Annual Report 2013

Moving forward

PostNL brand vision

We live in a world where digital applications play an ever greater role in our daily lives. These services are developing rapidly. Using our inventiveness we are constantly finding new ways to connect sender and receiver.

We are PostNL. We are an essential link between the physical and online world. We have the most extensive mail, express and e-commerce network in the Benelux. Combining this with online solutions and other services we create value for our customers.

Introduction and financial and corporate responsibility highlights

This is PostNL's annual report for the financial year ended 31 December 2013, prepared in accordance with Dutch regulations.

PostNL N.V. is a public limited liability company with its registered seat and head office in The Hague, the Netherlands. PostNL N.V. is listed on the NYSE Euronext in Amsterdam.

Unless otherwise specified or the context so requires, 'PostNL', the 'company', the 'Group', 'it' and 'its' refer to PostNL N.V. and all its group companies as defined in article 24b, book 2 of the Dutch Civil Code.

PostNL is domiciled in the Netherlands, which is one of the Member States of the European Union (EU) that has adopted the euro as its currency. Accordingly, PostNL has adopted the euro as its reporting currency. In this annual report the euro is also referred to as '€'.

As required by EU regulation, as of 2005 the consolidated financial statements of PostNL N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

PricewaterhouseCoopers Accountants N.V. (hereafter referred to as 'PwC') has been appointed as the external independent auditor of PostNL's financial statements. PostNL has engaged PwC to provide reasonable assurance on its corporate responsibility (CR) statements. This assurance work is performed in accordance with the Assurance Standard 3410N 'Assurance Engagements Relating to Sustainability Reports' as drawn up by the professional body of Dutch accountants (NBA). With regard to the GRI Application Levels System, PostNL was assessed at the GRI A+ level. A detailed overview of the G3.1 core indicators is provided in Annex 1. For a full description of the scope of the reported CR data and the assurance obtained please refer to chapter 18.

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

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

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

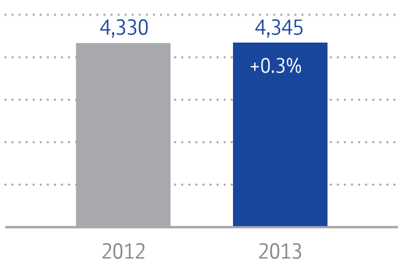
Investing in PostNL's securities involves risks. Carefully consider the principal key risks set out in chapter 11 of this annual report.

At a glance

Mail in NL | Parcels | International | PostNL Other

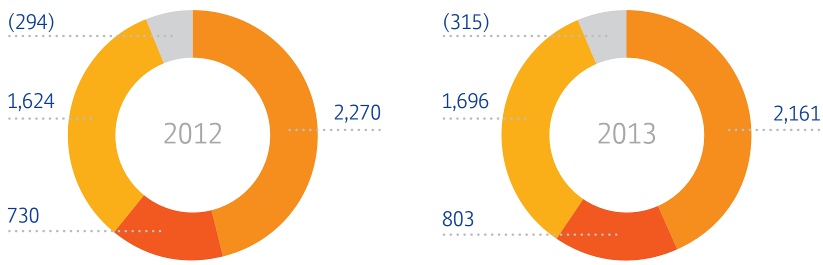
Underlying revenue [1]

(in € millions)



Underlying revenue by segment

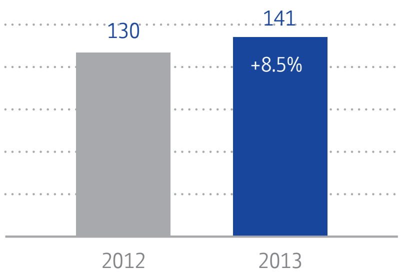
(in € millions)



1 Excluding foreign currency impact; comparative 2012 data have been restated to reflect the effect of the transfer of customer contact services from Mail in the Netherlands to PostNL Other.

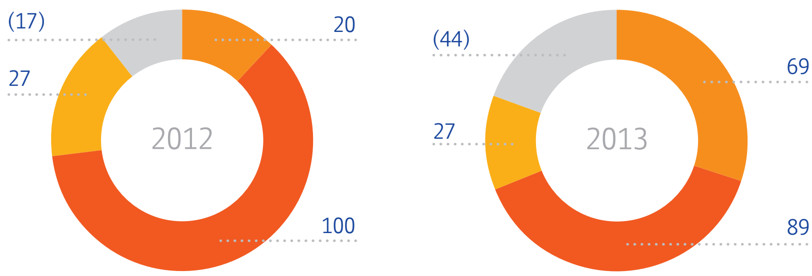
Underlying cash operating income [2]

(in € millions)



Underlying cash operating income by segment

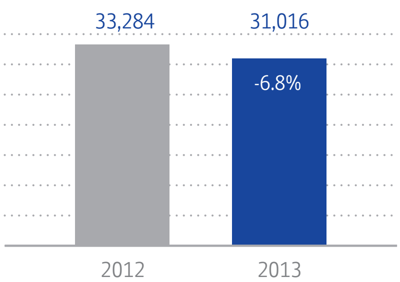
(in € millions)



2 Operating income minus non-recurring items and changes to pensions/provisions; comparative 2012 data have been restated to reflect the transfer of customer contact services from Mail in the Netherlands to PostNL Other.

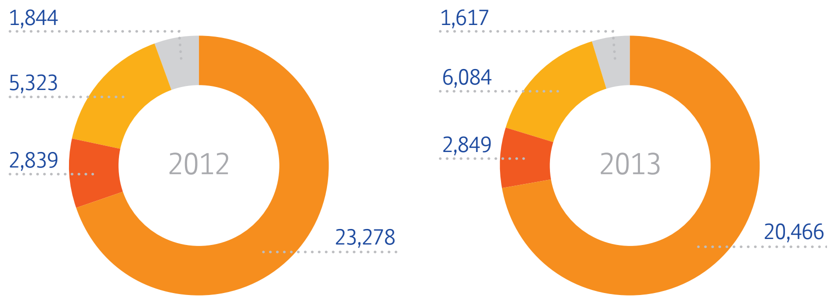
Employees [3]

(in full-time equivalents)



Employees by segment

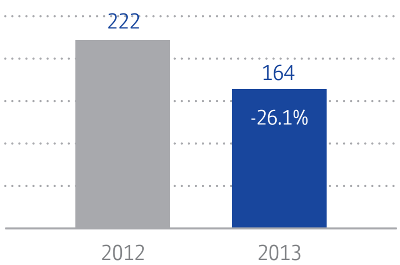
(in full-time equivalents)



3 Year average excluding joint ventures; comparative 2012 data have been restated to reflect the transfer of customer contact services from Mail in the Netherlands to PostNL Other.

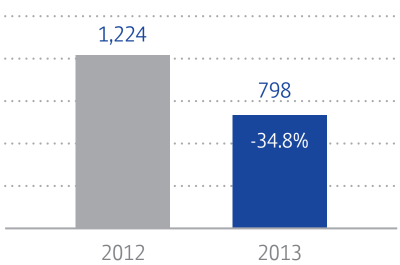
Profit for the year (excluding TNT Express) [4]

(in € millions)



Net debt [5]

(in € millions)



4 Comparative 2012 number has been restated to reflect the effect of the adoption of IAS19R.

5 Long-term debt plus short-term interest bearing debt minus cash and cash equivalents.

Key figures

Underlying revenue

(in € millions)	2012	2013	variance in %	outlook 2013
Mail in NL	2,270	2,161	-4.8%	- mid single digit
Parcels	730	803	10.0%	+ high single digit
International	1,624	1,696	4.4%	+ mid single digit
Underlying revenue PostNL	**4,330**	**4,345**	**0.3%**	**stable**

Underlying cash operating income margin

(in percentages of underlying revenue)

	2012	2013	outlook 2013[1]
Mail in NL	0.9	3.2	1-3
Parcels	13.7	11.1	11-13
International	1.7	1.6	1-3
Underlying cash operating income PostNL	**130**	**141**	**130-160**

1 Updated outlook of 4 November 2013.

Volumes in the Netherlands

(in millions)

	2012	2013	variance in %
Mail in NL	3,437	3,029	-11.9%[1]
• Single items	783	690	-11.9%
• Bulk mail	2,654	2,339	-11.9%
Parcels	120	131	9.2%[2]

1 Adjusted for the 2012 elections decline was -11.6%.
2 Adjusted for registered mail items growth was +6.7% (2012: 5.6%).

Share performance

	2012	2013
Share price at year end *(in €)*	2.92	4.15
Earnings per share *(in €)*[1]	1.49	(0.39)
Dividend *(in €)*	0.18	0.00
Number of issued shares at year end *(in millions)*	440.0	440.0
Market capitalisation at year end *(in € millions)*	1,285	1,826

1 Comparative 2012 has been restated to reflect the effect of the adoption of IAS19R and the reclassification of TNT Express.

Corporate responsibility performance

	2012	2013
CO_2 emissions *(in ktonnes)*	69	67
CO_2 efficiency index	61.8	58.3
Fatal accidents	3	0
Absenteeism	5.5%	5.1%
Customer satisfaction *(overall Mail in NL)*	84%	85%
Employee engagement	56%	58%

1 Moving forward

Dear reader,
The world we live in is changing rapidly. Internet and electronic communication have become an integral part of our society. This has profound implications for the mail market. Developing customer habits means e-mail and other forms of electronic communication are replacing traditional mail. At the same time, e-commerce is leading to an increase in fulfilment and parcel delivery services.

The very high percentage of Dutch households with a high speed internet connection means the market is changing more rapidly in the Netherlands than almost anywhere else in the world. To ensure continuity, we have to transform our company. We need to adapt to the continuing decline in letter volume, while simultaneously growing our parcels and international business.

This transformation process is in full swing. It brings with it changes in how we work - and, unfortunately, changes in our workforce. Changes we try to implement in a socially responsible manner. But we are not just reorganising; we are also continuing to innovate and to invest in the latest generation of sorting machines.

At the same time, we are managing the growth in the parcels market by creating a new state-of-the-art parcels infrastructure. We stimulate this growth market by facilitating e-commerce in every way we can. Examples include new services we are setting up, such as one-man and two-man delivery services, or our fulfilment services.

We are moving towards becoming a mail company that is prepared for the future and a parcel company that is growing fast. Together with our employees and our customers, we are moving forward.

A solid year
2013 was a solid year for PostNL. In a number of areas, we achieved cost savings that exceeded expectations. Delivery quality numbers improved to 95.9%, while customer satisfaction grew by one percentage point to 85%. Our Parcels business performed as expected, with strong volume growth and expansion into new areas. The International segment improved its performance, also in line with expectations.

We sold half of our stake in TNT Express and used the proceeds to reduce our debt. And at the end of the year, we reached an agreement with the unions and our pension fund on a sustainable pension arrangement. This agreement will result in a reduction of our cash contribution and a limitation of the top-up payment obligation.

These developments mean we are firmly on target to achieving a solid financial position. We expect this to lead to a BBB+ credit rating and positive consolidated equity in 2016, enabling us to pay dividend to our shareholders.

Transforming our letter activities
We are on track towards becoming a smaller and profitable mail company. Higher substitution led to a higher than expected underlying mail volume decline last year of 11.6%. This decline was more than offset by price increases and cost savings from reorganisations.

We have restarted implementing our reorganisation of Mail in the Netherlands. We achieved better results than expected and are ahead of plan. We reduced the number of mail preparation locations from 260 to 145. And it is very satisfying that delivery quality increased to 95.9% of letters posted today, delivered tomorrow. The support of the works council was important for the success of these changes.

In July, we announced further changes in the Dutch operational model. We will abolish the area structure and manage our processes and our staff centrally. As a consequence, the number of staff jobs in the new operational model will be reduced by almost half. In addition, significant steps were taken to reduce staff within marketing and sales and head office in 2013. In the coming years, further reductions will follow.

As from 1 January 2014, we stopped Sunday collection and Monday delivery, reducing the number of letter delivery days in the Netherlands from six to five. This is more in line with current letter volumes.

Unfortunately, these changes have consequences for our people. Losing your job and having to leave the company is never easy. This is why we are putting so much effort into preventing redundancies as much as possible and helping redundant employees find work outside PostNL. More than 7,500 people have already found a job outside our company with the help of our Mobility department.

Growth of Parcels and e-commerce
Our Parcels business performed according to expectations. We are managing these activities to stimulate growth. In 2013, our parcels revenue grew by 10%, driven by volume growth, whilst a changing customer and product mix put pressure on average prices. Volume growth was realized in the single parcels business and other business, such as Extra@Home.

Changing customer demand has led us to open 300 additional parcel pick-up locations in the Netherlands, and more are to come. The deployment of our New Logistics Infrastructure is progressing well. By the end of 2013, we had opened 14 new depots in the Netherlands, already handling over 75% of parcel volumes. A further three will follow in 2014.

Subcontracting selected activities contribute to our business. Key to the success of subcontracting is a sustainable relationship with our subcontractors. Responding to the public debate and discussions with our subcontractors, we have taken necessary steps to further enhance such sustainable relationship with our subcontractors, based on transparency. This will inevitably lead to an increase in costs.

In response to our customers' needs, we are constantly changing and enriching our service offering. I have already mentioned some examples of new to-consumer services. On top of these, we have started delivering parcels on Mondays and we offer our customers the opportunity to pick up their parcels before 8:30 a.m. at more than 400 post offices. And from May 2014, we will start delivering parcels on two weekday evenings.

In Belgium, we have rebranded our parcel delivery activities to PostNL and have upgraded our track-and-trace services. Combined with strong growth in Belgian e-commerce, this is leading to a healthy increase in cross-border volumes. In Belgium, many consumers prefer to pick up their consignments at retail locations. We therefore aim to set up 600 of these locations in 2014 through partnerships with large retailers.

Growth of International
The mail market in the United Kingdom, Germany and Italy is in decline. Nevertheless, our International business is growing profitably, as expected. Revenue grew 2.1% and even 4.4% adjusted for exchange rates. All countries contributed to the better performance.

