social value for our stakeholders, society at large and us. In 2014 we held our second stakeholder dialogue. This dialogue was attended by 105 customers, suppliers, subcontractors, local government representatives, investors, consultants, social organisations and employees. The dialogue focused on the four issues that will serve as the cornerstones of our sustainability policy over the coming years:

- Social engagement
- Our role as an employer
- Carbon emissions
- Innovation and sustainable procurement.

Some of the points made during the 2014 dialogue include:

- "Express yourself: perform well and tell people about it!"
- "Focus more on the long-term effects. For example, long-term procurement strategies rather than saving money in the short term"
- "Increase deliveries by electric scooter or bike"

In addition to our stakeholder dialogue, we selected material topics based on our integrated strategy, reporting by peers, trends in the sector, and dominant topics in guidelines, such as GRI guidelines, UN Global Compact, Dow Jones Sustainability Index and the Carbon Disclosure Project. The following benchmarks are important for us:

Dow Jones Sustainability Index (DJSI)

In 2014 our score improved to 83 out of 100 (2013: 80). DJSI is a worldwide benchmark in which organisations are judged on a broad range of themes. DJSI is important to us as we can compare our results over time, and benchmark our progress against our peers. More information is available at: www.sustainability-indices.com.

Transparantie Benchmark (TB)
In 2014 the criteria of the Transparantie Benchmark were updated. As we did not yet apply GRI G4 in our 2013 annual report our 2014 Transparantie Benchmark score decreased to 168 out of 200 (2013: 176). This is a benchmark organised by the Dutch ministry of Economic Affairs to compare annual reports of Dutch institutes on several transparency criteria. Participating provides us with feedback and ideas about our annual report. More information is available at: www.transparantiebenchmark.nl

International Postal Coorperation (IPC)
The IPC is a worldwide corporation of national providers of postal services. IPC has defined sector goals on carbon reduction. An annual questionnaire provides information about the sector's improvements. This information is also used to benchmark the different postal service providers. In 2014 our benchmark position improved to third (2013: fourth). More information is available at: www.ipc.be.

Carbon Disclosure Project
In 2014 we received an award as the best new up-and-coming company within the Benelux with a score of 96 out of 100. The Carbon Disclosure Project (CDP) is an international, not-for-profit organisation providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. More information is available at: www.cdp.net

Material topics
The material topics we chose are visualised in the figure below. The topics in the upper right-hand corner of the matrix are the most material topics, and are part of our KPIs and reported in this chapter. The middle sections contains topics that are qualitatively disclosed in the business report.

Quantitatively reported in the Annual Report 2014

- Accesible, affordable and reliable
- Customer satisfaction
- Diversity and inclusion
- Economic performance
- Employee engagement
- Environmental impacts
- Health & Safety
- Managing large work force
- Recruitment and career development

Qualitative disclosure in Annual Report 2014

- Culture
- Dividend
- Fair taxation
- Flexible and sustainable partnerships
- Partnerships & Sponsoring
- Responsible redesign
- Sustainable innovation
- Transparent media relations

Not reported

- Biodiversity
- Grievance mechanisms
- Recycling
- Waste
- Water

What is the scope of this report?
The report includes corporate responsibility (CR) data from all entities that are either fully or majority owned by PostNL. In accordance with our policy on CR reporting, all companies acquired in any given year must report CR data from the following year. PostNL companies that are divested – a full or partial sale, whereby we no longer retain a direct or indirect controlling interest – are excluded from the CR reporting scope for the entire year in which the divestment took place. We excluded Regioservice and Turbopost (both part of Postcon) from CR reporting data. This is because Postcon is transitioning towards a model in which local entrepreneurs are made responsible for the business in the region.

We report some data related to our value chain as depicted here. A material topic within the value chain is reporting on the impact our subcontractors have. This is particularly relevant because in some parts of the company subcontractors play an important role. We believe it is important to report on the carbon emissions impact of subcontractors' activities, as well as any fatal road traffic accidents they are involved in. Subcontractor carbon emission figures include estimates and extrapolations. The carbon emissions impact is determined based on secondary indicators, such as kilometres driven. This is because primary data, such as fuel consumption, are not available. One significant estimate made is carbon emissions as a percentage of total costs for delivery by subcontractors. The estimations made are amongst others, derived from the amount of carbon emissions per euro turnover as found in the externally published annual reports of Royal Mail and Deutsche Post DHL.

This means that there are inherent limitations to the accuracy of the reported subcontractor carbon emissions figures. The most important ones:

- The subcontractor model is based on existing operational systems within PostNL, but for some subcontractor activities planned figures are used instead of actual figures
- For commercial airline haul, the subcontractor model uses planned volumes (kilogrammes) of mail, which are based on actual 2014 data
- The latest Royal Mail figures are available as of 30 September 2014, while for Deutsche Post DHL we only have access to 2013 data.

What are the limitations in the scope?

We exclude employees of joint ventures and commission-contracted workers (OvO) from our CR reporting scope. Commission-contracted workers workers are paid by output and do not have a labour contract.

Figures related to absolute carbon emissions, where no full data coverage is available, are extrapolated to reflect the entire PostNL organisation, unless stated otherwise. Extrapolation is done on the basis of full-time equivalent (FTE) coverage or square metres. The FTE and headcount data in the table for New Hires and Turnover is based on the number of employees in the Netherlands, and the data was then extrapolated to cover the entire company. We define coverage as the number of FTEs working in entities that report data, divided by the total number of FTEs in the CR reporting scope. We aim to annually increase our FTE coverage. The data clarification table in Appendix 4 shows the coverage per indicator. We have taken all reasonable steps to ensure that the CR information in this annual report is accurate.

How is the reporting process?

Our aim is to provide an adequate picture of the CR programme which is an integrated part of our strategy, as well as our performance. We collect relevant CR information monthly using dedicated IT infrastructure and systems. For some data, extrapolations are performed which is explained in our data clarification table. The definitions we use are in line with GRI G4. The reporting definitions of the CR performance data are included in this chapter or in Appendix 5. Unless otherwise specified, the definitions and reporting principles are unchanged from 2013. Conversion factors are taken from the 2014 UK DEFRA tables. These conversion factors relate to internationally acknowledged organisations, such as the Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol.

Where possible, quantitative information is compared to the corresponding figures in previous years. CR performance data are presented in a relative way – using percentages and ratios – to enable readers to monitor and measure progress year-on-year, unless the reporting criteria require absolute figures to be disclosed. The CO2 efficiency index is presented relative to the base year of 2007, to show progress made towards long-term objectives for CO2 efficiency improvements.

Data revision

The subcontractor scope 3 emissions are based on estimations. In previous years we estimated emissions related to our activities in Germany, Italy and the United Kingdom based on internal data (costs of work contracted out) as well as external sources, such as industry reports on fuel costs of logistic companies and average miles driven. In 2014 we improved our estimation method, based on the availability of more accurate data. This enables us to provide a more accurate estimation of the subcontractor scope 3 emissions. As from 2014 we use data taken from the annual and CR reports of our subcontractors Royal Mail and Deutsche Post, related to carbon emissions per million euros of net sales. We believe data that comes directly from subcontractors are more accurate than data taken from general industry reports. The estimations of other subcontractor scope 3 emissions have not changed compared to previous years.

The effect of the change in estimation is:

Change of estimation subcontractor emissions

(in ktonnes)

	2014	2013	2012	2011
Previously reported		393	359	332
Data revision		(258)	(227)	(189)
Reported	174	135	132	143

Data validation and external assurance

All reported data are subject to internal validation procedures on the basis of the data owner (first line of defence) as well as at the data validator level (second line of defence). We have an integrated internal control framework in place which specifies all financial and CR controlling procedures and its timing and reporting formats. Our internal audit department also periodically performs audits on the quality of data.

We have engaged PwC to provide reasonable assurance on the CR information in chapters: We are PostNL, Message from the CEO, How we create value, Market and regulatory developments, Our strategy, Business developments, Corporate responsibility, People,and CR performance statements in this report. This will be done in accordance with the Assurance Standard 3810N 'Assurance Engagements Relating to Sustainability Reports', as drawn up by the professional body of Dutch accountants (NBA). Given the importance of CR we have integrated the daily monitoring and managing of financial and corporate responsibility performance into our daily data processes.

Section 2: Customer indicators

In this section.....

This section sets out the results related to our customers.

We report on the indicators customer satisfaction and delivery quality of Mail in the Netherlands. In addition to the results, we also provide insight into the impact our CR programme and initiatives have had in 2014.

Customer indicators

	Notes	**2014**	2013	2012	2011
Customer satisfaction as percentage of total customers	*1*	**85%**	83%	79%	Not reported
Delivery quality of Mail in the Netherlands (preliminary)	*2*	**96.7%**	95.8%	93.9%	96.1%
ISO 9001 certification (percentage of total FTE working in certified sites)	*3*	**91%**	91%	91%	95%

1. Customer satisfaction

In 2014 PostNL's customer satisfaction result improved to 85% (2013: 83%).

Customers expect us to provide high quality, efficient mail and parcel services. Our commitment to excellent service as an extension of our customer focus has had a positive impact on our customer satisfaction levels. If customers do have complaints, however, we have a range of processes in place to solve them quickly and efficiently.

Our employees are key to improving customer satisfaction. Higher levels of engagement lead to more motivated employees, which positively influences the quality of our service. We don't report comparable figures for 2011, which was the last year that we carried out a phone-based survey. Since 2012 we have carried out customer satisfaction surveys online.

2. Delivery quality

The Dutch Postal law was adjusted in 2014. We are no longer required to deliver mail on Mondays (with the exception of medical and mourning cards).

In 2014 our on-time delivery level improved to 96.7% (2013: 95.8%), well above the 95% requirement set out by law. The 2014 result has yet to be validated by PwC and reported to the Dutch supervisor ACM.

3. ISO 9001 certification

ISO 9001 sets requirements for continuous quality improvements at entity level, challenges all entities on the service and quality they provide, and allows for a customised approach in implementing improvements. We encourage all business segments to acquire the ISO 9001 certification. In 2014 the percentage of FTEs working at certified sites stabilised at 91%.

Section 3: People indicators

In this section.....

This section sets out the results related to our people.

We analyse the CR performance in two separate steps. First we focus on our 2014 performance in relation to our CR programme initiatives and the results of 2013. We then focus on the trend for the period 2011 to 2014.

We also report on the material aspects Recruitment and Career developments, Employee engagement, Diversity and Inclusion and Health & Safety.

Workforce

	Notes	**2014**	2013	2012	2011
Full time equivalents (FTE)	*4*	**28,944**	31,016	33,284	33,827
FTE out of CR reporting scope	*4*	**1,409**	1,365	1,834	1,926
FTE in CR reporting scope	*4*	**27,535**	29,651	31,450	31,901
Headcount	*4*	**56,221**	59,280	66,411	65,508
Headcount out of CR reporting scope	*4*	**1,842**	1,983	2,444	2,166
Headcount in CR reporting scope	*4*	**54,379**	57,297	63,967	63,342

4. FTEs and headcount

In 2014 our workforce decreased by around 2,116 FTEs (or 2,918 headcount), primarily due to the decline of our Mail in the Netherlands business. This was partially offset by the start up and integration of a number of new activities in other parts of the company, including E2E delivery at Whistl.

New Hires and Total turnover (headcount)

	2014		2013		2012		2011	
	Male	**Female**	Male	Female	Male	Female	Male	Female
Total workforce at Jan 1	**57,297**		63,967		63,342		64,398	
Workforce by gender	**31,194**	**26,103**	35,689	28,278	36,756	26,586	38,023	26,375
New hires								
< 30	**4,701**	**3,837**	5,102	3,652	7,763	5,032	6,313	3,855
30-50	**1,910**	**3,177**	1,734	2,672	3,155	3,912	2,560	3,455
>50	**2,046**	**1,129**	1,645	883	2,389	1,210	1,803	897
Total new hires	**8,658**	**8,143**	8,481	7,206	13,308	10,154	10,676	8,206
Total	**16,801**		15,687		23,462		18,882	
Percentage of total headcount	**28%**	**31%**	24%	25%	36%	38%	28%	31%
Turnover								
< 30	**5,457**	**3,949**	6,877	4,245	7,756	4,419	7,029	4,007
30-50	**2,348**	**3,213**	2,738	3,401	2,920	3,417	2,541	3,213
>50	**3,107**	**1,645**	3,364	1,732	2,837	1,488	2,100	1,049
Total turnover	**10,912**	**8,807**	12,979	9,378	13,513	9,324	11,669	8,269
Total	**19,719**		22,357		22,837		19,938	
Percentage of total headcount	**35%**	**34%**	36%	33%	37%	35%	31%	31%
Workforce by gender	**28,939**	**25,440**	31,191	26,106	36,551	27,416	37,029	26,313
Total workforce at Dec 31	**54,379**		57,297		63,967		63,342	

Turnover and new hires

As a postal company, we hire a relatively high number of part-time employees who stay with us for less than a year. This is reflected in our new hire and turnover figures. In 2014 our total headcount turnover declined due to more active retention management, reducing turnover of our part-time mail deliverers.

Employee engagement

	Notes	**2014**	2013	2012	2011
Employee engagement score (percentage of engaged employees)	*5*	**60%**	58%	56%	56%
Recruitment and career development					
Investors in People certification (percentage of headcount working in certified sites)	*6*	**94%**	94%	95%	96%
Training hours per FTE	*7*	**19**	19	23	21
Internal promotion (percentage of total management vacancies)	*8*	**76%**	52%	66%	72%

5. Employee engagement

Engaged employees are essential for PostNL. Our employees are the ambassadors of the company, and they enable us to provide the high-quality services and products that determine customer satisfaction and loyalty. Our aim is to continuously improve the engagement of our employees.

In 2014 our engagement survey was carried out digitally for the first time. This enabled us to collect results faster, and address any issues earlier.

In 2013 we recognised that employees who scored highly on working together had higher engagement levels. At the same time, those with high engagement levels were also more receptive to following our desired cultural behaviours:

- Working together for OnePostNL
- Being fact based
- Taking ownership for their results
- Being innovative and customer focused.

Our approach worked and overall engagement increased to 60 percent in 2014 (2013: 58 percent), while the participation level increased to 53 percent (2013: 44 percent). In 2015 all business units will carry out at least one local survey enabling us to monitor employee engagement at local levels throughout the year.

6. Investors in People certification

Our aim is to continuously develop and realise the potential of our people, and improve our standards on people management. We selected the international Investors in People (IiP) management system to realise this ambiton. Our policy is to stimulate all business segments to obtain IiP accreditation and to maintain an overall coverage of at least 90% of our employees working at certified sites. Over time our IiP certification rate has stabilised at around 95% of total headcount.

7. Training hours per FTE

Personal development is an important driver for most of our employees. It stimulates engagement and is key for the future success of PostNL. We stimulate people to improve their employability by promoting and investing in training, and facilitating an improvement-oriented culture. In 2014 we expanded our PostNL Academy by adding new online training modules to optimise the efficiency and effectiveness of our training programs. The number of training hours is around 19 per FTE per year.

8. Internal promotion

The percentage of internal promotions increased considerably in 2014, to 76 percent (2013: 52 percent). This is due to the reorganisation of our Mail in the Netherlands division and of our head office departments. Whenever possible, existing vacancies are filled by staff affected by the reorganisation.

Diversity and inclusion

	Notes	**2014**	2013	2012	2011
Percentage of females in management	*9*	**25%**	26%	23%	24%

9. Percentage of females in management

PostNL supports diversity and inclusion. Several networks operate internally, including the Women Inclusion Network and the gay, lesbian, bi-sexual and transgender network. We respect and appreciate the differences between our employees and we strive to use these differences to become a better organisation.

Despite our goal to increase the number of women in management positions, the overall percentage of females in management positions decreased slightly to 25 percent in 2014 (2013: 26 percent). For senior management positions the percentage of females increased to 21 percent (2013: 19 percent).

Health and safety

	Notes	2014	2013	2012	2011
Fatal accidents	*10*	**2**	0	3	3
Serious accidents	*10*	**16**	24	24	40
Lost time accidents	*10*	**661**	666	690	698
As frequency rate per 100 FTEs	*10*	**2.4**	2.3	2.2	2.2
OHSAS 18001 certification (percentage of FTE working in certified sites)	*11*	**90%**	90%	91%	95%
Absenteeism (percentage of total working hours)	*12*	**4.7%**	5.1%	5.5%	5.4%
Blameworthy road traffic incidents (per 100,000 kilometres)	*13*	**3.4**	3.5	3.8	4.3
As percentage of total road traffic incidents	*13*	**84%**	79%	65%	73%

10. Accidents

We work hard to improve the safety of our employees. As part of their work, our employees drive and walk millions of kilometres each year, which means they regularly face traffic risks. By training our employees to drive and work more safely, we strive to further reduce the number of accidents.

Despite all our efforts and initiatives we deeply regret having to report two fatal accidents across our operations in 2014 (2013: 0). The first incident involved a PostNL driver who struck and fatally injured a cyclist. The second involved a subcontractor striking and fatally injuring a road worker. These were tragic events and we remain determined to prevent fatalities.

The number of serious accidents and lost time accidents decreased in 2014. Serious accidents declined to 16 (2013: 24), while the absolute number of lost time accidents declined to 661 (2013: 666). Favourable weather conditions are believed to have had a positive effect on the number of accidents. The number of lost time accidents per 100 FTEs increased to 2.4 (2013: 2.3).

11. OHSAS 18001 certification

OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks. We encourage all business segments to acquire the OHSAS 18001 certification. In 2014 the percentage of FTEs working at OHSAS 18001 certified entities stabilised at 90%.

12. Absenteeism

Our absenteeism rates continue to improve, based on a more active management approach, including return-to-work interviews. We implemented a management training programme on absenteeism in 2014, which helped reduce absenteeism of total working hours to 4.7% in 2014 (2013: 5.1%). Additionally, favourable weather conditions are believed to have had a positive effect on the absenteeism rate in 2014.

13. Traffic incidents

A road traffic incident is defined as a crash or collision involving an operational PostNL vehicle, excluding company cars. Road traffic incidents are categorised as blameworthy or non-blameworthy incidents. Road traffic incidents are considered blameworthy if a PostNL driver is at fault. All other incidents include a variety of types of damage, including damage discoverd during inspections, damage caused by third parties to parked vehicles of PostNL, and other instances of minor damage.

In 2014 the number of road traffic incidents per 100,000 kms declined to 3.4. We continue to focus on saftey training and communication to reduce road traffic incidents. The percentage of blameworthy road traffic accidents increased mainly because of a more stringent registration process at our Parcels division.

Section 4: Environmental indicators

In this section...

This section sets out the results related to our environmental impact.

The CO2 efficiency index reflects our efforts to reduce our own carbon footprint.

We report on the material topics of our environmental impact, by analysing the environmental performance of our buildings, small and large trucks and vans.

At the end of the section we report on our total footprint, divided into scope 1, scope 2 and scope 3 emissions. This conforms with the Greenhouse Gas Protocol.

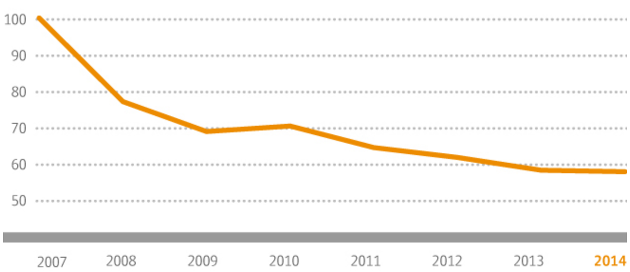
CO2 efficiency index

	Notes	**2014**	2013	2012	2011
CO2 efficiency index	*14*	**57.9**	58.3	61.8	64.5

14. CO2 efficiency index

To reflect PostNL's efforts to reduce its CO2 impact, in 2008 we introduced the CO2 efficiency index. The index consists of three components - buildings, small trucks and large trucks - which are weighted according to their absolute carbon emissions in the base year 2007. PostNL's long-term ambition is to reduce its CO2 efficiency index to 45 by 2020 (base year 2007 = 100). The development of the CO2 efficiency index over the last few years is in line with PostNL's long-term ambition.

CO_2 efficiency index performance



Buildings

	Notes	**2014**	2013	2012	2011
Efficiency (kg CO2 per m2)	*15*	**13.9**	14.8	19.7	22.2
Electricity usage in KwH/m2 building	*15*	**101**	103	113	118
Sustainable electricity usage (as % of total electricity usage)	*15*	**82%**	81%	81%	85%
Gas usage in m3/m2 building	*15*	**5.8**	9.0	9.5	9.5

15. Buildings

We operate 900,000 square metres of buildings, including sorting and distribution centres. We have centralised the logistical processes within Mail in the Netherlands, and rehoused our business activities. We are in the process of renewing our parcels network, including implementing a New Logistic Infrastructure. This includes opening state-of-the-art sorting locations, which have an A+ energy label. During 2014 we closed several older and energy-inefficient premises.

We focus on reducing the impact we have on the climate, such as by reducing energy consumption in our buildings. In recent years our electricity usage of 107 million KwH (2013: 115), and gas usage of 5.4 million cubic metres (2013: 8.9), has declined, improving the CO2 efficiency of our buildings to 13.9 kilogrammes per square metre (2013: 14.8).

We use sustainable, carbon-neutral electricity in all buildings in the Netherlands where we manage our own energy contracts. By the end of 2014, 82 percent of all electricity we used was sustainable (2013: 81 percent). When third parties manage energy contracts, we stimulate the use of sustainable electricity. For those buildings where no sustainable electricity is used, carbon emissions are partly compensated by gold standard credits.

Mild winter temperatures and improved energy efficiency of our buildings positively influenced our gas usage in 2014. Of our total gas usage, 1.3 million cubic metres came from renewable biogas. To aid long-term comparability of emissions, we use a correction factor called "degree days" to compensate for relatively mild or severe winter conditions. This correction factor has been used in the CO2 efficiency numbers presented above (kg CO2/m2).

During 2014 we renewed our sustainable electricity and biogas contracts for a further three years. Going forward we expect a positive impact on our electricity usage from the planned implementation of the next-generation sorting machines, in combination with the introduction of LED lighting.

Small trucks and vans

	Notes	**2014**	2013	2012	2011
Efficiency (gr CO2 per km)	*16*	**241**	244	238	234
Fuel usage liters diesel/100 km	*16*	**8.8**	9.2	8.9	9.1
Vehicles complying with Euro 6	*16*	**4%**	0%	0%	0%
Vehicles complying with Euro 5	*16*	**92%**	78%	53%	37%
Vehicles not complying with Euro 6 and Euro 5	*16*	**4%**	22%	47%	63%
NOx emissions in kg	*16*	**18,802**	21,284	24,808	33,530
NOx emissions (gr/km)	*16*	**0.29**	0.32	0.35	0.37
PM10 emissions in kg	*16*	**806**	1,618	2,600	4,115
PM10 emissions (gr/km)	*16*	**0.01**	0.02	0.04	0.05

16. Small trucks and vans

For our fleet of vehicles, the focus is on optimising our network so that fewer vehicle kilometres are required and the environmental impact of our fleet declines.

In 2014 the number of small trucks in use decreased to 2,057 (2013: 2,100). The CO2 efficiency emissions of our small trucks improved to 241 (2013: 244). We introduced over 100 green gas trucks to our fleet. Green gas is bio-based gas made suitable for fuel usage. It has virtually no carbon emissions compared to fossil based fuels, and has lower emission levels of nitrogen oxides (NOx) and particulate matters (PM10), which helps improve air quality and health. As green gas is not yet available at fuel stations, we use compressed natural gas (CNG) and offset our carbon emissions with gold standard credits.

We plan to increase the number of green gas vehicles we operate in the coming years. This decision is based on financial, environmental and practical (availability of green gas at the given location) considerations. When vehicles are due for replacement, we now investigate if green gas vehicles are suitable. We are also increasing the number of Euro 5 and Euro 6 vehicles we use, resulting in lower NOx and PM10 emissions.

We are looking into the feasibility of replacing small trucks with (electric)-scooters and bikes. Both will have a positive influence on our environmental footprint.

Large trucks

	Notes	2014	2013	2012	2011
Efficiency (gr CO2 per km)	*17*	**740**	720	712	737
Fuel usage liters diesel/100 km	*17*	**26.6**	26.8	26.8	27.8
Vehicles complying with Euro 6	*17*	**34%**	17%	0%	0%
Vehicles complying with Euro 5	*17*	**66%**	83%	92%	91%
Vehicles not complying with Euro 6 and Euro 5	*17*	**0%**	0%	8%	9%
NOx emissions in kg	*17*	**72,971**	84,291	88,646	97,348
NOx emissions (gr/km)	*17*	**1.52**	1.86	2.14	2.19
PM10 emissions in kg	*17*	**791**	933	1,039	1,176
PM10 emissions (gr/km)	*17*	**0.02**	0.02	0.03	0.03

17. Large trucks

In 2014 the number of large trucks we operate decreased to 379 (2013: 388). All large trucks run on fossil fuels. When vehicles are due for replacement we introduce vehicles complying to the highest Euro norm available. The results of this replacement policy can be seen in our improved NOx and PM10 emissions numbers.

The CO2 efficiency of large trucks declined to 740 (2013: 720). This number was mainly affected by changes in the fleet composition. Due to volume increases at our Parcels business and our operations in the United Kingdom, we introduced larger and heavier trucks.

Absolute CO2 footprint

(in ktonnes)

Absolute carbon footprint (in ktonnes)	18				
Small trucks and vans	18	**16**	16	17	21
Large trucks	18	**36**	35	32	33
Heating (gas, heating fuel)	18	**10**	16	16	16
Scope 1 gross	18	**62**	67	65	70
Compensated carbon emissions Greengas trucks (credits)	18	**(0)**			
Avoided carbon emissions heating (biogas)	18	**(2)**	(2)	(2)	(3)
Scope 1 net	18	**60**	65	63	67
Electricity (including electric vehicles)	18	**43**	48	45	45
District heating	18	**1**	1	1	
Scope 2 gross	18	**44**	49	46	45
Avoided carbon emissions (sustainable electricity)	18	**(35)**	(39)	(36)	(38)
Compensated carbon emissions buildings (credits)	18	**(6)**	(6)	(4)	
Scope 2 net	18	**3**	4	6	7
Company cars	18	**9**	9	8	7
Business travel by air	18	**1**	1	1	1
Subcontractors	18	**174**	135	132	143
Scope 3 gross	18	**184**	145	141	151
Compensated carbon emissions company cars (credits)	18	**(9)**	(9)	(8)	(7)
Compensated carbon emissions business travel by air (credits)	18	**(1)**	(1)	(1)	(1)
Scope 3 net	18	**174**	135	132	143
PostNL's own gross carbon footprint (total scope 1 and 2)	18	**106**	116	111	115
PostNL's own net carbon footprint (total scope 1 and 2)	18	**63**	69	69	74
PostNL's total gross carbon footprint (total scope 1, 2 and 3)	18	**290**	261	252	266
PostNL's total net carbon footprint (total scope 1, 2 and 3)	18	**237**	204	201	217

18. Absolute CO2 footprint

In accordance with the Greenhouse Gas (GHG) Protocol , the absolute carbon footprint in kilotonnes is reported in three categories:

- Scope 1 covers all direct emissions generated by sources that are owned or leased by the company, such as operational vehicles and heating.
- Scope 2 includes all emissions from the generation of purchased electricity consumed by the company.
- Scope 3 refers to indirect emissions that are a consequence of the company’s activities but arise from sources not owned or controlled by the company.

The carbon footprint as recognised by the GHG Protocol is based on a scope including categories company cars, business travel by air and subcontractors. PostNL has less influence on these categories but still has a shared responsibility for their carbon output which are reported as scope 3 emissions.

Scope 1

- Our gross scope 1 emissions decreased considerably. This was primarily caused by more energy efficient buildings at our Parcels business segment and mild winter conditions. Emissions from small and large trucks remained relatively stable. Our fleet became more modern and fuel efficient, although this positive effect was slightly offset by business growth within our Parcels and International business segments, which introduced heavier-load vehicles.
- In 2014 we purchased 1.3 million cubic metres of biogas from renewable sources to heat our buildings see note 14.
- We also used gold standard credits to compensate the carbon emissions of our 100 green gas vehicles as described in note 15. Combined, this amounts to 2.2 kilotonnes of offset carbon emissions.

Scope 2

- Our gross scope 2 emissions decreased in 2014, as a result of lower electricity consumption as stated in note 14.
- The majority of the electricity we use comes from sustainable sources and is considered carbon neutral. For those buildings we rent with an all-inclusive square metre tariff, we purchase gold standard offset credits. Combined, this amounts to 41 kilotonnes of offset carbon emissions.

Scope 3

- Our gross scope 3 emissions increased significantly in 2014, due to the expansion of our subcontracted international activities (particularly in Asian markets). Intercontinental air freight results in higher carbon emissions than those from our domestic and European markets, where goods are mostly transported by truck.
- The increase of the Scope 3 emissions to 174 kilotonnes (2013: 135 kilotonnes) relates to cross-border mail and parcels to Asia. For example, milk powder is one of the main export products that customers send to China through us.
- The number of company cars declined to approximately 3,730 (2013: 3,880). A significant percentage are used by team leads who visit mail delivery depots each day. Average CO2 efficiency improved to 148 g/km (2013: 153 g/km). PostNL has adjusted its company car lease policy to stimulate the use of more fuel-efficient cars.
- Business travel emissions were stable. Most of PostNL's activities occur in the Netherlands, which is why business travel emissions are not material.
- In 2014 we purchased gold standard credits to compensate 10 kilotonnes of company car and business travel carbon emissions.

PostNL's own gross CO2 footprint

Both our gross and net scope 1 and 2 emissions decreased in 2014 compared to 2013. We have carbon reduction programmes in place and expect these figures to continue to decrease in the coming years, by opting for more energy efficient modes of transport and further reducing energy use of buildings.

Our gross and net scope 3 emissions increased in 2014 compared to 2013. This was primarily caused by increased international business, which relies on subcontractors. Our influence on carbon emissions is therefore limited. However, we do have a sustainable purchase policy urging our suppliers to conduct operations in an environmentally sound manner, and will continue to advocate this by setting an example through our own approach towards sustainability.

Procurement

While we use a wide range of suppliers across the company, subcontractors have the greatest material impact on procurement. Consequently, we have chosen to include subcontractors in the scope of emissions and fatalities in our CR KPIs.

To reduce the impact of our purchasing on the climate and society as much as possible, we select suppliers that are proactive and innovative in delivering socially responsible products and services. Additionally, we always conduct business on the basis of general purchasing terms and conditions, our business principles and our Sustainable Supply Chain policy. This contains policies based on the latest OECD guidelines. Going forward, we will determine quantifiable targets and objectives with which to maintain, and where possible improve, the performance levels of our suppliers and subcontractors. We will use the results of our stakeholder dialogue to further refine our sustainable purchasing plans.

Other environmental indicators

	Notes	**2014**	2013	2012	2011
ISO 14001 certification (% of total FTE working in certified sites)	*19*	**91%**	91%	91%	95%

19. ISO 14001

We have adopted the international standard ISO 14001, which helps us control environmental issues, minimise harmful effects on the environment and helps improve our continuing environmental performance. We encourage all business segments to acquire the ISO 14001 certification. In 2014, the percentage of FTEs working at ISO 14001 certified entities was stable at 91 percent.

Independent assurance report

To: the board of management of PostNL N.V.

The board of management of PostNL N.V. ('PostNL'), The Hague, engaged us to provide reasonable assurance on the Corporate Responsibility information included in the following chapters of the Annual Report 2014:

- We are PostNL
- Message from the CEO
- How we create value
- Market and regulatory developments
- Our strategy
- Business developments
- Corporate responsibility
- People
- CR performance statements

We believe that related procedures fulfil the rational objective as disclosed by PostNL in chapter "Corporate responsibility" and chapter "CR performance statements" section 1: basis of preparation.

Our opinion

Based on the procedures we have performed and the evidence we have obtained, in our opinion the Corporate Responsibility information included in the abovementioned chapters of the Annual Report 2014 provide, in all material respects, a reliable and appropriate presentation of the policy of PostNL for sustainable development, the activities and the performance of the organisation relating to sustainable development during the year, in accordance with PostNL's reporting criteria.

This opinion is to be read in the context of what we described in the remainder of this report.

What we are assuring

We have audited the Corporate Responsibility information in the Annual Report for the year 2014 (hereafter: 'the Report'). This Report comprises a representation of the policy, the activities, and performance of PostNL relating to sustainable development during the reporting year 2014. The disclosures made by management with respect of the scope of the Report are included in chapter "CR performance statements" section 1: basis of preparation.

Limitations in our scope

The Report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

We draw your attention to the following sentence at the end of chapter "Market and regulatory developments": "*The percentages related to the (development of) market shares are PostNL estimates and are not validated by PwC*".

The auditor is not expected to, and cannot, reduce the audit risk to zero and cannot therefore obtain absolute assurance that the Corporate Responsibility statements is free from material misstatement due to fraud or error. This is because there are inherent limitations of an assurance engagement, which result in most of the audit evidence on which the auditor bases the auditor's opinion being persuasive rather than conclusive.

Reporting criteria

PostNL developed its sustainability reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI) (comprehensive option), which are disclosed together with detailed information on the reporting scope, and reporting process and methods in chapter “CR performance statements”. We consider the sustainability reporting criteria to be relevant and appropriate for our examination.

Understanding reporting and measurement methodologies

The information in the scope of this engagement needs to be read and understood together with the reporting criteria, for which PostNL is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Professional and ethical standards applied

We conducted our assurance engagement in accordance with Dutch law, including Standard 3810N ‘Assurance engagements relating to sustainability reports’ (hereafter ‘Standard 3810N’). Our responsibilities under this standard are further described in the “Our responsibilities” section of this report.

We are independent of PostNL in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA) and other relevant regulations.

Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgement, we determined the materiality level at 5% for each element of the Corporate Responsibility statements except for fatalities whereby each fatality is considered material.

Areas of particular focus

The areas of particular focus that, in our professional judgment, were of most significance in the assurance engagement of the Corporate Responsibility statements, including the allocation of our resources and effort, are identified below together with an explanation of how we tailored our procedures to address these specific matters. This is not a complete list of all risks and/or matters identified by our work.

We have communicated the areas of particular focus with the supervisory board. These areas were addressed in the context of our assurance engagement of the Corporate Responsibility statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these areas of particular focus.

Area of particular focus	*How we addressed the area*
The determination of the material Corporate Responsibility statements resulting from the dialogue with stakeholders *Refer to chapters “Corporate Responsibility” and “CR performance statements”* The dialogue with stakeholders and the outcome thereof is considered a particular area of focus because this dialogue is considered by PostNL’s board of management as key for the long term success of PostNL and drives the determination of the material information in the Corporate responsibility statements as required by the G4 guidelines of GRI (comprehensive option).	We evaluated and challenged the process by which the dialogue with stakeholders was performed and the conclusions drawn therefrom. Furthermore, we challenged the identification of the material information reported as the outcome of the dialogue by comparing them with the results of our media search. Our procedures included, amongst others, attending the stakeholders’ dialogue, discussions with PostNL’s management and the review of underlying documentation. We also evaluated the reasonableness and consistency of the analysis of the dialogue, the compliance with the G4 guidelines of GRI reporting (comprehensive option) criteria and the disclosure thereof in the Annual Report.