In 2013, the business in the UK experienced its ninth year of growth. On 13 December, investment fund LDC and PostNL reached an agreement to establish a joint venture to enable further rollout of the end-to-end service by securing funding from LDC and RBS. The closing of the transaction is subject to a number of conditions.

TNT Post Germany last year achieved break-even, an important milestone. Competitive pressure remains, however, and support from the regulator is of the utmost importance.

Through the acquisition of new customers, the market share of TNT Post Italy grew to around 13% in 2013. Formula Certa, which delivers postal items with track and trace, is unique in the Italian postal market. Geographical coverage of the Formula Certa network reached 74% of Italian households. In 2013, TNT Post Italy introduced 'Sistema Completo', offering parcel deliveries on appointment.

The regulatory landscape
Our company operates in a highly regulated environment. We deal with this by ensuring good relationships with all stakeholders involved. We have a common goal: to keep the postal service affordable and accessible for all Dutch citizens. In 2013, parliament approved better terms for the Universal Postal Service and the abolition of Monday delivery.

In 2014, regulatory discussions will focus on the new Postal Act and the subject of significant market power in the Netherlands, and on competition limiting practices in the three countries we operate in.

The world around us
As a mail company, we are an integral part of society. We offer a vital service to the economy and we are a large employer. For this reason, we believe a good relationship with our employees, the works councils, the unions and other stakeholders is crucial. We need all of them so we can make PostNL moving forward.

We also feel our place in society carries a responsibility. We express this in several ways. Since 2002, we have partnered with the World Food Programme (WFP). We support WFP's school feeding programme in Malawi. In 2013, we were able to donate 2.1 million meals.

Moving forward in 2014
Having made major steps in 2013, we are determined to pursue our path in 2014. In Mail in the Netherlands, we will have to adapt to a higher volume decline by extra cost savings. We will continue transforming our business to take a healthy mail business into the future.

In Parcels, we remain focused on managing for profitable growth while continuing to roll our New Logistics Infrastructure. Stimulating cross-border parcel flows and trying to attract even more of the booming international e-commerce business is a priority, as is enhancing our relationships with subcontractors. We will continue to grow in the Netherlands and in Belgium by listening to our customers.

The segment International is also targeting profitable growth. Our challenger status in these markets and our entrepreneurial spirit will help us achieve this, with the introduction of new services such as parcel delivery in Italy and end-to-end delivery in the UK.

In 2014 we will continue to work hard on growth within our business. Growth is vital to our company. We need it to compensate for the declining mail volumes, to inspire and motivate our people and to better serve our customers. So we are defending our market share by enriching our product offering, for example by adding delivery notification to our letterbox packet product. We are also extending our portfolio. One step is to start up our Mikropakket valuable goods service in Belgium. And we are expanding into new markets altogether, like we did by setting up Extra@Home.

We put customers truly at the centre of our business. If we successfully anticipate their needs, using our creativity to develop services that will surprise and delight them, we will be able to create growth in a changing world. That will be a key success factor moving forward.

Thanking all stakeholders
People are central to everything we do. We are and always will be a people company. Without committed employees, we cannot have satisfied customers. And without satisfied customers, our company cannot succeed. The same is true for our shareholders: they, too, are vital to PostNL's success.

That is why I would like to thank our employees, employee representatives, customers, shareholders and other stakeholders for their support in 2013. You all put a great deal of energy and dedication into our company. I look forward to working with all of you to realise the potential of our company. It is my firm belief that together we can achieve great things. Together, we can do what has to be done in 2014.

Herna Verhagen
24 February 2014

2 Company profile, strategy and financial framework

PostNL provides mail, parcels and support services, both physical and digital, in its home market of the Netherlands, as well as in the United Kingdom, Germany, Italy and Belgium and selected countries for cross border mail. PostNL collects, transports, sorts and delivers mail and parcels by combining depots, trucks, sorting centres, delivery, value added services like fulfilment, online capabilities and most important people.

Company profile

PostNL is organised into three business segments: Mail in the Netherlands, Parcels and International.

- Mail in the Netherlands is responsible for mail services in the Netherlands. It also offers a range of mail-related services through more than 2,550 retail and other outlets, making PostNL the biggest retail chain in the Netherlands. In addition, this segment provides document management, direct marketing and fulfilment services.
- Parcels provides parcel services in the Netherlands and Belgium for domestic and cross-border international parcel distribution and related value-added services such as fulfilment, two-man delivery services (Extra@Home), pharma logistics (Pharma & Care), less than full truckload services and distribution services of valuable goods (Mikropakket).
- International operates in the postal markets of the United Kingdom, Germany and Italy, with a focus on domestic addressed mail and parcels services. International also manages cross-border mail services.

In the Netherlands, PostNL is responsible for providing the universal postal service as laid down in the Postal Act of 2009. (See chapter 10)

Company strategy

Mission

PostNL aspires to be the leading mail and parcel-related logistics company in the Benelux and the main mail challenger in selected other countries. To achieve this, PostNL will:

- build intimate and long-term relationships with its customers, demonstrate continuing innovation and be passionate about its employees, products and services, customers and the environment in which it operates,
- pursue the highest quality in delivering mail and parcels items and offer a range of services in the value chain that feed the network and protect and enhance its total online and offline service proposition to customers, and
- fully use its position in the market, its economies of scale and the other competences it has built as an organisation over the years.

Overall strategy

To realise its mission of being the leading mail, parcel and related value-added services company in the Benelux and the main challenger in selected other countries, PostNL's overall strategy focuses on its core competences (managing network operations and managing large workforces) .

The strategy is based on a balanced portfolio of businesses. Mail in the Netherlands operates in a declining market and focuses on maximising sustainable cash flows, while the Parcels and International segments are growth businesses that focus on profitable growth. The three segments that comprise PostNL fit together well and create synergies.

Key to the strategy is continued strengthening of cooperation between the segments. The segments adopt a joint market approach, which includes jointly developing products and targeting customers where appropriate, continuously seek operational synergies, share expertise and cross-border knowledge. For example, the integrated backbone of mail and parcels in the Netherlands includes joint retail and small and medium-sized enterprise sales on the one hand, and joint collection, transport and postbox delivery activities on the other. Also, Mail in the Netherlands and Parcels provide the Dutch Universal Postal Service together.

Key for all segments is the development of new growth opportunities that feed our networks and extend/expand our service propositions, and the execution of PostNL's corporate responsibility (CR) strategy focused on customer satisfaction, service quality, employee engagement and CO_2 efficiency.

Implementing PostNL's strategy is not without risk. The Board of Management manages these risks on the basis of PostNL's strengths.

PostNL focuses on its core competences of running large mail and parcels networks

Key for all segments

- Develop new growth that feeds our networks and/or extends/expands our service propositions
- Capture sales and operational synergies which means further develop the integrated mail - parcels backbone

- Increase customers satisfaction
- Improve employee engagement
- Improve quality
- Increase CO_2 efficiency

Mail in the Netherlands	Parcels	International
Maximise sustainable cash flows	Realise profitable growth	Realise profitable growth

• Optimise the value of our service propositions for our customers taking into account substitution and competition
• Pursue cost reductions to help mitigate volume decline
• Pursue a multi-channel market approach, with a retail strategy to focus on small and medium sized enterprise market share
• Manage regulatory conditions
	• Develop the B2C market position through new services for our customers
	• Roll out New Logistics Infrastructure
	• Develop new e-commerce activities
	• Grow in B2B parcel services by improving capabilities
	• Grow in attractive niches supported by small acquisitions
	• Grow the international brokerage model
		• In the three selected countries and cross-border mail realise profitable growth through:
		  • increasing our market share
		  • optimising the value of our service propositions for our customers
		subject to competitive conditions and the possibility of a number one or two market position

For each of the three segments, the overall strategy has been translated into sub-strategies.

- Mail in the Netherlands will focus on maximising sustainable cash flows by optimising the value of its service propositions for our customers, pursuing cost reductions in a way that is socially responsible and improves employee engagement, pursuing a multi-channel approach to customers and managing regulatory conditions.
- Parcels will aim for profitable growth in the Benelux by developing the business-to-consumer (B2C) market through new services for our customers, finalising the rollout of the New Logistics Infrastructure (NLI), managing a diverse workforce, developing new e-commerce activities, further growing its business-to-business (B2B) parcel services, further developing growth options in specific market niches through small acquisitions, and further developing its international brokerage business. The joint operational and commercial backbone in the Netherlands plays an important role in realising this strategy.
- The International segment aims to realise profitable growth in its three selected countries and in cross-border mail by increasing market share and optimising the value of its service propositions for our customers, subject to competitive conditions and where PostNL can achieve a number one or two market position.

PostNL will extend the value chain through developing attractive adjacent businesses (offline and online) that feed our core mail or parcels operations or strengthen our position with our customers. PostNL provides services and solutions that combine the strengths of all three segments to support customers in their value chains, including the e-commerce value chain and the direct mail value chain.

To successfully realise its strategy, PostNL will continue to invest in its people to ensure they are connected with and proud of PostNL, passionate about working for the company and optimally equipped to do their work. This applies for PostNL's own employees as well as those providing labour or services via employment agencies or as independent contractors. PostNL will achieve this by having a clear, compelling and empowering leadership style, reducing hierarchy and making explicit choices about culture, while caring about and acting responsibly towards people who may lose their jobs. Furthermore, everybody who qualifies for a job at our company should feel welcome and respected, regardless of their ethnicity, gender, age or sexual orientation.

Corporate responsibility is central to the PostNL strategy, supported by stakeholder dialogues. PostNL aims to improve customer satisfaction, employee engagement, service quality and CO_2 efficiency. Examples of CR initiatives are the MijnPakket website, which allows customers to specify delivery preferences, the diversity and inclusion networks, PostNL's support for the Giving Back Foundation and the use of green energy and the Green Mail product. The partnership with the World Food Programme is also part of the CR strategy. In terms of benefits, these corporate responsibility initiatives have a positive impact on society and are an important element in employee engagement. (See chapter 9)

Mail in the Netherlands
Maximising sustainable cash flows from the mail business in the Netherlands is the key strategic goal for Mail in the Netherlands. This is a challenge in a market where addressed mail volumes are expected to continue to decline. It requires innovative products tailored to changing customer needs. It also requires an increasingly flexible operational model that continously adapts to changing mail volumes through restructuring measures, including further strengthening the commercial and operational backbone of the mail and parcels businesses. Given the impact of this transformation on its workforce, PostNL pays special attention to avoid redundancies where possible and to its mobility programmes that help employees from work to work outside PostNL. PostNL will further optimise its volume/price and retail strategy and will continue to develop value-added services in its customers' value chains. This includes direct marketing, communication and other innovative services. (See chapter 4)

Parcels
PostNL focuses on profitable growth while maintaining market share in the B2C parcels market where growth is driven by increasing e-commerce. PostNL also aims to increase its market share in the B2B market and to strengthen the mail and parcels commercial and operational backbone. To adjust to the growing demand, PostNL is in the last stage of implementing its New Logistics Infrastructure. Special attention is being paid to managing the diverse workforce. Value-added services are offered such as secure delivery, two-man delivery for large items (Extra@Home), pharma logistics (Pharma & Care), payment-on-delivery and fulfilment services. In addition, PostNL continues to develop specialised services, such as the delivery of irreplaceable or exclusive goods. To expand in B2B, a shop logistics proposition has been developed. This includes supplying shops in the most efficient way. Parcels pays attention to allowing employees with a disability to participate in the production process and also participates in a range of CO_2 reduction initiatives. (See chapter 5)

International
PostNL aims to generate profitable growth in the International segment, primarily in those countries that are most attractive from both a regulatory and a mail volume perspective: the United Kingdom, Germany and Italy. PostNL's 100% shareholding in Spring Global Mail enables it to realise synergies with its cross-border business in the Netherlands, Belgium, UK, Germany and Italy. PostNL aims to enhance profitability by increasing its market share, increasing the value propositions to its customers and pursuing effective cost management. PostNL uses a general approach of learning and knowledge-sharing, while taking into account country-specific differences in its customer approach. In Germany and Italy, PostNL operates its own last-mile delivery. In the United Kingdom, the business model relies on downstream access and PostNL has recently started rolling out last-mile delivery. The intention is to execute this part of the strategy with a partner. PostNL also implements its CR strategy in this segment, resulting in, for example, CO_2-neutral postal services offerings in UK. (See chapter 6)

Financial framework

PostNL's financial framework is based on:

- managing business performance by using value-based performance measures,
- strict cash flow management, and
- an efficient and strong capital structure, with a long-term investment grade credit rating target of BBB+/Baa1.

The financial strategy aims to provide adequate financial flexibility and, among others, to support strategic growth platforms and the restructuring of the Dutch mail business.

The key components of PostNL's financing strategy relate directly to:

- financial risk management and insurance,
- aligned legal and funding structures,
- efficient working capital management, and
- effective risk management, internal control and compliance.

The current capital structure is based on and managed with regard to the following components:

- targeting an investment grade credit rating of BBB+/Baa1,
- structural availability of €400 – €500 million of undrawn committed facilities out of our €570 million revolving credit facility,
- structural funding through a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest,
- cash pooling systems that ensure optimised cash requirements for PostNL by facilitating centralised funding and surplus cash concentration at group level, and
- tax-optimal internal and external funding focused on optimising the cost of capital for PostNL, within boundaries that are sustainable on a long-term basis.

Since April 2013, PostNL's current long-term credit ratings are BBB- (negative outlook) from Standard & Poor's Ratings Services and Baa3 (negative outlook) from Moody's Investors Service. These credit ratings are the result of an evaluation and analysis of a variety of factors. PostNL expects the rating agencies to publish updates in early 2014, including the impact of the sale of approximately half of our stake in TNT Express in December 2013, which resulted in gross proceeds of €507 million. PostNL used €400 million to reduce its outstanding debt. The remaining proceeds of the sale will be retained for further debt reduction.