Area of particular focus	*How we addressed the area*
The maturity of sustainability reporting The maturity of the sustainability reporting process at the local entities varies and in general is lower than the financial reporting processes. This observation is in line with what we see in the market and in general informed stakeholders are aware that sustainability reporting is generally less mature than financial reporting.	As a result, our assurance approach for the Corporate Responsibility statements focused relatively more on substantive procedures and less on internal controls reliance. As part of our assurance procedures we traced reported information back to underlying source documentation, reperformed calculations and assessed estimates by challenging underlying assumptions and comparing estimates with actual data for comparable periods or projects.
The CO2 emissions of PostNL's subcontractors *Refer to chapter "CR performance statements"* The CO2 emissions reported by subcontractors is considered an area of particular focus, as the determination of these emissions include significant assumptions. PostNL has changed the estimates in the calculation of CO2 emissions of subcontractors outside the Netherlands. The estimations are based on the two most relevant subcontractors abroad. This change in estimate resulted in a significantly lower amount of emissions reported.	We evaluated and challenged the assumptions used in the determination of subcontractor emissions and in the change in estimate of the emissions reported by the foreign subcontractors. We tested the supporting documentation of the subcontractor emission information and of the change in estimate, the calculation method and the impact on the CO_2 figures for 2014 and previous years. Our assurance procedures also included evaluating the compliance with the reporting criteria and the disclosure of the process, assumptions and information on subcontractor emissions in the Annual Report.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Corporate Responsibility statements.

Our main procedures included the following:

- performing an external environment analysis and obtaining an understanding of the relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- evaluating the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material subjects, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the Corporate Responsibility statements;
- interviewing management and relevant staff responsible for the sustainability strategy and policies;
- interviews with relevant staff responsible for providing the information in the Report, carrying out internal control procedures on the data and the consolidation of the data in the Report;
- evaluating the design and implementation and testing the operating effectiveness of the systems and processes for data gathering and processing of information as presented in the Report;
- evaluating the work performed by Internal Audit on selected CR information.
- investigating internal and external documentation, in addition to interviews, to determine whether the information in the Report is adequately substantiated;
- analytical review of the data and trend explanations submitted for consolidation at group level;
- assessing the consistency of the Corporate Responsibility statements and the information in the Annual Report not in scope for this Assurance Report;
- assessing whether the Corporate Responsibility statements has been prepared 'in accordance' with the Sustainability Reporting Guidelines version G4 of the Global Reporting Initiative (GRI) (comprehensive option).

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities

The board of management's responsibilities

The board of management of PostNL is responsible for the preparation of the Report in accordance with PostNL's reporting criteria, including the identification of the stakeholders and the determination of material subjects. Furthermore, the board of management is responsible for such internal control as the board of management determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express an opinion on the Report based on our assurance engagement in accordance with Standard 3810N. This requires that we comply with ethical requirements and that we plan and perform our work to obtain reasonable assurance about whether the report is free from material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PostNL's internal control. An assurance engagement aimed on providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of estimates made by management as well as evaluating the overall presentation of the Report.

Amsterdam, 23 February 2015
PricewaterhouseCoopers Accountants N.V.

Originally signed by:

H.C. Wüst RA

Financial Statements

17 Financial statements

Consolidated primary statements

Consolidated income statement

(in € millions)

Year ended at 31 December	Notes	2014	2013 restated
Net sales		**4,240**	4,152
Other operating revenue		**11**	11
Total operating revenue	2.1.1	**4,251**	4,163
Other income	2.1.2	**8**	7
Cost of materials		**(89)**	(88)
Work contracted out and other external expenses	2.1.3	**(2,213)**	(2,119)
Salaries, pensions and social security contributions	2.1.4	**(1,262)**	(1,260)
Depreciation, amortisation and impairments	2.1.5	**(100)**	(129)
Other operating expenses	2.1.6	**(190)**	(174)
Total operating expenses		**(3,854)**	(3,770)
Operating income		**405**	400
Interest and similar income		**10**	9
Interest and similar expenses		**(105)**	(183)
Net financial expense	2.2	**(95)**	(174)
Results from investments in jv's/associates	3.6	**(1)**	38
Impairment of investments in associates	3.6		(369)
Profit/(loss) before income taxes		**309**	(105)
Income taxes	2.2	**(83)**	(65)
Profit for the year		**226**	(170)
Attributable to:			
Non-controlling interests		**1**	0
Equity holders of the parent		**225**	(170)
Earnings per ordinary share (in € cents)	2.2	**51.1**	(38.6)
Earnings per diluted ordinary share (in € cents)	2.2	**51.0**	(38.6)

1. Earnings per ordinary share are in 2014 based on an average of 440,593,717 outstanding ordinary shares (2013: 439,973,297).

2. Earnings per diluted ordinary share are in 2014 based on an average of 441,462,855 ordinary shares on a fully diluted basis in the year (2013: 440,867,038).

Consolidated statement of comprehensive income

(in € millions)

Year ended at 31 December	Notes	2014	2013 restated
Profit for the year		226	(170)
Pension asset ceiling/minimum funding requirement, net of tax	3.4	145	(140)
Actuarial gains/(losses) pensions, net of tax	3.4	(189)	(87)
Share other comprehensive income jv's/associates			(8)
Other comprehensive income that will not be reclassified to the income statement		(44)	(235)
Currency translation adjustment, net of tax		3	0
Gains/(losses) on cashflow hedges, net of tax		5	(1)
Share other comprehensive income jv's/associates			(19)
Change in value of available-for-sale financial assets	4.2	(97)	44
Other comprehensive income that may be reclassified to the income statement		(89)	24
Total other comprehensive income for the year		(133)	(211)

Total comprehensive income for the year	93	(381)
Attributable to:		
Non-controlling interests	1	0
Equity holders of the parent	92	(381)

Consolidated statement of cash flows

(in € millions)

Year ended at 31 December	Notes	2014	2013 restated
Profit/(loss) before income taxes		**309**	(105)
Adjustments for:			
Depreciation, amortisation and impairments		**100**	129
Share-based payments		**3**	4
(Profit)/loss on assets held for sale		**(5)**	(6)
Interest and similar income		**(10)**	(9)
Interest and similar expenses		**105**	183
(Reversal of) impairments and results of investments in jv's/associates		**1**	331
Investment income		**91**	499
Pension liabilities		**(83)**	(314)
Other provisions		**(43)**	(5)
Changes in provisions		**(126)**	(319)
Inventory		**0**	1
Trade accounts receivable		**1**	(18)
Other accounts receivable		**(4)**	16
Other current assets		**(3)**	(2)
Trade accounts payable			(19)
Other current liabilities excluding short-term financing and taxes		**(17)**	(17)
Changes in working capital		**(23)**	(39)
Cash generated from operations		**354**	169
Interest paid		**(86)**	(150)
Income taxes received/(paid)		**(72)**	56
Net cash (used in)/from operating activities	*2.4.1*	**196**	75
Interest received		**2**	5
Dividend received		**7**	9
Investments in jv's/associates			(1)
Disposal of jv's/associates			505
Capital expenditure on intangible assets		**(30)**	(26)
Capital expenditure on property, plant and equipment		**(64)**	(89)
Proceeds from sale of property, plant and equipment		**13**	14
Net cash (used in)/from investing activities	*2.4.2*	**(72)**	417
Changes related to non-controlling interests			(3)
Proceeds from long-term borrowings			1
Repayments of long-term borrowings			(363)
Proceeds from short-term borrowings		**1**	1
Repayments of short-term borrowings		**(7)**	(9)
Repayments of finance leases		**(1)**	(2)
Net cash used in financing activities	*2.4.3*	**(7)**	(375)
Total change in cash and cash equivalents		**117**	117
Cash and cash equivalents at the beginning of the year		**451**	370
Cash and cash equivalents included in assets held for sale		**17**	(35)
Exchange rate differences			(1)
Total change in cash and cash equivalents		**117**	117
Cash and cash equivalents at the end of the year		**585**	451

Consolidated statement of financial position

(in € millions)

	Notes	At 31 December 2014	At 31 December 2013 (restated)	At 1 January 2013 (restated)
Assets				
Intangible fixed assets	*3.3*	**130**	130	156
Property, plant and equipment	*3.2*	**519**	536	532
Investments in joint ventures/associates	*3.6*	**34**	36	1,403
Other loans receivable		**8**	9	7
Deferred tax assets	*3.7*	**51**	51	70
Available-for-sale financial assets	*4.2*	**445**	542	0
Total financial fixed assets		**538**	638	1,480
Total non-current assets		**1,187**	1,304	2,168
Inventory	*3.1.1*	**5**	5	6
Trade accounts receivable	*3.1.2*	**355**	361	419
Accounts receivable	*3.1.2*	**34**	29	57
Income tax receivable	*3.7*	**2**	1	2
Prepayments and accrued income	*3.1.3*	**116**	104	116
Cash and cash equivalents	*4.1*	**585**	451	370
Total current assets		**1,097**	951	970
Assets classified as held for sale	*3.8*	**193**	194	62
Total assets		**2,477**	2,449	3,200
Equity and liabilities				
Equity attributable to the equity holders of the parent		**(597)**	(692)	(314)
Non-controlling interests		**7**	6	8
Total equity	*2.3*	**(590)**	(686)	(306)
Deferred tax liabilities	*3.7*	**36**	37	41
Provisions for pension liabilities	*3.4*	**538**	542	532
Other provisions	*3.5*	**90**	128	117
Long-term debt	*4.1*	**912**	1,260	1,611
Accrued liabilities		**1**	1	2
Total non-current liabilities		**1,577**	1,968	2,303
Trade accounts payable	*3.1.4*	**151**	153	222
Other provisions	*3.5*	**64**	69	83
Short-term debt	*4.1*	**363**	21	3
Other current liabilities	*3.1.5*	**184**	188	250
Income tax payable	*3.7*	**56**	54	22
Accrued current liabilities	*3.1.6*	**540**	552	612
Total current liabilities		**1,358**	1,037	1,192
Liabilities related to assets classified as held for sale	*3.8*	**132**	130	11
Total equity and liabilities		**2,477**	2,449	3,200

Consolidated statement of changes in equity

(in € millions)

	Issued share capital	Additional paid-in capital	Currency translation reserve	Hedge reserve	Available-for-sale financial assets	Other reserves	Retained earnings	**Attributable to equity holders of the parent**	Non-controlling interests	**Total equity**
Balance at 31 December 2012	35	147	9	(13)		(1,744)	1,265	**(301)**	9	**(292)**
Effect of restatements							(13)	**(13)**	(1)	**(14)**
Balance at 1 January 2013	35	147	9	(13)		(1,744)	1,252	**(314)**	8	**(306)**
Total comprehensive income				(1)	44	(254)	(170)	**(381)**	0	**(381)**
Appropriation of net income						325	(325)	**0**		**0**
Share-based compensation						4		**4**		**4**
Other						(1)		**(1)**	(2)	**(3)**
Total direct changes in equity	0	0	0	0	0	328	(325)	**3**	(2)	**1**
Balance at 31 December 2013	35	147	9	(14)	44	(1,670)	757	**(692)**	6	**(686)**
Total comprehensive income			3	5	(97)	(44)	225	**92**	1	**93**
Appropriation of net income						935	(935)	**0**		**0**
Share-based compensation		3						**3**		**3**
Other								**0**		**0**
Total direct changes in equity	0	3	0	0	0	935	(935)	**3**	0	**3**
Balance at 31 December 2014	35	150	12	(9)	(53)	(779)	47	**(597)**	7	**(590)**

Section 1: Basis of preparation

In this section...

This section sets out the Group's accounting principles that relate to the consolidated financial statements as a whole. At the beginning of each section, we give an overview of the items explained in that section. Where an accounting policy is specific to one note, the policy is described in the section's note to which it relates.

This section further describes the critical accounting estimates and judgments, or areas where assumptions and estimates are significant to the consolidated financial statements, such as employee benefits and restructuring.

This section also explains the changes in accounting policies and disclosures, resulting from new and amended accounting standards and interpretations, and whether they are effective in 2014 or later years. We explain how the changes have impacted the financial position and performance of the Group.

1.1 General information

PostNL N.V. is a public limited liability company with its registered seat and head office in The Hague, the Netherlands. PostNL provides businesses and consumers in the Benelux, the United Kingdom, Germany and Italy with an extensive range of services for their mail needs. PostNL's services involve collecting, sorting, transporting and delivering letters and parcels for the company's customers within specific timeframes. The company also provides services in the area of data and document management, direct marketing and fulfilment.

The consolidated financial statements include the financial statements of PostNL N.V. and its consolidated subsidiaries (hereafter referred to as 'PostNL', 'Group' or 'the company'). Following the demerger of Express in 2011 and the sale of 15% of the shares of TNT Express in 2013, PostNL holds a share of 14.7% in TNT Express N.V. ('TNT Express'). Both PostNL and TNT Express are listed on NYSE Euronext in Amsterdam.

The consolidated financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 23 February 2015 and are subject to adoption at the Annual General Meeting of Shareholders on 14 April 2015.

1.2 Accounting principles applied

The consolidated financial statements of PostNL:

- have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Dutch law. IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related interpretations of the IFRS Interpretations Committee (IFRICs);
- have been prepared under the historical cost convention, except for financial instruments; and
- have been prepared assuming a going concern.

The significant accounting policies applied in the preparation of these consolidated financial statements are included at the relevant notes to the consolidated financial statements or, in case of more general policies, in note 5.4 to the consolidated financial statements. These policies have been consistently applied to all the years presented, unless stated otherwise. All amounts included in the consolidated financial statements are presented in euros, unless stated otherwise.

Classification of Whistl (formerly TNT Post UK) as assets held for sale

In December 2013, PostNL reached an agreement with LDC to establish a joint venture that will allow Whistl to roll out its end-to-end postal delivery service (own last mile delivery). The joint venture will provide the funding and expertise for the phased implementation of the end-to-end services, following successful trials in London and a recent extension to Manchester. Completion is expected in the first half of 2015.

At completion, PostNL will have a 40% stake in the joint venture. As a result, control will be lost. This resulted in the transfer of the assets and liabilities of Whistl to 'held for sale' at the end of 2013. Waiting for Ofcom's guidance on the regulatory framework was the main reason why we could not establish the joint venture in 2014.

Under the new accounting rules for joint ventures (IFRS 11), the financials of the UK activities will be equity accounted for after completion of the transaction. This will materially affect the reported revenue and operating income of PostNL. For further details on these financials, see note 3.8 to the consolidated financial statements.

Classification of the stake in TNT Express as available-for-sale financial asset

In accordance with IAS 39, the 14.7% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income. Until the partial sale in December 2013, the stake in TNT Express was classified as an investment in associates accounted for using the equity method.

For further details, see note 4.2 to the consolidated financial statements.

Going concern

The impact of the revised IAS 19 'Employee Benefits' in 2013 together with the continued decline in pension interest rates and reduction in value of the stake in TNT Express in 2014 resulted in negative consolidated equity attributable to the equityholders of the parent.

Based on the cash flow-generating capability of the company, the current finance structure and the company's ability to realise its assets and discharge its liabilities in the normal course of business, PostNL's financial statements have been prepared assuming a going concern.

In 2014, the company continued its steps towards recovery via a solid financial performance driven by further cost savings and price increases, despite the impact of our stake in TNT Express and the sharp decline in pension interest rates. Consolidated equity attributable to the equityholders of the parent improved by €95 million to -€597 million, corporate equity increased by €58 million to €1,983 million.

Also, net cash from operating and investing activities positively contributed €124 million to our cash flow balance.

The company will continue to improve its liquidity and solvency. In the light of measures already taken or planned, management is confident it will be able to recover towards a positive equity balance.

The negative consolidated equity does not impact the company's operations, the timing of debt reductions, access to the available credit facility or the stock exchange listing. As at 31 December 2014, the balance of cash and cash equivalents amounted to €585 million and the company has an undrawn multi-currency revolving credit facility of €570 million. Its financing arrangements do not include financial covenants. A bond repayment of €349 million is due in 2015. Further bond repayments are not due until 2017. The company has an investment in TNT Express that can be monetised over time, and although the company remains vulnerable to interest rate changes in relation to its pension obligations, it can also benefit from an environment of increasing interest rates.

1.3 Critical accounting estimates and judgments

The preparation of PostNL's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. It also requires management to exercise its judgment in the process of applying PostNL's accounting policies.

Estimates, assumptions and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting positions will, by definition, seldom equal the related actual results. On a continuous basis, we evaluate our expectations with the actual results, and include the learnings going forward.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

Employee benefits
Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires the company to make assumptions regarding variables such as the discount rate, the rate of benefit increases and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For details of the current funded status and a sensitivity analysis with respect to defined benefit plan assumptions, see note 3.4 to the consolidated financial statements.

Restructuring
Restructuring charges mainly result from restructuring of our operations and overhead as a response to declining volumes in Mail in the Netherlands. Restructuring provisions reflect many estimates, including those pertaining to separation costs, reduction of excess facilities and contract settlements. Actual experience has been and may continue to be different from these estimates.

The scope and measurement of PostNL's related restructuring provision depends highly on the projected cash outflows over the future years, which are mainly driven by the estimated number of staff that will either be made redundant or apply for a mobility arrangement. For details on the current restructuring provision, see note 3.5 to the consolidated financial statements.

Impairment of assets
In determining impairments of intangible assets including goodwill, tangible fixed assets and financial fixed assets, management must make significant judgements and estimates to determine whether the recoverable amount is less than the carrying value. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. Determining cash flows requires the use of judgements and estimates that have been included in PostNL's strategic plans and long-term forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which make it necessary to estimate revenue growth rates and profit margins.

Depreciation and amortisation of tangible and intangible fixed assets
Tangible and intangible fixed assets, except for goodwill, are depreciated or amortised using a straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life are based on PostNL's best estimates and are reviewed, and adjusted if required, at each balance sheet date.

Impairment of receivables
The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors. Large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. The assumptions and estimates used to determine the valuation allowance are reviewed periodically.

Deferred revenue and revenue related accruals
PostNL has to estimate the deferred revenues from stamps sold but not yet used by its customers. The company uses a seasonal model based on historical figures in order to account for the seasonal effects on sales from stamps (for example, stamp sales for Christmas greetings in November and December).

Revenue related accruals include estimates for expenses that have not yet been invoiced and revenue or performance related discounts and rebates, both related to the current period. Especially within the segment International, revenue is for a substantial part pass-through revenue, for which the local incumbent performs the last mile activities. At period ends, management has to estimate the unbilled expenses or contractually agreed discounts and rebates related to the volumes handled.

Income taxes
The company is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision and liability for income taxes. PostNL recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. In cases where the tax determination is uncertain, the company

assesses the potential consequences based on its own internal analyses, supported by external advice, and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and/or deferred tax positions in the period in which such a determination is made.

PostNL recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the company operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that the company may be able to implement, changes to the recognition of deferred tax assets could be required, which could affect PostNL's financial position and net profit.

Contingent liabilities

Legal proceedings covering a range of matters are pending against the company in various jurisdictions. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against the company often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, PostNL consults with legal counsel and certain other experts on matters related to litigation.

PostNL recognises a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

Disposal groups classified as held for sale

In December 2013, PostNL reached an agreement with LDC to establish a joint venture. At completion, PostNL will have a 40% stake in the joint venture. As a result, control will be lost. This resulted in the transfer of the assets and liabilities of Whistl to held for sale at the end of 2013, in accordance with IFRS 5. In accordance with this standard, non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and their fair value less costs of disposal. The fair value less costs of disposal is based on the agreement reached with LDC. The determination of this fair value less costs of disposal includes the use of management estimates and assumptions, which had an effect on the amount of impairment losses recognised.

The separation of the financial performance of continuing and discontinuing activities also includes management's best estimate and judgement. Considering that 40% of the Whistl activities will be retained, management did not separate the financial performance of Whistl from the continuing activities. Under the accounting rules for joint ventures (IFRS 11), after completion of the transaction, the financials of the UK activities will be accounted for using the equity method. This will materially impact the reported revenue and operating income of PostNL. Key financial information of Whistl is disclosed in note 3.8 to the consolidated financial statements.

1.4 Changes in accounting policies and disclosures

The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments to these, and the IFRS IC has issued certain interpretations. The impact of changes, when adopted by the EU, on PostNL's consolidated financial statements, has been assessed.

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014 and have been adopted by the Group:

- **IFRS 10 'Consolidated financial statements'** builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed there will not be a material impact from the adoption of IFRS 10.

- **IFRS 11 'Joint Arrangements' and the revisions in IAS 28 'Associates and joint ventures'**. IFRS 11 puts more focus on the rights and obligations of the arrangement than on its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures will no longer be allowed. IAS 28 revised includes the requirements for associates and joint ventures that have to be equity-accounted following the adoption of IFRS 11.

PostNL recognised the investment in the joint ventures at the beginning of the earliest period presented (1 January 2013) as the net amount of the carrying value of the assets and liabilities previously proportionately consolidated by the group. This is the deemed cost of the group's investment in the joint venture for applying equity accounting. PostNL's most significant joint venture during 2013 and 2014 was the 50% interest in Postkantoren B.V. / Bruna B.V. (Mail in the Netherlands). In addition, PostNL holds a 50% interest in HIM Holtzbrinck joint ventures (International). The comparative figures of 2013 have been restated for this change. There is no impact on shareholders' equity, comprehensive income, net result and earnings per share.

- **IFRS 12 'Disclosures of interests in other entities'** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group has assessed no material impact from the adoption of IFRS 12.

The Group has applied the changes as of 1 January 2014. The comparative figures of 2013 have been restated for these changes. A detailed overview of the impact of the restatements is included in the 'Summary of restatements' at the end of this section.

There are no other IFRS standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2014 that would be expected to have a material impact on the 2014 accounts of the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning on 1 January 2014 and not adopted early by the Group

A number of new standards, amendments to standards and interpretations are not yet effective and not early adopted by the Group. These have not been applied in preparing these consolidated financial statements:

- **IFRS 9 'Financial instruments'** addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2018. The Group will also consider the impact of the remaining phases of IFRS 9 when completed.

- **IFRS 15 'Revenue from contracts with customers'** specifies how and when revenue should be recognised and requires to provide users of financial statements with more informative disclosures. The standard provides a single principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2017. The Group has yet to assess the full impact of IFRS 15 and intends to adopt IFRS 15 no later than the accounting period beginning on 1 January 2017.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Summary of restatements

The following table summarises the effect of the adoption of IFRS 11 and IAS28R on the consolidated (comprehensive) income statement for the full year 2013 and the consolidated balance sheet per 1 January 2013 and 31 December 2013. The equity restatement relates to an adjustment of €13 million to current liabilities (31 December 2013: liabilities related to assets classified as held for sale) in the UK, mainly related to 2010. The adjustment concerns an understated accrual for cost of sales.

Restated consolidated statement of financial position

(in € millions)

At 31 December	2012 Reported	Restatements	**2012 Restated**	2013 Reported	Restatements	**2013 Restated**
Assets						
Total intangibles	168	(12)	**156**	143	(13)	**130**
Total property, plant and equipment	536	(4)	**532**	539	(3)	**536**
Investments in joint ventures/associates	1,373	30	**1,403**	6	30	**36**
Other financial fixed assets	74	3	**77**	603	(1)	**602**
Total financial fixed assets	1,447	33	**1,480**	609	29	**638**
Total non-current assets	2,151	17	**2,168**	1,291	13	**1,304**
Total current assets	1,002	(32)	**970**	979	(28)	**951**
Assets classified as held for sale	63	(1)	**62**	194		**194**
Total assets	3,216	(16)	**3,200**	2,464	(15)	**2,449**
Equity and liabilities						
Equity attributable to the equity holders of the parent	(301)	(13)	**(314)**	(679)	(13)	**(692)**
Non-controlling interests	9	(1)	**8**	7	(1)	**6**
Total equity	(292)	(14)	**(306)**	(672)	(14)	**(686)**
Total non-current liabilities	2,310	(7)	**2,303**	1,973	(5)	**1,968**
Total current liabilities	1,187	5	**1,192**	1,046	(9)	**1,037**
Liabilities related to assets classified as held for sale	11		**11**	117	13	**130**
Total equity and liabilities	3,216	(16)	**3,200**	2,464	(15)	**2,449**

Restated consolidated (comprehensive) income statement

(in € millions)

Year ended at 31 December	2013 Reported	Restatements	**2013 Restated**
Net sales	4,296	(144)	**4,152**
Other operating revenue	11		**11**
Total operating revenue	4,307	(144)	**4,163**
Other income	7		**7**
Cost of materials	(167)	79	**(88)**
Work contracted out and other external expenses	(2,142)	23	**(2,119)**
Salaries, pensions and social security contributions	(1,288)	28	**(1,260)**
Depreciation, amortisation and impairments	(132)	3	**(129)**
Other operating expenses	(181)	7	**(174)**
Total operating expenses	(3,910)	140	**(3,770)**
Operating income	404	(4)	**400**
Interest and similar income	10	(1)	**9**
Interest and similar expenses	(184)	1	**(183)**
Net financial expense	(174)	0	**(174)**
Results from investments in jv's/associates	36	2	**38**
Impairment of investments in associates	(369)		**(369)**
Profit/(loss) before income taxes	(103)	(2)	**(105)**
Income taxes	(67)	2	**(65)**
Profit for the year	(170)	0	**(170)**
Attributable to:			
Non-controlling interests	0		**0**
Equity holders of the parent	(170)		**(170)**
Earnings per ordinary share (in € cents)	(38.6)		**(38.6)**
Earnings per diluted ordinary share (in € cents)	(38.6)		**(38.6)**
Profit for the year	(170)	0	**(170)**
Impact pensions, net of tax	(230)	3	**(227)**
Share other comprehensive income jv's/associates	(5)	(3)	**(8)**
Other comprehensive income that will not be reclassified to the income statement	(235)	0	**(235)**
Other comprehensive income that may be reclassified to the income statement	24	0	**24**
Total other comprehensive income for the year	(211)	0	**(211)**
Total comprehensive income for the year	(381)	0	**(381)**
Attributable to:			
Non-controlling interests	0		**0**
Equity holders of the parent	(381)	0	**(381)**

1. Earnings per ordinary share are based on an average of 439,973,297 outstanding ordinary shares.

2. Earnings per diluted ordinary share are based on an average of 440,867,038 ordinary shares on a fully diluted basis in the year.

Section 2: Result for the year

In this section…

This section sets out the Group's results and performance over 2014, from a profit, cash flow and equity perspective. It concludes with the performance of our reportable segments.

We analyse the Group's profit for the year in two separate steps. First we focus on our operating income by reference to the activities performed by the Group and an analysis of our key operating costs. Thereafter we focus on the net profit and earnings per share by exploring the financial results –which mainly consists of interest expenses– and the income tax charge.

Next, we analyse this year's cash flow performance of the Group. The cash flow-generating capability of the Group is essential for the continuance of our company. We explain the difference in accounting for income and expenses from actual cash in and cash out flows. In our analysis, we separate the cash flow performance of our operating, investing and financing activities.

Thirdly, we disclose the material developments underlying the equity performance of the year. Together with the net profit for the year, equity is mainly impacted by developments in our pension liabilities and the value of the stake in TNT Express.

This section concludes with segmental information of our performance. We disclose the contribution of our reportable segments to total operating revenue and operating income. Furthermore, we report on our non-recurring and exceptional items during the year.

2.1 Operating income

2.1.1 Total operating revenue: 4,251 million (2013: 4,163)

Accounting policies

Revenue recognition

PostNL's normal business operations consist of the provision of logistics services. Revenue is recognised when services are rendered, goods are delivered or work is completed. Revenue is the gross inflow of economic benefits during the current year that arise from ordinary activities and result in an increase in equity, other than increases relating to contributions from equity participants.

Revenue of delivered goods and services is recognised when:

- the company has transferred to a buyer the significant risks and rewards of ownership of the goods,
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods sold,
- the amounts of revenue are measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the company,
- the costs to be incurred in respect of the transaction can be measured reliably, and
- the stage of completion of the transaction at the balance sheet date can be measured reliably.

Contracted services that have not yet been rendered by PostNL on the balance sheet date, as well as outstanding customer repayments for stamps and frankings, are designated as deferred income.

Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers or goods are delivered.

Net sales

Net sales represent revenue from the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales. Accumulated experience is used to estimate and provide for the discounts and return shipments.

The net sales of PostNL arose from rendering postal and related services to businesses and consumers in the Benelux, United Kingdom, Germany and Italy. Net sales is allocated by the nature of the services provided and geographical area in which the entity records sales and is detailed in note 2.5 to the consolidated financial statements.

Other operating revenues relate to the sale of goods and rendering of services not related to PostNL's normal trading activities and mainly include rental income of temporarily leased-out property and custom clearance income.

Net sales amounted to €4,240 million (2013: 4,152) in 2014 and related to the operating segments Mail in the Netherlands, Parcels and International. The increase in net sales of €88 million in 2014 results from volume and revenue growth of Parcels and International, partly offset by decreased net sales within Mail in the Netherlands, mainly due to continued volume decline. For more details on the operating segments, see note 2.5.

In 2014, other operating revenue amounted to €11 million (2013: 11) and mainly related to customs and administration revenue for €6 million (2013: 5), package material for €1 million (2013: 2), rental income on temporarily leased-out property for €1 million (2013: 1) and IT advisory revenue for €0 million (2013: 1).

2.1.2 Other income: 8 million (2013: 7)

Accounting policies

Other income includes net gains or losses from the sale of property, plant and equipment and book results following the divestment of activities.

Other income mainly included book profits from the sale of property, plant and equipment (mostly within Mail in the Netherlands) for a net amount of €5 million (2013: 6) and a received compensation of €3 million (2013: received claim of €1 million).

2.1.3 Work contracted out and other external expenses: 2,213 million (2013: 2,119)

Accounting policies

Operating expenses related to ordinary activities are recognised on an accrual basis in the reporting period during which the related income is earned, regardless of the time of spending the cash. Operating expenses are recognised in the same reporting period when they are incurred in cases when it is not possible to directly relate them to particular income earned and when they are not expected to generate any income during the coming periods.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement as incurred during the period of the lease.

Work contracted out

(in € millions)

Year ended at 31 December	2014	2013
Subcontractors & other work contracted out	1,972	1,871
Rent & lease expenses	105	118
External temporary staff	136	130
Total	2,213	2,119

Work contracted out and other external expenses mainly related to €1,972 million of expenses for business partners and other work contracted out in the segments International €1,240 million (2013: 1,213), Parcels €367 million (2013: 333) and Mail in the Netherlands €266 million (2013: 249).

Rent and lease expenses were €105 million (2013: 118) and expenses are roughly evenly spread over all segments.

Mail in the Netherlands accounts for €42 million (2013: 46) of the expenses for external temporary staff. Parcels reported €59 million (2013: 52), International €16 million (2013: 17) and PostNL Other €19 million (2013: 15).

2.1.4 Salaries, pensions and social security contributions: 1,262 million (2013: 1,260)

Salaries and social security contributions

(in € millions)

Year ended at 31 December	2014	2013
Salaries	1,009	1,105
Defined benefit plans	75	(13)
Defined contribution plans	11	4
Pension charges	86	(9)
Share-based payments	3	5
Social security charges	164	159
Total	1,262	1,260

In 2014, salaries of €1,009 million decreased by €96 million from €1,105 million in 2013, mainly due to a lower net addition to restructuring provisions and a reduction of the workforce following the restructuring programmes in the Netherlands. In 2014, the net addition to restructuring provisions amounted €7 million compared to a net addition of €73 million in 2013. The pension charges in 2014 included a positive effect from past service costs of €36 million (2013: 140) related to the amendments to the defined benefit pension plan following the pension agreements reached. The costs of share-based payments amounted to €3 million (2013: 5), of which €3 million (2013: 4) related to the equity-settled performance share plan, temporary share plan, bonus/matching plan and short-term incentive of senior management and €0 million (2013: 1) related to the cash-settled bonus/investment matching plan.

Labour force

	2014	2013
Employees		
Mail in the Netherlands	42,833	46,676
Parcels	3,174	3,146
International	8,560	7,690
PostNL Other	1,654	1,768
Total at year end	56,221	59,280
External agency staff at year end	5,604	6,670
Full-time equivalents (FTEs)		
Mail in the Netherlands	18,177	20,466
Parcels	2,719	2,849
International	6,536	6,084
PostNL Other	1,512	1,617
Total year average	28,944	31,016

Including temporary personnel on our payroll; the external agency staff are additonal.

The reported employees match the number of personnel paid through payroll. For work contracted out see above.

During 2014, the total headcount of PostNL decreased by 3,059 employees compared to 31 December 2013. This mainly related to the reduction within Mail in the Netherlands of 3,843 employees due to the impact of volume decline and cost savings initiatives, partly offset by an increase of 870 employees within International mainly due to the end-to-end services into South West London and Manchester in the United Kingdom.

Apart from the headcount of employees, the labour force is also measured in FTEs based on the hours worked divided by the local standard. In 2014, the average number of FTEs decreased by 2,072 FTEs compared to 2013.

2.1.5 Depreciation, amortisation and impairments: 100 million (2013: 129)

Depreciation, amortisation and impairments

(in € millions)

Year ended at 31 December	2014	2013
Amortisation of intangible assets	26	28
Depreciation property, plant and equipment	70	77
Impairment of property, plant and equipment	3	11
Impairment of assets held for sale	1	13
Total	100	129

In 2014, the amortisation of intangible assets of €26 million (2013: 28) related to software for €24 million (2013: 26) and other intangibles for €2 million (2013: 2).

In 2014, depreciation of property, plant and equipment amounted to €70 million (2013: 77) and was lower compared to 2013 mainly because the assets from Whistl in the UK are no longer depreciated as these are classified as held for sale.

The 2014 impairment of property, plant and equipment of €3 million (2013: 11) related to impaired real estate in the Netherlands for €2 million (2013: 11) and an impaired sorting machine for €1 million within Mail in the Netherlands.

The 2014 impairment of assets held for sale of €1 million related to real estate within Mail in the Netherlands. The 2013 impairment of assets held for sale of €13 million related for €12 million to Whistl within International and for €1 million to real estate within Mail in the Netherlands.

2.1.6 Other operating expenses: 190 million (2013: 174)

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

In 2014, total PwC fees amounted to €2.6 million (2013: 2.5). The table below presents the total PostNL Group-incurred PwC fees, which can be divided into the following categories:

Audit fees

(in € millions)

Year ended at 31 December	2014	2013
Audit fees	2.5	2.2
Audit related fees	0.1	0.3
Tax advisory fees	0.0	0.0
Other fees	0.0	0.0
Total	2.6	2.5

Audit fees include fees from the audit of the financial statements, the corporate responsibility reports and the regulatory audit. Audit-related services include specific audit procedures for employee benefit plan audits and consultation concerning financial accounting and reporting matters not classified as audit.

In accordance with Dutch legislation, article 2:382a of the Dutch Civil Code, the total audit and audit-related fees charged by the auditor PwC based in the Netherlands amounted to €2.2 million (2013: 2.3).

2.2 Net profit and earnings per share

Net financial expense: 95 million (2013: 174)

Accounting policies

Interest income and expense are recognised on a time-proportionate basis using the effective interest method. Interest income comprises interest income on borrowings, interest income on a net defined benefit asset, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedged items. Interest expenses comprise interest expense on borrowings, interest expense on a net defined benefit liability, unwinding of the discount on provisions, foreign currency losses and changes in the fair value of financial assets at fair value through profit or loss.

All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they can be capitalised as cost of a qualifying asset.

Interest and similar expenses

(in € millions)

Year ended at 31 December	**2014**	2013
Interest expenses	**(82)**	(151)
Interest on net defined benefit pension liabilities	**(20)**	(19)
Hedge reserve recycled to profit and loss	**(2)**	(12)
Net foreign exchange gains	**(1)**	(1)
Total	**(105)**	(183)

In 2014, the interest expenses of €82 million (2013: 151) mainly consisted of ordinary interest expenses on long-term borrowings of €75 million (2013: 96), interest on other provisions of €1 million (2013: 1), gross-up of notional cash pools of €1 million (2013: 1), interest on taxes of €3 million (2013: 1) and €2 million of bank charges (2013: 2). In 2013, financial expenses also included €50 million of expenses on early repurchased long-term borrowings related to the difference between the nominal value and the repurchase price (market value) of bonds repurchased at the date of the bond buy-back transaction in 2013.

Interest expenses on net defined benefit pension liabilities amounted to €20 million (2013: 19).

The amount of the hedge reserve recycled to profit and loss decreased from €12 million in 2013 to €2 million in 2014 due to €8 million related to the recycling of part of the hedge reserve at bond buy-back date and €2 million related to the recycling of the hedge reserve due to partial non-efficiency of the hedge of £314 million eurobonds caused by accounting adjustments required under IFRS 13. The expenses of €2 million (2013: 12) are reflected in the hedge reserve net of tax for €1 million (2013: 9), see note 2.3.

Interest and similar income

(in € millions)

Year ended at 31 December	**2014**	2013
Interest income	**4**	9
Dividend TNT Express	**6**	
Total	**10**	9

In 2014, interest and similar income amounted to €10 million (2013: 9). This amount included €1 million (2013: 1) of interest income on banks, loans and deposits (of which €1 million (2013: 1) related to a gross-up of notional cash pools), €1 million (2013:

5) of interest on taxes and €2 million (2013: 0) of net interest on swaps and other derivatives. In 2014, an amount of €6 million related to dividend from TNT Express NV. In 2013, financial income also included €2 million of fair value adjustments to reflect own credit risk as required by IFRS 13 and €1 million of income from exceptional sources such as sub-let of property or penalties.

In accordance with IFRS, the 2014 interest income on cash pools of €1 million (2013: 1) and interest expense on cash pools are reported on a gross basis as part of interest expense as well as interest income.

Income taxes: 83 million (2013: 65)

Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the income statement is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

In 2014, income taxes amounted to €83 million (2013: 65), or 26.9% (2013: -61.9%) of the profit before income taxes of €309 million (2013: -105).

Effective income tax rate

(in percentages)

Year ended at 31 December	2014	2013
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding effective income tax rates other countries	0.6	1.2
Weighted average statutory tax rate	25.6	26.2
Tax effects of:		
Non and partly deductible costs	0.6	1.3
Non deductible impairments		1.3
Exempt income	0.1	
Other	1.1	(0.4)
Effective income tax rate - before impact stake Express	27.4	28.4
Impact stake Express	(0.5)	(90.3)
Effective income tax rate	26.9	(61.9)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate by the profit before income taxes. In 2014, the statutory income tax rate in the Netherlands was 25.0% (2013: 25.0%).

In 2014, the effective income tax rate was impacted by the non-taxable results of the stake in TNT Express of €6 million (2013: -334). Excluding the impact of the stake in TNT Express, the profit before income taxes would have been €303 million (2013: 229) with a corresponding effective income tax rate of 27.4% (2013: 28.4%).

The effective income tax rate before the impact of the stake in TNT Express of 27.4% was predominantly caused by the balance of differences between Dutch and local tax rates in other countries (0.6%), non-deductible and partly deductible costs predominantly in the Netherlands (0.6%), and certain items included in the line 'Other' (1.1%). The line 'Other' consists mainly of the combined impact of irrecoverable tax losses for which no deferred tax assets could be recognised (2.6%) and reassessed unrecognized tax losses and tax credits for which deferred tax assets could be recognised (-1.2%).

Income tax expense consists of the following:

Income taxes

(in € millions)

Year ended at 31 December	2014	2013
Current tax expense	70	(26)
Changes in deferred taxes	13	91
Total income taxes	83	65

The current tax expense amounted to €70 million (2013: -26). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities. At 31 December 2014, the income tax receivable amounted to €2 million (2013: 1) and the income tax payable amounted to €56 million (2013: 54). In 2014, PostNL paid income taxes totalling €72 million (2013: 56 received); see note 2.4.1 to the consolidated financial statements.

Earnings per share

Accounting policies

PostNL presents (diluted) earnings per share (EPS) for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding, including the effects for dilution of ordinary shares following the obligations to employees under existing share plans.

To calculate basic earnings per share, an average of 440,593,717 ordinary shares is taken into account. For calculating diluted earnings per share, an average number of 441,462,855 is taken into account. For both calculations, the profit attributable to equity holders of the parent of €225 million (2013: -170) has been applied.

At 31 December 2014, PostNL had potential obligations under share plans to deliver 869,138 shares (2013: 893,741), calculated based on the share price of €3.10 as at 31 December 2014 (31 December 2013: €4.15).

The following table summarises the outstanding shares for PostNL's calculation related to earnings per share.

(Average) number of outstanding ordinary shares

(in shares)

Year averages and numbers at 31 December	2014	2013
Number of issued and outstanding ordinary shares	440,920,801	439,973,297
Shares held by the company to cover share plans	0	0
Average number of ordinary shares per year	440,593,717	439,973,297
Diluted number of ordinary shares per year	869,138	893,741
Average number of ordinary shares per year on fully diluted basis	441,462,855	440,867,038

2.3 Other comprehensive income and equity development

Other comprehensive income: -133 million (2013: -211)

Other comprehensive income improved by €78 million from -€211 million in 2013 to -€133 million in 2014. Other comprehensive income consists of the following items:

- A pension effect of -€44 million (2013: -227) related to actuarial gains/(losses) for -€189 million (2013: -87) and to the impact resulting from the pension asset ceiling/minimum funding requirement for €145 million (2013: -140). Reference is made to note 3.4 for more detailed information.
- Change in value of available-for-sale financial assets of -€97 million (2013: 44) as a result of the decrease of the share price from TNT Express from €6.75 per 31 December 2013 to €5.54 per 31 December 2014. Reference is made to note 4.2.
- Currency translation adjustment of €3 million (2013: 0) mainly reflecting the movement in exchange rate differences on converting subsidiaries in the United Kingdom within the International segment into euros.
- Gains/(losses) on cashflow hedges of €5 million (2013: -1) including €4 million related to the change in the value of cross-currency swaps and €1 million that was recycled from the hedge reserve to the income statement (net of taxes).
- Share in other comprehensive income from joint ventures and associates of €0 million (2013: 27, mainly relating to TNT Express).

Total equity: -590 million (2013: -686)

Consolidated equity consisted of equity attributable to the equity holders of PostNL of -€597 million (2013: -692) and non-controlling interests of €7 million (2013: 6). The increase of total equity by €96 million is mainly explained by net profit for the year of €225 million, partly offset by a negative fair value change of our stake in TNT Express of €97 million and a negative impact from pensions of €44 million. For details on Issued share capital and Additional paid-in capital, reference is made to note 4.5. Equity attributable to the equity holders of PostNL consisted of the following items:

Currency translation reserve

As at 31 December 2014, the translation reserve amounted to €12 million (2013: 9), mainly reflecting the movement in exchange rate differences on converting subsidiaries in the United Kingdom within the International segment into euros.

Hedge reserve

As at 31 December 2014, the hedge reserve amounted to -€9 million (2013: -14) and consisted of the fair value timing difference of -€8 million (2013: -11) on the £225/€284 million, £89/€112 million and £13/€16 million cross-currency swaps and the fair value timing difference of -€1 million (2013: -1) on the forward starting swaps, unwound in 2008, to be recycled in the income statement until 2015 (net of taxes).

The £225/€284 million and £89/€112 million cross-currency swaps have been entered into to hedge foreign currency exposure on the £314 million eurobonds which were issued in 2008 for an initial amount of £450 million. The £13/€16 million cross-currency swap has been entered into to hedge foreign currency exposure on the £13 million loan provided to a Group company in 2012.

The tax impact on the cash flow hedges included in the hedge reserve as at 31 December 2014 is €3 million (2013: 5). For more information on the cross-currency swaps, see notes 4.3 and 4.4 to the consolidated financial statements.

Available-for-sale financial assets

As at 31 December 2014, the reserve relating to the available-for-sale financial assets amounted to -€53 million (2013: 44) and relates to the change in value of the remaining 14.7% stake in TNT Express.

Other reserves

As at 31 December 2014, the other reserves amounted to -€779 million (2013: -1,670). In 2014, the other reserves increased by €891 million. This increase resulted from the appropriation of net income from 2013 of €935 million and a negative pension effect within other comprehensive income (net of tax) of €44 million.

Retained earnings

As at 31 December 2014, retained earnings amounted to €47 million (2013: 757). In 2014, retained earnings declined by €710 million. This decrease was due to the appropriation of net income from 2013 of €935 million and total profit for the year of €225 million in 2014.

The Board of Management has proposed adding €178 million (2013: 935) to the other reserves. Refer to 'Other information' in section 7 for more details of this proposal.

2.4 Cash flow performance

Accounting policies

The consolidated statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the statement of cash flows. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. Premiums paid on early repayments of long-term debt (relating to future interest payments) are included in cash flows from operating activities. The cost of acquisition of subsidiaries, associates and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

2.4.1 Net cash (used in)/from operating activities: 196 million (2013: 75)

Net cash from operating activities increased by €121 million from €75 million in 2013 to €196 million in 2014.

Cash generated from operations
The cash generated from operations increased from €169 million in 2013 to €354 million in 2014. The increase of €185 million was mainly explained by:

- profit before income tax adjusted for the non-cash impact of depreciation, amortisation and impairments, share-based payments and total investment income of -€24 million,
- change in pension liabilities of €231 million,
- change in other provisions of -€38 million, and
- change in working capital of €16 million.

The profit before income taxes of €309 million (2013: -105) adjusted for the non-cash impact of depreciation, amortisation and impairments of €100 million (2013: 129), share-based payments of €3 million (2013: 4) and total investment income of €91 million (2013: 499) amounted to €503 million, which is €24 million lower than in 2013 (€527 million).

The change in pension liabilities increased by €231 million from -€314 million in 2013 to -€83 million in 2014 and mainly reflects the difference between the total non-cash employer pension expense for the post-employment defined benefit plans of €75 million (2013: -13) and the comparable total cash contributions totalling €158 million (2013: 301). In 2013, the cash contributions include top-up payments of €63 million in total. The non-cash employer pension expense for the post-employment defined benefit plans includes a benefit from past service cost of €36 million (2013: 140).

The change in other provisions decreased by €38 million from -€5 million in 2013 to -€43 million in 2014 and mainly reflects the difference between the recorded costs for provisions (net amount of additions and releases) of €8 million (2013: 76) and the withdrawals of €52 million (2013: 81). These withdrawals related mainly to restructuring settlements for cost savings initiatives and several other smaller restructuring programmes.

The change in working capital improved by €16 million from -€39 million in 2013 to -€23 million in 2014, due to continued focus on payment behaviour of our customers and on payment terms of our suppliers.

Interest paid
The total cash-out for interest paid in 2014 amounted to €86 million (2013: 150). In 2014, interest paid mainly included interest on

PostNL's long-term borrowings of €69 million (2013: 97), interest related to income taxes of €14 million (2013: 0) and other bank charges of €2 million (2013: 2). In addition, interest payments of €1 million (2013: 1) on notional cash pools were included, which in accordance with IFRS, is reported on a gross basis (and offset in received interest). In 2013, interest paid included interest compensation paid as a result of the bond buy-back transaction of €50 million.

Income taxes received/(paid)

PostNL paid income taxes totalling €72 million (2013: 56 received), which includes payments relating to prior years of €57 million. In 2013, income taxes received included refunds on preliminary prior year tax assessments in the Netherlands relating to timing differences.

2.4.2 Net cash (used in)/from investing activities: -72 million (2013: 417)

Interest received

In 2014, interest received amounted to €2 million (2013: 5) and included interest received on short-term bank balances and deposits of €2 million (2013: 2), of which €1 million (2013: 1) related to a gross-up on notional cash pools, which is offset in the interest paid. In 2013 an amount of €3 million related to interest received on income taxes.

Dividend received

In 2014, the cash inflow for dividend of €7 million (2013: 9) mainly related to dividend received from the stake in TNT Express and from minority shareholdings in Germany.

Investments in associates

In 2014, the investments in associates amounted to €0 million (2013: 1, relating to additional investments in the 40% share in Scoupy B.V.).

Disposal of associates

In 2013, the proceeds from the disposal of associates of €505 million related to the sale of 15% of the shares of TNT Express. The amount consisted of gross cash proceeds of €507 million reduced by bank fees of €2 million that were paid in 2013.

Capital expenditure on intangible assets and property, plant and equipment

In 2014, capital expenditures on other intangible assets of €30 million (2013: 26) mostly related to software including prepayments for software. The capital expenditures on property, plant and equipment amounting to €64 million (2013: 89) mainly related to the New Logistics Infrastructure within Parcels, E2E in the UK and replacements. Capital expenditures are funded primarily by cash generated from operations and are part of strict cash control and review.

Proceeds from sale of property, plant and equipment

In 2014, proceeds from the sale of property, plant and equipment amounted to €13 million (2013: 14) and mainly related to the sale of several buildings from PostNL Real Estate B.V. and PostNL Real Estate Development B.V. totalling €11 million (2013: 13).

2.4.3 Net cash (used in)/from financing activities: -7 million (2013: -375)

Changes related to non-controlling interests

In 2013, the changes related to non-controlling interests of -€3 million related to the buy-out of the minority interest in Spring Global Mail.

Proceeds from and repayments of long-term borrowings

In 2013, the total net proceeds from and repayments of long-term borrowings of -€362 million mainly related to the bond buy-back transaction with a nominal value of €344 million and the partial settlement of the related cross-currency swap of €18 million.

Proceeds from and repayments of short-term borrowings

In 2014, the total net proceeds from and repayments of short-term borrowings amounted to -€6 million (2013: -8) and mainly related to the repayment of German private placements of €6 million (2013: payments to the joint venture in Postkantoren B.V. of €8 million).

Repayments of finance leases
In 2014, total repayments related to redemptions on finance lease contracts amounted to €1 million (2013: 2).

2.5 Segment information

Accounting policies

PostNL reports three operating segments: Mail in the Netherlands, Parcels and International. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Board of Management of PostNL that makes strategic decisions.

The measure of profit and loss and assets and liabilities is based on the PostNL Group accounting policies, which are compliant with IFRS. The pricing of intercompany sales is done at arm's length.

The following table presents the reconciliation of the segment information relating to the income statement of the reportable segments. Segment information relating to the balance sheet is reported in note 3.10.

Segmentation 2014

(in € millions)

Year ended at 31 December 2014	Mail in NL	Parcels	International	PostNL Other	Eliminations	Total
Net sales	1,857	683	1,675	25		4,240
Intercompany sales	151	165	36	207	(559)	
Other operating revenue	4	6	0	1		11
Total operating revenue	2,012	854	1,711	233	(559)	4,251
Other income	7	0	1	0		8
Depreciation/impairment property, plant and equipment	(34)	(12)	(6)	(21)		(73)
Amortisation/impairment intangibles	(13)	(8)	(2)	(3)		(26)
Impairment assets held for sale	(1)					(1)
Total operating income	298	100	(6)	13		405
Net financial expense						(95)
Results from investments in jv's/associates						(1)
Income taxes						(83)
Profit for the year						226
Attributable to:						
Non-controlling interests						1
Equity holders of the parent						225
Number of employees (in headcount)	42,833	3,174	8,560	1,654		56,221

Taxes, net financial expense and investments in joint ventures and associates are dealt with at Group level and not within the reportable segments. As a result, this information is not presented as part of the reportable segments.

The key financial performance indicator for management of the reportable segments is underlying cash operating income. The underlying cash operating performance focuses on the underlying cash earnings performance, which is the basis for the dividend policy. In the analysis of the underlying cash operating performance, adjustments are made for non-recurring and exceptional items as well as adjustments for non-cash costs for pensions and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows. Underlying cash operating income is reported on a monthly basis to the chief operating decision-makers.

In 2014, the non-recurring and exceptional items were:

- the impact of rebranding and project costs of €15 million in International,
- restructuring-related charges in Mail in the Netherlands (€4 million) and PostNL Other (€4 million), and
- a positive effect of past service pension costs of €36 million, reported in PostNL Other.

Segmentation 2013

(in € millions)

Year ended at 31 December 2013	Mail in NL	Parcels	International	PostNL Other	Eliminations	Total
Net sales	1,931	618	1,579	24		4,152
Intercompany sales	126	179	36	233	(574)	
Other operating revenue	3	6	0	2		11
Total operating revenue	2,060	803	1,615	259	(574)	4,163
Other income	6	0	0	1		7
Depreciation/impairment property, plant and equipment	(43)	(11)	(10)	(24)		(88)
Amortisation/impairment intangibles	(15)	(5)	(4)	(4)		(28)
Impairment assets held for sale	(1)		(12)			(13)
Total operating income	147	90	1	162		400
Net financial expense						(174)
Results from investments in jv's/associates						38
Impairment of investments in associates						(369)
Income taxes						(65)
Profit for the year						(170)
Attributable to:						
Non-controlling interests						0
Equity holders of the parent						(170)
Number of employees (in headcount)	46,676	3,146	7,690	1,768		59,280

In 2013, the non-recurring and exceptional items were:

- restructuring-related charges of €77 million in Mail in the Netherlands (€49 million), Parcels (€1 million), International (€4 million) and PostNL Other (€23 million),
- an impairment of assets held for sale of €12 million in International following the announcement of the intention to establish a joint venture in the United Kingdom,
- the effect of pensions top-up payments in Mail in the Netherlands (€56 million) and Parcels (€3 million) offset by PostNL Other (-€59 million),
- a positive effect of past service pension costs of €140 million, reported in Mail in the Netherlands (€34 million) and PostNL Other

(€106 million), and
- the impact of rebranding and project costs of €6 million in International.

The segment information from a geographical perspective is derived as follows: the basis of allocation of net sales by geographical area is the country or region in which the entity recording the sales is located.

Geographical segmentation - net sales

(in € millions)

Year ended at 31 December	2014	2013
The Netherlands	2,564	2,563
United Kingdom	824	757
Italy	243	227
Germany	495	514
Rest of Europe	77	72
Europe	4,203	4,133
Rest of the World	37	19
Total net sales	4,240	4,152

Section 3: Operating assets and liabilities

In this section...

This section sets out the Group's assets used to generate trading performance and the liabilities incurred as a result. Liabilities related to the Group's financing activities are addressed in section 4.

The **main operating assets** included in this section are:

- **Working capital**, representing the assets and liabilities the Group generates through its trading activity. Trade accounts receivables, prepayments and accrued income and almost all current liabilities are the most material working capital items.
- **Property, plant and equipment**, representing the physical assets used by the Group to operate the business, generating revenues and profits. These assets include land and buildings, sorting machinery, vehicles and other equipment.
- **Intangible assets**, representing the non-physical assets used by the Group to operate the business, generating revenues and profits. These assets include goodwill, software –self-generated or purchased, including licences– and customer lists.
- **Assets classified as held for sale**, representing non-current assets or disposal groups of which their carrying amount will be recovered principally through sale rather than continuing use.

The **main operating liabilities** included in this section are:

- **Provision for pension liabilities**, representing the Group’s obligation in respect of defined benefit pension schemes by estimating the present value of future benefits that employees have earned in return for their service in the current and prior periods, reduced by the fair value of the scheme assets.
- **Other provisions**, representing existing obligations, relating to events in the past and where it is probable that cash will be paid to settle it.

The other disclosures included in this section are:

- Investments in joint ventures and associates
- Deferred income tax assets and liabilities
- Commitments and contingencies

This section concludes with segmental information, where we split the relevant total operating assets and liabilities according to our reportable segments and according to a geographical segmentation.

3.1 Working capital

3.1.1 Inventory: 5 million (2013: 5)

Accounting policies

Inventories of raw materials and finished goods are valued at the lower of historical cost or net realisable value. Historical cost is based on weighted average prices.

Inventory

(in € millions)

At 31 December	2014	2013
Raw materials and supplies	1	1
Finished goods	4	4
Total	5	5

Total inventory of €5 million (2013: 5) is valued at historical cost at a total of €6 million (2013: 6) and is stated net of provisions for obsolete items of €1 million (2013: 1). No inventories are pledged as security for liabilities as at 31 December 2014 (2013: 0). In 2014 and 2013, no material write-offs relating to inventories occurred. The balance of inventories expected to be recovered after 12 months is €0 million (2013: 0).

3.1.2 Accounts receivable: 389 million (2013: 390)

Accounting policies

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of accounts receivable is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the loss is recognised in the income statement. Any reversal of the loss is included in the income statement on the same line as where the original expense was recorded.

Accounts receivable

(in € millions)

At 31 December	2014	2013
Trade accounts receivable - total	372	375
Allowance for doubtful debt	(17)	(14)
Trade accounts receivable	355	361
VAT receivable	18	11
Accounts receivable from associates and joint ventures	9	9
Other accounts receivable	7	9
Accounts receivable	34	29
Total accounts receivable	389	390

As at 31 December 2014, the trade accounts receivable amounted to €372 million (2013: 375), of which €149 million (2013:195) was past due but not individually impaired. The total allowance for doubtful debt amounted to €17 million (2013: 14). The main part of the allowance related to a collective loss component established for groups of similar trade accounts receivable balances. This collective loss component is largely based on the ageing of the trade accounts receivable and is reviewed periodically.

The concentration of the trade accounts receivable per customer is limited. The top 10 trade accounts receivable accounted for 14% of the outstanding balance as at 31 December 2013 (2013: 11%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: the Netherlands €211 million (2013: 221), Germany and Italy €119 million (2013: 116) and the rest of the world €25 million (2013: 24). The trade accounts receivable of Whistl of €91 million (2013: 79) are included in assets held for sale. For the non-trade accounts receivable, no allowance for doubtful debt was required.

The fair value of the total (trade) accounts receivable approximated its carrying value.

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

Ageing trade accounts receivable past due, not impaired

(in € millions)

At 31 December	**2014**	2013
Up to 1 month	**71**	111
2-3 months	**26**	49
3-6 months	**11**	16
6-12 months	**15**	19
Over 12 months	**26**	20
Total	**149**	215

The balance of the total (trade) accounts receivable that is expected to be recovered after 12 months is €11 million (2013: 10) and relates to Italy. Within Italy, €24 million (2013: 21) of the total trade accounts receivable related to Riscossione Sicilia, an Italian tax collection agency for Sicily. In 2014 a payment plan was agreed with Riscossione Sicilia and the contract was adjusted. Management expects the receivable to be fully recoverable and expects collection within two years.

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

Statement of changes in the allowance for doubtful debt of trade accounts receivable

(in € millions)

	2014	2013
Balance at 31 December 2012		13
Effect of restatements		(1)
Balance at 1 January	**14**	12
Provided for during financial year	**7**	8
Receivables written off during year as uncollectable	**(4)**	(4)
Transfers to assets held for sale		(2)
Balance at 31 December	**17**	14

In 2014, the VAT receivable of Whistl of €12 million (2013: 10) is reported as assets held for sale.

3.1.3 Prepayments and accrued income: 116 million (2013: 104)

Prepayments and accrued income included amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. As at 31 December 2014, prepayments amounted to €6 million (2013: 6) and accrued income to €110 million (2013: 98). In 2014, the prepayments and accrued income of Whistl of €12 million (2013: 17) are reported as assets held for sale.

The balance of prepayments and accrued income that is expected to be recovered after 12 months is zero (2013: 0).

3.1.4 Trade accounts payable: 151 million (2013: 153)

Accounting policies

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade accounts payable are roughly evenly spread over all segments.

3.1.5 Other current liabilities: 184 million (2013: 188)

Other current liabilities

(in € millions)

At 31 December	2014	2013
Taxes and social security contributions	101	109
Expenses to be paid	1	1
Other	82	78
Total	184	188

Taxes and social security contributions of €101 million (2013: 109) consisted of VAT payable of €68 million (2013: 78) and social security contributions payable of €33 million (2013: 31).

As at 31 December 2014, the other liabilities of €82 million mainly related to payments in advance received from customers (€45 million) and liabilities related to partnership business (€12 million).

There are no balances at 31 December 2014 that are expected to be settled after 12 months (2013: 0).

3.1.6 Accrued current liabilities: 540 million (2013: 552)

Accrued current liabilities

(in € millions)

At 31 December	2014	2013
Amounts received in advance	109	117
To be paid to third parties	178	198
To be paid to personnel	52	49
Vacation days/vacation payments	91	95
Terminal dues	106	88
Other accrued current liabilities	4	5
Total	540	552

As at 31 December 2014, amounts received in advance mainly included €63 million (2013: 69) for deferred revenue for stamps that were sold but not yet used, deferred revenues from franking machines of €14 million (2013: 15) and rental of mailboxes of €13 million (2013: 14).

Main items within the expenses to be paid to third parties included payables to business partners of €35 million (2013: 36), interest payables on PostNL's interest-bearing debt of €23 million (2013: 33), claims of €11 million (2013: 8), discounts to be paid of €4 million (2013: 6) and various other expenses to be paid.

Expenses to be paid to personnel included accrued wages and salaries of €25 million (2013: 35), the accrual for voluntary termination agreements of €5 million (2013: 7) and accruals for employee profit-sharing over 2014.

Of the total accrued current liabilities, an amount of €34 million is expected to be settled after 12 months (2013: 40).

3.2 Property, plant and equipment

Property, plant and equipment: 519 million (2013: 536)

Accounting policies

Property, plant and equipment is valued at historical cost using a component approach, less depreciation and impairment losses. In addition to costs of acquisition, the company also includes costs of bringing the asset into working condition, handling and installation costs and non-refundable purchase taxes. Under the component approach, each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Land is not depreciated. System software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate, because the estimated useful life is inextricably linked with the estimated useful life of the associated asset.

Leases of property, plant and equipment are classified as finance leases if the company substantially has all the risks and rewards of ownership. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long-term debt. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

For the accounting policy concerning impairments, reference is made to note 5.4.

Property, plant and equipment

(in € millions)

	Land and buildings	Plant and equipment	Other	Construction in progress	**Total**
Depreciation percentage	0%-10%	4%-33%	7%-25%	0%	
Historical cost	806	450	115	29	**1,400**
Accumulated depreciation and impairments	(461)	(323)	(80)		**(864)**
Balance at 31 December 2013	345	127	35	29	**536**
Capital expenditure in cash	1	6	5	46	**58**
Disposals	(3)		(1)	(1)	**(5)**
Internal transfers and reclassifications	31	17	1	(49)	
Depreciation	(27)	(29)	(14)		**(70)**
Impairments	(2)	(1)			**(3)**
Transfers to and from assets held for sale	4	(1)			**3**
Total changes	4	(8)	(9)	(4)	**(17)**
Historical cost	829	444	102	25	**1,400**
Accumulated depreciation and impairments	(480)	(325)	(76)		**(881)**
Balance at 31 December 2014	349	119	26	25	**519**

Capital expenditures of €58 million (2013: 89) mainly concerned investments within Mail in the Netherlands of €23 million, within Parcels of €25 million and within International of €7 million. The investments mainly concerned land, buildings and sorting machinery for the New Logistics Infrastructure within Parcels, buildings and equipment related to cost savings initiatives and vehicle replacements. Lower investments related to the New Logistics Infrastructure within Parcels explain the lower capital expenditures compared to 2013.

The disposals of €5 million (2013: 2) mainly related to the sale of real estate in the Netherlands.

The internal transfers and reclassifications of €49 million from construction in progress to land and buildings, plant and equipment and other were caused by the finalisation of central preparation locations, NLI depots within Parcels and sorting machinery.

In 2014, depreciation costs amounted to €70 million and were lower compared to 2013 (€77 million) mainly because the assets of Whistl are no longer depreciated following the held for sale classification.

Given the current overall downward pressure on real estate, management reviewed the recoverability of the real estate portfolio and concluded that some individual buildings should be impaired. The recoverable value of the buildings was based on the fair value less costs of disposal, supported by valuations from external professional valuators. In 2014, impairment charges amounted to €3 million (2013: 11) and related for €2 million (2013: 11) to real estate in the Netherlands and for €1 million to the impairment of a sorting machine. An amount of €2 million of the impairments is reported within Mail in the Netherlands and an amount of €1 million within PostNL Other.

In 2014, the transfers from assets held for sale amounted to €3 million and related to buildings in the Netherlands transferred from assets held for sale back to land and buildings of €4 million that are no longer expected to be disposed of within one year and a sorting machine that is transferred to assets held for sale of €1 million. In 2013, the transfers from assets held for sale amounted to €6 million and related to buildings in the Netherlands transferred from assets held for sale back to land and buildings of €17 million that are no longer expected to be disposed of within one year, equipment relating to customer contact services transferred from assets held for sale back to plant and equipment of €2 million and transfers to assets held for sale related to Whistl of €13 million.

Finance leases included in the property, plant and equipment balance as at 31 December 2014 amounted to €15 million (2013: 14), of which €14 million (2013: 14) relates to land and buildings and €1 million (2013: 0) to other equipment. The minimum lease payments to be paid under these contracts represent the discounted value.

Land and buildings under financial leases fully concern leasehold rights and ground rent. The book value of the leasehold rights and ground rent is €14 million (2013: 14), comprising a historical cost of €23 million (2013: 22) with accumulated depreciation of €9 million (2013: 8).

Leasehold rights and ground rents expiring:

- between 1 and 5 years amount to €0 million (2013: 1),
- between 5 and 20 years amount to €1 million (2013: 13),
- between 20 and 40 years amount to €7 million (2013: 0),
- thereafter amount to €6 million (2013: 0).

There are no leasehold and ground rent contracts with indefinite terms. The leasehold rights and ground rent contracts related to land and buildings in the Netherlands.

There is no material temporarily idle property, plant or equipment as at 31 December 2014 (2013: 0).

Property, plant and equipment 2013

(in € millions)

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Depreciation percentage	0%-10%	4%-33%	7%-25%	0%	
Historical cost	736	545	177	51	1,509
Accumulated depreciation and impairments	(433)	(405)	(135)		(973)
Balance at 31 December 2012	303	140	42	51	536
Effect of restatements		(1)	(3)		(4)
Balance at 1 January 2013	303	139	39	51	532
Capital expenditure in cash	7	11	7	64	89
Disposals	(1)		(1)		(2)
Internal transfers and reclassifications	60	19	6	(85)	
Depreciation	(30)	(33)	(14)		(77)
Impairments	(11)				(11)
Transfers to assets held for sale	17	(8)	(2)	(1)	6
Exchange rate differences		(1)			(1)
Total changes	42	(12)	(4)	(22)	4
Historical cost	806	450	115	29	1,400
Accumulated depreciation and impairments	(461)	(323)	(80)		(864)
Balance at 31 December 2013	345	127	35	29	536

3.3 Intangible fixed assets

Intangible fixed assets: 130 million (2013: 130)

Accounting policies

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of PostNL's share of the identifiable net assets acquired and is recorded as goodwill. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of joint ventures and associates is included in investments in associates and is not separately recognised or tested for impairment. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately-recognised goodwill arising on acquisitions is capitalised and subject to an annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

Other intangible fixed assets

Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Apart from software, other intangible assets mainly include customer lists, assets under development, licences and concessions. Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

An asset under construction is transferred to its respective intangible asset category at the moment it is ready for use and is amortised using the straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment.

For the accounting policy concerning impairments of goodwill and other intangible fixed assets, reference is made to note 5.4.

Intangible fixed assets

(in € millions)

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	293	230	44	**567**
Accumulated amortisation and impairments	(182)	(186)	(31)	**(399)**
Balance at 31 December 2012	111	44	13	**168**
Effect of restatements	(11)	(1)		**(12)**
Balance at 1 January 2013	100	43	13	**156**
Additions		11	15	**26**
Internal transfers/reclassifications		15	(15)	
Amortisation		(26)	(2)	**(28)**
Transfers to/from assets held for sale	(16)	(7)		**(23)**
Exchange rate differences		(1)		**(1)**
Total changes	(16)	(8)	(2)	**(26)**
Historical cost	261	202	36	**499**
Accumulated amortisation and impairments	(177)	(167)	(25)	**(369)**
Balance at 31 December 2013	84	35	11	**130**
Additions		5	21	**26**
Internal transfers/reclassifications		17	(17)	
Amortisation		(24)	(2)	**(26)**
Total changes	0	(2)	2	**0**
Historical cost	261	203	40	**504**
Accumulated amortisation and impairments	(177)	(170)	(27)	**(374)**
Balance at 31 December 2014	84	33	13	**130**

As at 31 December 2014, intangible fixed assets consisted of goodwill totalling €84 million (2013: 84) and software and other intangible assets totalling €46 million (2013: 46).

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) and tested for impairment. The CGUs correspond to an operation in a particular country or region and the nature of the services provided. Compared to 2013, the CGU structure has not changed.

The total goodwill balance at 31 December 2014 amounted to €84 million (2013: 84), of which PostNL has allocated €52 million (2013: 52) to CGU Mail in the Netherlands, €5 million (2013: 5) to CGU Parcels, €25 million (2013: 25) to International CGUs (€23 million to CGU Germany and €2 million to CGU Italy) and €2 million (2013: 2) to PostNL Other.

In 2013, goodwill totalling €18 million relating to Whistl was transferred to assets held for sale and goodwill totalling €2 million relating to customer contact services was transferred back from assets held for sale. In 2014, no goodwill impairment charges were recorded (2013: 0).

Based on 2014 financial performance, a detailed review has been performed of the recoverable value of each CGU. The recoverable value is the higher of the value in use and fair value less costs of disposal. Fair value less costs of disposal represents the best estimate of the amount PostNL would receive if it sold the CGU. The recoverable value is determined based on the value in use. The value in use has been estimated on the basis of the present value of future cash flows.

For both mature markets and non-mature markets, the estimated future net cash flows are based on a nine-year forecast and business plan, as management considers these forecasts reliable based on past experience. For markets considered non-mature, no steady state has been achieved to date. The cash flow projections have been approved by management.

PostNL has determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used in the CGU valuations varies from 9% to 15% (pre-tax).

Key assumptions used to determine the recoverable values for each individual CGU are the following:

- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of operating income largely impacted by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale,
- level of capital expenditure in network-related assets, and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

Management has carried out an impairment test for each individual CGU and concluded that the recoverable amount of the individual CGUs is higher than the carrying amount.