PostNL manages its credit ratings along the core cash flow and EBITDA-to-debt ratios. These ratios and the ranges per ratio as indicated by the rating agencies may change over time, depending on market conditions and analytical considerations. An important factor in re-establishing PostNL's credit rating to BBB+/Baa1 will be its ability to further reduce net debt. The proceeds from the remaining stake in TNT Express, intended to be sold in the medium term, will be one of the sources to fund this reduction.

Board of Management profile

Board of Management PostNL N.V.
The Board of Management is responsible for establishing and executing PostNL's strategy. It consists of two members: Ms H.W.P.M.A. Verhagen, CEO, and Mr J.P.P. Bos, CFO.

3 Performance 2013 and outlook 2014

PostNL's business and financial performance improved in 2013. Important operational and financial milestones were realised during the year. Underlying cash operating income was €141 million (2012: 130 million).

Business performance

In 2013, PostNL made important steps on the path to its 2015 targets, which translated into a solid financial performance. Mail in the Netherlands in particular contributed to this, while results in Parcels and International were in line with expectations. Despite the higher-than-expected volume decline, results in Mail in the Netherlands improved mainly due to price increases and better-than-expected cost savings ahead of schedule. Good progress was made with the trade unions to extend the social plan and the collective labour agreements in June, as well as agreeing a new pension arrangement in October. Furthermore, over the course of 2013, steps were made in improving the regulatory conditions.

Segment details can be found in chapter 4 for Mail in the Netherlands, chapter 5 for Parcels and chapter 6 for International.

Mail in the Netherlands

The volume of addressed mail items declined by 11.9% in 2013 (2012: 9.0%). When corrected for one less working day in 2013 and elections in 2012, the underlying volume decline was 11.6%. This was above the updated guided range of 9% – 11% given mid-2013. The substitution of traditional mail by electronic communication continued. The decline was further impacted by the economic situation, price elasticity and competition.

Revenue in Mail in the Netherlands was €2,161 million (2012: 2,270), down 5% compared to 2012. Underlying cash operating income was €69 million compared to €20 million in 2012.

On 1 January 2013, new stamp prices became effective. The base domestic rate for letters in the Netherlands was raised by €0.04 to €0.54, followed by a €0.06 increase to €0.60 on 1 August. In September, we announced a further raise of the base domestic rates to €0.64 from 1 January 2014 onwards. Furthermore, PostNL increased the price of the seasonal December stamp. Price increases for bulk mail were also well above inflation in 2013.

After postponing our reorganisation in 2012, PostNL presented a new rollout plan in February 2013. The plan focused on a controlled reduction of our 260 locations at the start of 2013 by around 50% by 2015. The implementation of this new rollout plan progressed ahead of schedule in 2013. During the year, 115 locations were closed while quality improved to 95.9% (2012: 93.9%), which is above the required level of 95%. PostNL also took the first steps to implement a new overhead organisation within operations, implemented a leaner management structure at its head office and made progress in reorganising marketing & sales.

In June, PostNL reached final agreement with the unions to extend the social plan until 31 December 2015. This gave clarity to all employees who are or will be directly affected by the reorganisation. Additionally, we reached agreement on a new pension arrangement for mail deliverers from 1 January 2014 onwards and on a new collective labour agreement for Saturday deliverers, which includes a phased pay rise. The collective labour agreement for PostNL Parcels will be integrated into the collective labour agreement for PostNL. PostNL will start negotiations for a new collective labour agreement for PostNL in 2014.

In October, PostNL agreed a new pension arrangement with the pension fund and the unions. The new arrangement represents a balance between a stable pension accrual for participants and a maximum premium for PostNL. This will result in a reduction of our cash contribution and a limitation of the top-up payment obligation.

The regulatory environment changed during the year. Measures proposed by the Dutch Minister of Economic Affairs to ensure the Universal Service Obligation (USO) remains cost efficient, available and reliable, will help to make the USO profitable. A proposal containing the announced changes to the Postal Act is expected to be sent to parliament in the summer of 2014. Also extra tariff headroom was created that led to the price increases outlined earlier. As a consequence, PostNL decided to withdraw its application for compensation of the net costs in respect of 2011 and did not file for 2012 net cost compensation.

After earlier approval by parliament, in December 2013, the First Chamber of Parliament also approved to amend the Postal Act. The main amendments were the cancellation of Monday delivery and Sunday collection with effect as of 1 January 2014, and the introduction of a significant market power regime. The necessary market analysis by the Dutch consumer and market authority ACM (formerly OPTA) started 1 January 2014. PostNL expects the results of the analysis in the second half of 2014.

As of 1 February 2014, the USO tariff regulation has been adjusted. The price cap, meant to limit the return on sales (RoS) to 10%, applies to letters and parcels together. In 2014, ACM first has to define a fictional permitted average postal rate for the USO as a whole (based on 2013 figures and allowing for 10% RoS). 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 rates.

Parcels

Volumes in Parcels continued to grow steadily, with underlying volumes in the Netherlands up by 6.7% which is a mix of 2C and 2B. This was mainly driven by e-commerce and the full year impact of a few large new customers that started in 2012. Revenue increased by 10% to €803 million for the year (2012: 730). This includes the contribution of the acquired Dutch and Belgian activities of trans-o-flex (now Pharma & Care), the completion of the transfer of registered mail from Mail in the Netherlands to Parcels in 2012 and providing additional services to Mail in the Netherlands (subcontractor services for the car unit of Mail in the Netherlands). The last two explanations are clear examples of the successful integration of the backbone of these segments. Organic revenue growth was €38 million or 5.2%.

Underlying cash operating income was €89 million compared to €100 million in 2012. Excluding the negative goodwill of €15 million from Pharma & Care, underlying cash operating income increased by €4 million. The better result due to volume growth and efficiency was partly offset by a lower average price resulting from a change in the customer and product mix. The operational efficiency of the parcels network continued to increase due to volume growth and further implementation of the New Logistics Infrastructure. After the strikes in June, PostNL changed the way in which it operates in close collaboration with the subcontractors. This resulted in an increase of our subcontractor costs. The effect of this increase was limited in 2013.

The implementation of the NLI is on track. At the end of 2013, 14 out of 18 planned new depots were operational, and 26 old distribution centres and three sorting centres were closed. Close to 80% of volumes now pass through the new depots. The new infrastructure allows for further volume growth.

International

In International, volumes and revenue increased. Total revenue in 2013 was €1,658 million (2012: 1,624), up 2% compared to 2012. Adjusted for the downward exchange rate impact, underlying revenue increased by 4% to €1,696 million.

International ended the year with positive underlying cash operating income of €27 million, equal to 2012. When adjusted for the end-to-end (E2E) start-up losses and incidentals related to Compador competition in Germany, underlying cash operating income increased €6 million. All countries contributed to the better performance in International.

The pilots of the E2E delivery service in London that were initiated in 2012, were successful. In November 2013, this service was rolled out in Manchester as well. PostNL announced its intention to establish a joint venture with LDC. The joint venture will encompass all our activitities in the United Kingdom and will enable further rollout of E2E services. Performance of Germany increased to break-even in 2013 (operating income adjusted for incidentals and management fee). The main reason for the better result in Germany was volume growth. However, the developments amongst competitors in consolidation services by Compador have led to increased pressure on prices and had an incidental effect on our financial performance in Germany. Continued support from both the Bundeskartellamt and Bundesnetzagentur is needed in Germany to foster a competition-friendly market environment (see also chapter 6 and 10). In Italy, PostNL strengthened its position in the top segment of the business market and showed good growth. Household coverage in Italy increased to 74% (2012: around 68%) of households. Since April 2013, Spring Global Mail has been fully owned by PostNL.

Although markets in all three countries are officially liberalised, the original local mail company in each country still enjoys regulatory advantages. In 2013, PostNL continued intensive discussions with local and other authorities about value added tax (VAT) exemptions, USO definitions and other privileges the incumbent historically enjoys.

Corporate responsibility

PostNL's main CR indicators improved during 2013 (customer satisfaction, on-time delivery quality, employee engagement and CO_2 efficiency). Furthermore, there were no fatal accidents in 2013 (2012: 3). Unfortunately, we lost our sector leadership position in the Dow Jones Sustainability Indexes. The ambition for 2014 is a redesign of our CR strategy to further improve the CR indicators and restore our score in the Dow Jones Sustainability Indexes. For further details, see chapters 8, 9 and 18.

Stake in TNT Express and pensions

The development of the value of our stake in TNT Express and pension developments impacted the equity and funding position of PostNL.

Stake in TNT Express

At the beginning of 2013, PostNL held a 29.8% stake in TNT Express. Following the decision of the European Commission to block the proposed acquisition of TNT Express by UPS, UPS withdrew its offer for TNT Express on 30 January 2013. As a result of the cancellation of the UPS offer, the share price of TNT Express decreased substantially.

On 24 February 2013, the relationship agreement between PostNL and TNT Express 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 as a member of the Supervisory Board of TNT Express on 10 April 2013.

In addition, 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 its shareholding, in TNT Express.

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. Following the disposal of the shares, the remaining stake amounts to 14.8% of the outstanding share capital of TNT Express. A lock-up term of 180 days following the completion of the partial sale of the stake was agreed. PostNL expects to monetise its remaining stake in TNT Express in the medium term.

The total financial impact of TNT Express on PostNL's consolidated equity in 2013 amounted to -€314 million, which consisted of the following items:

Impact TNT Express in consolidated equity 2013

		reported in
Share in net result	35	Income statement
Impairment	(263)	Income statement
Share in other comprehensive income	(24)	Other comprehensive income
Book loss at disposal	(106)	Income statement
Fair value change	44	Other comprehensive income
Total impact 2013	**(314)**	

(in € millions)

The negative impact of €314 million is mainly explained by an impairment charge of €263 million due to the decline in the share price of TNT Express in 2013 and the book loss on the sale of €106 million, partly offset by a €35 million share in the net result of TNT Express. As at 31 December 2013, the value of the 14.8% stake in TNT Express amounted to €542 million.

For further details, see notes 3 and 4 to the consolidated financial statements.

Pensions

In October 2013, PostNL agreed with the pension fund and the unions on a new pension arrangement that represents a balance between a stable pension accrual for participants and a maximum premium for PostNL. This will result in a reduction of our regular cash contribution. The new pension arrangement is applicable for all employees under the PostNL collective labour agreement, it was ratified by the members of the unions and took effect on 1 January 2014.

Also as of 1 January 2014, the top-up payment obligation for deficits in the pension fund is capped. During the period 2014-2018, an annual maximum of 1.25% of the pension obligation of the pension fund applies, supplemented by a conditional budget of a maximum of €300 million, to be used to prevent cut-backs during that period. Starting in 2019, only the annual maximum of 1.25% of the pension obligation will apply. In determining the limited top-up payment obligation, the resilience of the pension fund will be taken into account.

In order to compensate for the implementation of the limited top-up payment obligation, PostNL is committed to an unconditional payment of €150 million.The unconditional commitment of €150 million and other possible commitments required from the conditional budget of a maximum of €300 million are payable from the moment PostNL pays out cash dividend, but at the latest 10 years after the moment the amounts become unconditional, in all cases with a payment term of five years as from that date.

At the end of 2013, Stichting Pensioenfonds PostNL, the main pension fund of PostNL, had a coverage ratio of 111.9% (2012: 102.5%), above the minimum required level of 104.1%. The increase compared to 2012 is explained by the positive impact of the €150 million unconditional commitment from PostNL, the fund's overall investment return, the decline in the long-term interest rate and the application of more accurate estimates for longevity. In 2013, PostNL paid top-up payments of €64 million (2012: 83).

For further details, see note 11 to the consolidated financial statements.

Financial performance

The key drivers of PostNL's financial results include:

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

Please note that the comparative 2012 results have been restated to reflect the impact of the adoption of IAS19R, the reclassification of our stake in TNT Express (from held for sale to investments in associates) and the transfer of customer contact services (from Mail in the Netherlands to PostNL Other). For detailed disclosure, see page 75 in the notes to the consolidated financial statements.

PostNL results

Year ended at 31 December	2013	2012 restated
Total operating revenue	4,307	4,330
Other income	7	31
Total operating expenses	(3,910)	(3,966)
Operating income	**404**	**395**
as % of total operating revenue	9.4	9.1
Net financial expense	(174)	(99)
Results from investments in associates	36	(13)
Reversal of/(impairment of) investments in associates	(369)	448
Income taxes	(67)	(74)
Profit for the year	**(170)**	**657**
Attributable to:		
Non-controlling interests	0	1
Equity holders of the parent	**(170)**	**656**
Earnings per ordinary share *(in € cents)*[1]	(38.6)	149.1
Profit for the year *(excluding TNT Express)*	164	222
Profit for the year (excluding TNT Express) per share *(in € cents)*[1]	37.3	50.5

(in € millions)

[1] Earnings per ordinary share are based on the profit for the year for equity holders of the parent and an average of 439,973,297 outstanding ordinary shares.

PostNL revenue and earnings

In 2013, PostNL's revenue declined by €23 million or 0.5% to €4,307 million (2012: 4,330). Revenue increases at Parcels and International were offset by a decrease in revenue in Mail in the Netherlands. Adjusted for foreign exchange rate changes (mainly the euro against the British pound), underlying revenue increased by €15 million or 0.3% to €4,345 million. Of the €15 million, €11 million (0.2%) related to the acquisition effect of Pharma & Care and €4 million (0.1%) related to organic growth.

Other income in 2013 amounted to €7 million (2012: 31). This decrease is mainly explained by lower book gains on the sale of real estate for a net amount of €6 million in 2013 (2012: 14) and negative goodwill from the acquisition of Pharma & Care of €15 million in 2012.

PostNL operating expenses

Year ended at 31 December	2013	2012 restated
Cost of materials	167	187
Work contracted out and other external expenses	2,142	2,140
Salaries, pensions and social security contributions	1,288	1,323
Depreciation, amortisation and impairments	132	115
Other operating expenses	181	201
Total operating expenses	**3,910**	**3,966**

(in € millions)

In 2013, operating expenses decreased by €56 million (-1.4%) to €3,910 million. Foreign exchange rate changes accounted for an increase of €38 million in operating expenses and the acquisition effect accounted for an increase of €12 million. Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, and rent and leases, which were in line with 2012. This is mainly explained by increased use of subcontractors due to higher volumes and revenues in Parcels, largely offset by less use of external temporary staff in Mail in the Netherlands.

In 2013, costs of salaries, pensions and social security contributions decreased by €35 million to €1,288 million (-2.6%). This was mainly due to a reduction of the workforce following the restructuring programme in the Netherlands, net additions to the restructuring provision of €73 million (compared to a net release of €23 million in 2012), and lower pension expenses compared to 2012 of €90 million. The decrease in pension expenses is mainly explained by the positive effect of past service pension costs of €140 million in 2013 (2012: 27).

Total depreciation, amortisation and impairment costs increased by €17 million compared to 2012, mainly due to an impairment of assets held for sale related to TNT Post UK of €12 million and increased depreciation costs within Parcels. As a result of the agreement with LDC, TNT Post UK was transferred to assets held for sale. These assets are valued at the lower of their fair value less cost to disposal and their carrying value, which resulted in an impairment of TNT Post UK of €12 million.

Other operating expenses include items such as IT, communication, advisory and marketing expenses, office costs and various other operating costs. In 2013, other operating expenses decreased by €20 million (-10.0%) compared to 2012, mainly due to cost savings.

Total operating income increased by €9 million (2.3%) to €404 million. In 2013, PostNL's total operating margin was 9.4% (2012: 9.1%). Operating income was positively impacted by a higher pension curtailment (€113 million), largely offset by higher restructuring related charges (€96 million) and lower rebranding costs (€11 million).

Compared to 2012, the profit for the period attributable to the equity holders of the parent decreased by €826 million. The profit for the year excluding TNT Express decreased by €58 million to

€164 million, which is explained by higher net financial expenses, only partly offset by higher operating income and lower income taxes.

PostNL underlying (cash) operating income development
Management monitors the financial performance of the Group and the relating segments via the earnings measure 'underlying cash operating income' as this 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 non-recurring and exceptional items, as well as adjustments for non-cash costs for pensions (defined benefit plans) and provisions. For pensions, the IFRS-based defined benefit plan pension expenses are replaced by the non-IFRS measure of the actual cash contributions for such plans. For the other provisions, the IFRS-based net charges are replaced by the related cash outflows.

In the tables below, the segments are presented as Mail in the Netherlands, Parcels and International. 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 operating income
Underlying operating income totalled €359 million in 2013 (2012: 362). Compared to 2012, PostNL's underlying operating income of 2013 decreased by €3 million. Underlying operating income excludes non-recurring and exceptional items, which amounted to €45 million in 2013 (2012: 33).

In 2013, the non-recurring and exceptional items were:
- restructuring-related charges 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 (see page 95 in the notes to the consolidated financial statements),
- the effect of pensions top-up payments in Mail in the Netherlands (€57 million) and Parcels (€3 million) offset by PostNL Other (-€60 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.

** 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.*

In 2012, the non-recurring and exceptional items were:
- rebranding costs of €12 million in Mail in the Netherlands (€5 million) and PostNL Other (€7 million),
- restructuring-related charges of -€26 million, of which -€35 million in Mail in the Netherlands, €1 million in International and €8 million in PostNL Other,
- an impairment of assets held for sale of €9 million, related to our customer contact services in PostNL Other,
- the effect of the top-up payments in Mail in the Netherlands (€78 million) and Parcels (€4 million) offset by PostNL Other (-€82 million)*,
- a positive effect of past service pension costs of €27 million, reported in Mail in the Netherlands (€16 million), Parcels (€10 million) and PostNL Other (€1 million), and
- other of €1 million in International.

** 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 reported to underlying (cash) operating income 2013

Year ended at 31 December	Reported operating income	Rebranding PostNL	Restructuring related charges	Impairment assets held for sale	Top up payments pensions	Past service pension costs	Other	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	145		49		57	(34)		217	(87)	(61)	69
Parcels	90		1		3			94	(1)	(4)	89
International	4	1	4	12			5	26		1	27
PostNL Other	165		23		(60)	(106)		22	(16)	(50)	(44)
Total 2013	**404**	1	77	12	0	(140)	5	**359**	(104)	(114)	**141**

(in € millions)

From reported to underlying (cash) operating income 2012

Year ended at 31 December	Reported operating income	Rebranding PostNL	Restructuring related charges	Impairment assets held for sale	Top up payments pensions	Past service pension costs	Other	Underlying operating income	Changes in provisions	Changes in pension liabilities	Underlying cash operating income
Mail in NL	146	5	(35)		78	(16)		178	(75)	(83)	20
Parcels	109				4	(10)		103	2	(5)	100
International	27		1				(1)	27	(1)	1	27
PostNL Other	113	7	8	9	(82)	(1)		54	(3)	(68)	(17)
Total 2012 restated	**395**	12	(26)	9	0	(27)	(1)	**362**	(77)	(155)	**130**

(in € millions)

From underlying operating income to underlying cash operating income

Underlying cash operating income in 2013 amounted to €141 million, 8.5% higher than in 2012. The underlying cash operating income margin was 3.2% in 2013 (2012: 3.0%).

The changes in provisions of €104 million in 2013 (2012: 77) represent the difference between the recorded underlying net release for restructuring and other provisions of €1 million (2012: underlying net addition of 9) and the underlying cash settlements of €103 million (2012: 86). In 2013, the cash settlements of €103 million included withdrawals from provisions of €88 million, adjusted for an amount of €17 million related to termination agreements for which the actual cash payments were made in 2013 and reduced by an amount of €2 million of underlying restructuring payments related to Spring Global Mail within International. The cash-out for restructuring programmes related mainly to Mail in the Netherlands and PostNL Other.

The changes in pension liabilities of €114 million in 2013 (2012: 155) are the difference between the recorded underlying pension expenses of €132 million (2012: 109), which exclude past service costs of €140 million (2012: 27), and the underlying cash payments of €247 million (2012: 265), which exclude €64 million of top-up payments (2012: 83).

The increase of €11 million in underlying cash operating income comprised an increase at Mail in the Netherlands (€49 million), offset by decreases at Parcels (€11 million) and PostNL Other (€27 million). See chapters 4 to 7 for further details on the performance of the segments.

PostNL net financial expenses

Year ended at 31 December	2013	2012 restated
Interest and similar income	10	33
Interest and similar expenses	(184)	(132)
Net financial expense	**(174)**	**(99)**

(in € millions)

Interest and similar income of €10 million in 2013 (2012: 33) mainly related to interest on banks, loans and deposits of €1 million (2012: 3), interest on taxes of €6 million (2012: 0) and fair value adjustments of €2 million (2012: 0). In 2012, interest income on pensions amounted to €27 million (2013: 0).

Interest and similar expenses of €184 million in 2013 mainly related to interest on long-term borrowings of €96 million (2012: 98), financial expenses of €50 million (2012: 0) on early repurchased long-term borrowings, interest expenses on pensions of €19 million (2012: 22) and hedge reserves recycled to profit and loss of €12 million (2012: 2).

PostNL income taxes

Year ended at 31 December	2013	2012 restated
Current tax expense	20	27
Changes in deferred taxes	(87)	(101)
Total income taxes	**(67)**	**(74)**

(in € millions)

PostNL's income taxes amounted to €67 million (2012: 74), a decrease of 9% compared to 2012, mainly due to a decline in profit before income taxes. The movement in deferred taxes is mainly due to timing differences resulting from changes in provisions and depreciation of fixed assets. In 2013, the effective tax rate before the impact of the stake in TNT Express was 29.0% (2012: 25.0%), which is higher than the statutory income tax rate of 25.0% in the Netherlands. For further details, see note 24 of the consolidated financial statements.

PostNL underlying (net) cash income

Year ended at 31 December	2013	2012 restated
Underlying cash operating income	**141**	**130**
as % of total operating revenue	3.2	3.0
Net financial expense (adjusted)[1]	(155)	(104)
Tax expenses (adjusted)[2]	(62)	(75)
Underlying net cash operating income	**(76)**	**(49)**

(in € millions)

1 Adjusted for the exclusion of interest on pensions of €19 million (2012: -5).
2 Adjusted for the tax impact of the exclusion of interest on pensions.

PostNL's underlying net cash income amounted to -€76 million in 2013 (2012: -49). The decrease of €27 million is mainly due to the increase in financial expenses resulting from the early repurchase of long term borrowings, partly offset by a higher underlying cash operating income and lower tax expenses.

Financial position

Summary consolidated statement of financial position

At 31 December	2013	2012 restated
Non-current assets	1,291	2,151
Current assets	979	1,002
Assets classified as held for sale	194	63
Total assets	**2,464**	**3,216**
Equity	(679)	(301)
Non-controlling interests	7	9
Non-current liabilities	1,973	2,310
Current liabilities	1,046	1,187
Liabilities related to assets held for sale	117	11
Total equity and liabilities	**2,464**	**3,216**

(in € millions)

The non-current assets of €1,291 million at year-end 2013 consisted mainly of goodwill of €95 million (largely related to Mail in the Netherlands and International), other intangibles of €48 million (mainly related to IT software), property, plant and equipment of €539 million (mainly related to land, depots and sorting machinery) and other financial fixed assets of €609 million (mainly related to the remaining stake in TNT Express).

The current assets of €979 million at year-end 2013 mainly consisted of trade accounts receivable of €378 million, prepayments and accrued income of €102 million and cash and cash equivalents of €469 million.

Assets held for sale amounted to €194 million of which €27 million related to buildings held for sale in the Netherlands and €167 million to TNT Post UK.

Total non-current liabilities mainly consist of provisions for pension liabilities of €544 million, other provisions of €128 million and long-term debt of €1,263 million. Total current liabilities mainly consist of trade accounts payable of €165 million, other current liabilities of €204 million and accrued liabilities of €549 million. Liabilities related to assets held for sale relate to TNT Post UK.

Off-balance sheet items

PostNL's off-balance sheet arrangements are disclosed in note 29 to the consolidated financial statements.

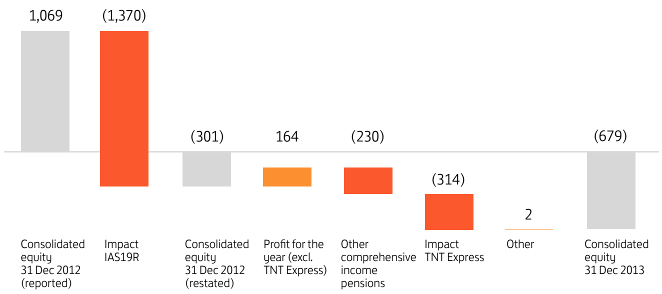
Equity position

Consolidated equity

Due to the adoption of IAS19R, the reported consolidated equity attributable to equity holders of the parent at 31 December 2012 of €1,069 million was restated to -€301 million. In 2013, equity decreased further to -€679 million as at 31 December 2013. The decrease is mainly explained by the profit for the year (excluding TNT Express) of €164 million, more than offset by other comprehensive income on pensions of -€230 million (see note 11 to the consolidated financial statements) and the impact of the value of the stake in TNT Express of -€314 million.

Development of consolidated equity 2013

(in € millions)

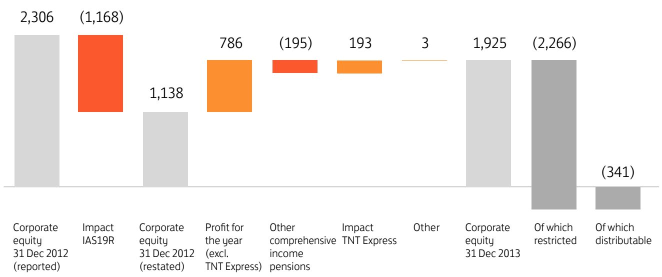


Corporate equity

Due to the adoption of IAS19R, the reported corporate equity at 31 December 2012 of €2,306 million was restated to €1,138 million. In 2013, corporate equity increased to €1,925 million as at 31 December 2013. The increase is mainly explained by the profit for the year (excluding TNT Express) of €786 million, other comprehensive income on pensions of -€195 million (see note 43 to the corporate financial statements) and the impact of TNT Express (+€193 million).

Development of corporate equity 2013

(in € millions)



The profit for the year (excluding TNT Express) of €786 million included an impairment reversal of the Mail investments of €638 million, dividend income of €116 million and other results of €32 million.

The impact of TNT Express of €193 million consisted of €8 million dividend income and a book gain at disposal of €141 million, both reported in the income statement, and a fair value change of the remaining stake of €44 million reported in other comprehensive income.

Funding position

After the partial sale of the stake in TNT Express in December, resulting in gross proceeds of €507 million, PostNL purchased €344 million of outstanding debt (nominal value) for a total cash consideration of €400 million including accrued interest. PostNL retained the remaining proceeds for future debt reduction purposes.

Debt maturing over one year is recorded as long-term debt (see note 13 to the consolidated financial statements). The carrying value of the gross debt (excluding interest) on 31 December 2013 amounted to €1,270 million (2012: 1,618).

Debt cash outflows

(including interest)	< 1 yr	1 - 3 yr	3 - 5 yr
Eurobonds	69	466	891
Financial leases	1	1	
Other loans	6	3	
Derivatives			35
Total	**76**	**470**	**926**

(in € millions)

PostNL has a €570 million committed revolving credit facility, which was fully undrawn at the end of 2013. Apart from this, PostNL has no material credit facilities or debt refinancing in the short term. The first bond, of which €349 million is outstanding, will mature in June 2015. The derivatives relate to the eurobond that matures in 2018, which is denominated in British pounds. There are no financial covenants.