Software
As at 31 December 2014, the software balance of €33 million (2013: 35) included internally-generated software with a book value of €30 million (2013: 30). The additions to software of €5 million related to self-produced software of €4 million and purchased software of €1 million. They mainly concerned IT investments in the New Logistics Infrastructure within Parcels and software licences for Microsoft and SAP applications. The reclassification of €17 million from other intangibles was due to finalised IT projects.

Other intangible assets
As at 31 December 2014, the other intangible assets of €13 million (2013: 11) related to customer lists of €3 million (2013: 5) and software under construction of €10 million (2013: 6).

The estimated amortisation expenses for software and other intangible assets are:

- 2015: €24 million,
- 2016: €14 million,
- 2017: €7 million,
- 2018: €0 million,
- 2019: €0 million, and
- thereafter: €1 million.

PostNL does not conduct significant research and development activities and therefore does not incur research and development costs.

3.4 Provision for pension liabilities

Provisions for pension liabilities: 538 million (2013: 542)

Accounting policies

The net defined benefit liability/asset for all pension and other post-employment plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. The resulting deficit or surplus is adjusted for any effect of limiting a net defined benefit asset to the asset ceiling and for any effect of minimum funding requirements. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Minimum funding requirements might affect the availability of reductions in future contributions or might give rise to a liability if the required contributions will not be available to PostNL once they have been paid.

PostNL uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, assumptions are made about financial variables (such as the discount rate and the rate of benefit increases) and demographic variables (such as employee turnover and mortality). The discount rate is determined by reference to market rates using high-quality corporate bonds.

Service costs are recognised as operating expenses in the income statement. Gains or losses on the amendment or curtailment of a defined benefit plan (past service costs) and gains or losses on settlement are all recognised as operating expenses in the income statement on the date of the amendment, curtailment or settlement.

The net interest expense/income on the net defined benefit liability/asset is recognised as 'Interest and similar expenses/ income' in the income statement (below operating income).

Deviations between the expected and actual development of the pension obligation and plan assets, resulting in actuarial gains and losses, are immediately recognised within Other Comprehensive Income (net of tax). The impact of the asset ceiling and/or minimum funding requirements is also recognised within Other Comprehensive Income (net of tax).

Pension costs for defined contribution plans are expensed in the income statement when incurred or due.

General information

PostNL operates a number of post-employment benefit plans in Europe. The majority of the Dutch post-employment benefit plans are defined benefit pension plans and consist of a main plan, transitional plans and other pension plans. Most of PostNL's non-Dutch post-employment benefit plans are defined contribution plans.

PostNL's main Dutch pension plan (main plan), which is externally funded in 'Stichting Pensioenfonds PostNL' (main fund), covers the employees subject to PostNL's collective labour agreement and staff with a personal labour agreement arranged as from 2007 in the Netherlands. The majority of PostNL's Dutch employees are subject to the collective labour agreement. The plan covers around 91,000 participants, including around 24,000 pensioners and around 44,000 former employees.

Under Dutch law, the main plan is managed by an independent legal entity, Stichting Pensioenfonds PostNL, which is not owned or controlled by any other legal entity and which falls under the supervision of De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM). PostNL and the main fund have agreed on an execution agreement mainly stipulating the financial terms and conditions relevant for the execution of the pension plan. These terms and conditions include the financial consequences of a coverage ratio below the minimum funding requirement.

The transitional plans consist of an early retirement scheme and additional arrangements that were agreed between the company and employees following a revision of fiscal regulations applying to Dutch pension plans in 2006.

PostNL is also the sponsoring employer of the pension plan covering the staff members in the Netherlands who have a personal labour agreement before 2007, which is externally funded in 'Stichting Ondernemingspensioenfonds TNT'.

Amendments related to the pension plans and financing agreements

During 2014, following new fiscal regulations, PostNL and relevant parties agreed on further changes to our pension arrangements effective per 1 January 2015. The main changes are a lower annual accrual rate, a pensionable salary cap of €100,000 (previously no cap was in place) and the change from final pay to average pay for the employees with a personal labour agreement. All changes resulted in a single defined benefit average pay scheme applicable to all employees involved.

Also in 2014, and following the equal pension scheme for all employees, parties agreed on merging the pension fund for PostNL employees with a personal labour agreement (within Stichting Ondernemingspensioenfonds TNT) with the main pension fund. The merger is financially effective per 1 January 2015. Execution of the legal merger is expected mid 2015.

In order to compensate for the lower coverage ratio of the incoming fund PostNL is committed to an unconditional payment of around €10 million to the main fund. Payment terms* are equal to the unconditional payment of €150 million committed by PostNL in 2013. Parties also agreed to increase the conditional budget of €300 million in place since 2013 by €15 million to €315 million. In return, all financing agreements with the main fund, including the bounded pension (cash) contributions and limited obligation for top-up payments agreed on in 2013, equally applies to the employees of the incoming fund.

The changes to the arrangement will result in a reduction in pension (cash) contributions and reduce the risk and magnitude of top-up payments. All elements of the pension and financing agreements reached have been included in the calculation of the pension plan obligations. The resulting past service costs are reported as part of operating expenses in the income statement.

** The unconditional commitment and other possible commitments required from the conditional budget are payable from the moment PostNL pays out dividend, but at the latest 10 years after the amounts become unconditional, in all cases with a payment term of five years as from that date.*

Settlement of the pension plan funded in Stichting Pensioenfonds Postbezorgers PostNL

PostNL was also the sponsoring employer of the pension plan covering mail deliverers in the Netherlands, externally funded in 'Stichting Pensioenfonds Postbezorgers PostNL'. In 2013, PostNL cancelled the execution agreement with this fund, effective 31 December 2014. The release of liabilities towards the fund as per the end of 2014 resulted in a settlement of both the pension plan obligations and the pension plan assets (with an equal impact).

Further details of the main plan

In the main plan, both the employer and the employees contribute to the pension fund. The contributions are based on actuarial calculations per active participant. The total employer contribution to the main fund amounted to €91 million (2013: 190, including top-up payments of €63 million as a result of the coverage deficit during 2012).

By the end of 2014, the coverage ratio of the main fund amounted 108.9% (2013: 111.9%), including the outstanding payment of the unconditional contribution (including interest) of €153 million by PostNL. The decreased coverage ratio is mainly explained by higher pension obligations due to a significant decline in the long-term interest rate, largely offset by higher pension plan assets due to the fund's investment return of 16.6%. The fund's coverage ratio as at 31 December 2014 includes the latest longevity outlook, based on recent statistical studies performed by the Dutch Actuarial Association (Actuarieel Genootschap). As at 31 December 2014, no top-up payments are outstanding.

As at 31 December 2014, the main fund controls around 95% of the PostNL Group plan assets. The returns on plan assets are linked to the strategic investment policy, as annually reported in the asset liability management (ALM) study of the main fund. The ALM study includes 2,000 future scenarios that take into account the relevant standard deviations of, and correlations between, the various asset categories, as derived from historical evidence. Ultimately, the long-term objective is to protect the assets from erosion of purchasing power, and to provide long-term growth of capital without excessive exposure to risk. The duration of the plan liabilities determines the investment strategy. The assets are managed by external investment managers. The main fund establishes the investment policy and strategy, including the selection of investment managers, setting long-term strategic targets and monitoring. The strategic asset mix is a target and not a limitation. The fund may approve components of the asset mix above or below the targeted range. The fund may decide to rebalance or change the asset mix periodically.

As at 31 December 2014, the weight of equity and equity derivatives investments amounted to 17%, the weight of fixed interest investments amounted to 68%, the weight of real estate and alternative investments amounted to 9% and the weight of swaps and swaptions investments amounted to 6%. The plan assets may from time to time include investments in PostNL's own financial instruments through indirect holdings by mutual funds. Around 88% of the main fund's total plan assets have a quoted market price in an active market. The unquoted part relates to investments in investment funds which invest in non-listed assets (for example real estate investments) and non-listed derivatives.

The main fund's overall investment strategy and exposure includes equity derivatives to preserve part of the upward potential on equity and at the same time be protected against substantial declines in equity valuations. In addition, the main fund uses interest rate derivatives to reduce the net interest exposure on its assets and liabilities. The main fund reports its investment mix and results on the basis of the actual characteristics of the investments. Consequently, the bond investments accompanying the equity derivative strategy are reported within 'Fixed interest and inflation-linked bonds'.

Asset mix/return of main pension plan

At 31 December	Actual mix 2014	Return 2014
Equities and equity derivatives	17%	12.9%
Fixed interest and inflation linked bonds	68%	8.8%
Real estate and alternative investment	9%	3.1%
Swaps and swaptions / Contribution to the return	6%	8.2%
Total / total weighted average	100%	16.6%

In 2014, the return on the plan assets was 16.6% (2013: 0.9%), comprising 8.2% direct return of swaps and swaptions and 8.4% weighted average return of the other asset classes.

Movement of the provision for post-employment benefit plans

The following table presents an overview of the movement of the provision for post-employment benefit plans during 2014. Included in the provision for pension liabilities are the unfunded defined benefit Trattamento di Fine Rapporto (TFR) in Italy of €9 million (2013: 9).

Statement of changes in provision for defined benefit plans

(in € millions)

	Balance at 31 December 2013 (reported)	Impact adoption IFRS11	Balance at 31 December 2013 (restated)	Post-employment benefit income/ (expenses)	Employer contributions	Actuarial gains/(losses)	Pension asset ceiling/minimum funding requirement	Balance at 31 December 2014
Main pension plan in the Netherlands	(150)		(150)	(59)	91	(245)	193	(170)
Transitional plans in the Netherlands	(357)	2	(355)	(33)	58	(20)		(350)
Other pension plans	(28)		(28)	0	7	12		(9)
Provision for pension liabilities	(535)	2	(533)	(92)	156	(253)	193	(529)
Other post-employment benefit plans	(9)		(9)	(3)	2	1		(9)
Total provision for post-employment benefit plans	(544)	2	(542)	(95)	158	(252)	193	(538)

Defined benefit pension costs recognised in the income statement

The valuation of PostNL's pension obligation and the determination of its pension cost are based on assumptions that include employee turnover, mortality rates and retirement ages, discount rates, pension increases and future wage increases, which are updated on an annual basis at the beginning of each financial year.

In 2014, PostNL's expenses for defined benefit post-employment plans were €95 million (2013: 6), including a positive effect from past service costs of €36 million (2013: 140) related to the amended pension arrangements. The expenses for defined contribution plans were €11 million (2013: 4). This increase mainly resulted from the defined contribution scheme for the mail deliverers in the Netherlands starting 2014. Including these charges for defined contribution plans, PostNL's total expenses for post-employment benefit plans amounted to €106 million (2013: 10).

In the income statement, the total expenses of €106 million (2013: 10) are included in 'Salaries, pensions and social security contributions' for an amount of €86 million (2013: -9), refer to note 2.1.4 to the consolidated financial statements, and included in 'Interest and similar expenses for an amount of €20 million (2013: 19), refer to note 2.2 to the consolidated financial statements.

For 2015, total expenses for post-employment benefit plans are expected to amount to around €150 million, including €135 million operating expenses and €15 million interest expenses.

Defined benefit pension cash contributions

In 2014, total employer cash contributions for defined benefit post-employment plans amounted to €158 million (2013: 305, including top-up payments of €63 million as a result of the coverage deficit in 2012). Including the cash outflow for defined contribution plans of €11 million (2013: 4), PostNL's total cash contributions amounted to €169 million (2013: 309).

For 2015, total regular employer cash contributions, excluding top-up payments, are expected to amount to around €150 million.

Defined benefit pension amounts recognised in other comprehensive income

The valuation of PostNL's pension obligation and the determination of its pension cost are based on assumptions, which are updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions, giving rise to a different pension obligation at year-end.

In accordance with the revised IAS 19 'Employee Benefits', these actuarial gains and losses on both the pension obligation and the pension plan assets have to be recognised immediately within Other Comprehensive Income (net of tax). As future actuarial results also have to be recognised immediately and are heavily dependent on interest rate movements and actual investment returns, consolidated equity will show fluctuations when actual developments differ from assumptions.

The actuarial losses of €252 million during 2014 mainly consist of a negative effect of €1,090 million on the defined benefit obligation as a result of the sharp decline of the IAS 19 discount rate from 3.5% to 2.3% (impact: €1,650 million) partly offset by a lower rate of benefit increases from 1.4% to 1.1% (impact: €455 million, and a positive difference of €837 million between the assumed return on plan assets and the actual investment return. In accordance with the revised IAS 19 'Employee Benefits', the assumed return on plan assets equals the discount rate applied in the calculation of the pension obligations at the beginning of the year. The net charge within other comprehensive income amounted to €189 million.

The impact resulting from the pension asset ceiling and minimum funding requirement of €193 million is explained as follows.

- At 31 December 2013, the net pension asset (plan obligations minus plan assets) of the main plan amounted to €36 million. Following the regulations on minimum funding requirements, at year-end 2013 PostNL had to reduce the pension asset by €36 million and additionally had to provide for the unconditional payment of €150 million resulting from the pension agreement with the main fund in 2013. The adjusting impact of €186 million led to a provision for pension liabilities of €150 million.
- At 31 December 2014, the net pension liability of the main plan amounted to €170 million. Following the regulations on minimum funding requirements, no adjustments were necessary at year-end 2014. As a result, the recorded adjustment of €186 million in 2013 has been reversed in 2014 for an amount of €193 million (which includes interest on the 2013 adjustment).

Detailed reconciliation of the opening and closing balances

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the netted pension provisions, and the employer pension expenses of PostNL's defined benefit post-employment plans.

Detailed overview of changes in consolidated defined benefit plans

(in € millions)

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	(6,769)	(6,747)
Service costs	(119)	(125)
Interest costs	(236)	(251)
Past service costs	36	140
Settlement	25	
Actuarial (losses)/gains	(1,090)	(9)
Benefits paid	221	223
Benefit obligation at end of year	(7,932)	(6,769)
Change in plan assets		
Fair value of plan assets at beginning of year	6,422	6,222
Assumed return on plan assets	223	232
Employee contributions	15	9
Employer contributions	156	303
Other costs	(4)	(8)
Settlement	(25)	
Actuarial (losses)/gains	837	(113)
Benefits paid	(221)	(223)
Fair value of plan assets at end of year	7,403	6,422
Change in funded status		
Funded status at the beginning of year	(347)	(525)
Operating expenses	(72)	16
Interest (expenses)/income	(13)	(19)
Employer contributions	156	303
Actuarial (losses)/gains	(253)	(122)
Funded status at end of year	(529)	(347)
Impact of pension asset ceiling		(36)
Impact of minimum funding requirement		(150)
Other post-employment benefit plans	(9)	(9)
Netted pension liabilities	(538)	(542)
Components of employer pension expenses		
Service costs (net of employee contributions)	(104)	(116)
Interest (expenses)/income	(20)	(19)
Past service costs	36	140
Other costs	(4)	(8)
Post-employment benefit income/(expenses)	(92)	(3)
Other post-employment benefit plan expenses	(3)	(3)
Total post-employment benefit income/(expenses)	(95)	(6)
Weighted average assumptions as at 31 December		
Discount rate	2.3%	3.5%
Rate of benefit increases	1.1%	1.4%
Life expectancy 65 year old men/women (in years)	20.5/22.8	21.0/22.8

The actuarial losses on the defined benefit obligation of €1,090 mllion (2013: 10) can be splitted into the following developments.

- The change in discount rate from 3.5% to 2.3% accounted for €1,650 million of actuarial losses. During 2013, the discount rate decreased from 3.7% to 3.5%, which resulted in actuarial losses of €207 million.
- The change in the rate of benefit increases from 1.4% to 1.1% accounted for €455 million of actuarial gains (2013: no change).
- The changes in demographic assumptions accounted for €40 million of actuarial gains (2013: gains of 144).
- Experience adjustments accounted for €65 million of actuarial gains (2013: losses of 55). The experience adjustment is the difference between the expected and actual position at year-end, excluding the impact of changes in assumptions.

The settlement of €25 million on both plan obligations and plan assets related to the cancellation of the execution contract with the pension fund for the mail deliverers.

Assumptions

PostNL’s pension expense is mainly affected by the discount rate, the rate of benefit increases and the longevity outlook used to measure pension obligations. Management reviews these and other assumptions every year. The measurement date for PostNL’s post-employment benefits is 31 December. Changes in assumptions may occur as a result of economic and market conditions.

The discount rate is based on the long-term yield on high quality (AA-rated) corporate bonds, taking into account the duration of the projected pension liabilities of around 19 years. The high quality (AA-rated) corporate bond yield information is sourced from Bloomberg, taking into account a minimum outstanding amount and other defined selection criteria. By applying curve-fitting procedures, a yield curve is generated. Using the full yield curve, the discounted value of the expected future benefit payments is matched with the comparable present value when using a single discount rate.

In 2014, management further improved the discount rate setting methodology by excluding bonds of government agencies. In addition, we changed the basis of extrapolation of the longest term bond from a single bond to an average of 5 bonds. The resulting discount rate is around 0.2% higher than based on the previous methodology. The positive impact on the defined benefit obligation as at 31 December 2014 is estimated at around €260 million.

The conditional benefit increases within the main plan are based on the (derived) Consumer Price Index. The assumed rate of benefit increases is based on advice, published statistics and the pension plan's ambition level. As of 1 January 2015 new financing rules are applicable for pension funds, which lowers the expected benefit increases to 1.1% per 31 December 2014 (2013: 1.4%).

Assumptions regarding the longevity outlook are based on advice, published statistics and experience per country. The majority of the defined benefit obligation relates to participants in the Netherlands. In the Netherlands, the average prospective life expectancy of men after retiring at the age of 65 is 20.5 years (2013: 21.0). The equivalent expectancy for women is 22.8 years (2013: 22.8). The applied longevity rates are derived from the mortality table ‘GBM/GBV 2014 + CVS experience rates based on postal areas, starting rates 2015 and age corrections 0/0 (male/female)’, as applied by the main fund.

Sensitivity analysis of the defined benefit obligation

The table below shows the sensitivity of the defined benefit obligation at year-end 2014 to deviations in key assumptions (applied in the year-end 2014 valuations), with all other assumptions held unchanged. The sensitivity to life expectancy of +1/-1 year is measured by assuming all plan participants 1 year younger/older.

Sensitivity defined benefit obligation

	%-change in assumptions	impact on defined benefit obligation
Benefit obligation at end of year		7,932
Discount rate	+ 0.5%	- 8.3%
Rate of benefit increases	+ 0.5%	9.8%
Life expectancy men/women	+ 1 yr	3.4%
Benefit obligation at end of year		7,932
Discount rate	- 0.5%	9.5%
Rate of benefit increases	- 0.5%	- 8.6%
Life expectancy men/women	- 1 yr	- 3.4%

Funded status of funded and unfunded defined benefit plans

The table below reconciles the opening and closing balances of the present value of the defined benefit obligations and the fair value of plan assets with the provision for post-employment benefit plans. Included in the provision for pension liabilities are the unfunded defined benefit Trattamento di Fine Rapporto (TFR) in Italy of €9 million (2013: 9).

Detailed balances defined benefit plans

(in € millions)

At 31 December	2014	2013
Present value of funded benefit obligations	(7,582)	(6,414)
Fair value of plan assets	7,403	6,422
Funded status of funded benefit obligations	(179)	8
Present value of unfunded benefit obligations	(350)	(355)
Unfunded status at end of year	(529)	(347)
Impact of pension asset ceiling		(36)
Impact of minimum funding requirement		(150)
Other post-employment benefit plans	(9)	(9)
Provisions for pension liabilities	(538)	(542)

3.5 Other provisions

Other provisions: 154 million (2013: 197)

Accounting policies

Provisions are recognised when there is a present obligation as a result of a past event, making it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation on the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The gross-up of the provision following the discounting of the provision is recorded in the income statement as interest expense.

The provision for employee benefit obligations includes long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within 12 months after the end of the period, profit sharing, bonuses and deferred compensation.

The provision recorded for restructuring largely relates to termination benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

PostNL recognises termination benefits when the company has committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or provides termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

The provision for other obligations mainly concerns provisions for legal and contractual obligations and received claims.

Other long-term provisions

(in € millions)

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	**Total**
Non-current other provisions	21	81	15	11	**128**
Current other provisions	4	59	3	3	**69**
Balance at 31 December 2013	25	140	18	14	**197**
Additions	6	24	3		**33**
Withdrawals	(3)	(45)	(3)	(1)	**(52)**
Releases	(2)	(17)	(4)	(2)	**(25)**
Interest		1			**1**
Total changes	1	(37)	(4)	(3)	**(43)**
Non-current other provisions	21	48	11	10	**90**
Current other provisions	5	55	3	1	**64**
Balance at 31 December 2014	26	103	14	11	**154**

As at 31 December 2014, the total other provisions amounted to €154 million. The estimated utilisation in 2015 is €64 million, in 2016 €52 million, in 2017 €20 million and in 2018 and thereafter €18 million.

Other employee benefit obligations
As at 31 December 2014, the other employee benefit obligations related to jubilee payments of €23 million and other employee benefits of €3 million.

Restructuring
As at 31 December 2014, the provision for restructuring programmes amounted to €103 million (2013: 140). The provision related mainly to the Master Plan restructuring programmes for a total of €102 million and other smaller restructuring programmes for a total of €1 million.

The additions of €24 million related mainly to the Master Plan restructuring programmes (€21 million) and to the restructurings of our customer contact activities within PostNL other (€3 million). The additions to the Master Plan provision consists of restructurings within operations (€11 million), the restructuring of the marketing & sales department (€5 million) and the restructuring of head office departments (€5 million), and relates to around 300 FTE in total.

The restructuring within operations resulted from the announcement to restructure the car unit. The restructuring within the marketing & sales department and head office departments resulted from the announcement to adjust the employee base to the increased volume decline within Mail in the Netherlands. The restructuring of our customer contact services resulted from the announcement to adjust the employee base to the organisational structure.

The withdrawals of €45 million concerned severance payments under the Master Plan programmes totalling €40 million, payments for other initiatives within Mail in the Netherlands of €2 million, payments for the restructuring of our customer contact services of €2 million and payments for the restructuring of Spring Global Mail of €1 million. The total withdrawals of €45 million related to a total of 470 FTEs, of which 414 FTEs related to the Master Plan programmes and 56 FTEs related to other restructuring programmes.

The release of €17 million mainly related to the Master plan provision within operations, resulting from increased voluntary resignations and periodical reassessments of the expected cash costs.

The restructuring provisions are discounted against an average discount rate of 0.7% (2013: 1.2%) as they are expected to be utilised mainly during the period 2015-2017. The related interest charges of €1 million have been recorded as part of financial expenses.

Claims and indemnities

The provision for claims and indemnities includes provisions for claims from third parties with respect to PostNL's ordinary business activities, as well as indemnities and disputes related to the sale of PostNL's discontinued operations. More detailed information relating to these provisions is not provided, as such information could prejudice the company's position with respect to these claims and indemnities.

Other

Other provisions consist of anticipated contributions to the postal fund for unemployment, onerous contracts, dilapidation costs in relation to restructurings and guarantees provided to third parties. The withdrawals from the other provisions of €1 million related mainly to the settlement of onerous contracts within operations. The release from the other provisions of €2 million mainly results from the postal fund for unemployment.

3.6 Investments in joint ventures and associates

Investments in joint ventures and associates: 34 million (2013: 36)

Accounting policies

An associate is an entity over which PostNL has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint arrangement is an arrangement of which two or more parties have joint control. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. A joint venture often involves the establishment of a legal entity.

PostNL's share in the results of joint ventures and associates is included in the consolidated income statement using the equity method. The carrying value of PostNL's share in joint ventures and associates includes goodwill on acquisition and includes changes to reflect PostNL's share in net earnings of the respective companies, reduced by dividends received. When PostNL's share of accumulated losses in a joint venture or associate exceeds its interest in the company, the book value of the investment is reduced to zero and PostNL does not recognise further losses unless PostNL is bound by guarantees or other undertakings in relation to the joint venture or associate.

The following table presents the changes in the carrying value of the investments in joint ventures and associates.

Investments in joint ventures and associates

(in € millions)

	2014	2013
Balance at 31 December 2012		1,373
Effect of restatements		30
Balance at 1 January	36	1,403
Share in net result	(1)	38
Share in other comprehensive income/direct equity movements		(23)
Dividend received	(1)	(9)
Disposals		(507)
Impairment/book loss at disposal TNT Express		(368)
Disposal/transfer to available-for-sale financial assets TNT Express		(498)
Balance at 31 December	34	36

In 2014, the share in net result amounted to -€1 million (2013: 38) and the share in other comprehensive income and direct equity movements amounted to €0 million (2013: -23). In 2013, €35 million of the share in net result and €21 million of the share in other comprehensive income and direct equity movements related to TNT Express. In 2014, PostNL received a dividend of €1 million (2013: 9 of which €8 million from TNT Express).

Stake TNT Express 2013

Until December 2013, the stake in TNT Express was classified as an investment in associates accounted for using the equity method. Following the withdrawal of UPS' offer in January 2013, the share price of TNT Express declined from €8.43 on 31 December 2012 to €6.85 on 27 September 2013, resulting in an impairment charge of €263 million.

On 6 December 2013, PostNL sold part of its stake in TNT Express at a price of €6.20 per share, resulting in gross cash proceeds of €507 million. Following the disposal, the remaining 14.7% stake in TNT Express with a carrying value of €498 million (corresponding to a share price of €6.20) was transferred to available-for-sale financial assets. For further details, see note 4.2 to the consolidated financial statements.

The sales transaction resulted in a book loss of €106 million. The book loss on the total stake of 162,130,035 shares mainly consisted of the difference of €105 million between the carrying value of €1,110 million based on a share price of €6.85 and the value of €1,005 million based on the selling price of €6.20 per share. The remaining €1 million loss resulted from incurred expenses of €4 million, partly offset by the positive effect from the recycling of the currency translation and hedge reserve of the total stake in TNT Express of €3 million. In the income statement of 2013, the book loss of €106 million has been included as impairment of investments in associates.

The impairment of €263 million and book loss of €106 million totalled the impairment of investments in associates of €369 million reported in the 2013 income statement.

Other investments in joint ventures and associates

As at 31 December 2014, all other investments in joint ventures and associates amounted to €34 million (2013: 36). These investments mainly related to the 50% interest in Postkantoren B.V./Bruna B.V., a joint venture with ING Bank N.V. within Mail in the Netherlands, a 50% interest in HIM Holtzbrinck joint ventures and minority shareholdings in Germany within the segment International. All joint ventures are private companies and there is no quoted market price available for their shares.

The following table presents summarised financial information of the investments in joint ventures and associates.

Key data joint ventures and associates

(in € millions)

Year ended at 31 December	2014	2013
Non-current assets	47	42
Current assets	110	121
Total assets	157	163
Equity	63	64
Non-current liabilities	19	23
Current liabilities	75	76
Total equity and liabilities	157	163
Net sales	390	427
Operating income	1	13
Profit attributable to the shareholders	1	7
Net cash (used in)/from operating activities	(4)	(19)
Net cash (used in)/from investing activities	(6)	(1)
Net cash (used in)/from financing activities	5	14
Total change in cash	(5)	(6)

The company's share in the off-balance sheet commitments amounted to €20 million and mainly related to rent and operating lease contracts of €14 million, guarantees issued of €1 million and other commitments of €5 million.

3.7 Deferred income tax assets and liabilities

Deferred tax assets: 51 million (2013: 51) and deferred tax liabilities: 36 million (2013: 37)

Accounting policies

Deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised. Deferred tax assets and liabilities within the same tax group, where a legally enforceable right to offset exists, are presented net in the balance sheet.

The following table shows the movements in deferred tax assets in 2014:

Statement of changes deferred tax assets

(in € millions)

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2012	48	1	10	11	70
Changes via other comprehensive income	76				76
Changes via income statement	(101)		(2)	8	(95)
Deferred tax assets at 31 December 2013	23	1	8	19	51
Changes via other comprehensive income	15			(1)	14
Changes via income statement	(6)	(1)		(7)	(14)
Deferred tax assets at 31 December 2014	32	0	8	11	51

Of the deferred tax assets as at 31 December 2014, €3 million (2013: 19) is to be recovered within 12 months and €48 million (2013: 32) after 12 months. Deferred tax assets and liabilities are presented net in the balance sheet if PostNL has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

The total accumulated losses available for carry forward at 31 December 2014 amounted to €172 million (2013: 156). With these losses carried forward, future tax benefits of €51 million could be recognised (2013: 48). Tax deductible losses give rise to deferred tax assets at the statutory tax rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the realisation of such benefits, for example as a result of the expiration of tax losses carried forward and projected future taxable income. As a result PostNL has not recognised €43 million (2013: 40) of the potential future tax benefits and has recorded deferred tax assets of €8 million at the end of 2014 (2013: 8).

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

Expiration of accumulated losses for carry forward arrangements income tax

(in € millions)

2015	0
2016	1
2017	3
2018	3
2019 and thereafter	34
Indefinite	131
Total	172

The following table shows the movements in deferred tax liabilities in 2014:

Statement of changes deferred tax liabilities

(in € millions)

	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2012	40	1	41
Changes via other comprehensive income			
Changes via income statement	(3)	(1)	(4)
Deferred tax liabilities at 31 December 2013	37	0	37
Changes via other comprehensive income			
Changes via income statement	(1)		(1)
Deferred tax liabilities at 31 December 2014	36	0	36

Of the deferred tax liabilities at 31 December 2014, an amount of €1 million (2013: 0) is to be settled within 12 months and an amount of €35 million (2013: 37) after 12 months.

3.8 Assets classified as held for sale

Assets classified as held for sale: 193 million (2013: 194) and liabilities related to assets classified as held for sale: 132 million (2013: 130)

Accounting policies

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs of disposal. Assets held for sale are no longer amortised or depreciated from the date they are classified as such. Accounting for assets classified as held for sale requires the use of significant assumptions and estimates. In line with IFRS 5, management assessed compliance with these statements and the assumptions used in the fair value calculations as well as the estimated costs of disposal.

As at 31 December 2014, assets classified as held for sale amounted to €193 million (2013: 194). Of these, €18 million (2013:27) related to buildings held for sale in the Netherlands, €174 million (2013: 167) to Whistl in the UK and €1 million to a sorting machine held for sale. The liabilities related to assets classified as held for sale of €132 million (2013: 130) related to Whistl in the UK.

Whistl (formerly TNT Post UK)

In December 2013, PostNL reached an agreement with LDC to establish a joint venture, which will allow Whistl to roll out its end-to-end postal delivery service. The joint venture will provide the funding and expertise for the phased implementation of the end-to-end service, following successful trials in London and a recent extension to Manchester. Completion is subject to a number of conditions, including regulatory clearances and is currently expected in the first half of 2015.

At completion, PostNL will have a 40% stake in the joint venture. As a result, control will be lost. This resulted in the transfer of the assets and liabilities of Whistl to held for sale at the end of 2013. IFRS 5 'Assets held for sale' requires assets to be valued at the lower of their fair value less costs of disposal and their carrying value. The carrying value equals the net assets of Whistl in the consolidated financial statements. Fair value less costs of disposal is based on the agreement reached with LDC. In 2013, an impairment of €12 million was recorded to align the carrying value to fair value less costs of disposal, taking into account expected rebranding costs of €6 million.

In 2014, Whistl accounted for €797 million of revenue and €2 million of profit for the period. The major classes of assets and liabilities classified as held for sale related to Whistl are presented below.

Whistl

(in € millions)		input
At 31 December	**2014**	2013
Intangibles	**19**	13
Property, plant and equipment	**21**	13
Cash and cash equivalents	**20**	35
Other current assets	**114**	106
Total assets	**174**	167
Total non-current liabilities	**0**	0
Total current liabilities	**132**	130
Total liabilities	**132**	130

Property, plant and equipment

Property, plant and equipment included in assets held for sale decreased by €8 million from €27 million at 31 December 2013 to €19 million at 31 December 2014. In 2014, an amount of €4 million was transferred back from assets held for sale to property, plant and equipment relating to buildings that are no longer expected to be disposed of within one year and an amount of €1 million was transferred from plant and equipment to assets held for sale relating to a sorting machine. The book value of the buildings sold in 2014 amounted to €4 million, which wholly related to the sale of buildings in the Netherlands.
Next to that, we accounted for impairment charges of €1 million (2013: 1) related to real estate within Mail in the Netherlands.

3.9 Commitments and contingencies

Accounting policies

Commitments are probable obligations that arises from past events whose existence will only be confirmed by the occurrence (or non-occurrence) of one or more probable future events.

Contingencies are possible obligations (contingent liabilities) or possible assets (contingent assets) that arise from past events whose existence will only be confirmed by the occurrence (or non-occurrence) of one or more uncertain future events, not wholly within the control of the entity.

Off balance sheet commitments

(in € millions)		
At 31 December	**2014**	2013
Rent and operating lease	**186**	221
Capital expenditure	**23**	54
Purchase commitments	**33**	24

As at 31 December 2014, €125 million of the commitments indicated above are of a short-term nature (2013: 129).

Rent and operational lease contracts

In 2014, operational lease expenses (including rental) in the consolidated income statement amounted to €105 million (2013: 118). There were no significant individual lease contracts as at 31 December 2014.

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

Repayment schedule rent/operational leases

(in € millions)

At 31 December	2014	2013
Less than 1 year	71	74
Between 1 and 2 years	47	57
Between 2 and 3 years	27	32
Between 3 and 4 years	17	19
Between 4 and 5 years	10	14
Thereafter	14	25
Total	186	221
of which guaranteed by a third party/customers	5	5

Capital expenditure

As at 31 December 2014, commitments in connection with capital expenditure amounted to €23 million (2013: 54) and are related to property, plant and equipment. These commitments primarily relate to projects within the operations of Mail in the Netherlands (sorting machines) and the New Logistics Infrastructure of Parcels.

Purchase commitments

As at 31 December 2014, PostNL had unconditional purchase commitments of €33 million (2013: 24), primarily related to various service and maintenance contracts. These service and maintenance contracts are primarily for information technology, security, salary registration and cleaning.

Commitments for pension top-up invoices

As at 31 December 2014, no unconditional commitments relating to pension deficits existed (2013: 0).

Contingent tax liabilities

Multinational groups of the size of PostNL are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. PostNL accounts for its income taxes on the basis of its own internal analyses, supported by external advice. PostNL continually monitors its global tax position, and whenever uncertainties arise, assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

Guarantees

As at 31 December 2014, PostNL, on behalf of its subsidiaries, had various parental and bank guarantees outstanding. However, none (2013: 0) resulted in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following their ordinary course of business.

Contingent legal liabilities

The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, subcontracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. PostNL does not expect any liability arising from any of these legal proceedings to have a material effect on its operational results, liquidity, capital resources or financial position. The company believes it has provided for all probable liabilities deriving from the normal course of business.

3.10 Segment information

Accounting policies

PostNL reports three operating segments: Mail in the Netherlands, Parcels and International. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the Board of Management of PostNL that makes strategic decisions.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below. Segment information relating to the income statement is reported in note 2.5.

Segmentation - balance sheet and capital expenditures 2014

(in € millions)

At 31 December 2014	Mail in NL	Parcels	International	PostNL Other	**Total**
Intangible assets	71	23	28	8	**130**
Property, plant and equipment	240	205	20	54	**519**
Trade accounts receivable	162	47	141	5	**355**
Other current assets	104	27	133	478	**742**
Total assets	638	303	526	1,010	**2,477**
Trade accounts payable	47	28	47	29	**151**
Other current liabilities	549	75	106	477	**1,207**
Total liabilities	966	172	301	1,628	**3,067**
Cash out for capital expenditures	34	36	17	7	**94**

PostNL's stake in TNT Express is included in segment PostNL Other.

As at 31 December 2014, the total assets of PostNL Other of €1,010 million (2013: 1,116) mainly included assets related to the stake in TNT Express amounting to €445 million (2013: 542). The total assets of International included assets held for sale of €174 million (2013: 167). Refer to note 3.8 to the consolidated financial statements.

The segmented balance sheet information as at 31 December 2013 was as follows:

Segmentation - balance sheet and capital expenditures 2013

(in € millions)

At 31 December 2013	Mail in NL	Parcels	International	PostNL Other	Total
Intangible assets	73	20	30	7	130
Property, plant and equipment	251	194	20	71	536
Trade accounts receivable	184	36	136	5	361
Other current assets	52	13	72	453	590
Total assets	619	263	451	1,116	2,449
Trade accounts payable	67	22	40	24	153
Other current liabilities	565	71	98	150	884
Total liabilities	1,016	154	287	1,678	3,135
Cash out for capital expenditures	19	74	14	8	115

PostNL's stake in TNT Express is included in segment PostNL Other.

Segment assets and investments are allocated to the location of the assets.

Geographical segmentation - assets

(in € millions)

At 31 December		2014			2013	
	Intangible assets	Property, plant and equipment	Financial fixed assets	Intangible assets	Property, plant and equipment	Financial fixed assets
The Netherlands	102	500	508	101	515	609
United Kingdom						
Italy	4	6	7	5	5	7
Germany	24	11	21	24	13	20
Rest of Europe		2	2		3	2
Europe	130	519	538	130	536	638
Rest of the World						
Total	130	519	538	130	536	638

Section 4: Capital structure and financing costs

In this section...

This section sets out the Group's capital structure and related financing costs.

We start by exploring our net debt position, the Group's key measure used to evaluate total cash resources net of the current outstanding debt. Monetisation of our stake in TNT Express, accounted for as available-for-sale financial asset, serves the purpose of further debt reductions.

We next disclose how the Group manages its financial risks. PostNL's activities expose the company to a variety of financial risks, such as market risks, credit risk and liquidity risk. PostNL's overall risk management programme focuses on mitigating these risks, which arise in the normal course of business. We continue with a summary of the Group's financial instruments.

We conclude this section with the disclosure of our equity structure, the individual components therein and an analysis of the movements during the year.

Accounting policies

PostNL classifies financial assets and liabilities into the following categories:

- financial assets and financial liabilities at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments,
- available-for-sale financial assets,
- financial liabilities measured at amortised cost.

The classification depends on the purpose for which the financial asset or liability was acquired. Management determines the classification of PostNL's financial assets and liabilities at initial recognition.

Financial assets and financial liabilities at fair value through profit or loss include derivatives and other assets and liabilities that are designated as such upon initial recognition.

Measurement at fair value requires disclosure of how this measurement has been determined in relation to the following fair value measurement hierarchy:

a. quoted prices (unadjusted) in active markets,
b. inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from quoted prices), and
c. inputs not based on observable market data.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities at fair value through profit or loss are initially recorded at fair value net of transaction costs incurred and subsequently re-measured at fair value on the balance sheet. PostNL designates certain derivatives as:

- hedges of the fair value of recognised assets and liabilities of a firm commitment (fair value hedge),
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge), or
- hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction, PostNL documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If a derivative is designated as a cash flow hedge or net investment hedge, changes in its fair value are considered to be effective and recorded in a separate component in equity until the hedged item is recorded in income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time remain in equity until the underlying transaction is ultimately recognised in the income statement. When a underlying transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

Unrealised gains and losses arising from changes in the fair value of financial assets and financial liabilities at fair value through profit and loss are directly recorded in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which PostNL has no intention of trading. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables are included in trade and other receivables in the balance sheet, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities which PostNL has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months as from the balance sheet date. Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as a gain or a loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), PostNL establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

PostNL assesses on each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity instruments recognised in the income statement are not reversed through equity.

Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

4.1 Net debt

Cash and cash equivalents: 585 million (2013: 451)

Accounting policies

Cash and cash equivalents are valued at fair value. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents. Bank overdrafts are not netted off from cash and cash equivalents.

As at 31 December 2014, cash and cash equivalents comprised cash at bank and in hand of €165 million (2013: 61), short-term bank deposits of €170 million (2013: 240), cash placed into money market funds of €200 million (2013: 100) and cash placed on an on-call deposit account of €50 million (2013: 50).

The effective interest rate on cash placed was 0.03% (2013: 0.01%) and the average outstanding amount was €214 million (2013: 115). The individual deposits had an average maturity of 1.5 days (2013: 1.4). The effective interest rate on the money market funds was 0.07% and the average outstanding amount was €155 million (2013: 89). The effective interest rate on the on-call deposit account was 0.18% and the average outstanding amount was €50 million (2013: 68).

As at 31 December 2014, included in cash and cash equivalents was €0 million (2013: 0) of restricted cash. The fair value of cash and cash equivalents approximated the carrying value.

Long-term debt: 912 million (2013: 1,260)

Carrying amount and fair value

(in € millions)

At 31 December	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds	907	1,051	1,224	1,374
Financial leases			1	1
Derivatives	5	5	35	35
Total long-term debt	912	1,056	1,260	1,410

The fair value of long-term interest-bearing debt, net of its current portion, has been determined by calculating the discounted value of the future cash flows (redemption and interest) using the interbank zero coupon curve, adjusted for the basis swap spread. The carrying amounts of the current portion of long-term debt approximated their fair value.

The decrease in long term-debt mainly relates to reclassification of the 3.875% Eurobond 2015 which is reclassified to short term interest bearing debt.

The long-term eurobonds with a carrying amount of €907 million include £314 million of British pound denominated eurobonds. The related foreign exchange risk is covered by cross-currency swaps. The derivatives of €5 million consist of the fair value valuations of the £225/€284 million, £89/€112 million and £13/€16 million cross-currency swaps.

Short-term debt: 363 million (2013: 21)

As at 31 December 2014, short-term debt consisted of the current portion of outstanding eurobonds of €348 million (2013: 0), a short-term loan to the joint venture Postkantoren B.V. of €14 million (2013: 14) and short-term bank overdrafts of €1 million (2013: 0). As at 31 December 2013, short-term debt included the current portion of outstanding finance lease liabilities of €1 million and the current portion of long-term loans of €6 million.

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

Total borrowings

(in € millions)

	Eurobonds	Other loans	Derivatives	Total
2015	348	15		363
2016				0
2017	506		5	511
2018	401			401
Total borrowings	1,255	15	5	1,275
of which included in long-term debt	907		5	912
of which included in short-term debt	348	15		363

For the underlying details of the financial instruments, see notes 4.3 and 4.4 to the consolidated financial statements.

4.2 Available-for-sale financial assets

Available-for-sale financial assets: 445 million (2013: 542)

Stake TNT Express In 2013, following the sale of 15% of the shareholding in TNT Express on 6 December 2013, the remaining 14.7% stake in TNT Express was transferred from investments in associates to available-for-sale financial assets for an amount of €498 million (see note 3.6 to the consolidated financial statements). In accordance with IAS 39, the 14.7% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income. During 2014, the share price of TNT Express declined from €6.75 on 31 December 2013 to €5.54 on 31 December 2014, resulting in a loss in other comprehensive income of €97 million. The fair value as at 31 December 2014 amounts to €445 million and has been determined by multiplying the closing share price of €5.54 on 31 December 2014 by 80,386,421, the total number of issued ordinary shares held by PostNL.

4.3 Financial risk management

PostNL's activities expose the company to a variety of financial risks, such as interest rate risk, foreign currency exchange risk, credit risk and liquidity risk. All these risks arise in the normal course of business and PostNL therefore uses various techniques and financial derivatives to mitigate them.

The following analyses provide quantitative information regarding PostNL's exposure to the financial risks described above. There are certain limitations and simplifications inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. At the same time, for example, the impact of changes in interest on foreign exchange exposures and vice versa is ignored. In addition, the analyses are unable to reflect the complex market reactions that would normally arise from the market shifts assumed.

PostNL uses derivative financial instruments solely for the purpose of hedging currency and interest exposures. The company enters into contracts related to derivative financial instruments for periods commensurate with its underlying exposures and does not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

financial risk management is carried out by Group Treasury under policies approved by the Board of Management. Group Treasury identifies, evaluates and hedges financial risks and exposures in close cooperation with operating units. The Board of Management provides written principles for overall risk management, as well as written policies covering the financial risks. Periodic reporting on financial risks is embedded in the overall risk framework and is provided to the Board of Management in a structural way.

Interest rate risk

PostNL identifies interest rate risk associated with its financial assets and borrowings.

Borrowings issued at floating interest rates expose the company to the risk of increasing interest costs (cash flow interest risk). These floating interest rates may fluctuate substantially and could have an adverse effect on PostNL's financial results in any given reporting period. Due to the minor size of floating interest borrowings in the total structure of PostNL's borrowings, this effect is considered virtually negligible.

Borrowings issued at fixed rates expose the company to the risk of incurring high interest costs should interest rates fall in future (fair value interest risk). PostNL's financial assets are on average of such a short-term nature that they bear no significant fair value interest risk, but do cause cash flow interest rate risks. As at 31 December 2014, PostNL's gross interest-bearing borrowings, including finance lease obligations, totalled €1,275 million (2013: 1,281), of which €1,275 million (2013: 1,281) was at fixed interest rates.

At 31 December 2014, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant, the profit before income tax would have been €6 million higher (2013: 5). As virtually all debts are at fixed rates, the increase in the rate will not affect the cost base. The potential profit increase is entirely attributable to interest income on the cash and cash equivalents. Equity would be affected by €5 million (2013: 0), due to the change in the interest curve projection applied for the calculation of the fair value of the £225/€284 million, £89/€112 million and £13/€16 cross-currency swaps, as well as the €6 million (2013: 5) impact on profit before income taxes (see also note 4.4 to the consolidated financial statements).

Foreign currency exchange risk

PostNL has international operations that generate foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than functional currencies of the respective business units of PostNL, irrespective of whether it is the euro (PostNL's functional and reporting currency) or another functional currency.

The main currencies of PostNL's external hedges are the British pound and US dollar, of which the 2014 exchange rates to euro are shown below:

Exchange rates main foreign currency

(in €)

	Year opening	Year end closing	Annual Average
British pound	0.83370	0.77890	0.80329
US dollar	1.37910	1.21410	1.32580

1. Source year opening: European Central Bank, reference rate on the first day of the year.

2. Source year end closing: European Central Bank, reference rate on the last day of the year.

3. The annual average is calculated as the 12-months' average of the month-end-closing rates of the European Central Bank.

Management has set a policy requiring Group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with Group Treasury, whereby a financing company operated by Group Treasury trades these foreign exchange derivatives with external banks. As at 31 December 2014, PostNL had no net investment hedges outstanding. Significant acquisitions and local debt are usually funded in the currency of the underlying assets.

As at 31 December 2014, if the euro had weakened 10% against both the British pound and the US dollar with all other variables held constant, the profit before income taxes on the foreign exchange exposure on financial instruments would have been €0 million lower (2013: 0). In 2014, the net income sensitivity to movements in euro/pound sterling and euro/US dollar exchange rates compared to 2013 did not change. Equity would have been impacted by €7 million (2013: 9), all related to the move in hedge reserve.

Credit risk

Credit risk represents the potential losses that the company would incur if counterparties with whom PostNL enters into financial transactions are unable to fulfil the terms of those agreements. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions as well as credit exposures relating to customers. The company attempts to minimise, within its approved investment framework, its credit risk exposure by only transacting with financial institutions, ensuring established credit guidelines are met and by managing its customer portfolio.

On the reporting date, there was no significant concentration of credit risk across the customer portfolio. The top 10 trade accounts receivable accounted for 14% of outstanding trade receivables as at 31 December 2014. Within Italy, €24 million of the total trade accounts receivable related to Riscossione Sicilia, an Italian tax collection agency for Sicily. Management expects the receivable to be fully recoverable within two years.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, PostNL attempts to maintain flexibility in funding by keeping committed credit lines available. A downgrade in PostNL's credit rating may negatively affect its ability to obtain funds from financial institutions and banks and increase its financing costs by increasing the interest rates on its outstanding debt or the interest rates at which the company is able to refinance existing debt or incur new debt.

Group Treasury matches and manages the intragroup and external financial exposures. Although the company generally enters into hedging arrangements and other contracts to reduce its exposures, these measures may be inadequate or may subject the company to increased operating or financing costs.

The PostNL Group has the following undrawn revolving credit facility (committed) with end term 1 June 2016:

Undrawn committed credit facilities

(in € millions)

At 31 December	**2014**	2013
Multicurrency Revolving Credit Facilities	**570**	570

The following table analyses PostNL's financial liabilities, categorising them into relevant maturity groupings based on the remaining period on the balance sheet to the contractual maturity date. The outgoing flows disclosed in the table are the contractual undiscounted cash flows that contain the redemptions and interest payments.

Maturity liquidity risks

(in € millions)

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Eurobonds	418	619	424		1,255
Other loans	15				15
Financial leases					
Interest rate and cross-currency swaps - outgoing	45	57	424		5
Foreign exchange contracts - outgoing	50				
Trade accounts payable	151				151
Other current liabilities	82				82
Total outgoing flows	761	676	848		1,508
Interest rate and cross-currency swaps - incoming	45	57	424		
Foreign exchange contracts - incoming	50				
Total mitigation on incoming flows	95	57	424		
Total liquidity risk 2014	666	619	424	0	1,508
Eurobonds	69	466	891		1,224
Other loans	20				20
Financial leases	1	1			2
Interest rate and cross-currency swaps - outgoing	28	40	453		35
Foreign exchange contracts - outgoing	19				
Trade accounts payable	153				153
Other current liabilities	78				78
Total outgoing flows	368	507	1,344		1,512
Interest rate and cross-currency swaps - incoming	28	40	453		
Foreign exchange contracts - incoming	19				
Total mitigation on incoming flows	47	40	453		
Total liquidity risk 2013	321	467	891	0	1,512

Capital structure management

PostNL's capital structure is managed along the following components:

- an investment grade credit rating targeted at BBB+/Baa1;
- availability of €400-€500 million of undrawn revolving credit facilities;
- structured funding through a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest;
- cash-pooling systems facilitating optimised cash requirements for the Group;
- tax-optimal internal and external funding focused on optimising the cost of capital for the Group, within long-term sustainable boundaries.

A downgrade in PostNL's credit rating may negatively affect its ability to obtain funds from financial institutions, retail investors and banks and increase its financing costs by increasing the interest rates of its outstanding debt or the interest rates at which the company is able to refinance existing debt or incur new debt. This could affect PostNL's returns for shareholders and benefits for other stakeholders.

The terms and conditions of PostNL's material long-term and short-term debts, as well as its material drawn or undrawn committed credit facilities do not include any financial covenants. There are no obligations to accelerate repayments of these material debts and committed facilities in the event of a credit rating downgrade. The debt and credit facility instruments vary on a case-by-case basis and mostly contain customary clauses as are generally observed in the market, such as negative pledge conditions, restrictions on the sale/the use of the proceeds of the sale of assets or businesses and, in most cases, change of control clauses.

4.4 Financial instruments

Summary financial instruments

In line with IAS 39 and IFRS 13, the following categories of financial assets and financial liabilities can be distinguished.

Financial instruments - assets

(in € millions)

At 31 December	Notes	Input information level (IFRS13)	Loans and receivables	Financial assets at fair value through profit and loss	Held to maturity investments	Available for sale	Total
Other loans receivable		level 2 (*)	8				8
Other financial fixed assets		level 1				445	445
Accounts receivable	3.1.2	level 2 (*)	389				389
Cash and cash equivalents	4.1		585				585
Total assets as per balance sheet 2014			1,098	0	0	445	1,543
Other loans receivable		level 2 (*)	9				9
Other financial fixed assets		level 1				542	542
Accounts receivable	3.1.2	level 2 (*)	390				390
Cash and cash equivalents	4.1		451				451
Total assets as per balance sheet 2013			954	0	0	542	1,496

There were no movements between fair value levels.

(*) We consider the fair value equal to the book value as these items will be settled within short term.

Financial instruments - liabilities

(in € millions)

At 31 December	Notes	Input information level (IFRS13)	Financial liabilities measured at amortised costs	Derivatives used for hedging	Other financial liabilities	Total
Long-term debt	*4.1*	level 1&2	907	5		**912**
Trade accounts payable		level 2 (*)	151			**151**
Other current liabilities	*3.1.4*	level 2 (*)	445			**445**
Total liabilities as per balance sheet 2014			1,503	5	0	**1,508**
Long-term debt	*4.1*	level 1&2	1,225	35		**1,260**
Trade accounts payable		level 2 (*)	153			**153**
Other current liabilities	*3.1.4*	level 2 (*)	99			**99**
Total liabilities as per balance sheet 2013			1,477	35	0	**1,512**

There were no movements between fair value levels.

(*) We consider the fair value equal to the book value as these items will be settled within short term.

The fair value of financial instruments is based on foreign exchange and interest rate market prices, if applicable. PostNL uses commonly-practised fair value valuation methods for its derivatives. The valuations represent a best approximation of the trading value of these derivatives at their valuation moment. The derivatives within the financial instruments are thereby grouped within level two of the fair value measurement hierarchy. The credit risk adjustments (counterparty or own) are made in accordance with IFRS 13.

Eurobonds

As at 31 December 2014 all the outstanding eurobonds are measured at amortised cost of €1,255 million (2013: 1,224). This represents the outstanding nominal value, corrected for the costs of issuance under par ('at a discount') that are still to be amortised. The book value is equal to the amortised cost value. The foreign exchange exposure on the £314 million eurobond is hedged via the £225/€284 million and the £89/€112 million cross-currency swaps (see 'Derivatives').

On 17 December 2013, PostNL completed the partial repurchase of the outstanding eurobonds. To fund the bond buy-back transaction, PostNL used proceeds received from the sale of 15% of the shareholding in TNT Express.

For the outstanding eurobonds, see the table below.

Outstanding eurobonds

(in € millions)

At 31 December	Nominal value	Costs/discount to be amortised	Hedge accounting	Carrying value	Fair value
3.875% eurobond 2015	349	1	No	348	354
5.375% eurobond 2017	508	2	No	506	575
7.500% eurobond 2018 (£314 million)	396	1	Yes	401	476
Total outstanding eurobonds 2014	1,253	4		1,255	1,405
3.875% eurobond 2015	349	5	No	344	363
5.375% eurobond 2017	508	3	No	505	571
7.500% eurobond 2018 (£314 million)	396	2	Yes	375	440
Total outstanding eurobonds 2013	1,253	10		1,224	1,374

Financial leases

Total debt on financial leases mainly consists of financial lease contracts on plant and equipment. For the total outstanding financial leases, see the following table.

Outstanding financial leases

(in € millions)

At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Total outstanding financial leases 2014	0	fixed	No	0	0
Total outstanding financial leases 2013	2	fixed	No	2	2

Derivatives

Cross-currency swaps

As at 31 December 2014, PostNL had £225/€284 million and £89/€112 million cross-currency swaps to hedge the £314 million eurobond and a £13/€16 million cross-currency swap to hedge foreign exchange exposure on the £13 million loan provided to a Group company. These swaps act as the hedge on the cash flow currency risk.

Since all prior forward starting swaps have been designated as cash flow hedges, the market value movements of the effective portion of the hedges were included in equity at the moment these swaps were unwound. These market value movements will remain in the hedge reserve and will be straight-line amortised to the income statement until 2015. In 2014, net financial expense included an amortisation of €2 million from the hedge reserve.

In 2014, the total ineffective portion recognised in the income statement that arises from the use of fair value hedges amounted to €0 million (2013: 0). The total ineffective portion that arises from the use of cash flow hedges amounted to €0 million (2013: 2). The inefficiency was caused by credit valuation adjustments of €0 million (2013: -2) to the fair value of outstanding cross-currency swaps to comply with IFRS 13 provisions.

For the outstanding cross-currency swaps, see the table below.

Outstanding swaps

(in € millions)

At 31 december	Nominal value	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value
Total cross-currency swaps 2014	412	No	GBP/EUR	Yes	float	fixed	cash flow	5
Total cross-currency swaps 2013	412	No	GBP/EUR	Yes	float	fixed	cash flow	35

The fair value of the outstanding long-term cross-currency swaps is recorded as a long-term asset in 'financial fixed assets' or as a liability in 'long-term debt' and includes credit valuation adjustments made to comply with IFRS 13. The value of the sterling/euro cross-currency swaps mainly relates to movements in the sterling/euro exchange rate and offsets the movement in the carrying value of the £314 million eurobond and £13 million intercompany loan. However, credit valuation adjustments to comply with IFRS 13 do not relate to the sterling/euro exchange rate. Such valuation adjustments will represent the 'ineffective' part of the hedge relationship.

Foreign currency exchange contracts

PostNL has entered into short-term foreign currency exchange derivatives to hedge foreign exchange fair value and cash flow risks. The fair value of these outstanding foreign exchange hedges is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'total current borrowings' and includes credit valuation adjustments made to comply with IFRS 13.

The foreign exchange results on the outstanding fair value hedges are recorded in the income statement and offset the foreign exchange results of the underlying balance sheet items. Credit valuation adjustments for the purpose of IFRS 13 will represent the 'ineffective' part of the hedge relationship and will impact the income statement. The IFRS 13 credit valuation adjustments for foreign exchange contracts made in 2014 amounted to €0 million (2013: 0).

The cash flow hedges on highly probable transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve within equity on the effective portion of the forward exchange contracts as at 31 December 2014 amounted to €0 million (2013: 0). These reserves are recognised in the income statement in the period or periods during which the hedged transaction affects the income statement. The IFRS 13 credit valuation adjustments for such cash flow hedges will represent the 'ineffective' part of the hedge relationship. The IFRS 13 credit valuation adjustments for foreign exchange contracts made in 2014 amounted to €0 million (2013: 0).

For the outstanding foreign exchange contracts, see the table below.

Outstanding foreign exchange contracts

(in € millions)

At 31 december	*Notes*	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Asset	*3.1.3*	1	1	39	fair value	No
Liability	*3.1.5*	0	0	11	fair value	No
Foreign exchange contracts 2014						
Asset	*3.1.3*	0	0	19	fair value	No
Liability	*3.1.5*	0	0	19	fair value	No
Foreign exchange contracts 2013						

4.5 Equity

Issued share capital €35 million (2013: 35) and Additional paid-in capital €150 million (2013: 147)

Accounting policies

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases PostNL's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity.

Authorised share capital
Since 4 August 2011, the company's authorised share capital has amounted to €120 million, divided into 750,000,000 ordinary shares and 750,000,000 preference shares B, both of €0.08 nominal value each.

Form of shares
The ordinary shares are in bearer or registered form. Ordinary shares in bearer form are represented by a global note held by the Dutch clearing system Euroclear Netherlands and are transferable through Euroclear Netherlands' book entry system. ADRs represent ordinary shares in bearer form represented by the note held by Euroclear Netherlands. Ordinary shares in registered form are transferred by means of a deed of transfer and PostNL's written acknowledgement of the transfer.

PostNL does not have share certificates for ordinary shares represented by the global note. The preference shares B are in registered form.

Issued share capital
As at 31 December 2014, the company's issued share capital amounted to €35 million (2013: 35).The number of authorised, issued and outstanding shares by class of share is as follows:

Shares

Before proposed appropriation of profit	2014	2013
Authorised by class		
Ordinary shares	750,000,000	750,000,000
Preference shares B	750,000,000	750,000,000
Total authorised	1,500,000,000	1,500,000,000
Issued and outstanding		
Per 1 January of the reported year	439,973,297	439,973,297
Issued under its incentive schemes	947,504	0
Per 31 December of the reported year	440,920,801	439,973,297
Issued and outstanding per 31 December by class		
Ordinary shares	440,920,801	439,973,297
of which held by the company to cover share plans	0	0
of which a foundation incorporated by the company only holds the legal title	1,227,902	922,033
Preference shares B	0	0

Issuance/repurchase of shares to cover share plans

For all equity-settled and cash-settled share plans, PostNL intends to perform the settlement (or in case of cash-settled plans, fund the settlement) by issuing new shares. As a result, the company issued 947.504 ordinary shares in 2014 (2013: 0) under its incentive schemes to *Stichting Managementparticipatie PostNL* (Foundation Management Participation PostNL).The company did not purchase any ordinary shares in 2014 (2013: 0) to cover its obligations under the existing share plans. As at 31 December 2014, the total number of shares held for this purpose was nil (2013: 0).

PostNL shares held by the company are not entitled to receive dividends and have no voting rights. The company held no ordinary shares for cancellation as at 31 December 2014 (2013: 0).

Incentive scheme and Foundation Management Participation PostNL

For administration and compliance purposes, until May 2013 PostNL had an omnibus securities account with UBS Bank, Geneva, Switzerland, holding the shares belonging to its employees under its incentive schemes. In May 2013, for compliance purposes, PostNL incorporated Stichting Managementparticipatie PostNL (Foundation Management Participation PostNL), and transferred all the shares held to the omnibus securities account of Foundation Management Participation PostNL with UBS Bank, Geneva, Switzerland. Foundation Management Participation PostNL legally owns the shares, while the beneficial ownership of the shares is vested in the employees, who are also entitled to dividend received by Foundation Management Participation PostNL on their behalf. As at 31 December 2014, the number of PostNL shares involved amounted to 1,227,902 shares with a nominal value of €0.08 per share.

Foundation Continuity PostNL and preference shares B

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

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

PostNL and Foundation Continuity PostNL have entered into a call option agreement, which enables Foundation Continuity PostNL to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Continuity PostNL. The call option agreement is meant as a preventive countermeasure against influences that might threaten the continuity, independence and identity of the company.

Preference shares B will be outstanding no longer than is strictly necessary. There are currently no preference shares B issued.

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

Six months after the issuance of preference shares B, Foundation Continuity PostNL may require PostNL to convene a General Meeting of Shareholders to discuss cancellation of these shares. However, if within these six months Foundation Continuity PostNL should receive a demand for repayment under the credit facilities referred to above, it may also require PostNL to convene a General Meeting of Shareholders. In accordance with PostNL's current articles of association, a General Meeting of Shareholders must be convened no more than 12 months after the first date of issuance of any preference shares B to Foundation Continuity PostNL for the first time. The agenda for that meeting shall include a resolution relating to the repurchase and/or cancellation of the preference shares B.

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

The members of the board of the Foundation are R. Pieterse (chairman), J.H.M. Lindenbergh, W. van Vonno and M.P. Nieuwe Weme. All members of the board of the Foundation are independent from PostNL. This means that the Foundation is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act (Wet op het financieel toezicht).

Additional paid-in capital

As at 31 December 2014, additional paid-in capital of €150 million (2013: 147) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company.

Section 5: Other notes

In this section...

This section includes the notes not explained elsewhere in the financial statements. We disclose the following items in the following order:

- The components of the remuneration of the Supervisory Board, Board of Management and Senior Management.
- The related party transactions and balances from trading relationships with joint ventures and unconsolidated companies in which PostNL holds minority stakes.
- Business combinations.
- A summary of all remaining accounting polices.

We conclude this section with a description of subsequent events, where we provide information received between 31 December 2014 and the date of this report about material events applicable for understanding our year-end position.

5.1 Remuneration of Supervisory Board, Board of Management and Senior Management

Accounting policies

Equity-settled share-based compensation plans

As from 2013, PostNL operates a number of equity-settled share-based compensation plans, under which the employees receive (conditional) shares of the Group for services rendered. The fair value of the employee services received, as measured at the grant date, in exchange for the grant of the shares is recognised as an expense.

Non-market performance and service conditions are included in assumptions about the number of (conditional) shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. In addition, for some share-based compensation plans, employees provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense between service commencement date and grant date. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Cash-settled share-based compensation plans

PostNL operates a number of cash-settled share-based compensation plans. These involve a cash payment to employees for amounts that are based on the price of PostNL's shares and which is equal to the gain that would have been made by exercising the notional options and immediately selling the shares in the market. The corresponding liability for the cash-settled plans is measured, initially and at each reporting date until settled, at the fair value of the rights, taking into account the terms and conditions upon which the rights were granted and the extent to which the employees have rendered service to date. Any changes in fair value are recognised in the income statement. Non-market performance and service conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, PostNL revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to liabilities.

Remuneration of members of the Supervisory Board
For the year 2014, the remuneration cost of the current and former members of the Supervisory Board amounted to €376,500 (2013: 395,000) as shown in the below table.

Remuneration Supervisory Board

(in €)

	Base compensation	Meeting fees	**Total remuneration**
Mr P. C. Klaver	55,000	10,500	**65,500**
Mr J. Wallage	40,000	10,500	**50,500**
Mr M.A.M. Boersma	40,000	11,500	**51,500**
Mr J.W.M. Engel	40,000	8,500	**48,500**
Ms A.M. Jongerius	40,000	10,500	**50,500**
Ms T. Menssen	40,000	16,500	**56,500**
Mr F.H. Rövekamp	40,000	13,500	**53,500**
Total current members	295,000	81,500	**376,500**
Total 2014	295,000	81,500	**376,500**
Total 2013	295,000	100,000	**395,000**

Payments of meeting fees relating to number of Supervisory Board committee meetings attended and number of meetings held.

No loans, advance payments, guarantees, options or shares were granted to members of the Supervisory Board in 2014 (2013: nil). None of the members of the Supervisory Board accrued any pension rights with the company.

Remuneration of members of the Board of Management
In 2014, the total remuneration of the Board of Management consisted of:

- base salary,
- variable remuneration,
- other periodic compensation, and
- pension costs.

The total 2014 remuneration of the Board of Management, including pension, social security contributions and other costs, amounted to €2,696,624.

Remuneration Board of Management 2014

	Fixed remuneration	Variable remuneration					
	Base salary	Accrued for short-term incentive 2014	Accrued for long-term incentive 2014	Accrued for temporary transition plan	Other periodic compensation	Pension costs	**Total 2014**
Herna Verhagen	625,000	234,375	114,095	234,375	113,536	212,995	**1,534,376**
Jan Bos	475,000	178,125	88,138	178,125	74,682	168,178	**1,162,248**
Total remuneration	1,100,000	412,500	202,233	412,500	188,218	381,173	**2,696,624**

1. The long-term incentive for Mr. Bos of €88,138 includes an amount of €1,426 related to the share-based payments costs under the one-off Investment/Matching plan.

2. Other periodic compensation included company costs related to tax and social security, company car and other compensation.

In 2013, the total remuneration of the Board of Management, including pension, social security contributions and other costs, amounted to €2,618,031.

Remuneration Board of Management 2013

	Fixed remuneration	Variable remuneration					
	Base salary	Accrued for short-term incentive 2013	Accrued for long-term incentive 2013	Accrued for temporary transition plan	Other periodic compensation	Pension costs	Total 2013
Herna Verhagen	625,000	234,375	44,504	234,375	157,509	207,104	1,502,867
Jan Bos	475,000	178,125	41,432	178,125	100,327	142,155	1,115,164
Total remuneration	1,100,000	412,500	85,936	412,500	257,836	349,259	2,618,031

1. The long-term incentive for Mr. Bos of €41,432 includes an amount of €7,609 related to the share-based payments costs under the one-off Investment/Matching plan.

2. Other periodic compensation included company costs related to tax and social security, company car and other costs. It also included a total of €127,857 crisis tax ('crisisheffing') charged on salaries above €150,000 in 2013 for the members of the Board of Management.

Base salary

As adopted at the 2013 Annual General Meeting of Shareholders on 16 April 2013, the annual base salaries for members of the Board of Management were set at €625,000 for Ms Verhagen, CEO, and €475,000 for Mr Bos, CFO. The base salaries are in line with the remuneration policy 2013.

Accrued for short-term incentive

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

PostNL accounts for the short-term incentive payments on the basis of the accrued short-term incentive for the performance of the year reported. In 2014, an amount of €412,500 relating to the 2014 short-term incentive of the Board of Management was accrued for. In accordance with the remuneration policy, this amount will be paid in cash in 2015.

In 2014, an amount of €412,500 was paid to the members of the Board of Management in relation to the short-term incentive of 2013.

Accrued for long-term incentive

The total share-based payment costs relating to the long-term incentive for the members of the Board of Management amounted to €202,233 (2013: 85,936), which related to the performance share plan and to the one-off investment/matching plan as shown below.

Performance share plan

As of 2013, the Board of Management is awarded a long-term incentive. The long-term incentive represents a potential reward of 37.5% of the annual base salary in the form of a performance share plan that contains long-term (three-year), (internal) targets.

The performance share plan contains the following characteristics:

- it is a conditional equity-settled share plan based on three-year internal targets,
- shares are conditionally allocated to the Board of Management from 2013 onwards,
- a conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares,
- the conditional shares and their conditional dividend equivalents will vest after a performance period of three years,
- vesting is subject to the extent to which the long-term targets have been achieved,
- if a member of the Board of Management leaves the company during the performance period due to circumstances involving fraud or gross misbehaviour, any accrued rights on the long-term incentive plan are void, and
- if a member of the Board of Management leaves the company due to other reasons, a pro rata performance and time-based vesting applies.

In compliance with the Dutch Corporate Governance Code, the members of the Board of Management may not sell their PostNL shares for another period of two years (on top of the three-year performance period) from the date of vesting or the end of their employment, although any sale of shares for the purpose of using the proceeds to pay for the tax due at vesting of these shares is exempted. For compliance reasons, a sale of shares may not occur earlier than six months after termination of the employment agreement.

Performance share plan Board of Management

	Year	Number outstanding 1 Jan 2014	Granted during 2014	Settled during 2014	Forfeited during 2014	**Number outstanding 31 Dec 2014**
Herna Verhagen	2013	134,405				**134,405**
	2014		75,168			**75,168**
Jan Bos	2013	102,148				**102,148**
	2014		57,128			**57,128**
Total		236,553	132,296	0	0	**368,849**

The number of conditional shares is based on 37.5% of the annual base salary divided by the five-day average NYSE Euronext Amsterdam share price of PostNL prior to grant date (€3.118).

In 2014, an amount of €200,807 (2013: 78,327) was expensed for the cost of performance shares. The costs are determined by multiplying the number of granted performance shares by the fair value of such shares on the date of the grant (performance share plan 2014-2017: €3.334; performance share plan 2013-2016: €1.753) and by taking into account expected vesting percentages. The costs are amortised over the vesting period. For the 2014 grant, the vesting period is from 7 May 2014 to 8 May 2017. The vesting period for the 2013 grant is from 8 May 2013 to 8 May 2016.