At the end of 2013, the net debt of PostNL amounted to €798 million, a decrease of €426 million compared to net debt of €1,224 million at the end of 2012. This decrease was mainly attributable to the reduction of outstanding long-term debt following the partial sale of the stake in TNT Express and the increase in cash and cash equivalents.

Actions to strengthen equity and funding position

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

- in 2013, PostNL sold 81,743,614 shares in TNT Express N.V., resulting in gross proceeds of €507 million of which €400 million (including accrued interest and financial expenses) was spent on reduction of outstanding debt. The remainder has been reserved for future debt reduction purposes,
- improving business performance as visible in the increase in underlying cash operating income in 2013,
- strict control on capital expenditures, limited acquisitions and tight working capital management, and
- the new pension arrangement contributing to reduced future pension (cash) costs and limited top-up payments.

PostNL will pay out dividend in cash if and when consolidated equity is positive and the company has certainty of a BBB+/Baa1 credit rating.

Cash flow data

Liquidity and capital resources

PostNL's capital resources include funds provided by PostNL's operating activities and capital raised in the financial markets.

The following table provides a summary of cash flows from operations.

Statement of cash flows from operations

Year ended at 31 December	2013	2012 restated
Cash generated from operations	160	83
Interest paid	(150)	(99)
Income taxes received/(paid)	55	(40)
Net cash (used in)/from operating activities	**65**	**(56)**
Net cash from other investing activities	15	7
Net cash from acquisitions and disposals	504	14
Net cash used for capital investments and disposals	(103)	(177)
Net cash (used in)/from investing activities	**416**	**(156)**
Net cash for dividend and other equity changes	(3)	(2)
Net cash from debt financing activities	(364)	(64)
Net cash used in financing activities	**(367)**	**(66)**
Changes in cash and cash equivalents	**114**	**(278)**

(in € millions)

Net cash from operating activities

Net cash from operating activities improved by €121 million to €65 million in 2013. The increase was mainly due to the improvement in cash generated from operations of €77 million and lower paid taxes of €95 million, partly offset by higher interest paid of €51 million.

The increase in cash generated from operations of €77 million can be mainly explained by the increase in underlying cash operating income (€11 million), higher reversal of non-cash items (€43 million), like negative goodwill trans-o-flex 2012 and higher depreciation in 2013, and lower top up payments to the pension fund (€64 million in 2013 versus €83 million in 2012).

Interest paid was €150 million in 2013, of which €50 million relates to interest compensation as a result of the bond buy-back transaction.

In 2013, net income taxes received were €55 million, compared to a net payment of €40 million in 2012, mainly due to preliminary prior year tax assessments in the Netherlands relating to timing differences.

Net cash from investing activities

In 2013, net cash from investing activities amounted to €416 million (2012: -156).

Net cash from other investing activities of €15 million in 2013 related to interest received (€6 million) and dividend received (€9 million, mainly from the stake in TNT Express).

Net cash from acquisitions and disposals of €504 million in 2013 mainly related to the cash proceeds from the partial sale of the stake in TNT Express. In 2012, net cash from acquisitions and disposals of €14 million mainly related to the acquisition of trans-o-flex.

Capital expenditures/proceeds

Year ended at 31 December	2013	2012 restated
Property, plant and equipment	(90)	(175)
Other intangible assets	(27)	(29)
Proceeds from sale of property, plant and equipment	14	27
Net cash for capital investments and disposals	**(103)**	**(177)**

(in € millions)

In 2013, net cash capital investments and disposal on property, plant and equipment and other intangible assets amounted to €103 million, a decrease of €74 million compared to 2012, mainly due to fewer investments related to cost savings initiatives. Net capital expenditure in 2013 related to property, investments in plant and equipment (€90 million), intangible assets (€27 million) and the proceeds from sale of property, plant and equipment (€14 million). Significant investments were made in the New Logistics Infrastructure within Parcels (€57 million).

Net cash used in financing activities

In 2013, net cash from debt financing activities of -€364 million (2012: -64) mainly relates to the early repurchase of long-term borrowings .

Dividend

Corporate profit attributable to the equity holders of the parent amounted to €935 million in 2013. As at 31 December 2013, total corporate equity amounted to €1,925 million, of which -€341 million is distributable.

Dividend proposal 2013

Negative distributable corporate equity restricts the payout of dividend. Accordingly, there will be no dividend proposal.

Our dividend policy states that two conditions have to be met before PostNL will pay out dividend, neither of which is met at year end:

- Certainty of credit rating BBB+/Baa1, and
- Positive consolidated equity.

Based on current parameters, PostNL expects to resume dividend distributions in 2016.

Dividend paid in 2013

In 2013, no 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 (article 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 2013.

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 2013 dividend is proposed.

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

Appropriation of corporate profit

	2013
Profit attributable to the shareholders	935
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, par. 2)	(935)
Dividend on ordinary shares	0
(Interim) dividend paid in cash	0
Final dividend	**0**

(in € millions)

Group companies of PostNL N.V.

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

Subsequent events

There were no subsequent events to report.

Outlook 2014

Underlying operating revenue

	Restated 2013[1]	outlook 2014
Mail in NL	2,060	- low single digit
Parcels	803	+ mid single digit
International	885	+ mid single digit
Underlying revenue	**3,435**	**+ low single digit**

Underlying cash operating income/margin

	Restated 2013[1]	outlook 2014
Mail in NL	3.8	6 to 8%
Parcels	11.1	11 to 13%
International	1.6	1 to 3%
Underlying cash operating income	**137**	**180-220**

[1] Actual 2013 performance has been restated to reflect the adoption of IFRS 11/IAS 28R 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.

Indicators 2014

- Expected volume decline addressed mail of 9% – 12% (2013: 11.9%)
- Cost savings of €95 million – €115 million (2013: 95)
- Implementation costs of €25 million – €45 million (2013: 34)
- Cash outflow from provisions of around €65 million – €85 million, of which €50 million – €70 million relating to implementation of cost savings initiatives (2013: 107, of which 94 related to cost savings initiatives)
- Regular employer pension contributions of around €180 million (2013: 247), excluding top-up payments
- Employer pension expenses of around €140 million, of which €120 million in operating income and €20 million in financial expenses (2013: 151, of which €132 million in underlying operating income and €19 million in financial expenses)
- Cash capital expenditures of around €140 million (2013: 117)

4 Mail in the Netherlands

Mail in the Netherlands is responsible for the mail business in the Netherlands and for data and document management and other services.

Market developments

The mail market in the Netherlands continued to decline due to substitution by digital communication. The availability of e-alternatives and people's willingness to use these is relatively high in the Netherlands, triggering a shift in communication channels. Transaction related items such as bank statements and invoices are increasingly changing to online solutions. At the same time, senders of mail continually want to minimise their costs and the substitution of traditional mail with e-mail is an ongoing process. The economic crisis amplifies this effect, leading to lower communication spending.

Increasingly mail is being used as a communication channel in combination with digital communication. The growing importance of the end consumer's media preferences and the effectiveness of communication are driving these multi-media developments. Traditional next-day delivery on five or six days a week has lost its relevance for the mail segment in the last decade. Customer needs are shifting from next-day delivery to differentiated service levels, although high quality and day certainty remain important.

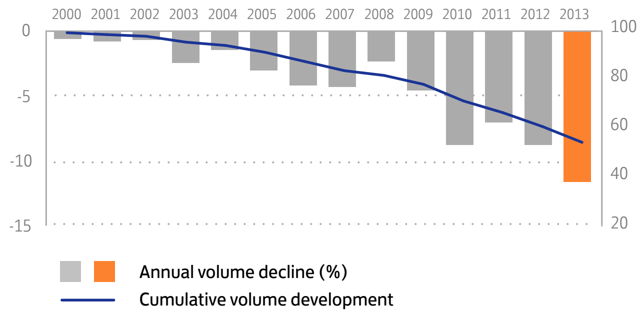
With the continued mail volume decline and the legal obligations for mail market participants to improve labour conditions, our competitive landscape remains fragile. To strengthen stability, PostNL took the initiative to increase price levels in the market.

The effects of substitution and competition were clearly visible in 2013. Underlying addressed mail volume delivered by PostNL declined by 11.6%. Our competitors increased their market share from 19% to 21%.

In 2013, the Dutch parliament voted in favour of amending the Dutch Postal Act to cancel Sunday collection and Monday delivery, and the introduction of a significant market power regime, both as of 1 January 2014. The necessary market analysis by ACM, related to the significant market power regime, started 1 January 2014. PostNL expects the results of the analysis in the second half of 2014. Additionally, the Minister of Economic Affairs recognises the need to further modernise the universal service obligation. He stated that the continuing volume decline demands an adjustment of both turnover and obligations to keep universal postal services affordable. He intends to reduce the required number of letter boxes and service outlets in the coming years.

Volume development Mail in the Netherlands

(in %)



Business developments

Consumer mail services

To sustain the value perception of mail, PostNL is actively highlighting the joy of sending and receiving mail to consumers through promotions and campaigns, such as the Christmas campaign. Following the inauguration of King Willem-Alexander in the Netherlands on 30 April 2013, PostNL introduced a permanent King Willem-Alexander stamp in November 2013.

To stimulate demand, we have introduced innovative stamps, such as the seasonal Saint Nicholas stamp, which has an aroma of ginger nuts. Additionally, instead of buying physical stamps, consumers can download a unique nine-digit franking code via an app on their mobile phone, which is then written on the mail item.

And our new online app and website KaartWereld (Card World) offer senders the convenience of e-mail and a wide range of cards, while the receiver still experiences the value of a physical card.

The small office/home office (SOHO) segment is growing in importance as e-business initiatives increase. We are targeting this market segment with a tailored and integrated marketing and sales approach for both mail and parcels. Customers with growing businesses are recognised by offering them a contract. Ease of use is stimulated by a number of initiatives to improve accessibility. This includes new services and concepts for our retail outlets and new online propositions such as our sending service and website postkantoor.nl, which conveniently brings all our services online.

Local retail presence

In 2013, all postal and parcel services were delivered via the 2,550 'shop-in-shop' post offices. These retail outlets are generally located in high-traffic shopping areas and are part of the joint backbone for both mail and parcels. Combined with our online initiatives, this ensures PostNL's services are always nearby. A trial with self-service parcel lockers was successful and we will initiate this service at some high-traffic locations. With our 2,550 shop-in-shop post offices, we are the largest retailer in the Netherlands.

Multi-channel communication

PostNL has introduced services that meet customers' requests for a combination of physical and digital communication. For example, we introduced an application that allows augmented reality to be added to a direct mail item, and online services to design and send direct marketing campaigns. For our customers, combining mail with other technologies is far more effective in generating a response than using online marketing channels only.

Unaddressed mail

With a yearly delivery of nine billion leaflets and 12,000 online leaflet publications, PostNL's subsidiary Netwerk VSP is the market leader in the Netherlands. In 2013, Netwerk VSP launched Spotta (formerly branded as folders.nl), a label for both physical and online leaflets. Spotta creates a cross-media platform – leaflet, website and app – on which millions of people are exploring their shopping options every week.

Products and services

For our business customers, mail items are part of their marketing and communications, billing or e-commerce value chains. Alongside standard mail services, we offer a range of services to support this value chain, generating mail and parcel volume to feed the networks.

Pricing policy

In 2013, the prices for single mail items increased within the additional headroom as defined and approved by the Minister of Economic Affairs. The standard USO-tariff for single items up to 20 grammes was raised by €0.04 on 1 January 2013 and by a further €0.06 on 1 August 2013. On 1 January 2014 this tariff increased by €0.04 to €0.64. The seasonal tariff for the 2013 December stamps went up by €0.15 to €0.55 per stamp. The tariffs of USO-related products like franking machines, followed these increases. Prices for bulk mail also increased well above inflation. The continued volume decline requires major restructurings as well as price increases. In our price-volume strategy, we take into account price elasticity effects to other alternatives.

We continue to seek further simplifications in our product portfolio and alignment with changes in our operations. This will allow PostNL to improve revenue and save costs while maintaining customer satisfaction by improving ease of use and transparency.

Business portal

We offer online postal products and services for business customers through MijnPost. Similar to MijnPakket in the Parcels segment, MijnPost provides a platform for preparing shipments of bulk mailings, parcels and registered mail, and enables customers to view order details 24/7. In 2013, the portal was used by almost 100,000 customers, representing more than 75% of all business orders and revenue.

New services on this platform were introduced, like the hybrid registered service, where customers send their messages via e-mail and PostNL prints and delivers these. With this, the convenience of e-mail and the attention value of physical mail are combined.

Marketing communication services

Under the brands PostNL, Euro Mail and Cendris, we developed a multitude of marketing communication solutions that improve both the effectiveness and the efficiency of marketing and sales processes. We advise customers on the design of their multi-channel marketing campaigns, data analysis, help them to select the right target groups, communication channels and tools to improve their data quality and offer print and fulfilment services. At the back-end, we provide customer services and contact points through our call centres and web-based solutions such as webcare, social media and community management. An example is the tailor-made solution we developed for pension funds to reduce small liabilities, including data capturing, printing, traditional mailings, online and call centre back office and reporting activities. For corporate companies, we organise campaigns to increase the number of customers and traffic to web and mobile.

Billing services

We offer various billing and e-billing solutions under the brand PostNL. These range from physical invoice printing to different e-billing solutions.

In 2013, PostNL Billing and Document invested in a multi-channel platform. With the proposition 'One Platform' we offer customers the opportunity to maintain their content in a web-based application in combination with a multi-channel output platform as print, e-mail, text messaging, archive or social media.

Operational developments

Reorganisation delivers strong results

In 2013, PostNL revived its plans to reorganise Mail in the Netherlands to cope with declining mail volumes. The adjusted rollout plan focuses on lower implementation risks and increased flexibility. Key is that the migration towards a part-time workforce is being implemented in a more phased manner with a good balance of experienced and new employees. The rollout plan was successfully tested from the end of 2012 until early 2013. After approval from the works council in March 2013, we started implementation in all regions.