One-off investment/matching plan

In 2011, the Supervisory Board decided to apply a voluntary one-off investment/matching plan in which the cash proceeds from the unwinding of the TNT bonus/matching plan, performance share plan and option plan could be invested in PostNL shares. The participants could elect to invest from their net unwinding cash compensation an amount equal to 25% or 50% of their total gross unwinding-related sum (but not more than the net proceeds of these) in PostNL shares. On the same date these shares were purchased, the participant received, free of charge, a matching right in shares, representing the value in cash of half the number of investment shares (matching on a 1: 0.5 basis). This matching right will vest and the cash value of the shares comprising the matching right will be paid after three years, provided that the participant has remained an employee throughout and still owns at least 50% of his/her investment shares. If, prior to vesting, the participant has sold more than half of his/her investment shares, the matching right will forfeit in full. If the participant has sold 50% or less of his/her investment shares, the number of shares comprising the matching right will be reduced proportionally. The cash sum of the matching rights will be subject to any applicable payroll withholding taxes.

In August 2014, at the end of the plan, the one-off investment/matching plan was settled in cash against a share-price of €3.75 per matching right.

One-off investment/matching plan Board of Management

	Grant year	Outstanding 1 Jan 2014	Settled during 2014	**Outstanding 31 Dec 2014**
Jan Bos	2011	3,503	(3,503)	**0**
Total current members		3,503	(3,503)	**0**

The fair value of the one-off Investment/Matching plan grants, based on the NYSE Euronext Amsterdam share price of PostNL on the date the grants were made, amounted to €5.43.

As the one-off investment/matching plan settled in August 2014, no liability was accounted for as at 31 December 2014 (2013: 11,712). The cost related to the one-off investment/matching plan amounted to €1,426 in 2014 (2013: 7,609).

Accrued for temporary transition plan

The temporary transition plan compensates the income gap resulting from the 2013 remuneration policy arising in the years

2013-2015 and provides for an annual award of restricted shares during three years, subject to the provision of continued employment. The restricted shares will be granted on the basis of the same annual achievement of targets as applicable to the short-term incentive.

Total share-based payment costs relating to the temporary transition plan for the members of the Board of Management amounted to €412,500 (2013: 412,500), which is based on the achievements of the same annual targets as those applicable to the short-term incentive. In accordance with the 2013 remuneration policy, this amount will be granted and paid in PostNL shares in 2015.

In compliance with the Dutch Corporate Governance Code, current and former members of the Board of Management may not sell their PostNL shares before the earlier of five years from the date of grant or the end of their employment, although any sale of shares for the purpose of using the proceeds to pay for the tax due at vesting of these shares is exempted. For compliance reasons, a sale of shares may not occur earlier than six months after termination of the employment agreement.

Other periodic compensation

Other periodic compensation included company costs related to tax and social security, company car and other compensation.

Pension costs

The pension costs consist of the service costs for the reported year, net of employee contributions. All members of the Board of Management are participants in a career average defined benefit scheme.

Loans, advance payments or guarantees

No loans, advance payments or guarantees were granted to members of the Board of Management in 2014 (2013: nil).

Remuneration of senior management

Short-term incentive

The short-term incentive for senior management represents a potential reward of a percentage of the annual base salary (the percentage depending on the job level), which is based on challenging but achievable annual targets. As of 2013, 50% of the realised achievements of targets will be paid in cash and 50% is paid in PostNL shares in the following year. Shares will be granted unconditionally and will be delivered without restrictions or a restricted period, other than those defined in the PostNL insider trading policy.

The 50% of the short-term incentive settled in shares is accounted for as an equity-settled share-based payment. The total share-based payment costs relating to this short-term incentive amounted to €2.3 million in 2014 (2013: €3.3 million). This amount will be granted and paid in PostNL shares in 2015.

Performance share plan

As of 2013, a selected group of members of senior management is awarded a long-term incentive. The long-term incentive represents a potential reward of 37.5% of the annual base salary in the form of a performance share plan that contains long- term (three-year), (internal) financial targets. The company sees the long-term incentive as part of the remuneration package for this selected group of senior management. It is aimed particularly at aligning their interests with the long-term interests of the company and shareholders.

The performance share plan contains the following characteristics:

- it is a conditional equity-settled share plan based on three-year internal targets,
- shares are conditionally allocated to a selected group of the members of senior management from 2013 onwards,
- a conditional dividend equivalent is added to the conditional shares equal to the dividend rights of ordinary shares,
- the conditional shares and their conditional dividend equivalents will vest after a performance period of three years,
- vesting is subject to the extent to which the long-term targets have been achieved,
- if a participant leaves the company due to circumstances involving fraud or gross misbehaviour, any accrued rights on the long-term incentive plan are void, and
- if a participant leaves the company due to other reasons, a pro rata performance and time-based vesting applies.

Performance share plan Senior management

	Year	Number outstanding 1 Jan 2014	Granted during 2014	Settled during 2014	Forfeited during 2014	**Number outstanding 31 Dec 2014**
Performance share plan	2013	320,865				**320,865**
	2014		193,661			**193,661**
Total		320,865	193,661	0	0	**514,526**

The number of conditional shares is based on 37.5% of the annual base salary divided by the five-day average NYSE Euronext Amsterdam share price of PostNL prior to grant date (€3.118).

In 2014, an amount of €281,327 (2013: 106,245) was expensed for the cost of performance shares. The costs are determined by multiplying the number of granted performance shares by the fair value of such shares on the date of the grant (performance share plan 2014: €3.334 per share; performance share plan 2013: €1.753 per share) and by taking into account expected vesting percentages. The costs are amortised over the vesting period. For the 2014 grant, the vesting period is from 7 May 2014 to 7 May 2017. The vesting period for the 2013 grant is from 8 May 2013 to 8 May 2016.

Bonus/matching share plan

Since 2011, senior management have had the opportunity, on a voluntary basis, to participate in a bonus/matching plan. If they do, they can convert 25% of their bonus as a grant of PostNL shares with an associated matching right if at least 50% of the shares are kept for three years. The company sees the bonus/matching plan as part of the remuneration package for the members of senior management, and it is particularly aimed at further aligning their interests with the interests of shareholders. At the discretion of the Supervisory Board, grants are made on an annual basis in accordance with the bonus/matching plan which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- bonus shares are purchased from the participant's net income using 25% of the gross bonus amount and bonus shares are delivered upon the grant of the right on matching shares,
- the number of bonus shares is calculated by dividing 25% of an individual's gross annual bonus relating to the preceding financial year by the share price on NYSE Euronext Amsterdam on the date the grant is made (2014: €3.336 per share; 2013: €1.75 per share; 2012: €3.34 per share; 2011: €6.76 per share),
- the rights to matching shares are granted free of charge and as of 2014 the number of matching shares is equal to the number of bonus shares. On the 2012 and 2013 grants, the number of matching shares is equal to the number of bonus shares (job level A) or twice the number of bonus shares (job level B and above),
- the matching rights vest three years after the delivery of the bonus shares. As of 2014, the number of matching shares are granted in shares of PostNL (equity-settled scheme). On the 2012 and 2013 grants, the cash value of the matching shares will be paid out for each bonus share that has been retained for three years (cash-settled scheme),
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect,
- where a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death), the right to matching shares will vest immediately and he/she can exercise his/her right pro rata, and
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned.

The exercise of the rights to matching shares is subject to the PostNL rules concerning the prevention of use of inside information. As of 2014, all awards under this plan are equity-settled.

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

Bonus/matching plan senior management

	Year	Number outstanding 1 Jan 2014	Granted during 2014	Settled during 2014	Forfeited during 2014	**Number outstanding 31 Dec 2014**
Matching rights	2011	133,601		(131,887)	(1,714)	**0**
	2012	228,107		(12,748)	(21,010)	**194,349**
	2013	308,757		(10,715)	(24,868)	**273,174**
	2014		54,929			**54,929**
Total		670,465	54,929	(155,350)	(47,592)	**522,452**

In June 2014, at the end of the plan, the Bonus/matching share plan 2011 was settled in cash against a share price of €3.63 per matching right. In August 2014, at the end of the plan, the one-off investment/matching plan was settled in cash against a share price of €3.75 per matching right.

In 2014, an amount of €284,189 was expensed for the cost of the cash-settled bonus/matching shares granted prior to 2014. The fair value of the cash-settled bonus/matching plan rights based on the NYSE Euronext Amsterdam share price of PostNL on the reporting date amounted to €3.10 (2013: 4.15). The liabilities arising from the cash-settled share-based payment transactions, taking into account the terms and conditions upon which the rights were granted and the extent to which the employees had rendered service, amounted to €455,210 (2013: 447,026) for the 2012 bonus/matching plan and €399,897 (2013: 242,031) for the 2013 bonus/matching plan as at 31 December 2014.

In 2014, an amount of €34,592 was expensed for the cost of the equity-settled bonus/matching shares. The costs are determined by multiplying the number of granted matching shares by the fair value of such shares on the date of the grant (€3.334) and by taking into account expected vesting percentages. For the 2014 grant, the vesting period is from 7 May 2014 to 7 May 2017.

Financing of equity-settled plans
For all equity-settled and cash-settled share plans, PostNL intends to perform the settlement (or in case of cash-settled plans, fund the settlement) via the issuance of new shares. Accordingly, the company does not need to actively hedge the risk in connection with its obligations. As a result, the company did not purchase any additional shares in 2014 (2013: 0) to cover its obligations under the existing share plans. As at 31 December, the total number of shares held for this purpose was nil (2013: 0).

5.2 Related party transactions and balances

The PostNL Group companies have trading relationships with a number of joint ventures as well as with companies in which PostNL holds minority stakes. In some cases, there are contractual arrangements in place under which PostNL companies source supplies from such undertakings, or such undertakings source supplies from PostNL.

During 2014, purchases of PostNL from joint ventures and associated companies amounted to €0 million (2013: 12). No sales were made by PostNL companies to its joint ventures and associated companies (2013: 0). The net amounts due from the joint ventures and associated companies amounted to €3 million (2013: 0).

Related party transactions with PostNL's pension fund are presented in note 3.4 to the consolidated financial statements.

PostNL considers the members of the Board of Management and Supervisory Board as key management personnel as defined by IAS 24. For disclosure on related party transactions with the Board of Management and Supervisory Board, see note 5.1 to the consolidated financial statements.

Relationship agreement PostNL and TNT Express
Following the demerger of Express, PostNL and TNT Express entered into a relationship agreement and a separation agreement.

The relationship agreement provides for the terms and conditions on lock-up and orderly market arrangements, subject to which PostNL may reduce its shareholding in TNT Express over time, and includes certain arrangements with respect to corporate governance of TNT Express. On 24 February 2013, the relationship agreement was updated and amended. Based on the amendments, PostNL recommended Mr Sjoerd Vollebregt for appointment to the Supervisory Board of TNT Express. Mr Vollebregt was appointed a member of the Supervisory Board of TNT Express on 10 April 2013.

Furthermore, the new agreement included a relaxation of certain conditions and restrictions as imposed under the previous relationship agreement. The voting restrictions that previously applied to PostNL in relation to significant changes in the identity and character of TNT Express were lifted. Further amendments have been made in favour of PostNL in respect of possible future divestments of its shareholding, or parts of the shareholding, in TNT Express.

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

Pursuant to the pension arrangements concluded between PostNL, TNT Express and the pension funds, PostNL provided a subsidiary guarantee for TNT Express in the event of violation of contractual terms, irregularity of payments and bankruptcy. This subsidiary guarantee only relates to pension benefits accrued under the existing pension plans (up to the date of the demerger) and will comprise a liability that gradually decreases over time. In addition, PostNL has provided a guarantee for future TNT Express pension payments, barring certain unforeseen circumstances. The guarantees of PostNL will only exist as long as the coverage ratio of the funds are below a certain level. If the coverage ratio rises above that level and remains above that level for three consecutive quarters, the guarantees lapse.

As at 31 December 2014, no events had occurred that triggered disclosure of a significant contingent asset or liability following the aforementioned agreements with TNT Express.

5.3 Business combinations

In 2014, PostNL did not acquire new business by the acquisition of the shares of other entities.

5.4 Summary of all other accounting policies

Consolidation

The consolidated financial statements include the financial figures of PostNL N.V. and its subsidiaries, associates and joint ventures and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. A complete list of subsidiaries, associates and joint ventures included in PostNL's consolidated financial statements is filed for public review at the Chamber of Commerce in The Hague. This list has been prepared in accordance with the provisions of article 379 (1) and article 414 of book 2 of the Dutch Civil Code.

Subsidiaries

A subsidiary is an entity controlled directly or indirectly by PostNL N.V. Control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether PostNL controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to PostNL and are de-consolidated from the date on which control ceases. PostNL uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred also includes the fair value arising from contingent consideration arrangements. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date irrespective of the extent of any minority interest.

The excess of the consideration transferred over the fair value of PostNL's share of the identifiable net assets of the subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of PostNL's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

The non-controlling interest is initially measured at the proportion of the non-controlling interest in the recognised net fair value of the assets, liabilities and contingent liabilities. Losses applicable to the non-controlling interest in excess of the non- controlling interest in the subsidiary's equity are allocated against PostNL's interests, except to the extent that the non- controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is PostNL's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using year- end exchange rates. Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement except for qualifying cash flow hedges and qualifying net investment hedges that are directly recognised in other comprehensive income.

Foreign operations

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates,
- income and expenses are translated at average exchange rates, and
- the resulting exchange rate differences based on the different ways of translating between the balance sheet and the income statement are recognised as a separate component of equity (translation reserve).

Foreign currency exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the translation reserve. When a foreign operation is sold, such exchange differences are recycled in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

Impairment of goodwill, investments in associates, intangible assets and property, plant and equipment

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset might be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows, being the cash-generating units where a cash-generating unit is not at a higher level than an operating segment. If the recoverable value of the cash-generating unit is less than the carrying amount of the cash- generating unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific cash-generating units before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the cash-generating unit under review. For impairment testing of goodwill, the cash-generating unit is defined as the lowest level where goodwill is monitored for internal purposes. This level may be higher than the level used for testing other assets, but is not at a higher level than an operating segment. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Investment in associates

PostNL will assess on each reporting date whether there is objective evidence that the investment in associates may need to be impaired. If the recoverable value of an associate is less than its carrying amount, the carrying amount of the associate is reduced to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset-specific risks. The fair value less costs of disposal of an associate is reviewed based on observable publicly available market data. Possible impairment charges may be reversed if there is an indication that the impairment no longer exists or has been reduced.

Finite-lived intangible assets and property, plant and equipment

At each balance sheet date, the Group reviews the carrying amount of its finite-lived intangible assets and property, plant and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the assets is estimated in order to determine the extent, if any, of the impairment loss. An asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in the income statement. Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. A reversal of an impairment loss is recognised immediately in the income statement.

Profit-sharing

The company recognises a liability and an expense for profit-sharing by employees, based on a calculation that takes into consideration quantitative and qualitative performance measures in accordance with contractual arrangements.

Government grants

Government grants are recognised initially as income when there is reasonable assurance that they will be received and PostNL has complied with the conditions associated with the grant. Grants that compensate PostNL for expenses incurred are recognised in the income statement on a systematic basis in the same period in which the expenses are recognised. Grants that compensate PostNL for the cost of an asset are deducted from the historical value of the asset and recognised in the income statement on a systematic basis over the useful life of the asset.

Dividend distribution

Dividend distribution to PostNL's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders. If PostNL offers its shareholders dividends or the choice of dividends in additional shares, the additionally issued shares are recognised at their nominal amount.

5.5 Subsequent events

There were no subsequent events to report.

Corporate financial Statements

Corporate primary statements

Corporate income statement

(in € millions)

Year ended at 31 December	Notes	2014	2013
Dividend income	6.2.1	211	124
Reversal impairment Mail investments	6.2.2		638
Salaries, pensions and social security contributions	6.2.3	44	193
Other operating expenses			1
Total operating expenses		44	832
Operating income		255	956
Interest and similar income		2	7
Interest and similar expenses		(89)	(163)
Net financial expense	6.2.4	(87)	(156)
Gain on disposal of investment	6.4.1		141
Profit/(loss) before income taxes		168	941
Income taxes	6.2.5	10	(6)
Profit for the year attributable to shareholders		178	935

Corporate statement of comprehensive income

(in € millions)

Year ended at 31 December	Notes	2014	2013
Profit for the year attributable to shareholders		178	935
Pension asset ceiling/minimum funding requirement, net of tax	6.4.2	145	(140)
Actuarial gains/(losses) pensions, net of tax	6.4.2	(176)	(55)
Other comprehensive income that will not be reclassified to the income statement		(31)	(195)
Gains/(losses) on cashflow hedges, net of tax		5	(1)
Change in value of available-for-sale financial assets		(97)	44
Other comprehensive income that may be reclassified to the income statement		(92)	43
Total other comprehensive income for the year		(123)	(152)
Total comprehensive income for the year		55	783

Corporate statement of cash flows

(in € millions)

Year ended at 31 December	Notes	2014	2013
Profit/(loss) before income taxes		168	941
Adjustments for:			
Reversal impairment Mail investments			(638)
Share-based payments		1	0
Interest and similar income		(2)	(7)
Interest and similar expenses		89	163
Dividend income from investments in Mail		(205)	(116)
Dividend income from available-for-sale financial assets		(6)	
Results and dividend income from investments in associates			(149)
Investment income		(124)	(109)
Pension liabilities		(46)	(197)
Other provisions		(3)	(1)
Changes in provisions		(49)	(198)
Changes in working capital		0	0
Cash used in operations		(4)	(4)
Interest paid		(84)	(90)
Income taxes received/(paid)		4	106
Net cash used in operating activities	6.3.1	(84)	12
Dividend received		211	124
Disposal of associates			505
Interest received			3
Net cash from investing activities	6.3.2	211	632
Financing related to Group companies		(120)	(643)
Repayments of short-term borrowings		(6)	(1)
Net cash used in financing activities	6.3.3	(126)	(644)
Total change in cash and cash equivalents		1	0
Cash and cash equivalents at the beginning of the year		0	0
Total change in cash and cash equivalents		1	0
Cash and cash equivalents at the end of the year		1	0

Corporate statement of financial position

(in € millions)

At 31 December	Notes	2014	2013
Before proposed appropriation of profit			
Assets			
Investments in Mail		3,086	3,084
Available-for-sale financial assets		445	542
Total financial fixed assets	6.4.1	3,531	3,626
Deferred tax assets	6.2.5	8	21
Total non-current assets		3,539	3,647
Loan receivable from Group companies	6.4.3		400
Accounts receivable from Group companies	6.4.4	1	2
Other current assets			3
Cash and cash equivalents		1	
Total current assets		2	405
Total assets		3,541	4,052
Equity and liabilities			
Issued share capital		35	35
Additional paid-in capital		150	147
Hedge reserves		(9)	(14)
Revaluation reserve investments in Mail		2,187	2,187
Available-for-sale financial assets		(53)	44
Other reserves		(505)	(1,409)
Unappropriated profit		178	935
Total shareholders' equity	6.3.4	1,983	1,925
Provision for pension liabilities	6.4.2	173	172
Eurobonds	6.4.5	907	1,224
Other long-term liabilities		5	8
Total non-current liabilities		1,085	1,404
Eurobonds held by Group companies	6.4.3		400
Accounts payable to Group companies	6.4.4	75	226
Other current liabilities	6.4.6	398	97
Total current liabilities		473	723
Total equity and liabilities		3,541	4,052

Corporate statement of changes in equity

(in € millions)

	Issued share capital	Additional paid-in capital	Hedge reserves	Available-for-sale financial assets	Revaluation reserve investments in Mail	Other reserves	Unappropriated profit	**Total shareholders' equity**
Balance at 31 December 2012	35	147	(13)		1,549	(905)	325	**1,138**
Total comprehensive income			(1)	44		(195)	935	**783**
Appropriation of net income						325	(325)	**0**
Share based payments						4		**4**
Addition revaluation reserve					638	(638)		**0**
Total direct changes in equity	0	0	0	0	638	(309)	(325)	**4**
Balance at 31 December 2013	35	147	(14)	44	2,187	(1,409)	935	**1,925**
Total comprehensive income			5	(97)		(31)	178	**55**
Appropriation of net income						935	(935)	**0**
Share based payments		3						**3**
Addition revaluation reserve								**0**
Total direct changes in equity	0	3	0	0	0	935	(935)	**3**
Balance at 31 December 2014	35	150	(9)	(53)	2,187	(505)	178	**1,983**

Section 6: Corporate financial statements

In this section...

This section sets out the results and performance of the corporate company PostNL N.V.

Similar to the approach applied in the consolidated financial statements, we have structured the disclosures and analyses in this section along the following categories:

- Basis of preparation
- Result of the year
- Balance sheet information
- Other notes

As a holding company for the Group companies of the PostNL Group, dividend received from these investments reflects the basic earnings included in the result for the year.

The other notes include a reconciliation between corporate and consolidated equity and comprehensive income.

We conclude this section with a description of subsequent events, where we provide information received between 31 December 2014 and the date of this report about material events applicable for understanding our year-end position.

6.1 Basis of preparation

General information and description of the business

PostNL N.V. (hereafter referred to as 'the company') is a public limited liability company with its registered seat and head office at Prinses Beatrixlaan 23, 2595 AK, 's-Gravenhage, the Netherlands.

The company's principal activity is acting as a holding company for the Group companies of the PostNL Group ('the Group') that provide businesses and consumers in the Benelux, the United Kingdom, Germany and Italy with an extensive range of services for their mail needs. The company is the ultimate parent company of the Group.

The corporate financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 23 February 2015 and are subject to adoption at the Annual General Meeting of Shareholders on 14 April 2015.

Classification of the stake in TNT Express

In accordance with IAS 39, the 14.7% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income. Until the partial sale in December 2013, the stake in TNT Express was classified as an investment in associates accounted for using the equity method.

For further details, see note 6.4.1 to the corporate financial statements.

Summary of significant accounting policies

The significant accounting policies applied in the preparation of these corporate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All amounts included in the financial statements are presented in euros, unless stated otherwise.

Accounting principles applied

The corporate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and Dutch law. IFRS-EU includes the application of International Accounting Standards (IAS), related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the

Standing Interpretations Committee (SIC), issued and effective, or issued and adopted early, as at 31 December 2014.

Basis of measurement

In the corporate financial statements, the same accounting principles have been applied as set out in the notes to the consolidated financial statements, except for the valuation of the investments as presented under financial fixed assets in the corporate financial statements. These policies have been consistently applied to all years presented.

In the corporate financial statements, the investments are recorded at cost less impairments, whereas for the PostNL investments the deemed cost approach under IFRS 1 has been applied. In the corporate statement of income, dividend received from investments is recorded as dividend income. Due to this application, the corporate equity and net result are not equal to the consolidated equity and net result. A reconciliation for total shareholders' equity and total comprehensive income is presented in note 6.5 to the corporate financial statements.

Changes in accounting policies and disclosures

a) New and amended standards adopted by the company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning 1 January 2014, and have been applied in preparing these corporate financial statements. We refer to the descriptions included in the 'Summary of significant accounting policies' in the notes to the consolidated financial statements. The company has assessed the impact on the corporate financial statements. None of these had a significant effect on the corporate financial statements.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning on 1 January 2014 and not adopted early by the company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. These have not been applied in preparing these corporate financial statements. We refer to the descriptions included in the 'Summary of significant accounting policies' in the notes to the consolidated financial statements. The company has assessed the impact on the corporate financial statements. None of these is expected to have a significant effect on the corporate financial statements.

Functional and presentation currency

The corporate financial statements are presented in euros, the company's functional currency. All information presented in euros has been rounded to the nearest million.

Use of estimates and judgements

The preparation of the corporate financial statements in conformity with IFRS-EU requires management to exercise judgements and make estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the corporate financial statements are disclosed in the note 'Critical accounting estimates and judgements in applying PostNL's accounting policies' to the consolidated financial statements.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in note 6.4.1 to the corporate financial statements.

Share-based payments

Equity-settled share-based compensation plans

As of 2013, PostNL operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for (conditional) shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense.

Non-market performance and service conditions are included in assumptions about the number of (conditional) shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. In addition, for some share-based compensation plans, employees provide services in advance of the grant date. Therefore, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The grant by the company of shares to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Cash-settled share-based compensation plans

PostNL operates a number of cash-settled share-based compensation plans. They involve a cash payment to employees for amounts that are based on the price of PostNL's shares and which is equal to the gain that would have been made by exercising the notional options and immediately selling the shares in the market. The corresponding liability for the cash- settled plans is measured, initially and at each reporting date until settled, at the fair value of the rights, taking into account the terms and conditions upon which the rights were granted and the extent to which the employees have rendered service to date. Any changes in fair value are recognised in the income statement. Non-market performance and service conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, PostNL revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to liabilities.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the corporate financial statements, in the period in which the dividends are approved by the company's shareholders.

6.2 Result for the year

6.2.1 Dividend income: 211 million (2013: 124)

Dividend income is recognised when the right to receive payment is established. The dividend income from the company's subsidiaries for 2014 was €205 million (2013: 116) and the dividend income from the stake in TNT Express for 2014 was €6 million (2013: 8).

6.2.2 Reversal impairment Mail investments: 0 million (2013: 638)

In 2014, no impairment or impairment reversal (2013: 638 impairment reversal) on the company's investments in Mail was accounted for. Reference is made to note 6.4.1 to the corporate financial statements.

6.2.3 Salaries, pensions and social security contributions: 44 million income (2013: 193 income)

In accordance with IAS 19R.41, the net defined benefit cost for the company's pension plans shall be recognised in the corporate financial statements. For PostNL, the contributions charged to other Group companies more than offset the pension expense incurred, resulting in a positive amount of salaries, pensions and social security contributions over the year. For further information on defined benefit pension costs, see note 6.4.2 to the corporate financial statements. PostNL N.V. does not have any employees other than the Board of Management.

6.2.4 Net financial expense: 87 million (2013: 156)

PostNL has financing relationships with both external banks and with PostNL companies, mainly with PostNL Finance B.V. As a result, PostNL records both external interest income and expenses from financial institutions and from PostNL Finance B.V.

Net financial expense

(in € millions)

Year ended at 31 December	2014	2013
Interest expenses	(79)	(148)
Interest on net defined benefit pension liabilities	(8)	(3)
Hedge reserve recycled to profit and loss	(2)	(12)
Interest and similar expense	(89)	(163)
Interest and similar income	2	7
Net financial expense	(87)	(156)

Interest and similar expenses

In 2014, interest expenses amounted to €79 million (2013: 148) and consisted of external interest and similar expenses of €78 million (2013: 146) and internal interest and similar expenses of €1 million (2013: 2). The external interest and similar expenses mainly related to interest expenses on long-term borrowings of €75 million (2013: 96) and interest on taxes of €3 million (2013: 0). In 2013, interest expense included €50 million related to the difference between nominal value and market value of bonds purchased on the date of the bond buy-back transaction.

Interest and similar income

In 2014, interest income amounted to €2 million (2013: 7) relating to net interest on swaps and other derivatives. In 2013, interest income of €7 million related to external interest income on taxes of €5 million and to a fair value adjustment to reflect the own credit risk as required by IFRS 13 of €2 million.

6.2.5 Income taxes: 10 million income (2013: 6 expense)

Accounting policies

The company is tax-resident in the Netherlands.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the statement of income is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Deferred tax assets and/or liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised.

In 2014, income taxes amounted to -€10 million (2013: 6), or -6.0% (2013: 0.6%) of profit before income taxes of €168 million (2013: 941).

Income taxes

(in percentages)

Year ended at 31 December	2014	2013
Dutch statutory income tax rate	**25.0**	25.0
Tax effects of:		
Non and partly deductible costs		0.1
Non taxable impairment reversal		(17.0)
Exempt income	**(31.0)**	(7.0)
Other		(0.5)
Effective income tax rate	**(6.0)**	0.6

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate by the profit before income taxes. The statutory income tax rate in the Netherlands in 2014 was 25.0% (2013: 25.0%).

In 2014, the effective income tax rate was fully affected by tax-exempt dividend income predominantly from the company's investments in subsidiaries (totalling -31.0%).

Income tax expense consists of the following:

Corporate income taxes

(in € millions)

Year ended at 31 December	2014	2013
Current tax expense	**(32)**	(66)
Changes in deferred taxes	**22**	72
Total income taxes	**(10)**	6

In 2014, the current tax expense amounted to -€32 million (2013: -66). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities. As at 31 December 2014, income tax payable amounted to €22 million (2013: 50). The company received income taxes, including internal settlements with Group companies within the PostNL fiscal unity, totalling €4 million (2013: 106 received).

The following table shows the movements in deferred tax assets and liabilities.

Statement of changes corporate deferred income tax assets and liabilities

(in € millions)

	Provisions	Other	Total
Deferred tax assets at 31 December 2012	26	2	**28**
Changes via other comprehensive income	65		**65**
Changes via income statement	(86)	14	**(72)**
Deferred tax assets at 31 December 2013	5	16	**21**
Changes via other comprehensive income	10	(1)	**9**
Changes via income statement	(9)	(13)	**(22)**
Deferred tax assets at 31 December 2014	6	2	**8**

Of the deferred tax assets as at 31 December 2014, €0 million (2013: 12) is to be settled within 12 months and €8 million (2013: 9) is to be settled after 12 months.

Deferred tax assets and liabilities are presented net in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

6.3 Cash flow performance and equity development

6.3.1 Net cash from/(used in) operating activities: -84 million (2013: 12)

Net cash used in operating activities totalled -€84 million in 2014 compared to €12 million in 2013, a decrease of €96 million. The change mainly related to the change in income taxes received.

Cash used in operations
In 2014, the cash used in operations remained stable at -€4 million (2013: -4).

Interest paid
In 2014, the total cash outflow for interest paid was €84 million (2013: 90). Interest paid mainly included interest on PostNL's long-term borrowings of €69 million (2013: 90) and interest on taxes of €14 million (2013: 0).

Income taxes received/(paid)
In 2014, the company received income taxes totalling €4 million (2013: 106) which include payments relating to prior years of €55 million and internal settlements with Group companies within the PostNL fiscal unity. In 2013, the amount included refunds on preliminary prior year tax assessments in the Netherlands relating to timing differences.

6.3.2 Net cash from investing activities: 211 million (2013: 632)

Dividend received
In 2014, the total cash inflow from dividend received was €211 million (2013: 124). In 2014, dividend of €205 million was received from the company's subsidiaries (2013: 116) and dividend of €6 million from the TNT Express stake (2013: 8).

Disposal of associates
In 2013, proceeds from the disposal of associates amounted to €505 million and related to the sale of 15% of the shareholding in TNT Express.

Interest received
In 2013, €3 million was received relating to interest on corporate income tax.

6.3.3 Net cash used in financing activities: -126 million (2013: -644)

Financing related to Group companies
In 2014, financing related to Group companies amounted to -€120 million (2013: -643) mainly relating to intercompany financing of PostNL by PostNL Finance B.V. and in 2013 included the payment of an intercompany loan to G3 Worldwide Mail N.V. of €400 million.

Repayments of short-term borrowings
In 2014, repayments on short-term borrowings were made totalling €6 million (2013: 1).

Dividends paid
In 2014, no cash dividend was paid (2013: 0).

6.3.4 Equity: 1,983 million (2013: 1,925)

Equity consists of equity attributable to the equity holders of the company of €1,983 million (2013: 1,925). For the disclosure on issued share capital, additional paid-in capital, the hedge reserve and the reserve relating to available-for-sale financial assets, see notes 2.3 and 4.5 to the consolidated financial statements. The 2014 tax impact on the cash flow hedges is €3 million (2013: 5).

The hedge reserve and the reserve relating to available-for-sale financial assets are legal reserves and are restricted for distribution.

As at 31 December 2014, the revaluation reserve of €2,187 million (2013: 2,187) related to the applied deemed cost approach for the investments in Mail as of 1 January 2010, partly offset by the net recorded impairment charges of €395 million. The revaluation reserve is a legal reserve and is restricted for distribution.

During 2014, the other reserves increased to -€505 million from -€1,409 million, due to a negative pension effect within other comprehensive income (net of tax) of €31 million, partly offset by the appropriation of net income for 2013 of €935 million.

As at 31 December 2014, the unappropriated profit amounted to €178 million (2013: 935).

6.4 Balance sheet

6.4.1 Total financial fixed assets: 3,531 million (2013: 3,626)

Accounting policies

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the company's subsidiaries and associated companies is recognised when the right to receive payment is established.

Impairment of investments in subsidiaries

At each balance sheet date, the company reviews whether there is an indication that its investments in subsidiaries are impaired.

An indication for impairment of the investments in subsidiaries may include management's downward adjustment of the strategic plan. Further indications for impairments of its investments may include other areas where observable data indicates a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated in order to determine the extent, if any, of the impairment loss. An investment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an investment's fair value less costs of disposal and its value in use.

The investments' fair value less costs of disposal represents the best estimate of the amount the company would receive if it sold its investments. The fair value of each investment has been estimated on the basis of the present value of future cash flows, taking into account costs of disposal, except for the investment in associates for which the estimated fair value has been based on external market information.

The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a nine-year period. Cash flows beyond the nine-year period are extrapolated using estimated growth rates.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the statement of income.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fairvalue. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as a gain or a loss.

The movement in investments is as follows:

Total financial fixed assets

(in € millions)

	Investments in Mail	Investments in associates	Available-for-sale financial assets	Total
Balance at 31 December 2012	2,442	0	0	**2,442**
Additions to capital	4			**4**
Reversal impairment Mail investments	638			**638**
Transfer from assets held for sale		860		**860**
Disposal of 15% shareholding in TNT Express		(507)		**(507)**
Book gain on disposal		145		**145**
Transfer to available-for-sale financial assets		(498)	498	**0**
Change in value available-for-sale financial assets			44	**44**
Total changes	642	0	542	**1,184**
Balance at 31 December 2013	3,084	0	542	**3,626**
Additions to capital	2			**2**
Reversal impairment Mail investments				**0**
Change in value available-for-sale financial assets			(97)	**(97)**
Total changes	2	0	(97)	**(95)**
Balance at 31 December 2014	3,086	0	445	**3,531**

Investments in Mail

The subsidiary undertakings of the company as at 31 December 2014, and the company's percentage interest, are set out below.

Breakdown corporate investments

Name of direct subsidiairy	Country of incorporation	Ownership %
PostNL Holdco B.V.	Netherlands	100%
PostNL Holding B.V.	Netherlands	100%

A complete list of investments in subsidiaries, associated companies and jointly-controlled entities will be attached to the company's annual report made available to the Chamber of Commerce.

A detailed review has been performed of the recoverability of the Mail investments. The recoverable value of each investment is the higher of the value in use and fair value less costs of disposal. The recoverable value is determined based on the value in use as this was higher than the fair value less costs of disposal at year end 2014. The value in use has been estimated on the basis of the present value of future cash flows. For all investments, the estimated future cash flows are based on a nine-year forecast and business plans, as management considers these forecasts reliable based on past experience. Uncertainties relating to volume decline and efficiency measures are taken into account. Fair value less costs of disposal represents the best estimate of the amount PostNL would receive if it sold the investment.