PostNL closed 115 distribution locations step by step (from 260 to 145 depots for mail preparation) and restructured 63 distribution locations in 2013, while maintaining quality well above the required level. Across the Netherlands, 24 larger scale distribution locations became operational, all in existing PostNL locations.

Business clients were pro-actively informed and consumers were informed when delivery times changed.

The restructuring is ahead of schedule and we realised strong cost savings on accommodation and facilities, transportation costs from the sorting centres to the depots, on a lower number of front line management and the migration towards a part-time organisation.

In July, we announced further changes to our Dutch operational model. We will abolish the area structure and manage our processes and our staff centrally. As a consequence, the number of staff jobs in the new operational model will be reduced by almost half. We are able to achieve such a strong reduction by concentrating and combining activities, as well as discontinuing certain activities. The capacity required to implement the new operational model will be phased out in the coming years. Additionally, within marketing and sales and head office, significant steps were and will continue to be taken to reduce support staff, this year and in the coming years.

Despite all the changes in operations we were able to improve our quality level to 95.9%, well above the required level of 95% (and above the 2012 level of 93.9%) and reduced the number of complaints. The complaints can be traced to individual mail deliverers and a tight control system has been set up. In case of lost and found items, mail is delivered personally to the customer by the manager of the mail deliverer.

Preparations have been made to cancel collection on Sunday and delivery on Monday (funeral cards and urgent medical letters excluded). Discontinuing Monday delivery in 2014 will contribute to our savings in 2014.

Together with Parcels, we are conducting tests in the car unit to further optimise and integrate parts of the collection and delivery of mail and parcels. The final design and first implementation steps are expected in 2014. For the longer term, tests have been carried out with new sorting machines to replace the current sorting machines for large letters and to further improve our preparation processes.

To compensate for the higher volume decline, additional cost savings of €75 million were identified from existing and new plans. The additional cost savings are not expected to impact the earlier communicated bandwith of 2,700 to 3,500 redundancies.

Transition to a new labour force

The transition to a sustainable new labour force structure continued in 2013 and remains crucial to the success of our new operational model. With the help of the mobility organisation, around 500 people found a new future outside PostNL in 2013 . The mobility organisation has helped more than 7,500 former employees since 2006. In 2013, we employed over 23,000 part-timers in our mail delivery operations. Part-timers represent 93% of our delivery staff, equivalent to over 7,300 FTE in delivery staff.

Key financial results

Operating income Mail in NL

Year ended at 31 December	2013	variance %	2012 restated
Total operating revenue	2,161	(4.8)	2,270
Other income	6		14
Total operating expenses	(2,022)	5.4	(2,138)
Operating income	**145**	(0.7)	**146**
Underlying cash operating income	**69**		**20**
as % of total operating revenue	3.2		0.9

(in € millions, except percentages)

Operating expenses Mail in NL

Year ended at 31 December	2013	variance %	2012 restated
Cost of materials	115	(12.2)	131
Work contracted out and other external expenses	753	(4.6)	789
Salaries, pensions and social security contributions	935	(3.6)	970
Depreciation, amortisation and impairments	62	12.7	55
Other operating expenses	157	(18.7)	193
Total operating expenses	**2,022**	(5.4)	**2,138**

(in € millions, except percentages)

Operating statistics Mail in NL

Year ended at 31 December	2013	variance %	2012
Single items	690	(11.9)	783
Bulk mail	2,339	(11.9)	2,654
Addressed postal items delivered	**3,029**	(11.9)[1]	**3,437**

1 Adjusted for the 2012 elections decline was -11.6%.

Mail in the Netherlands experienced an increased decline in addressed mail volumes in 2013. This was primarily the result of continued substitution by electronic media as well as cost-saving programmes initiated by some of our key customers. Additionally, loss of volumes to competition, the economic crisis and price elasticity had a negative impact on volumes.

In total, the underlying volume decline in addressed mail was 11.6%. The volume of unaddressed mail items decreased by 5.9% due to substitution and loss to competition. Besides volume development, prices are a key factor in PostNL's financial performance. During 2013, prices for single mail items and bulk mail were increased well above inflation.

Operating revenue for Mail in the Netherlands decreased by €109 million (-4.8%) compared to 2012. This revenue decrease is mainly due to volume decline in addressed mail items, partly compensated by a positive price/mix effect (€66 million), and a decrease in revenue from unaddressed, data and document management services and Bruna (€43 million).

The restart of the organisational restructuring resulted in higher than anticipated cost savings while enhancing the delivery quality and level of productivity. In 2013, of the €95 million cost savings initiatives, €79 million were achieved within Mail in the Netherlands.

Mail in the Netherlands' operating expenses decreased by €116 million in 2013 compared to 2012. Work contracted out decreased by €36 million, mainly due to less use of external temporary staff. The cost of salaries, pensions and social security contributions decreased by €35 million, mainly due to lower pension costs. The pension costs included an amount of €23 million for top-up payments and curtailment, compared to €62 million in 2012. The cost savings were more than offset by the additions to the restructuring provision of €49 million in 2013 compared to a release of €35 million in 2012. The costs for depreciation, amortisation and impairments include an amount of €9 million for the impairment of real estate, whereas in 2012 no impairment charge was recorded. Other operating expenses decreased by €36 million, mainly due to cost savings and lower staff and overhead charges from PostNL Other.

In 2013, Mail in the Netherlands' underlying cash operating income increased by €49 million to €69 million. The main items that explain the increase are cost savings, price increases, lower inplementation costs and lower charges from PostNL Other, partly offset by the 11.6% underlying volume decline of addressed mail in the Netherlands and increased autonomous costs.

5 Parcels

PostNL's Parcels segment operates parcels businesses and logistics services in the Netherlands and in Belgium. It has developed an advanced international network with partners across Europe. Parcels is focused on stimulating e-commerce business with continuous product innovation and tailored delivery services for its customers. It also focuses on creating a solid position for PostNL in the B2B market.

Market developments

The parcel market has developed rapidly over the last few years, driven in particular by continued growth in domestic and international e-commerce. Despite the recession, we saw the online shopping market expand. In the first half year, the e-commerce market in the Netherlands realised 11% growth in product-related online orders compared with the same period in 2012 (source: Thuiswinkel Markt Monitor 2013 1st half year). Increasingly, consumers want to be in control of when and where they receive their online orders. They require real-time information, a wide range of delivery options and convenient return solutions. Shoppers are increasingly using mobile solutions like 'MijnPakket' which are developing into a mature channel that provides access to a variety of delivery solutions.

Furthermore, we have identified changes in the webshop environment. The e-commerce market is consolidating. Large webshops are taking over successful smaller webshops. They have the means to push their brands online and offline and invest heavily in expanding their product assortment. Virtual shop-in-shop concepts are becoming more common.

Webshops that combine clicks (online retail) and bricks (physical retail) are strongly positioned to leverage existing high street brands online. This expansion of e-commerce leads to more product categories, which results in a growing need for special delivery solutions, such as secure delivery of high-value products or two-man delivery for large items such as washing machines or furniture.

The fast growth in e-commerce is stimulating growth in 2C (to consumer) shipments, causing a shift from physical retail to the web. This in turn is fuelling a decline in domestic 2B (to business) shipments. As a result, large retailers are looking for cost savings. There is a tendency to outsource their dedicated distribution networks, shift from express to standard shipping and optimise their stock. This leads to reduced shipment sizes. Large clicks & bricks retailers have started to develop delivery offerings at retail points, which are somewhat countering these effects.

Online shopping does not stop at national borders. The result is growth in cross-border parcel services. This is driven both by a push from successful webshops attracting consumers outside their domestic market and a pull from consumers seeking products unavailable in their home markets, or at lower-prices.

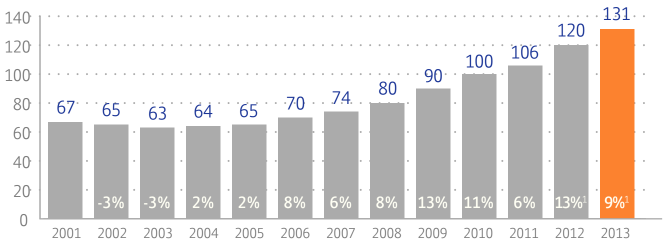
The Belgian e-commerce market is catching up with the developments in neighbouring countries. Belgian online shoppers are very internationally oriented and familiar with Dutch retail chains. This makes the Belgian market very attractive for Dutch webshops and leads to growth in cross-border parcels volume. The larger Belgian retail brands are also developing their online presence and expanding their online activities outside Belgium into the Netherlands and France.

In the Dutch B2B market we observed a decrease of 2% (source: AT Kearney) in revenue in 2013, mainly due to the economic circumstances and the shift to online ordering. There are several large competitors active in the B2B parcel market with strong B2B competences. Customers request a pro-active partner offering tailormade solutions and high quality standards. Focusing on maximal logistic efficiency the 2B market demands a time-critical and full-service product portfolio.

Parcels development in the 2B and 2C market is in line with the market developments described above.

Volume development Parcels

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



1 Adjusted for registered mail items underlying growth was +6.7% (2012: +5.6%)

Business developments

2C market

As the market leader in the 2C market in the Netherlands, PostNL is in a strong position to benefit from the growth in e-commerce. PostNL facilitates the majority of Dutch webshops, stimulating their businesses with continuous product innovation and tailored delivery services for their customers. With dedicated IT-driven initiatives - like 'MijnPakket' - we have increased our position in the fast-growing Dutch 2C parcels market. At the same time, the average price per parcel declined, mainly due to a change in customer/product mix.

In Belgium, our 2C delivery service was upgraded last year to full e-commerce distribution, with track and trace services comparable to the Dutch standard. PostNL is the number two in the Belgian parcel market with our own network in Flanders and a partner for Wallonia. Retail points for the pick-up and drop-off of parcels are very well embedded in the Belgian market, where 40% of shoppers prefer to pick up their online sales at a retail point. PostNL Belgium is developing these services comparable to the Dutch standards to strengthen our Benelux proposition. In 2014 we aim to open 600 retail outlets.

Outside the Benelux we have extended our 'broker model'. PostNL selects a specialised partner in every country and links them to our European linehaul network through advanced routing intelligence. This enables PostNL to offer a mature and qualified 2C and 2B proposition throughout Europe. In 2013, we added additional distribution capabilities in Greece, Italy, Germany and Austria to better serve our customers exporting to these countries. We also contracted a new Express partner for the PostNL Spoedservice retail product.

International sales

In addition to the broker model, we are focusing on sales activities in highly developed e-commerce countries like the United Kingdom, the Nordics, France, Germany, the US and China. These countries are experiencing tremendous growth in cross-border e-commerce, which PostNL can support. By building partnerships and developing new and existing propositions we focus on further stimulating international e-commerce towards the Benelux countries and beyond.

2B market

In the Benelux 2B market PostNL has a strong position in the delivery of standard parcels to retail locations. PostNL benefits from the market trend of outsourcing retail distribution networks to third parties. Within the retail segment we focus on attractive markets such as electronics and healthcare.

To service the 2B market we are speeding up to strengthen our proposition. Customers demand flexibility and pro-activity. Time-definite delivery and a highly qualified service level are essential. As a result we focus on early morning delivery, improving our information service and market-oriented pricing. We are strengthening a broad product portfolio by offering various services, such as parcels, cargo, courier, high-value service and mail.

For international B2B deliveries into and out of the Benelux, PostNL is a member and shareholder of the Eurodis network, a B2B network for parcels and cargo shipments that connects 34 countries in Europe.

Products and services

2C service offerings

To provide consumers with more control and choice in how PostNL delivers their orders by PostNL, we introduced the internet portal MijnPakket in 2012. In 2013, there were 1.2 million new registrations, reaching 2.8 million registered online shoppers at the end of the year. This portal provides consumers with an overview of all their online purchases, the place and day of delivery and the time slot in which the parcel will be delivered. It also allows the recipient to change the delivery time and the location of delivery.

To further meet consumer demands we improved our pickup propositions. This improvement was realised through our retail outlets (see chapter 4) and by connecting new retail chains, e.g. we installed 300 parcelpoints in the Gamma and Karwei retail chains. We will further develop our self-service automated pick-up lockers in 2014.

In the first half year of 2014 we will also extend our delivery options with evening delivery and will offer early pick-up from 8.30 a.m. at more than 400 of our 2,550 'shop-in-shop' post offices.

The new Premium Service for webshops offers next day delivery, even for late orders. The latest cut-off time for this service is 1.00 a.m. This allows webshops to respond to consumer demand for next-day delivery, regardless of the time the order is placed.

For goods that require special treatment and are increasingly ordered online, such as wine, heavy and valuable goods, PostNL offers dedicated solutions.

To improve the efficiency of the order handling and better serve consumer preferences, a number of webshop software plugins have been developed. These plugins result in a seamless integration with the webshop backend, for order placement to delivery.

Extra@Home

With the development of e-commerce, consumers are buying more white goods from the internet such as washing machines and fridges. Extra@Home enables our consumers to receive delivery of these large items at home, through a one- or two-man delivery service that also disposes of packaging, installs the goods and returns discarded electronic equipment. To expand this service, PostNL agreed in December 2013 to acquire from Fiege one and two-man handling services to consumers in the Benelux. This further strengthens our position in the Netherlands and PostNL gains market entry in this segment in Belgium and Luxembourg.

TopPak

To provide customers with better service throughout their value chain, PostNL offers fulfilment of parcels for the 2C market through TopPak. PostNL covers the growing market demand for outsourcing. The target segments are home and garden, fashion, leisure, consumer electronics, personal care and food and groceries.

2B service offerings

In the 2B segment tailored solutions for customers are key. PostNL's distribution network is in the process of being further developed for inbound and outbound retail logistics. We are testing a morning delivery network, which offers a standard delivery proposition before 12 noon. Furthermore pro-active reporting and pro-active customer service will become the standard.