The estimated future cash flows are derived from the most recent strategic planning approved by management. The applied growth rate does not exceed the long-term average growth rates on the related operation and market.

The company has determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates in the investments' valuations vary from 9% to 15% (pre-tax).

Key assumptions used to determine the recoverable values for the investments of the company are the following:

- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of operating income largely impacted by revenue and cost development, taking into account the nature of the underlying costs and potential economies of scale,
- level of capital expenditure in network-related assets, and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

As the Mail investments are vulnerable to changes in the discount rate and changes in operating income, a sensitivity analysis has been applied for the Mail investments. The sensitivity analysis included the impact of the following items which are considered to be most critical when determining the recoverable value:

- an increase or decrease in the discount rate of 0.5%, and
- an increase or decrease in operating income of 5%.

If the discount rate were to change by 0.5%, this would impact the Mail investments by around €185 million. A change in operating income of 5% would impact the Mail investments by around €245 million.

Based on the detailed review of the value of the Mail investments, taking into account uncertainties relating to volume decline and efficiency measures, management concluded that there are no indications for impairment of the Mail investments in 2014. As the recoverable value did not materially differ from the carrying amount, taking into account the impact of the sensitivity analysis, management alsoconcluded that no reversal of previous impairments was present (2013: reversal of 638 million).

In 2014, the additions to capital of €2 million (2013: 4) represented the company's compensation for equity-settled share-based payments to the investments' employees. As the company grants its shares directly to its investments' employees without charging its investments, the company recognised, in line with IFRS, the increase in the investments as a capital contribution.

Investments in associates

Until December 2013, the stake in TNT Express was classified as an investment in associates accounted for using the equity method.

On 6 December 2013, PostNL sold part of its stake in TNT Express at a price of €6.20 per share, resulting in gross cash proceeds of €507 million. Following the disposal, the remaining 14.7% stake in TNT Express with a carrying value of €498 million (corresponding to a share price of €6.20) was transferred to available-for-sale financial assets.

The sales transaction resulted in a book profit of €141 million. The book profit on the total stake of 162,130,035 shares mainly consisted of the difference of €145 million between the carrying value of €860 million based on a share price of €5.30 and the value of €1,005 million based on the selling price of €6.20 per share. The remaining loss resulted from incurred expenses of €4 million. In the income statement, the book profit of €141 million has been included as 'book profit on disposal of investment in associates'.

Available-for-sale financial assets

In 2013, following the sale of 15% of the shareholding in TNT Express on 6 December 2013, the remaining 14.7% stake in TNT Express was transferred from investments in associates to available-for-sale financial assets for an amount of €498 million (see above). In accordance with IAS 39, the 14.7% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income.

During 2014, the share price of TNT Express declined from €6.75 on 31 December 2013 to €5.54 on 31 December 2014, resulting in a loss in other comprehensive income of €97 million. The fair value as at 31 December 2014 amounts to €445 million and has been determined by multiplying the closing share price of €5.54 on 31 December 2014 by 80,386,421, the total number of issued ordinary shares held by PostNL.

6.4.2 Provisions for pension liabilities: 173 million (2013: 172)

Accounting policies

The net defined benefit liability/asset for all pension and other post-employment plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. The resulting deficit or surplus is adjusted for any effect of limiting a net defined benefit asset to the asset ceiling and for any effect of minimum funding requirements. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Minimum funding requirements might affect the availability of reductions in future contributions or might give rise to a liability if the required contributions will not be available to PostNL once they have been paid.

PostNL uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial assumptions are made about financial variables (such as the discount rate and the rate of benefit increases) and demographic variables (such as employee turnover and mortality). The discount rate is determined by reference to market rates using high-quality corporate bonds.

Service costs are recognised as operating expenses in the income statement. Gains or losses on the amendment or curtailment of a defined benefit plan (past service costs) and gains or losses on settlement are all recognised as operating expenses in the income statement on the date of the amendment, curtailment or settlement.

The net interest expense/income on the net defined benefit liability/asset is recognised as 'Interest and similar expenses/ income' in the income statement (below operating income).

Deviations between the expected and actual development of the pension obligation and plan assets, resulting in actuarial gains and losses, are immediately recognised within Other Comprehensive Income (net of tax). The impact of the asset ceiling and/or minimum funding requirements is also recognised within Other Comprehensive Income (net of tax).

Pension costs for defined contribution plans are expensed in the income statement when incurred or due.

The company is the sponsoring employer of two Dutch pension plans, which are externally funded in two separate pension funds and cover the majority of PostNL's employees in the Netherlands.

In accordance with IAS 19R.41, PostNL, as the sponsoring employer for two Dutch pension plans, recognises the net defined benefit cost in the corporate financial statements of the company. The relevant Group companies recognise the costs equal to the contributions payable for the period in their financial statements. In its corporate financial statements, PostNL recognises the contributions received from the relevant Group companies as a benefit that offsets the defined benefit pension expense.

For the company, the contributions received from the relevant Group companies more than offset the pension expense. The impact of the contributions is represented as participant contributions in the following table. As a result, the corporate financial statements record a defined benefit pension income of €38 million (2013: 195), whereas the consolidated financial statements record defined benefit pension expenses of €95 million (2013: 6).

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets, the funded status and the employer pension income for the sponsored pension plans of the company.

Detailed overview of changes in corporate defined benefit plans

(in € millions)

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	**(6,363)**	(6,291)
Service costs	**(109)**	(108)
Interest costs	**(224)**	(234)
Past service costs	**36**	93
Other movements	**(24)**	(35)
Actuarial (losses)/gains	**(1,066)**	37
Benefits paid	**200**	175
Benefit obligation at end of year	**(7,550)**	(6,363)
Change in plan assets		
Fair value of plan assets at beginning of year	**6,377**	6,187
Assumed return on plan assets	**223**	231
Other movements	**36**	48
Participants contributions	**111**	208
Other costs	**(4)**	(8)
Actuarial (losses)/gains	**834**	(114)
Benefits paid	**(200)**	(175)
Fair value of plan assets at end of year	**7,377**	6,377
Change in funded status		
Funded status at the beginning of year	**14**	(104)
Operating expenses (incl. participants contributions)	**46**	198
Interest (expenses)/income	**(1)**	(3)
Actuarial (losses)/gains	**(232)**	(77)
Funded status at end of year	**(173)**	14
Impact of pension asset ceiling		(36)
Impact of minimum funding requirement		(150)
Netted pension liabilities	**(173)**	(172)
Components of employer pension expenses		
Service costs	**(109)**	(108)
Interest (expenses)/income	**(8)**	(3)
Past service costs	**36**	93
Other costs	**8**	5
Participants contributions	**111**	208
Post-employment benefit income/(expenses)	**38**	195
Weighted average assumptions as at 31 December		
Discount rate	**2.3%**	3.5%
Rate of benefit increases	**1.1%**	1.4%
Life expectancy 65 year old men/women (in years)	**20.5/22.8**	21.0/22.8

6.4.3 Loan receivable from Group companies: 0 million (2013: 400)/eurobonds held by Group companies: 0 million (2013: 400)

The loan receivable from Group companies of €400 million and the eurobonds held by Group companies of €400 million in 2013 related to balances with G3 Worldwide Mail N.V. and were a result of the bond buy-back transaction that was executed by G3 Worldwide Mail N.V. The amounts have been settled in January 2014.

6.4.4 Accounts receivable from Group companies: 1 million (2013: 2)/Accounts payable to Group companies: 75 million (2013: 226)

Accounts receivable from Group companies related to a receivable from PostNL Holding B.V. of €1 million (2013: 2).

Accounts payable to Group companies related to an amount payable to PostNL Finance B.V. of €75 million (2013: 226). The fair value of the accounts receivable from and payable to Group companies approximated the carrying value, due to the short-term nature. There are no balances as at 31 December 2014 that are expected to be settled after 12 months (2013: 0).

6.4.5 Eurobonds: 907 million (2013: 1,224)

For the disclosure on the eurobonds, reference is made to notes 4.1 and 4.4 to the consolidated financial statements.

6.4.6 Other current liabilities: 398 million (2013: 97)

Other current liabilities

(in € millions)

At 31 December	2014	2013
Current interest bearing debt	348	6
Income tax payable	22	50
Interest payable	23	33
Other	5	8
Total	398	97

As at 31 December 2014, current interest bearing debt consisted of the current portion of outstanding eurobonds of €348 million.

Income tax payable decreased from €50 million in 2013 to €22 million in 2014 due to payments relating to prior years and internal settlements with Group companies within the PostNL fiscal unity.

6.5 Other notes

Reconciliation corporate and consolidated equity and comprehensive income

Consolidated to corporate equity and total comprehensive income

(in € millions)

Year ended at 31 December	2014		2013	
	Equity	**Income**	Equity	Income
Consolidated: Equity and total comprehensive income-reported	**(597)**	**92**	(679)	(381)
Effect of restatements			(13)	
Consolidated: Equity and total comprehensive income-restated	**(597)**	**92**	(692)	(381)
Reconciliation items previous years	**2,617**		1,452	
Reversal impairment Mail			638	638
Impairment of TNT Express			263	263
Difference in bookprofit sale 15% of TNT Express			247	247
Results from investments	**(47)**	**(47)**	(43)	(43)
Other comprehensive income (CTA/hedges/associates/pensions)	**10**	**10**	59	59
Other direct equity movements			1	
Total reconciliation items	**2,580**	**(37)**	2,617	1,164
Corporate: Shareholders' equity and total comprehensive income	**1,983**	**55**	1,925	783

The differences between total shareholders' equity and total comprehensive income according to the IFRS-EU consolidated financial statements and the corporate financial statements under IFRS-EU in general relate to the accounting of the Mail investments at fair value (deemed cost upon adoption of IFRS-EU) in the corporate financial statements and subsequent (reversal of) impairments.

The reconciling items for equity and income are further detailed below.

Reconciliation items

The 2014 reconciliation items previous years of €2,617 million relate to the difference between the consolidated equity as at 31 December 2013 of -€692 million and the corporate equity of €1,925 million.

For details of the reversal of the impairment of the Mail investments recognised in the corporate financial statements in 2013, see note 6.4.1 to the corporate financial statements. For details of the impact of the impairments of the investment in TNT Express recognised in the 2013 consolidated financial statements, see note 3.6 to the consolidated financial statements.

As regards the difference in book profit on the disposal of 15% of the shares in TNT Express in 2013, €250 million of this was caused by the difference in carrying value at the moment of the sale, which was €1,110 million in the consolidated accounts and €860 million in the corporate accounts. The remaining €3 million is caused by the positive effect of the recycling of other comprehensive income of the associate TNT Express in the consolidated accounts.

Reconciliation item - Results from investments

The 2014 results from investments were €47 million lower in the corporate financial statements and can be calculated from the result from the corporate income statement of €178 million, minus the result from the consolidated income statement of €225 million. The difference relates to the difference between the dividend income and the result from the Mail investments.

The 2013 results from investments are €43 million lower in the corporate financial statements as dividend income for 2013 was €124 million, whereas the result in the consolidated financial statements was €167 million. The result from investments of €167 million can be calculated from the result from the consolidated income statement of -€170 million, plus the impairment of TNT Express of €263 million, plus the book loss on the disposal of 15% of the shares of TNT Express of €106 million, minus the result from the corporate income statement of €935 million excluding the dividend income of €124 million, the reversal of the impairment of the Mail investments of €638 million and the book profit on the disposal of 15% of the shares of TNT Express of €141 million.

Reconciliation item - Other comprehensive income
The reconciliation item 'Other comprehensive income' represents hedge and currency translation adjustments and adjustments for actuarial gains/(losses) which were recognised in the consolidated financial statements but not in the corporate financial statements as the investments are stated at cost. It also represents other comprehensive income from the investments in associates (stake in TNT Express) that was recognised in the consolidated financial statements but not in the corporate financial statements.

The 2014 difference in other comprehensive income of €10 million included -€13 million of actuarial losses on pensions and €3 million of currency translation adjustments related to movements in exchange rate differences on converting foreign subsidiaries.

The 2013 difference in other comprehensive income of €59 million included -€35 million of actuarial losses on pensions and -€24 million of other comprehensive income related to the stake in TNT Express.

Reconciliation item - Other direct equity movements
In 2013, the additional difference in direct equity movements of €1 million related to the buy-out of the minority interest in Spring Global Mail.

Commitments and contingencies

Declaration of joint and several liability
On 31 December 2014, the company issued a declaration of joint and several liability for some of its Group companies in compliance with article 403, book 2 of the Dutch Civil Code. Those Group companies are:

Declaration of joint and several liability

Cendris Customer Contact B.V.	PostNL E-commerce Services B.V.
Cendris Dataconsulting B.V.	PostNL Holdco B.V.
Euro Mail B.V.	PostNL Holding B.V.
Koninklijke PostNL B.V.	PostNL Pakketten Benelux B.V.
G3 Worldwide Europe B.V.	PostNL Pakketten Holding B.V.
G3 Worldwide Mail N.V.	PostNL Print Management B.V.
Netwerk VSP B.V.	PostNL Real Estate B.V.
PostNL Billing & Document Solutions B.V.	PostNL Real Estate Development B.V.
PostNL Cargo Service B.V.	PostNL Real Estate Holding B.V.
PostNL Data & Document Management B.V.	PostNL Transport B.V.

Fiscal unity in the Netherlands
The company forms a fiscal unity with a majority of its Dutch subsidiaries for corporate income tax and VAT purposes. A company and its subsidiaries that are part of these fiscal unities are jointly and severally liable for the tax payable by these fiscal unities.

Pension commitments
The company is the sponsoring employer for two Dutch pension plans: the main plan, described in detail in note 3.4 to the consolidated financial statements, and the pension plan covering the staff members in the Netherlands who have a personal labour agreement from before 2007 and which is externally funded in 'Stichting Ondernemingspensioenfonds TNT'.

Currently, both pension funds also cover the defined benefit pension plans of the majority of Dutch employees of the demerged TNT Express.

Guarantees

In addition to the declaration of joint and several liability in compliance with article 403, book 2 of the Dutch Civil Code, the company provided parental support relating to the following items:

- committed revolving credit facilities of €570 million;
- guarantee facilities of €121 million;
- cash pools of PostNL in the Netherlands, United Kingdom and Germany of €88 million;
- ordinary business activities of the Group of €16 million;
- ISDA agreements.

Financial risk management

For disclosure on the company's overall financial risk management programme, reference is made to note 4.3 to the consolidated financial statements.

Financial instruments

For a summary of the company's financial instruments relevant to these corporate financial statements, reference is made to note 4.4 to the consolidated financial statements.

Related party transactions and balances

The company's shares are widely held. As such, no ultimate controlling party can be identified. The company, acting as a holding company, has relationships with a number of Group companies. In some cases, there are contractual arrangements in place under which the company sources supplies from such undertakings or such undertakings source supplies from the company. Transactions are in principle carried out at arm's length.

Related party transactions

(in € millions)

Year ended at 31 December	2014		2013	
	Transactions	**Balances**	Transactions	Balances
Dividend income PostNL Group companies	**205**		116	
Dividend income TNT Express stake	**6**		8	
Accounts receivable from PostNL Group companies/interest income	**1**	**1**		402
Accounts receivable from Express Group companies/interest income				1
Accounts payable to PostNL Group companies/interest expense	**(1)**	**72**	(1)	191
Accounts payable to Express Group companies/interest expense				
Hedge accounts payable to PostNL Group companies/hedge income/(costs)	**2**	**3**	(1)	35
Net financing activities from Group companies	**(120)**		(643)	
Income tax received from/(paid to) PostNL Group companies	**62**		32	

For the compensation of the members of the Board of Management and Supervisory Board, see note 5.1 to the consolidated financial statements.

Separation agreement TNT Express

For details on the separation agreement with TNT Express, see note 5.2 to the consolidated financial statements.

Subsequent events

There were no subsequent events to report.

Subsidiaries and associated companies at 31 December 2014

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

The Hague, 23 February 2015

Board of Management
H.W.P.M.A. Verhagen (CEO)
J.P.P. Bos (CFO)

Supervisory Board
P.C. Klaver (Chairman)
J. Wallage
M.A.M. Boersma
J.W.M. Engel
A.M. Jongerius
T. Menssen
F.H. Rövekamp

PostNL N.V.
Prinses Beatrixlaan 23
2595 AK The Hague
The Netherlands

Independent auditor's report

To the general meeting and supervisory board of PostNL N.V.

Report on the financial statements 2014

Our opinion

In our opinion, the consolidated and corporate financial statements as set out on pages 104 to 206 give a true and fair view of the financial position of PostNL N.V. as at 31 December 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2014 of PostNL N.V., The Hague ('the company' or 'PostNL'). The financial statements include the consolidated and corporate financial statements.

The consolidated and corporate financial statements comprise:

- the following statements for the year ending 31 December 2014: the consolidated and corporate income statement and the consolidated and corporate statements of comprehensive income, changes in equity and cash flows;
- the consolidated and corporate statement of financial position as at 31 December 2014; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated and corporate financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of PostNL N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the board of management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

Materiality

Overall materiality: €20 million.

Audit scope

We conducted audit work in 4 countries. Site visits were conducted in Germany (Postcon), Italy (Nexive) and the UK (Whistl).

Key audit matters

- Revenue recognition, deferred revenue and revenue and cost of sales related accruals;
- Pension accounting;
- Judgements in the Master Plan restructuring provision;
- Impairment of goodwill and Mail investments.

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

We take (possible) misstatements into account that are, in our judgment, material based on quantitative as well as qualitative aspects. Based on our professional judgement, we determined the overall materiality for the 2014 financial statements to be € 20 million which represents 5% of the operating income. We have applied operating income as a benchmark based on our analysis of the common information needs of users of the financial statements. Underlying cash operating income, which is used by the board of management as a performance driver (refer to Chapter 9 'Performance 2014 and outlook 2015'), is derived from this benchmark. On this basis we believe that the operating income is an appropriate benchmark for our materiality assessment.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above € 1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

PostNL N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of PostNL N.V.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or of specific balances was considered necessary.

The group audit focused on the significant components of PostNL N.V. within the segments Mail in the Netherlands, Parcels and International. Due to their significance and/or risk characteristics, each of these components required an audit of their complete financial information. For components within the segments Mail in the Netherlands and Parcels the group engagement team performed the work. For components within the segment International we used component auditors from our PwC network firms who are familiar with the local laws and regulations to perform the audit work. Based on specific risks we selected certain account balances to perform audit procedures within non-significant components. Where appropriate we have used the outcome of the work performed by internal audit.

Where the work was performed by component auditors or internal audit, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. We have assessed the objectivity, competence and quality control procedures of internal audit.

The group engagement team conducted site visits in Germany (Postcon), Italy (Nexive) and the UK (Whistl) given the significance of these operations for the group.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the company's head office. These include impairment analysis, accounting of financial instruments, pension accounting and the Master Plan restructuring provision.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the matter*
Revenue recognition, deferred revenue and revenue and cost of sales related accruals *See Chapter 17: Note 1.3 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates, Note 1.4 for the Summary of restatements, Note 2.1.1 (Revenue) and Note 3.1.6 (Accrued current liabilities) for detailed disclosures.* Revenue within PostNL includes revenue based on contracts with regulated and non-regulated services, complex calculations and other subjective measures. Measuring the amount of revenue and cost of sales, involves the determination of the appropriate timing of recognition, a consistent approach and significant management judgment. The main subjective areas are related to deferred revenues including unused stamps, unbilled expenses for the last mile delivery by other postal service companies (including the prior year adjustment thereto) and revenue related accruals such as volume discounts and rebates related to volumes handled.	Our audit procedures included, amongst others, the evaluation and testing of the controls that PostNL has put in place over its process to enter into and record customer contracts and the internal accrual processes. We tested the revenues recorded to the underlying contracts on a sample basis. This testing included evaluating the contractual conditions and prices. Furthermore, we challenged and tested the assumptions and methodologies used by the company, against contractual agreements, volume and price developments and historical information. Additionally, where revenue was recorded through journal entries outside normal business processes we performed testing to establish whether a service has been provided in the financial year to support the revenue recognition.
Pension accounting *See Chapter 17: Note 1.3 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and detailed pension disclosures in Note 3.4 and Note 6.4.2.* PostNL has a defined benefit plan with a significant impact on both the overall balance sheet, equity and the results of the group. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions such as salary increases, inflation, discount rates, and mortality. These can have a material impact on the calculation of the liability. Also, there is a risk that the pension plan assets may be overvalued.	Our audit procedures included the evaluation of management's assessment of the assumptions they made concerning the valuation of the assets and liabilities in the pension plan, the appropriateness of recognition of changes in the pension plans, reconciling plan assets to supporting documentation and testing the adequacy of employee data used for the pension calculations. Our pension experts assisted us in evaluating the actuarial and demographic assumptions, funding ratio and related recovery plans and valuation methodologies used by PostNL. We assessed that the methodology was consistently applied and evaluated the rationale for any changes. We paid specific attention to the discount rate applied in the calculations including changes in bond selection and to the estimated indexation parameter for future pension entitlement increases as a result of new pension fund legislation. Furthermore, we reviewed the related disclosures, including sensitivity analysis.

Key audit matter	*How our audit addressed the matter*
Judgements in the Master Plan restructuring provision *See Chapter 17: Note 1.3 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and Note 3.5 (Other Provisions) for further information.* PostNL has a Master Plan restructuring provision as at 31 December 2014 of € 102 million. The company continued the restructuring of its activities in the Netherlands with the Master Plan restructuring program. The important areas which drive the restructuring provision are based on management estimates including the number of staff members involved, percentage of voluntary leavers and the level of redundancy payments.	Our audit procedures included challenging and testing of the assumptions made by management concerning their calculation of the restructuring provision against historical data and supporting documentation such as (approved) restructuring plans, the social plan as agreed with the Works Council and communication to personnel. Furthermore, we reviewed the disclosures in the financial statements.
Impairment of goodwill and Mail investments *See Chapter 17: Note 1.3 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and Notes 3.3 (Intangible fixed assets) and 6.4.1 (Total Financial fixed assets) for further information.* The company is required to annually test the goodwill balance of € 84 million for impairment. Furthermore, the carrying amount of the Mail investments in the company's accounts (€ 3,086 million) has been tested for (reversal of) impairment based on impairment triggers such as the company's share price and the development of the business. The impairment tests were important to our audit because the assessment requires significant judgement in determining the assumptions to be used for the cash flow forecast. These assumptions include overall market and economic conditions besides the results of the restructuring programme, price and volume developments.	Our audit procedures included, amongst others, an evaluation of the group's policies for impairment testing and procedures to identify triggering events for potential (reversal of) impairment. We reconciled management's main cash flow assumptions to internal forecasts and strategic plans that were approved by senior management, and tested the main assumptions against external data as well as historic trend analyses. We also compared the current year actual results with the 2014 figures included in the prior year forecast to consider whether the assumptions included in the forecast, with hindsight, had been realistic. We involved our valuation experts to evaluate the impairment calculations and valuation methodology applied, including assessment of the WACC calculated by the group. We also reviewed related disclosures in the financial statements whereby specific attention has been given to the sensitivity disclosures relating to the Mail investments considering the limited headroom shown from the impairment test.

Responsibilities of the board of management and the supervisory board

The board of management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the board of management, pages 3 through 73 in accordance with Part 9 of Book 2 of the Dutch Civil Code; and
- such internal control as the board of management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of management should prepare the financial statements using the going concern basis of accounting unless the board of management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the Report of the board of management and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the board of management pages 3 through 73 and other information):

- we have no deficiencies to Report as a result of our examination whether the Report of the board of management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the Report of the board of management, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of PostNL N.V. in 1997 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting, representing a total period of uninterrupted engagement appointment of 18 years.

Amsterdam, 23 February 2015
PricewaterhouseCoopers Accountants N.V.

Originally signed by:

H.C. Wüst RA

Appendix to our auditor's report on the financial statements 2014 of PostNL N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

Our audit consisted, among others, of:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of management;
- concluding on the appropriateness of the board of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole.
  However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Extract from the articles of association on appropriation of profit

Under PostNL's current articles of association, the dividend specified in article 31, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of PostNL's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (article 31, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the General Meeting of Shareholders (article 31, paragraph 3). No dividend shall be paid on shares held by PostNL in its own capital (article 31, paragraph 6). Preference shares B were not issued in 2014.

Dividend proposal 2014

Negative distributable corporate equity restricts the payout of dividend. Accordingly, there will be no dividend proposal.

Appropriation of profit

The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €178 million out of profit to the reserves. Following this appropriation, an amount of €0 million of the profit remains that is at the disposal of the Annual General Meeting of Shareholders. Subject to the adoption of PostNL's financial statements by the Annual General Meeting of Shareholders, no 2014 dividend is proposed.

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

Appropriation of corporate profit

(in € millions)

	2014
Profit attributable to the shareholders	178
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, paragraph 2)	(178)
Dividend on ordinary shares	0
(Interim) dividend paid in cash	0
Final dividend	0

Group companies of PostNL N.V.

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

Subsequent events

There were no subsequent events to report.

Appendices

18 Appendix 1: Regulatory environment

Mail is a strongly regulated industry, subject to global, European and national regulations. As a consequence, PostNL has to manage complex regulatory requirements in many jurisdictions.

International postal regulation

Universal Postal Union

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

REIMS

EU postal operators have developed a terminal dues system called REIMS, which is more sophisticated than the UPU system. REIMS calculations are based on a higher percentage of domestic tariffs and, in return, higher service quality. PostNL has not entered into the REIMS V agreement because we believe that although it is more market-oriented than previous agreements, it still does not reflect market reality. It constrains PostNL's ability to compete successfully in our highly competitive home market. Instead, we have closed more cost-effective bilateral agreements.

EU postal regulation

The European Commission has published a roadmap for completing the single market for parcel delivery. This document specified actions expected from market players and policy makers to improve cross-border parcel delivery services. While the Commission continued a structured dialogue with the postal operators to take stock of the progress on the committed improvements, it also launched a discussion on the sustainability of the postal regulatory framework. In this context the ERGP (European Regulatory Group Post) consulted stakeholders on the sustainability of universal service provision through obligations as designated to operators based on the Postal Directive. The European Commission is expected to draw conclusions in 2015 as to the required adaption of the regulatory framework.

EU Data Protection regulation

The European Council has committed to completing the legislative process on the revision of the data protection regulatory framework in 2015. Since data processing is of crucial importance for direct mail volumes and e-commerce activities, the legitimate interest of businesses to process data should be maintained.

Postal regulation in the Netherlands

Since 1 April 2009, the key legislation regulating PostNL's activities is the Dutch Postal Act 2009. This Act requires a designated postal provider to provide the Universal Postal Service in the Netherlands. By separate decree, PostNL has been designated the provider of the Universal Postal Service. The Dutch Postal Act 2009 sets the requirements for the Universal Postal Service. The Authority for Consumers & Markets (ACM) supervises the postal market and PostNL's performance of the Universal Postal Service. The responsibility for postal policy falls under the authority of the Minister of Economic Affairs.

The Universal Postal Service

Scope

The domestic Universal Postal Service consists of the conveyance against payment of standard single rates of:

- All items of correspondence with a maximum individual weight of two kilogrammes
- Postal parcels with a maximum individual weight of 10 kilogrammes
- Registered, registered insured and registered value declared items.

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

Regulatory conditions for the provision of the Universal Postal Service

The Dutch Postal Act 2009 requires PostNL to provide nationwide services and to perform a daily delivery round from Tuesday till Saturday – except on public holidays, delivering on average no less than 95% of all standard single rated domestic letters posted the day before. Urgent medical items and mourning cards are also delivered on Mondays. PostNL is required to maintain a network of service points for access by the general public. The amended Postal Regulation 2009, effective as of 29 January 2014, covers detailed tariff regulation, cost and revenue accounting, financial administration and reporting.

Accounting and other financial obligations

PostNL's reporting obligations include a system for allocating costs and revenues to the Universal Postal Service. A financial report on the annual performance of the Universal Postal Service must be submitted to ACM, accompanied by an independent auditor's opinion, to certify that PostNL's financial accounting system complies with these obligations and is applied properly.

Modernisation of the Universal Postal Service

On 11 September 2014, the Minister of Economic Affairs proposed an amendment to the Dutch Postal Act 2009, intending to mitigate the requirements for mandatory letter boxes and service outlets, stating that continuing volume declines demand substantial changes to these obligations in order to keep Universal Postal Services accessible and affordable to all. Further, the Minister proposed to set these and other service-related requirements in the Postal Decree, thus creating more flexibility for future adjustments. The Second Chamber has adopted the amendment, which is currently subject to treatment by the First Chamber. If adopted there as well, in the coming years the number of letter boxes could be reduced from 19,000 to 8,700, and service outlets from 2,000 to 1,000.

Tariffs and tariff regulation

The Minister of Economic Affairs approved additional tariff increases for 2014. PostNL therefore increased USO tariffs as of 1 January 2014. As of 29 January 2014, tariff regulation has been adjusted. The price cap, meant to limit the return on sales (RoS) to 10%, applies to USO letters and parcels together. For these purposes, the ACM first has to define basic tariff headroom, based on the costs of the USO in 2013. Second, the ACM annually has to define additional tariff headroom, taking into account the development of the general Consumer Price Index, the development of USO volumes and, occasionally, an earlier exceeding of the RoS limit. Following each ACM adjustment, PostNL is allowed to set tariffs. The tariffs as of 1 January 2015 are meant to be the first under this new system. However, the ACM has not yet defined basic tariff headroom. Therefore, the ACM had to define an interim tariff headroom for 2015.

Net costs

PostNL has not recently filed any net cost application. Part of the proposed amendment to the Dutch Postal Act 2009 is to cancel the regulation on net costs.

Significant market power

As of 1 January 2014, the ACM is authorised to impose specific obligations on parties with significant market power. The ACM has investigated unsorted time-critical bulk mail specifically, and published a draft decision mid December for public consultation. The consultation term ended 30 January 2015.

Postal regulation in other EU Member States

In contrast to the Netherlands, certain other EU Member States have defined the scope of the Universal Postal Service more extensively. As Universal Postal Service can in principle be exempt from VAT, the VAT advantages connected to the Universal Postal Service are considerably larger in most of those countries than they are in the Netherlands. As well as this VAT distortion, PostNL faces hindrance of competition in Germany, the United Kingdom and Italy due to a variety of different regulations.

United Kingdom

VAT

The Administrative Court of the High Court in London ruled that the VAT exemption applicable to Royal Mail's universal services and downstream access services is compatible with the EU VAT legislation and that a further reference to the European Court of Justice is not required. This puts Whistl, whose competing business mail delivery services are taxable at 20%, at a competitive disadvantage when selling to customers who cannot recover VAT. A request for permission to appeal has been submitted to the Court of Appeal.

End-to-end competition

In June 2014 Royal Mail submitted a document to Ofcom, which set out a supposed threat to the provision of the universal service. In December, the regulator, Ofcom, published a statement on the effects of end-to-end competition by Whistl on Royal Mail's ability to provide the universal service. Ofcom concludes that currently there are no grounds to impose regulatory conditions on Whistl's activities, as these activities do not present a threat to the universal service.

Regulation of Royal Mail access prices

In December Ofcom also published a consultation document on the regulation of the prices Royal Mail can charge for access to its network. Ofcom intends to amend access pricing rules in such a way that prices to four different areas (London, rural, suburban and urban) reflect differences in underlying costs. The end date of the consultation was 24 February 2015, with a formal decision scheduled for summer 2015.

Germany

General developments

The German government has decreed a general minimum hourly wage of €8.50 as of 1 January 2015, an amount already paid by Postcon. However, this could lead to higher costs for our delevery partners, which coul lead to increased costs for us. Additionally, the postal regulation will be evaluated, but the common opinion is that this evaluation will not lead to significant changes in the regulatory environment.

In spite of the electronic substitution (digitisation), mail volumes in Germany are still stable and even show a slight upward trend. Therefore German politicians see no direct reason to intervene.

Investigation on predatory pricing by Deutsche Post

The German competition authority "Bundeskartellkamt" has investigated Deutsche Post's price strategy for large customers. In an initial reaction, Bundeskartellamt has stated that German competition law was breached. The conclusion of this investigation and the publication of the decision of the German Competition Authority are expected in the first quarter of 2015.

Italy

VAT

A problem in the Italian postal market is the large scope of the Universal Postal Service, which results in the Universal Postal Service-related VAT exemption having distorting effects, plus the government subsidy as compensation for the Universal Postal Service obligation.

Considering its nature, domestic bulk letters (representing about 50% of the overall volume of the Universal Postal Service) should be excluded from the Universal Postal Service perimeter and be subjected to VAT. As long as this is not the case, it seems to result in possible misuse of a dominant market position within the Italian bulk letter market. In this context, the AGCM ruled in 2013 that the national postal service was abusing its dominant market position, violating EU law for individually negotiated agreements. The AGCM determined that Poste Italiane had not complied with European postal law by failing to add VAT to its negotiated mail contracts with major customers. Poste Italiane appealed the AGCM decision before the administrative Court of First Instance (the Regional Administrative Tribunal - 'TAR Lazio'), which confirmed the AGCM position in 2013 and rejected the appeal of Poste Italiane. In August 2014, the Parliament modified the Fiscal Act, according to the AGCM's above-mentioned decision, providing that Poste Italiane must introduce VAT (22%) on individually negotiated agreements. This modification, which came into force as of September 2014, permanently excludes that the VAT exemption will be applied to services dissociable from the service of public interest when individually negotiated by Poste Italiane, both in private and public sector.

Competition law

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

European competition law

The European Court of Justice (ECJ) has explicitly confirmed that the rules of EU competition law also apply to the national Universal Postal Service of the Member States. PostNL is subject to the competition rules contained in articles 101 and 102 of the EU Treaty and to preventive control on mergers and acquisitions as regulated in the EC Merger Control Regulation. PostNL is also subject to the competition rules laid down in the Agreement of the European Economic Area (EEA), which corresponds to the rules of EU competition law. The EEA rules for competition are enforced by the European Commission and the EFTA Surveillance Authority.

Dutch competition law

The services PostNL provides in the Netherlands, including the Universal Postal Service, fall within the scope of the Dutch Competition Act and are monitored by the ACM. This Act stipulates a similar structure and set of rules as the rules of EU competition law on the prohibition of cartels, the prohibition of abuse of a dominant position and the preventive control on mergers and acquisitions.

Other regulation in the Netherlands

Social Agreement

Programme to combat pseudo self-employment

The Minister of Social Affairs and Employment initiated a national programme to combat pseudo self-employment. The Minister, aiming to improve the legal position of people working in different sectors as an independent contractor, has sent a proposed Act (Wet aanpak schijnconstructies) to Parliament mid December 2014. The Dutch House of Representatives (de Tweede Kamer der Staten-Generaal) is positive, and is ready for plenary debate. The subcontractors of PostNL and its competitors fall within the scope of this programme.

Reviews parcel market

Social welfare

The Minister of Social Affairs and Employment awaits reports of the tax authorities, the inspectorate of his own ministry and of a special assessor, all three concerning the parcel market. Depending on the findings of these reports the Minister is expected to determine in the first quarter of 2015 whether specific measures are required in the parcel market.