Mikropakket

Product development in 2B is mainly sector-oriented. For high-value deliveries, such as for jewellery and phones, PostNL has specific solutions through Mikropakket. Last year Mikropakket increased its market share and developed new propositions for new markets. In 2014, growth will be accelerated through high-end 2C delivery and further expansion into the Belgian market.

Pharma & Care

For the health segment in Belgium, PostNL Pharma & Care (previously trans-o-flex) offers cold chain distribution according to good distribution practice (GDP) guidelines and has developed a wholesale service in which shipments are consolidated for the recipient. The acquisition of trans-o-flex Benelux boosted PostNL's market position, especially in the healthcare and pharma segment in Belgium. We acquired a complete new fleet of 51 trucks for conditioned transport. During 2013, we experienced operational and GDP compliance issues, volume decline and loss of customers, resulting in higher than anticipated operational losses. Therefore, PostNL Pharma & Care needs more time to become profitable. Since the acquisition, PostNL has invested in preparations for the new guidelines, both for the fleet and training, IT and cooling facilities. PostNL Pharma & Care complies with the new GDP guidelines as from 7 September 2013. With this fleet we can combine cold chain shipment at 2ºC to 8ºC and 15ºC to 25ºC in one pick-up and one-stop delivery. With these services PostNL will further strengthen our position in the pharmaceutical market in Belgium.

Operational developments

State-of-the-art logistics: New Logistics Infrastructure

To absorb future growth and increase efficiency, PostNL has redesigned its operational infrastructure through the New Logistics Infrastructure programme.

The new infrastructure will combine sorting and distribution activities in 18 hybrid depots throughout the country. Parcel deliverers, mainly subcontractors, pick up the parcels for their delivery rounds from the sorter, load them directly into their vans and then start delivery. This solution minimises the loading time of a van, requires less physical effort from the driver and reduces mis-sorting. The overall concept offers Parcels the opportunity to grow while at the same time reducing costs and retaining the flexibility to adapt to market developments.

The transition from the old to the new structure is a gradual process, continuing until 2015. Up to and including 2013, PostNL opened 14 depots. Three more depots will be opened in 2014 and one in 2015 to complete the NLI. The creation of NLI requires an investment of around €240 million in total, of which €170 million relates to replacing and €70 million to expanding the present infrastructure. In 2013, €57 million was spent on this programme bringing the total spent so far to €187 million.

Subcontracting selected parts of our activities contributes significantly to our business: it allows for flexibility and efficiency. Key to the success of subcontracting is a sustainable relationship between PostNL and our subcontractors.

In 2013, we experienced pressure on our subcontracting model. The transition to the NLI had an impact on the routes and rates of subcontractors and our approach to maintaining mutual relationships. This resulted in local strikes. As a result, the way we operate since 2011 is being redesigned in close collaboration with the subcontractors. The new strategy includes a review of the remuneration and routing systems, along with a modernised form of relationship management with subcontractors as business partners. This results in higher subcontractor costs. The long-term improvement program was developed for implementation from 2014 and onwards.

PostNL also cooperates with social employment organisations to sort and deliver parcels and mail. Over 440 people were offered sheltered workplaces in our parcels sorting centers in 2013.

Integration Mail & Parcels network

In 2013, the transfer of registered mail was fully integrated into the Parcels network. This process was initiated in 2012. Integration of the operating network with Mail in the Netherlands contributes to synergies and cost efficiencies. Other examples in the past are the integration of transport and retail.

Key financial results

Operating income Parcels

Year ended at 31 December	2013	variance %	2012 restated
Total operating revenue	803	10.0	730
Other income	0		16
Total operating expenses	(713)	(11.9)	(637)
Operating income	**90**	(17.4)	**109**
Underlying cash operating income	**89**	(11.0)	**100**
as % of total operating revenue	11.1		13.7

(in € millions, except percentages)

Operating expenses Parcels

Year ended at 31 December	2013	variance %	2012 restated
Cost of materials	18	0.0	18
Work contracted out and other external expenses	479	9.1	439
Salaries, pensions and social security contributions	167	18.4	141
Depreciation, amortisation and impairments	16	45.5	11
Other operating expenses	33	17.9	28
Total operating expenses	**713**	11.9	**637**

(in € millions, except percentages)

Operating statistics Parcels

Year ended at 31 December	2013	variance %	2012
Domestic	118	8.3	109
International	13	18.2	11
Total	**131**	9.2[1]	**120**

(in millions of parcels, except percentages)

1 Adjusted for registered mail items growth was +6.7% (2012: 5.6%).

Parcels continued to improve its revenue and volumes in 2013. Revenue increased by €73 million (10.0%) compared to 2012. Adjusted for the increase in internal revenue of €24 million (mainly due to the full year impact of the transfer of registered mail in 2012 from Mail in the Netherlands to Parcels of €10 million and increased subcontractor work for Mail in the Netherlands of €14 million) and the acquisition effect of Pharma & Care in the first quarter of 2013 of €11 million, organic growth amounted to €38 million (5.2%). This growth was largely realised in the Netherlands through volume growth, as well as within Belgium, Mikropakket, Valid Express and Extra@Home.

Volume growth of Parcels within the Netherlands benefited from the e-commerce trend, resulting in 6.7% underlying growth in volumes, which included the full year impact of a few large new customers that started during 2012 and which is a mix of 2C and 2B. The average revenue per parcel continued to decline, mainly due to a change in customer/product mix.

In 2013, other income was nil compared to €16 million in 2012, mainly as a result of negative goodwill of €15 million on the acquisition of Pharma & Care.

Parcels' operating expenses increased by €76 million (11.9%) compared to 2012, of which €12 million (1.9%) related to the acquisition effect of Pharma & Care in the first quarter of 2013 and the remaining €64 million (10.0%) resulted from the growth in volumes and services. Work contracted out is the main contributor (€40 million), largely due to increased volumes and use of subcontractors. Salaries, pensions and social security contributions increased by €26 million, of which €12 million related to increased pension costs. The remaining increase related to the acquisition effect of Pharma & Care, the full year effect of the transfer of registered mail and increased salaries following the CLA agreement. As a result of the implementation of the NLI, costs for depreciation, amortisation and impairments increased by €5 million. Other operating expenses increased by €5 million, mainly due to the 2012 acquisition of Pharma & Care, temporary implementation costs for the NLI and volume growth.

Underlying cash operating income decreased by €11 million (-11%) to €89 million. Excluding the negative goodwill of €15 million from Pharma & care, underlying cash operating income increased by €4 million. Temporary higher implementation costs for the NLI (€2 million), lower operational result of Pharma & Care (€1 million), increased autonomous costs (€3 million) and increased subcontractor costs (€1 million) negatively impacted underlying cash operating income, partly offset by lower fees charged form PostNL Other (€1 million) and the positive contribution of €10 million due to the volume growth and efficiency improvements.

6 International

PostNL is active in three of the largest European mail markets – the United Kingdom, Germany and Italy – and in cross-border mail.

International overview

Opportunities in the European mail market
PostNL has concentrated its international activities in the countries that are most attractive from both a regulatory and a mail volume perspective: the United Kingdom, Germany and Italy. Together, these countries have around 90 million households. These countries also have a degree of market liberalisation in which we can operate as a challenger to the incumbent. All international activities are frequently judged against their contribution to the future objectives of PostNL.

Although the postal markets in all three countries are officially liberalised, the former incumbent still enjoys regulatory advantages. In 2013, PostNL continued to have intensive discussions on value-added tax exemptions, USO definitions and other privileges that the incumbent has historically enjoyed. We are dedicated to pursuing a level playing field in each of the countries in which we operate. (See chapter 10)

Combining synergies with local customer approach
European postal markets remain essentially local in character. The operations in the United Kingdom, Germany and Italy are driven by strong local management teams, with deep understanding of their local markets. Based on operational structures that have much in common, local products targeted at local market characteristics are being developed.

Although market opportunities and regulatory room to manoeuvre are different in each country, PostNL approaches the countries in which it operates using a model of sharing expertise and experiences.

In all countries, a hub-and-spoke model is the basis for the operational structure. Experience gained in Italy from the Formula Certa service is being used in Germany and the United Kingdom. Conversely, the A/B delivery structure, whereby each postal code area is serviced every other day, was initiated in Germany before being implemented in Italy. In downstream access (DSA), the United Kingdom and Germany share their strong experience to foster their specific market position amid consolidation.

On top of this, all countries benefit from the knowledge and experience of operational experts in PostNL's home country, the Netherlands. There is cooperation, for instance, in sorting, printing and other technology knowledge-sharing.

Rebranding
In the Netherlands, the rebranding to PostNL started in May 2011. At the time of the demerger of TNT Express, it was agreed that the activities outside the Netherlands would be rebranded more gradually. As a consequence, PostNL still operates under the name TNT Post in those countries. The process of rebranding outside the Netherlands is expected to be completed in 2014.

United Kingdom

Market developments
The mail market in the United Kingdom is showing moderate decline. However, the downstream access market, where competitors to Royal Mail collect and sort mail before passing it to Royal Mail centres for final processing and local delivery to end-customers, slightly increased. TNT Post UK's customer portfolio, including 48% of the top 40 volume mailers, provides a mix of direct mail and transactional mail volumes. Royal Mail was privatised in October, but as provider of the Universal Postal Service, continues to be subject to regulation of Ofcom, the independent regulator and competition authority for the UK communications industries. TNT Post UK is the major challenger to Royal Mail, with a market share of 54% in the DSA market as at December 2013 (2012: 53%), and an overall market share of around 25% (2012: 23%).

Business developments
In 2013, the business in the United Kingdom experienced its ninth year of growth, taking the volume carried to 3.95 billion items (2012: 3.86 billion). We achieved a 23% increase in packets and parcels volumes compared to 2012.

On 13 December 2013, investment fund LDC and PostNL reached an agreement to establish a joint venture to enable further rollout of the End-to-End (E2E) service by securing funding from LDC and RBS. The joint venture will encompass the current TNT Post UK operations, which includes the DSA activities and will be led by the current TNT Post UK management team. PostNL will have a 40% stake in the joint venture. The transaction is subject to a number of conditions, including approval by the European Commission, which has been received on 31 January 2014. We have filed a complaint with Ofcom against Royal Mail's pricing proposals, which were announced on 10 January 2014. A decision by Ofcom is expected in the course of the year and is of importance to closing the transaction.

Products and services
TNT Post UK's dominant activity in 2013 remained downstream access but with increasing focus on E2E. TNT Post UK has a broad range of clients at national and regional level, both in the private and public sector. With our packets service and international service offering we continued to grow as a business. In addition to the addressed service, TNT Post UK offers an unaddressed service, door-drop marketing, which delivers leaflets, flyers, coupons, brochures, catalogues, directories and samples in a targeted manner.

Operational developments
Our E2E services have been expanded into South West London and Manchester in 2013. We now deliver to 1.2 million households and businesses, have 23 delivery units and over 2,000 mail deliverers covering 4.1% of the households. Further rollout of E2E services is expected in 2014.

Germany

Market developments
Also in 2013 the German mail market saw little decline with around 16 billion pieces and around €9 billion of revenues per year. Private operators account for around 11% of the market with TNT Post Germany being the major player. In 2013, TNT Post Germany maintained its market share of around 7 to 8% in volume, covering all business lines, despite strong competition. Germany has reached the objective to be break-even on a full year basis (in operating income, excluding incidental Compador costs and management fees).

Recent developments amongst competitors in consolidation services by Compador have led to increased pressure on prices. The Bundesnetzagentur is investigating possible abusive behaviour by Deutsche Post InHaus Services (DPIHS) in offering mail sorting to Compador. With this help from DPIHS, Compador is in a position to offer consolidation nationwide at low prices. Bundesnetzagentur has indicated to Deutsche Post that preferential treatment of Compador compared to other letter services may constitute illegal discrimination. Additionally, Bundeskartellamt is examining the pricing strategy of Deutsche Post in relation to large customers. Continued support from Bundeskartellamt and Bundesnetzagentur is needed to foster a competition-friendly market environment in Germany, and a positive outcome of the different cases is of importance to the German business case.

Business developments
2013 showed another year of positive business developments in Germany. TNT Post Germany won more than 80% of all public tenders for which it competed in 2013. Volumes from these tenders positively impacted the overall development in regional operations, where we offer local E2E delivery services.

Products and services
The key account segment, broadened its base in the mail order as well as the finance (banks and insurances) industries providing supply chain management and digital sorting according to the specific delivery structures prior to printing.

Operational developments
The German business model is based on four business lines that interact with each other, offering complementary services and partly sharing resources:
- national key account sales and operations via TNT Post GmbH & Co. KG,
- last-mile operations for SMEs and local authorities via RegioService and 19 operational equity investments throughout Germany,
- consolidation and sorting services via PostCon, and
- system partnership for the exchange of inter-regional volumes via the asset-free Mail Alliance venture which groups some 130 local partners and provides one uniform nationwide logistics and clearing system.

To maintain high quality levels, various initiatives have been launched for further systematic quality re-enforcement along the total value chain and in particular in last-mile delivery, being the key customer touch point.

Italy

Market developments
As in other European countries, the mail market in Italy is in decline. In 2013 volume declined with 3%. Through acquisition of new customers, the market share of TNT Post Italia was around 13% in 2013, compared to 10% in 2012.

Business developments
Formula Certa, our certified mail service delivering postal items with track and trace, has a quality level of 96% on time, which is unique in the Italian postal market. Formula Certa also enables TNT Post Italia to be active in the registered mail market segment, the highest value product in the postal market. In order to sustain our position in the registered letter mail market, TNT Post Italia developed partnerships with key players like Buffetti (the main provider of office products in Italy) and MBE (Mail Boxes Etc.) to open TNT Post Italia service points within their stores. This allows customers to pick up TNT Post Italia registered mail from these service points. In 2013, 150 outlets were opened, extending our network to around 650 points in Italy (including TNT Post branches). TNT Post Italia strengthened its position in the top segment of the business market: financial services companies, the telecom sector and large utilities. In parallel, TNT

Post Italia intensified its penetration in the SME market leveraging its indirect sales network and in the public administration market both at central and mostly al local level.