Fiscal legislation

The junior Minister of Finance has sent Parliament a proposal to change fiscal legislation as of 1 July 2015. This change would enable authorities to replace the current VAR (declaration of independent contractor status) with a BGL (declaration no payroll taxes). Additionally, the way in which fiscal entrepreneurship is defined could change. However, the junior Minister has postponed further treatment.

Value added tax on postal services

PostNL is not allowed to charge VAT on postal items that form part of the Universal Postal Service. Consequently, we cannot deduct VAT amounts paid to purchase services and goods related to the Universal Postal Service. For all other postal services, PostNL is required to charge VAT, similar to our competitors.

19 Appendix 2: Other CR performance statements

	Notes	2014	2013	2012	2011
People indicators					
Percentage of females in total headcount		**44%**	44%	44%	41%
Employees with a disability		**1,340**	1,441	1,604	1,362
Disabled employees as percentage of total headcount		**2.5%**	2.5%	2.5%	2.2%
Environmental indicators					
Waste (tonnes per FTE)		**0.4**	0.4	0.4	0.4
Recycling of waste in percentage of total waste		**68%**	61%	52%	58%
Noise complaints		**6**	1	2	7
Environmental incidents on site		**8**	10	5	5
Environmental incidents off site		**3**	0	4	0
Other indicators					
School Feeding Support Programme		**506**	446	278	144

20 Appendix 3: Global Compact and GRI G4 index

Global Compact

As a signatory to the UN Global Compact, PostNL reports on the 10 principles it contains. In the Global Reporting Initiative G4 index table, the GRI indicators on which PostNL reports are linked to the numbers corresponding to the 10 principles mentioned below.

Global compact principles

Human rights	
1	Businesses should support and respect the protection of internationally proclaimed human rights.
2	Businesses should make sure that they are not complicit in human rights abuses.
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti corruption	
10	Businesses should work against corruption in all its forms.

GRI G4 index

This GRI Index table is based on the G4 guidelines of the GRI. This index includes the core indicators of the G4 and complementary sector supplement indicators. The table below includes PostNL's management approach and boundary setting per theme. Additionally, a reference is made to the 10 principles of the Global Compact, which are mentioned in a table in the next section. PostNL believes that the comprehensive level is applicable to this report. This has been validated by the external assurance provider.

GRI-table

Indicatornr.	Indicator	Details/reference	External verification	Global Compact Principles
General standard disclosures				
Strategy and analysis				
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Chapter Message from the CEO.	Yes	6, 7
G4-2	Provide a description of key impacts, risks and opportunities.	Chapters Opportunity and risk management, Our strategy.	Yes	
Organizational profile				
G4-3	Report the name of the organization.	PostNL N.V.	Yes	
G4-4	Report the primary brands, products, and services.	Chapter We are PostNL, How we create value.	Yes	
G4-5	Report the location of the organization's headquarters.	Prinses Beatrixlaan 23; 2595 AK The Hague.	Yes	
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Chapters Market and regulatory developments, Business developments.	Yes	
G4-7	Report the nature of ownership and legal form.	N.V.	Yes	
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Chapters Market and regulatory developments, Business developments.	Yes	
G4-9	Report the scale of the organization.	Chapter Financial statements, Consolidated statement of financial position.	Yes	
G4-10	a. Report the total number of employees by employment contract and gender.	We report total numbers of FTEs and Headcount by gender and age category in the chapter CR performance statement. We do not report on type of contract as the number of temporary contracts is limited.	Yes	
	b. Report the total number of permanent employees by employment type and gender.	We report the total numbers of FTEs and Headcount by gender and age category in the chapter CR performance statement. We do not report on a split of type of contracts (full time vs. Parttime). We will investigate the feasability of this split for our next report.	Yes	
	c. Report the total workforce by employees and supervised workers and by gender.	Not relevant for PostNL.	No	
	d. Report the total workforce by region and gender.	We report the total numbers of FTEs and Headcount by gender and age category in the chapter CR performance statement. We do not report per regio as the main part (85%) of our employees work for our Dutch entities.	Yes	

GRI-table

Indicatornr.	Indicator	Details/reference	External verification	Global Compact Principles
	e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.	We do not report on the total number of subcontractors because of the complexity of data collection.	No	
	f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries.	Not relevant for PostNL.	No	
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Chapter Financial statements, section Pension assets / Provision for pension liabilities, paragraph: Accounting policies. The majority of PostNL's Dutch employees are subject to the collective labour agreement.	Yes	3
G4-12	Describe the organization's supply chain.	Chapters We are PostNL, How we create value, Corporate responsibility.	Yes	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Chapters We are PostNL, Message from the CEO, How we create value, CR performance statements.	Yes	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Chapter Corporate responsibility. We have not formally adopted the precautionary principle but we systematically assess and manage environmental, safety, supply chain, operational and other risks as described throughout this report.	Yes	7
G4-15	List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	Chapter Corporate responsibility. We subscribe a number of organisations and initiatives including e.g.: Global Compact, GHG proctocol, ISO9001, ISO14001, OHSAS18000, Talent to the Top, Giving Back, NEVI, FSC, Fira, Fair Wear, GreenDeals, GreenFreight Europe. In addition we participate in several branche organisations: IPC, PostEurope, UPU.	Yes	1, 2, 3, 4, 5, 6
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations.	We participate in several branche organisations: IPC, PostEurope, UPU.	Yes	1, 2, 3, 4, 5, 6
Identified material aspects and boundaries				
G4-17	a. List all entities included in the organization's consolidated Financial statements or equivalent documents.	Chapter Financial statements, Appendix 4: Data clarification table.	Yes	
	b. Report whether any entity included in the organization's consolidated Financial statements or equivalent documents is not covered by the report.	Chapter Financial performance statements, Appendix 4: Data clarification table.	Yes	
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries.	Chapter CR performance statements.	Yes	
	b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Chapter CR performance statements, section Basis of preparation.	Yes	

GRI-table

Indicatornr.	Indicator	Details/reference	External verification	Global Compact Principles
G4-19	List all material Aspects identified in the process for defining report content.	Chapter Corporate responsibility.		Yes
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Chapters Corporate responsibility, CR performance statements, Appendix 4: Data clarification table, Appendix 5: Glossary and definitions. Also the boundaries per aspect are given in this GRI table.		Yes
G4-21	For each material Aspect, report the Aspect Boundary outside of the organization	Chapters Corporate responsibility, CR performance statements, Appendix 4: Data clarification table, Appendix 5: Glossary and definitions. Also the boundaries per aspect are given in this GRI table.		Yes
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Chapter CR performance statements. Also the boundaries per aspect are given in this GRI table.		Yes
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Chapter CR performance statements. Also the boundaries per aspect are given in this GRI table.		Yes

GRI-table

Indicatornr.	Indicator	Details/reference	External verification	Global Compact Principles
General standard disclosures				
Stakeholder Engagement				
G4-24	Provide a list of stakeholder groups engaged by the organization.	Chapter Corporate responsibility.		Yes
G4-25	Report the basis for identification and selection of stakeholder with whom to engage.	Chapter Corporate responsibility.		Yes
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Chapter Corporate responsibility.		Yes
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Chapter Corporate responsibility.		Yes
Report Profile				
G4-28	Reporting period (such as fiscal or calender year) for information provided.	This report is over the full year 2014 (from January 1th to December 31th).		Yes
G4-29	Date of most recent previous report (if any).	24 February 2014.		Yes
G4-30	Reporting cycle (such as annual, biennial).	Annual.		Yes
G4-31	Provide the contact point for questions regarding the report or its contents.	Please send us your comments by e-mail to corporatecommunications@postnl.nl or by sending a letter to: PostNL Annual report team P.O. Box 30250 2500 GG The Hague The Netherlands		Yes
G4-32	a. Report the 'in accordance' option the organization has chosen	Comprehensive. Assurance report is published in chapter CR Statements.		Yes
	b. Report the GRI Content Index for the chosen option.	Comprehensive. Assurance report is published in chapter CR Statements.		Yes
	c. Report the reference to the External Assurance Report, if the report has been externally assured	Comprehensive. Assurance report is published in chapter CR Statements.		Yes
G4-33	Assurance	Comprehensive. Assurance report is published in chapter CR Statements.		Yes
	a. Report the organization's policy and current practice with regard to seeking external assurance for the report.	Comprehensive. Assurance report is published in chapter CR Statements.		Yes
	b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.	The scope of the report is part of the assurance report.		Yes
	c. Report the relationship between the organization and the assurance providers.	Comprehensive. Assurance report is published in chapter CR Statements.		Yes
	d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	Comprehensive. Assurance report is published in chapter CR Statements.		Yes
Governance				
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Chapters CR performance statements, Corporate governance.		Yes

GRI-table

Indicatornr.	Indicator	Details/reference	External verification	Global Compact Principles
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Chapters CR performance statements, Corporate governance.		Yes
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Chapters CR performance statements, Corporate governance.		Yes
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Chapters Corporate responsibility, CR performance statements, Corporate governance.		Yes
G4-38	Report the composition of the highest governance body and its committees	Chapters Report of the Supervisory Board, Corporate governance.		Yes
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	PostNL does not have a unitary board structure.		Yes
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Chapters Report of the Supervisory Board, Corporate governance, Remuneration report.		Yes
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	Chapter Corporate governance . PostNL has a large company regime and is therefore required to adopt a two-tier system of Corporate governance . No conflicts of interest occured.		Yes
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Chapter Corporate governance.		Yes
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Chapters Corporate responsibility, Corporate governance.		Yes
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	Chapter Remuneration report.		Yes
	b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	Chapter Corporate governance.		Yes

GRI-table

Indicatornr.	Indicator	Details/reference	External verification	Global Compact Principles
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	Chapters Corporate responsibility, Corporate governance.	Yes	1, 2
	b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	Chapter Corporate responsibility.	Yes	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Chapter Corporate governance.	Yes	
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.	Chapter Corporate governance. The CR council meets regularly and reports directly to the Board of Management and the Executive Committee.	Yes	
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Chapters Report of the Supervisory Board, Corporate governance. The Audit committee is responsible for reviewing the integrated annual report: http://www.postnl.nl/en/Images/20110601 postnl-terms-reference-audit-committee_tcm9-15275.pdf .	Yes	
G4-49	Report the process for communicating critical concerns to the highest governance body.	Chapter Corporate governance.	Yes	
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	There were no critical concerns.	Yes	
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the types of remuneration	Chapter Remuneration report.	Yes	
	b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	Chapter Remuneration report.	Yes	

GRI-table

Indicatornr.	Indicator	Details/reference	External verification	Global Compact Principles
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	Chapter Remuneration report.	Yes	
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Chapter Remuneration report. The views on stakeholders are sought indrectly through the stakeholder dialogues we have held.	Yes	
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	The ratio of the annual total compensation (base salary and pension costs) for the organization's highest-paid individual and the median annual total compensation for all employees is 25. The median annual compensation is based on employees from Mail in the Netherlands (over 60% of all employees) with a contract of at least 60% of full time base. The compensation of the highest paid individual can be found in chapter Remuneration report.	Yes	
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Comparing 2014 with 2013 the increase of the total compensation (base salary and pension costs for the highest paid individual is 0,7% while in the same period the same number for the median increased with 0,8%.	Yes	
Ethics and integrity				
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Chapters Opportunity and risk management, Statement of the Board of Management, Corporate governance.	Yes	1, 2, 6, 10
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Chapter Corporate governance.	Yes	1, 2, 6
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Chapter Corporate governance.	Yes	1, 2, 6

GRI-table

Indicatornr.	Indicator	Details / reference / omissions	External verification	Global Compact principles
Specific standard disclosures				
Economic				
Economic performance				
DMA	We monitor economic performance closely on a monthly and quartly basis. Quarterly we publish our economic performance externally.		Yes	
Boundary	PostNL N.V. and its consolidated subsidiaries.		Yes	
G4-EC1	Direct economic value generated and distributed	Chapters Performance 2014 and outlook 2015 and Financial statements.	Yes	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	There is no material financial impact of climate change on PostNL's business identified.	No	
G4-EC3	Coverage of the organization's defined benefit plan obligations	Section 1: Basis of preparation, Note Employee benefits Financial statements. Provision for pension liabilities.	Yes	
G4-EC4	Financial assistance received from government	PostNL does not receive significant financial assistance from governments.	No	
Environmental				
Energy				
DMA	As a logistic service provider energy usage (fuel, electricity and heating) are material environmental aspects for PostNL. We strive to optimise our energy efficiency by managing the energy usage of our buildings and trucks. We are monitoring the progress on a monthly basis. We have established a long term goal based on the so-called CO2 efficiency index. This index includes the CO2 emissions of our buildings and trucks. We invest in new techniques as alternative fuel vehicles, energy efficient buildings, energy efficient sorting machines and training of our employees to improve our energy efficiency and meet our long term CO2 ambition.		Yes	7
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		Yes	
G4-EN3	Energy consumption within the organization	CR performance statements. +sector gebruikelijk om in m3, kwh en liters te rapporteren.	Yes	8, 9
G4-EN4	Energy consumption outside of the organization	We report on emissions of subcontractors conform industry standards, see CR performance statements. Omissions: data on energy consumption of all subcontractors are not available and are not expected to become available.	Yes	8, 9
G4-EN5	Energy intensity	We don't use own defined energy intensity KPI's we report on engery usages per km and per m2.	Yes	

GRI-table

Indicatornr.	Indicator	Details / reference / omissions	External verification	Global Compact principles
G4-EN6	Reduction of energy consumption	The various energy reduction initiaves for buildings and vehicles are described in Chapters Corporate responsibility and CR performance statements. The results are stated in Corporate responsibility statements.	Yes	8, 9
G4-EN7	Reductions in energy requirements of products and services	Not relevant for PostNL.	No	
Emissions				
DMA	Our core business is the collecting, sorting and distribution of mail and parcels. Trucks and buildings are main parts of the networks we operate this is why emissions are material for PostNL. We manage our emissions by our CO2 efficiency index with the aim to improve our CO2 efficiency with 55% in 2020 compared to the base year 2007. We take measures to improve our own emissions such as the use of CO2-neutral electricity and gas in our buildings and Greengas for our vehicles. Additionally we compensate part of our emissions by Gold Standard credits. We manage our energy efficiency with the aim to lower our energy consumption and decrease our emissions. We invest in new technologies as energy efficient buildings, trucks and sorting machines. We also stimulate our subcontractors to reduce their emissions by ecodriving and set a minimum requirement (Euro 5) for the type of trucks they use.		Yes	7
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost. As subcontractors are important businesspartners for us, they conduct a main part of the delivering activities in some of our entities, we also include their emissions in our Scope 3 emissions.		Yes	
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	CR performance statements.	Yes	8, 9
G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	CR performance statements.	Yes	8, 9
G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	CR performance statements.	Yes	8, 9
G4-EN18	Greenhouse gas (ghg) emissions intensity	CR performance statements.	Yes	8, 9
G4-EN19	Reduction of greenhouse gas (ghg) emissions	In our CR performance statements we report the absolute greenhouse gas emissions conform the GHG protocol. We developed a CO2 efficiency index to manage our CO2 efficiency performance. This index is based on the netto emissions of our buildings and vehicles.	Yes	8, 9

GRI-table

Indicatornr.	Indicator	Details / reference / omissions	External verification	Global Compact principles
G4-EN20	Emissions of ozone-depleting substances (ods)	PostNL does not report on this subject and has no intention of reporting this in the future as the disclosure does not relate to PostNL's business, because the emission of ozone-depleting substances within PostNL is very limited. This indicator is not material for PostNL.		No
G4-EN21	Nox, sox, and other significant air emissions	NOx and PM10 emissions are measured and the weight and calculation of significant air emissions are reported. PostNL strives to reduce these emissions by increasing the number of Euro 4, 5 and 6 vehicles.		Yes
Compliance				
DMA	As logistic service provider transport is a material subject for PostNL. We manage the environmental aspects of our trucks and company cars with the aim to minimise our emissions. We invest in a modern fleet (Euro 5 and Euro 6) including alternavive fuels (Greengas) vehicles and energy efficient driving behaviour of our drivers.			Yes
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.			Yes
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	No significant fines are received.		Yes
Transport				
DMA	As logistic service provider transport is a material subject for PostNL. We manage the environmental aspects of our trucks and company cars with the aim to minimise our emissions. We invest in a modern fleet (Euro 5 and Euro 6) including alternavive fuels (Greengas) vehicles and energy efficient driving behaviour of our drivers.			Yes
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.			Yes
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Chapter Corporate responsibility.		Yes

GRI-table

Indicatornr.	Indicator	Details / reference / omissions	External verification	Global Compact principles
Specific standard disclosures				
Social				
Employment				
DMA	We are one of the Netherlands' largest private employers. Globally, we employ over 56,000 people who reflect society and represent a broad range of different backgrounds and cultures. Which makes our empoyees a material aspect of our business. We strive to be an attractive employer by investing in the development and engagement of our employees. Diversity and inclusion, health and safety and recruitment and career development are important subjects for us, we believe that diverse teams will improve business results. We have several initiatives in place to realise a safe and welcome environment.			Yes
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.			Yes
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	CR performance statements.		Yes
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	We do not make a differentiation between full-time employees and temporary or part-time employees.		No
G4-LA3	Return to work and retention rates after parental leave, by gender	We do not report about parental leave.		No
Labor and management relations				
DMA	We are one of the Netherlands' largest private employers. Globally, we employ over 56,000 people who reflect society and represent a broad range of different backgrounds and cultures. Which makes our empoyees a material aspect of our business.We strive to be an attractive employer by investing in the development and engagement of our employees. We have intensive relations with all works councils and the unions with the aim to get our organisation as well as our employees fit for the future.			Yes
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.			Yes
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Chapter Corporate responsibility, Appendix 1: Regulatory environment. A social plan is in place. For temporary employees legal standards are leading.		Yes
Occupational health and safety				

GRI-table

Indicatornr.	Indicator	Details / reference / omissions	External verification	Global Compact principles
DMA	We are one of the Netherlands' largest private employers. Globally, we employ over 56,000 people who reflect society and represent a broad range of different backgrounds and cultures. Which makes our empoyees a material aspect of our business. We strive to be an attractive employer by investing in the development and engagement of our employees. The health and safety of our employees is part of our daily management system, large part of our organisation is OHSAS 18001 certified. We invest in safe working conditions and safe driving trainings to minimise the number of accidents.			Yes
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.			Yes
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	We do not report on this subject. We have no specific health and safety commitees in place. Health and safety is part of our daily management.		No
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	In the chapters People and CR performance statements we report about absenteeism and different types of accidents (fatal, serious, lost time).		Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	This is not relevant for PostNL as our operational activities do not include high risks for diseases and occupation.		No
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Health and safety of our employees is subject of the dialogue we have with the trade unions.		Yes
Training and education				
DMA	We are one of the Netherlands' largest private employers. Globally, we employ over 56,000 people who reflect society and represent a broad range of different backgrounds and cultures. Which makes our empoyees a material aspect of our business. As large part of the organisation is Investors in People certified the development of employees is part of our management systems. We encourage our employees to develop their skills and knowledge in order to improve their employability. We have on online training facility in place as well as an extensive management development program.			Yes
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.			Yes
G4-LA9	Average hours of training per year per employee by gender, and by employee category	CR performance statements.		Yes

GRI-table

Indicatornr.	Indicator	Details / reference / omissions	External verification	Global Compact principles
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Chapter People.	Yes	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Chapter People.	Yes	
Diversity and equal opportunity				
DMA	We are one of the Netherlands' largest private employers. Globally, we employ over 56,000 people who reflect society and represent a broad range of different backgrounds and cultures. Which makes our empoyees a material aspect of our business. We strive for a culture in which differcences between people are appreciated because we believe that a diverse organisation will lead to better business performance. We have several diversity networks in place to make clear that all kind of people are welcome at PostNL.		Yes	6
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		Yes	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Chapters Corporate governance and Report of the Supervisory Board.	Yes	6
Equal Remuneration for Women and Men				
DMA	Equal remuneration is important for PostNL. As we strive for a diverse workforce no difference is made in remuneration of women and men.		Yes	6
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.		Yes	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Chapter Remuneration report. PostNL does not make any differentiation in remuneration between men and women. Salary levels depend on function descriptions no matter if the function is fulfilled by a woman or a man. We do not report on remuneration except the remuneration of the members of the Board of Management.	Yes	6
Compliance				

GRI-table

Indicatornr.	Indicator	Details / reference / omissions	External verification	Global Compact principles
DMA	We are one of the Netherlands' largest private employers. Globally, we employ over 56,000 people who reflect society and represent a broad range of different backgrounds and cultures. Which makes our empoyees a material aspect of our business. We manage and strive to improve our human resource policies continuously. Monitoring compliance with social laws is part of our daily management.			Yes
Boundary	All entities fully- or majority owned by PostNL. Excluding the German entities Regioservice and Turbopost.			Yes
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	No significant fines are received.		Yes

21 Appendix 4: Data clarification table

The data clarification table clarifies the coverage of each indicator as presented in the chapter CR performance statements of this annual report. For each indicator, the coverage is expressed as a percentage of FTEs of the total number of FTEs.

FTEs reporting on:	**2014**	2013	2012	2011
PEOPLE				
Workforce				
Headcount	**54,379**	57,297	63,967	63,342
Full time equivalent	**27,535**	29,651	31,450	31,901
Training hours				
Training hours	**96%**	92%	92%	92%
Fatal accidents				
Fatal accidents	**100%**	100%	100%	100%
Subcontractor road traffic fatal accidents	**100%**	100%	100%	100%
Serious accidents				
Serious accidents	**100%**	100%	100%	100%
Lost time accidents				
Number of lost time accidents	**100%**	100%	100%	100%
Lost time accident frequency rate	**100%**	100%	100%	100%
Blameworthy road traffic incidents				
Blameworthy road traffic incident rate	**100%**	100%	100%	100%
Diversity				
Gender profile	**100%**	100%	100%	100%
Gender profile of management	**100%**	100%	100%	100%
Employees with a disability	**100%**	99%	99%	99%
Absenteeism				
Absenteeism	**100%**	98%	98%	98%
Turnover and promotion				
Voluntary turnover	**100%**	100%	100%	100%
Internal promotion	**100%**	100%	100%	100%
Recruitment and career development				
Employee Engagement score (coverage expressed in headcount)	**100%**	97%	97%	97%

FTEs reporting on:	**2014**	2013	2012	2011
ENVIRONMENT				
Operational vehicles				
Number of small trucks and vans (<7.5 tonnes)	**100%**	100%	100%	100%
Number of large trucks (> 7.5 tonnes)	**100%**	100%	100%	100%
CO2 efficiency small trucks and vans (< 7.5 tonnes)	**100%**	99%	99%	99%
CO2 efficiency large trucks (> 7.5 tonnes)	**100%**	99%	99%	99%
Buildings				
CO2 efficiency buildings	**91%**	90%	90%	90%
Sustainable electricity usage	**100%**	100%	100%	100%
Company Cars				
CO2 footprint of company cars	**100%**	100%	100%	100%
EU standard for trucks (only EU countries)				
Small Trucks	**100%**	100%	100%	100%
Large Trucks	**100%**	100%	100%	100%
Subcontractors				
Coverage PostNL Subcontractor model	**100%**	98%	98%	98%
Business Travel by Air				
CO2 footprint of Business Travel by Air	**100%**	100%	100%	100%
Waste				
Total waste per FTE	**94%**	96%	96%	96%
Percentage of waste seperated for recycling	**94%**	96%	96%	96%

22 Appendix 5: Glossary and definitions

Absenteeism
Total days absence versus potential working days, calculated at year-end.

ACM
Authority for Consumers and Markets.

Auditor
A chartered accountant ('registeraccountant') or other auditor referred to in section 393 of book 2 of the Dutch Civil Code or an organisation in which such auditors work together.

Biogas
Biogas is broadly defined as gas consisting of or derived from biomass. Biogasconsists of CO_2that has recently been extracted from the atmosphere as a result of growing plants and trees, and therefore does not influence the CO_2concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over billions of years so that their combustion and subsequent emissions do influence CO_2levels in the atmosphere.

Blameworthy road traffic incident
A road traffic incident is defined by PostNL as a crash or collision involving a PostNL vehicle. A vehicle incident can also result in an accident to be reported if the employee is injured or dead. Road traffic incidents are considered blameworthy if a PostNL driver is at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Business travel
Business travel refers to all business-related air travel.

Carbon neutral
Carbon neutral means that the net CO2equivalent emissions from activities are zero.

CO2 efficiency
CO2 efficiency expresses the efficiency of PostNL's business in terms ofcarbon emissions, i.e. the CO2emitted per service provided, per letter or parcel delivered.

Company cars
Company-owned or leased vehicles at the disposal of an employee for commuting and business travel. This category also includes hired vehicles used for business expansion purposes (not replacement vehicles hired for vehicles under repair).

Corporate governance
The OECD (see reference in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants, such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure by which company objectives are set and the means of attaining those objectives and monitoring performance.

Corporate responsibility (CR)
Corporate responsibility is the umbrella term for the obligation a company has to consider the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

CR Council
This is a sounding board for the Board of Management for corporate responsibility-related subjects.

Customer satisfaction
Customer satisfaction is an indicator that shows the opinion of customers regarding the service provided in the reporting period. This is measured through external channels such as correspondence, surveys, and focus groups.

Delivery quality
Delivery of a consignment within the timeframe set for the service in question.

Depositary receipts
Refers to depositary receipts for shares in the company.

Disabled employees
Disabled employees are employees on the payroll whose medical condition has been recognised by the relevant authorities as a disability.

Dow Jones Sustainability Indices
Launched in 1999, the Dow Jones Sustainability Indices are the first global indices to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios. For further information, see www.sustainability-index.com.

E2E

End-to-end, referring to the beginning and end point of a service.

Employee engagement

Employee engagement refers to the number of employees (employed by PostNL for three months or more) who stated in the employee engagement survey that they were ‘engaged’ or ‘more than engaged’ by PostNL as an employer. An ‘engaged employee’ is one who feels connected to the company, is enthusiastic about their work, and actively aims to improve the company and its reputation.

Environmental incident

An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks and so forth. Environmental incidents are divided into onsite and offsite incidents. Onsite incidents occur at depots, hubs, offices and other locations owned, leased, rented or operated directly by PostNL. Offsite incidents occur away from depots, hubs, offices and other locations owned, leased, rented or operated directly by PostNL.

European emission standards

Euro 4, Euro 5 and Euro 6 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union. They define levels of vehicular emissions such as nitrogen oxides (NOx) and particulate matter (PM).

Express activities / Express business / Express

The Express activities of TNT N.V. consist of on-demand door-to-door express delivery services for customers sending documents, parcels and freight. Following the demerger of TNT N.V. on 31 May 2011, such activities are exercised by TNT Express Group.

Fatal accidents

The death of any person because of an occupational accident. An occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work activities performed for PostNL. It doesn’t matter where the fatal accident has taken place or which person (employee or third party) is a casualty.

Full-time equivalents (FTEs)

FTEs refer to the total number of hours worked by the headcount divided by the local number of contract hours (e.g. 40 p/w or 196 p/m).

General Meeting of Shareholders

The meeting of shareholders and other persons entitled to attend meetings.

Global Reporting Initiative (GRI)

The GRI is a multi-stakeholder process and an independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. The GRI began in 1997 in partnership with the United Nations and became an independent body in 2002. It continues to collaborate with the United Nations Environment Programme and works with the United Nations Global Compact. For more information, see www.globalreporting.org.

Green gas

Green gas is a sustainable variant of natural gas and is produced by upgrading biogas to the same quality as natural gas. Green gas is a renewable fuel, which is produced cleanly.

Greenhouse Gas Protocol

The Greenhouse Gas Protocol (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions from companies.

Group company

A group company as defined in article 2:24b of the Dutch Civil Code.

Headcount

Headcount is the number of our own employees on the payroll in active duty working for fully consolidated companies.

IFRS

International Financial Reporting Standards.

IFRS-EU

IFRS, as adopted by the European Union.

Internal promotion

The number of PostNL employees appointed to vacancies in management positions at the end of a reporting period. This refers to the number of actual appointments, not the number of FTE positions.

Investors in People (IiP)

Developed in 1990 by a partnership of leading businesses and national organisations, IiP helps organisations to improve performance and realise objectives through the management and development of their staff. For further information, see www.investorsinpeople.co.uk.

ISO (International Organization for Standardization)

The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives. The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. For further information, see www.iso.org.

ISO 9001 (quality management)
The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

ISO 14001 (environmental management)
The ISO 14001 standards are international standards for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key performance indicators (KPIs)
KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Lost time accident
A lost time accident is an occupational accident resulting in the absence of a PostNL employee for at least one working day. An occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work activities performed for PostNL. Each lost time accident is only counted once and in the month it occurs.

New Logistics Infrastructure (NLI)
The new sorting and distribution system of PostNL Parcels in the Netherlands, with full implementation due in 2015. The system consists of 18 depots with automated sorting, which are all directly connected by linehauls and all serve as a starting point for distribution rounds and returns handling.

Non-blameworthy road traffic incident
A road traffic incident is defined by PostNL as a crash or collision involving a PostNL vehicle. A vehicle incident can also result in an accident to be reported if the employee is injured or dead. Road traffic incidents are considered non-blameworthy if a PostNL driver is not at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Number of supervisory positions
According to Dutch law, the number of supervisory positions that managing and supervisory board members may hold in certain companies is limited (article 2:132a of the Dutch Civil Code for managing board members and article 2:142a of the Dutch Civil Code for supervisory board members). Since 1 January 2013 a person is prohibited from being appointed member of the supervisory board of more than five so-called large entities (including PostNL), whereby a chairman position counts twice. Existing positions are exempt, but if they exceed five, they must be reconsidered at the moment of (re)appointment. Board members holding more than the maximum number of positions on 1 January 2013 are not obliged to resign from these positions, but positions must be reconsidered at the time of reappointment.

NOx
NOx (NO and NO2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperatures.

OECD
Organisation for Economic Co-operation and Development.

OHSAS 18001 (occupational health and safety management)
OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through the collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. For further information, see www.ohsas-18001-occupationalhealth-and-safety.com.

Omnichannel
An omnichannel organisation is one that focuses on the customer, without being dependent on time, place and channel. Customers experience a consistent experience across all channels because the organisation provides relevant and immediately available information and content.

Packet
Postal item containing goods weighing up to 2 kg. Generally fits through the slot of a letterbox.

Parcel
Goods to be transported by a distribution company, weighing up to 30 kg.

PM10
Particulates, alternatively referred to as particulate matter (PM), such as fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM10 is used to describe particles of 10 micrometres or less.

PostNL N.V.
A public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in The Hague, the Netherlands, and its registered office at Prinses Beatrixlaan 23, 2595 AK The Hague, the Netherlands, until 31 May 2011 named TNT N.V. PostNL (Group) PostNL N.V. and its Group companies.

Serious accident
A serious accident is an occupational accident where a PostNL employee is admitted to a hospital ward within 30 days after the accident happened. An occupational accident is an unexpected and unplanned occurrence, including acts of violence, arising out of or in connection with work activities performed for PostNL.

Carbon-neutral electricity
Carbon neutral electricity is electricity from ‘green’ or ‘renewable’ sources such as solar, wind, geothermal, biomass, hydroelectric and ocean energy, purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers’ invoices or other means). It does not include nuclear electricity.

TNT N.V.
Until the demerger of its Express activities on 31 May 2011, TNT N.V. was a public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in Amsterdam, the Netherlands, and its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. Following the demerger on 31 May 2011, it was renamed PostNL N.V.

TNT Express (Group)
TNT Express N.V. and its Group companies.

TNT Express N.V.
A public limited liability company incorporated under the laws of the Netherlands, listed on the Amsterdam Stock Exchange, with its statutory seat in Amsterdam, the Netherlands, and its registered office at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. It was demerged from TNT N.V. on 31 May 2011 and is the ultimate parent company of the former Express activities of TNT N.V.

USO
Universal Service Obligation. The designation as universal service provider obliges PostNL to collect and deliver domestic mail and parcels five days a week (mourning cards and medical post 6 days a week), and to provide for cross border mail and parcels according to the Universal Postal Union (UPU) rules.

Voluntary turnover
Voluntary turnover refers to the number of PostNL employees on permanent contract (full-time or part-time) who resigned from the company of their own free will. This includes all resignations but not redundancies, dismissals, retirement or transfers.

Working hours
The definition of working hours is based on the total number of individually-calculated hours adjusted for overtime, leave or similar deviations.

23 Appendix 6: Summary of key figures

All numbers presented in this appendix are the reported numbers in the respective Annual Reports of 2011 till 2014, unless restated in a later year.

(in € millions unless indicated otherwise)

	2014	2013	2012	2011
Financial performance				
Revenue				
Mail in the Netherlands	**2,012**	2,060	2,270	2,429
Parcels	**854**	803	730	608
International	**1,711**	1,615	1,624	1,467
PostNL	**4,251**	4,163	4,330	4,297
Underlying cash operating income				
Mail in the Netherlands	**231**	78	20	154
Parcels	**98**	89	100	92
International	**8**	24	27	5
PostNL Other	**(44)**	(44)	(17)	(13)
PostNL	**293**	147	130	220
Underlying cash operating income margin				
Mail in the Netherlands	**11.5%**	3.8%	0.8%	6.3%
Parcels	**11.5%**	11.1%	13.7%	15.1%
International	**0.5%**	1.5%	1.7%	0.3%
PostNL	**7.0%**	3.5%	3.0%	5.1%
Net cash from operating & investing activities	**124**	492	(212)	169
Cash and cash equivalents	**585**	451	391	668
Net debt	**683**	823	1,224	1,002
Consolidated equity attributable to the equity holders of the parent	**(597)**	(692)	(314)	(290)
Corporate equity	**1,983**	1,925	1,138	1,427
Coverage ratio main pension fund	**108.9%**	111.9%	102.5%	99.8%
IAS 19 discount rate	**2.3%**	3.5%	3.7%	4.8%
Cash out from pensions	**169**	309	348	265
Profit for the year (excluding TNT Express)	**220**	164	222	238
Earnings per share (excluding TNT Express in € cents)	**49.9**	37.3	50.5	55.2

(in € millions unless indicated otherwise)

	2014	2013	2012	2011
Operational performance				
Volumes (in millions of items)				
Mail in the Netherlands	2,705	3,029	3,437	3,777
Parcels	142	131	120	106
Volumes growth/(decline) percentage				
Mail in the Netherlands	(10.7%)	(11.6%)	(9.0%)	(7.2%)
Parcels	8.8%	9.2%	13.2%	6.0%
Delivery quality Mail in the Netherlands	96.7%*	95.8%	93.9%	96.1%
* preliminary				
Cost savings	127	95	39	71
CR Performance				
Customer satisfaction	85%	83%	79%	not reported
Headcount	56,221	59,280	66,411	65,508
FTE	28,944	31,016	33,284	33,827
Employee engagement score	60%	58%	56%	56%
Investor in People certification	94%	94%	95%	96%
Percentage of females in management	25%	26%	23%	24%
Absenteeism	4.7%	5.1%	5.5%	5.4%
CO2 efficiency index	57.9	58.3	61.8	64.5