Our business line tax & notification delivers letters on behalf of the Italian tax collection agencies, Equitalia for mainland Italy and Riscossione Sicilia for Sicily. Riscossione Sicilia has not paid its invoices since 2012 and has an outstanding debt of €21 million as at 31 December 2013. Reasons for non-payment is lack of funds, due to the economic crisis and change of management. We are in continuous discussions with Riscossione Sicilia and with the government of Sicily and Italy as the ownership of Riscossione Sicilia is shared. Although the timing of collection is uncertain, management expects the receivable to be fully collected within two years.

Products and services
In 2013, TNT Post Italia has entered parcel delivery by launching “Sistema Completo”, fully dedicated to e-commerce. Sistema Completo meets the requirements of retailers and their customers, ensuring transparency, simplification of processes and flexibility of deliveries that are managed by appointment. Around 159,000 packets were delivered in 2013, mainly in the fourth quarter.

Operational developments
The overall geographical coverage of the Formula Certa network reached 74% of Italian households, compared to 68% in 2012.

Significant improvements have been made to collection, sorting and last mile processes with the introduction of new franking, sorter, videocoding and PDA technologies. With regards to process innovation, Formula Certa and Tax and Notification networks (including last mile delivery) were integrated.

As part of the launch of parcel delivery, TNT Post Italia formed a partnership with Sogetras, a player with national coverage in Italy.

Spring Global Mail

Market developments
Spring Global Mail is a global mail company offering cross-border mail, parcels and packets distribution solutions to business customers. The traditional core business of Spring Global Mail, the cross-border letter market, is in decline. The market for cross-border packets and small parcels, however, is offering growth opportunities driven by an increase in e-commerce and online shopping. Both the cross-border letter market and the cross-border packets and small parcels markets face strong competition.

As of April 2013, PostNL holds 100% in Spring Global Mail as a result of taking over the shares formerly held by Royal Mail. Spring is organised into the regions Europe, North America and Asia, operates in 15 countries and offers international distribution services in more than 200 countries.

Business developments
Spring’s focus is on maintaining a significant share of existing cross-border mail volumes, distance selling and direct mail, and at the same time positioning itself as an e-commerce service partner in order to become one of the best service organisations supporting the cross-border e-commerce market.

Products and services
Positioning itself as a cross-border e-commerce services partner, Spring has further developed forward and reverse logistic services in the international packets and parcels market, with different service levels depending on customers requirements for instance full global track and trace, pick up at customer and signature for receipt.

Key financial results

Operating income International

Year ended at 31 December	2013	variance %	2012
Total operating revenue	1,658	2.1	1,624
Other income	0		1
Total operating expenses	(1,654)	(3.5)	(1,598)
Operating income	**4**	(85.2)	**27**
Underlying cash operating income	**27**	0.0	**27**
as % of total operating revenue	1.6		1.7

(in € millions, except percentages)

Operating expenses International

Year ended at 31 December	2013	variance %	2012
Cost of materials	22	0.0	22
Work contracted out and other external expenses	1,318	0.9	1,306
Salaries, pensions and social security contributions	250	13.1	221
Depreciation, amortisation and impairments	26	116.7	12
Other operating expenses	38	2.7	37
Total operating expenses	**1,654**	3.5	**1,598**

(in € millions, except percentages)

Underlying operating revenues International

Year ended at 31 December	2013	variance %	2012
United Kingdom	766	2.1	750
Germany	553	9.3	506
Italy	223	9.9	203
Spring and other (including intercompany)	154	(6.7)	165
Underlying revenue	**1,696**	4.4	**1,624**
Foreign exchange rate differences	(38)		
Total operating revenue	**1,658**	2.1	

(in € millions, except percentages)

International

Revenues at International grew by €34 million or 2.1% to €1,658 million in 2013. Adjusting for a €38 million downward exchange rate impact, underlying operating revenue grew by €72 million or 4.4%.

Operating expenses at International increased by €56 million or 3.5% to €1,654 million in 2013. Adjusting for a €38 million downward exchange rate impact, operating expenses rose by €94 million or 5.9%. The increase in operating expenses is mainly explained by volume growth in Germany and Italy and Royal Mail price increases on the delivery services rendered to us in the United Kingdom. Furthermore operating expenses increased by one-off costs due to an impairment on assets held for sale regarding the United Kingdom, start-up losses related to the expansion of our E2E services into South West London and Manchester, incidental competition costs in Germany, restructuring costs Spring, and rebranding costs for the replacement of the TNT brand.

Underlying cash operating income in 2013 was €27 million, including E2E start-up losses (€2 million) and incidental Compador costs (€4 million). Excluding these costs, underlying cash operating income was €6 million higher than last year with positive contributions from all countries and Spring.

United Kingdom

The United Kingdom underlying revenue grew by €16 million, or 2.1%, due to new National customers, growth in packets, and passed-on Royal Mail price increases on the delivery services. As a result of the volume growth and growth in packets and improved efficiencies throughout the network, underlying profitability increased in 2013, excluding the start up losses related to the expansion of our E2E services.

Germany

Revenue increased by €47 million, or 9.3%. National revenues increased through additional volumes from existing customers, and from new customers. Regional revenues increased thanks to growth in Ruhr and Rhine. Germany has reached the objective to be break-even on a full year basis (in operating income, excluding incidental Compador costs and management fees).

Italy

Italy saw a revenue increase of €20 million or 9.9%, due to the continued growth in Formula Certa volumes from existing and new customers, and a strong increase in the indirect sales channel. Underlying cash operating income was in line with 2012.

Spring Global Mail

Total Spring Global Mail revenue declined €4 million or -2.7%. The underlying cash operating income was in line with 2012.

7 PostNL Other

PostNL Other mainly comprises various head office and shared service activities, the stake in TNT Express and activities that were classified as held for sale. PostNL Other reports central and non-allocated costs, including the difference between the recorded IFRS employer pension expense for the PostNL-sponsored defined benefit plans and the actual cash payments received from the other segments.

PostNL Other overview

The head office costs include Board of Management, shared group services, staff departments, rebranding costs and the result on customer contact services. Except for shareholder costs and the result on customer contact services, all costs are charged to the other segments.

In 2013, all staff departments and services made further steps in the realisation of the overhead cost saving programme. The first plans were implemented in 2012. In 2013, cost savings of €16 million were realised in the segment PostNL Other. The remainder of the targeted savings is expected to be realised in the period 2014 to 2017.

Key financial results

Operating income PostNL Other

Year ended at 31 December	2013	variance %	2012 restated
Total operating revenue	259	(11.6)	293
Other income	1		0
Total operating expenses	(95)	47.2	(180)
Total operating income	**165**	46.0	**113**
Underlying cash operating income	**(44)**		**(17)**
as % of total operating revenue	(17.0)		(5.8)

(in € millions, except percentages)

Operating revenues of €259 million (2012: 293) largely relate to shared service activities that were charged to the business segments. The decline in revenues of €34 million is explained by a decrease in shared service activities of €26 million and €8 million lower revenues for customer contact services.

Operating expenses decreased by €85 million from €180 million in 2012 to €95 million in 2013. This decrease is mainly explained by a €66 million higher pension income, €14 million lower costs for shared services and €16 million overhead cost savings, partly offset by €12 million higher additions to provisions.

In 2013, PostNL Other's underlying cash operating income decreased by €27 million to -€44 million (2012: -17). Cost savings of €16 million were offset by €2 million higher implementation costs, €8 million higher cash out for pensions and provisions, €5 million autonomous cost increases and €3 million other negative effects. Furthermore, re-allocation effects had a negative impact of €25 million on the underlying cash operating income with the opposite effect in the business segments. These re-allocation effects include the charge back of cost savings, a lower margin for the shared services and settlements of pension costs.

Pensions

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

Reconciling pension overview 2013

	Expenses			Cash		
	Main pension plans	Transitional and other plans	Total plans	Main pension plans	Transitional and other plans	Total plans
Mail in NL	149	(7)	142	149	88	237
Parcels	21	4	25	21	8	29
International	2	4	6	2	4	6
PostNL Other	28	(12)	16	28	11	39
Total segments	**200**	**(11)**	**189**	**200**	**111**	**311**
PostNL Other - IFRS difference	(197)		(197)			
Operating expenses	**3**	**(11)**	**(8)**			
Interest expenses	3	16	19			
Total 2013	**6**	**5**	**11**	**200**	**111**	**311**

(in € millions)

Reconciling pension overview 2012

	Expenses			Cash		
	Main pension plans	Transitional and other plans	Total plans	Main pension plans	Transitional and other plans	Total plans
Mail in NL	174	4	178	174	103	277
Parcels	21	(8)	13	21	6	27
International	2	4	6	2	8	10
PostNL Other	27	(1)	26	27	7	34
Total segments	**224**	**(1)**	**223**	**224**	**124**	**348**
PostNL Other - IFRS difference	(141)		(141)			
Operating expenses	**83**	**(1)**	**82**			
Interest expenses	(26)	21	(5)			
Total 2012	**57**	**20**	**77**	**224**	**124**	**348**

(in € millions)

The total pension expenses of 2013 amounted to €11 million (2012: 77). These included operating expenses of -€8 million (2012: 82) for the defined benefit and defined contribution pension plans and interest expenses of €19 million (2012: interest income of 5) for the defined benefit pension plans. PostNL accounts the interest expense on the net defined benefit pension liability as part of financial income and expense. The operating expenses for the defined benefit plans of 2013 included a positive effect from past service costs of €140 million (2012: 27).

The total cash contributions of 2013 amounted to €311 million (2012: 348). These included cash contributions of €306 million (2012: 343) for the defined benefit plans and cash contributions of €5 million (2012: 5) for the defined contribution pension plans. The cash contributions for the defined benefit pension plans of 2013 included top-up payments of €64 million (2012: 83).

In 2013, PostNL Other recorded a pension operating income of €197 million (2012: 141), which is the difference between the recorded operating expenses in all segments of €200 million (2012: 224) and the overall IFRS operating expense of €3 million (2012: 83) for the PostNL-sponsored main defined benefit pension plans.

The operating expenses related to employees within PostNL Other amounted to €16 million (2012: 26). The recorded IFRS difference amounted to a pension income of €197 million (2012: 141). The net pension income of PostNL Other amounted to a total of €181 million in 2013 (2012: 115), which represents an increase of €66 million compared to 2012.

8 People

PostNL is one of the largest private employers in the Netherlands. With over 59,000 employees, we are a people company. PostNL provides jobs to full-time and part-time employees, temporary workers via employment agencies, subcontractors and people with a distance to the labour market. It is our purpose and ambition that they all feel part of our company.

A people company

To be the leading mail and parcel-related logistics company in the Benelux and the main mail challenger in selected other countries, PostNL's overall strategy focuses on its core competencies in managing multiple network operations and a large workforce. That's why people continue to be at the heart of our company. Thanks to their efforts we can offer our customers high-quality products and services.

As a result of changing market conditions, PostNL is in transition from a full-time organisation towards a part-time company. This shifts our employee focus from providing lifetime employment to improving employability on the external labour market.

Responsible redesign

Our organisation requires a workforce that balances the deployment of permanent full-time and part-time employees, temporary workers from employment agencies and contractors to manage the desired outcome in terms of costs, productivity and customer satisfaction. The transition to a new sustainable workforce remains crucial to the success of our new operational model. In 2013, the ratio between full-time and part-time employees at PostNL in the Netherlands was 21% to 79%.

We have been and will continue to implement restructuring plans that affect our employees. In 2013, at Mail in the Netherlands we re-initiated restructuring the mail preparation and delivery under a new programme called 'The new route of the letter'.

In 2013, restructurings were announced for staff and management within operations and the marketing & sales department of Mail in the Netherlands. At PostNL's head office we initiated a restructuring plan to reduce head office staff with more than 40%. We also introduced a leaner top management structure.

As part of the announcement in February 2013 of 2,700 to 3,500 redundancies, around 870 FTEs left the company in 2013, of which around 610 FTEs through voluntary leave and around 260 FTEs through forced redundancy. We expect to further reduce the total number of full-time equivalents in the coming years.

Guiding people from work to work

To accomplish the cost-saving and restructuring programmes in a socially responsible way, we agreed with the unions and works councils to extend the existing social plan until 31 December 2015. Our company's main focus is to support those employees affected by the restructuring to move from working inside PostNL to working outside PostNL. Since 2006, the mobility office and mobility programme have successfully supported over 7,500 employees to a future outside the company. In addition it helped over 4,000 employees to obtain a post-secondary college degree. The mobility programme offers a broad range of tools and services such as workshops, job interview training, outplacement, re-schooling and events where candidates can meet future new employers such as 'Job seeks Employee' (*Baan zoekt Medewerker*). In addition, the mobility office introduced the new Mobility Pro programme to support senior staff in finding new jobs. Currently, the Mobility Pro programme is supporting around 440 employees, who joined the programme as a result of the various restructuring initiatives. In 2013, an additional 550 employees made use of the opportunity to take a career assessment to reflect on their competencies and position in the labour market.

Works council and trade unions

Works councils and trade unions are crucial to the process of preparing our company for the future. PostNL invests in the relationship with our works councils and the trade unions as we acknowledge the power of constructive dialogue with these partners and the impact this has on the decision-making process. In 2013, there were numerous consultations and negotiations regarding the various restructurings, collective labour agreements and a new pension agreement. As a result of this we agreed on amongst others new collective labour agreements for our mail deliverers, for Parcels and for the Saturday deliverers, a new pension arrangement for PostNL employees and an extension of the social plan until 31 December 2015. Furthermore, the support of the works councils was important for the restart of the adjusted rollout plan, for the new operational model within operations and for the reduction of support staff within the marketing & sales department of Mail in the Netherlands and PostNL's head office.

In November 2013, PostNL and the central works council agreed upon adjustments to the concern regulations regarding training facilities, job vacancies and illness requirements. PostNL and the central works council also agreed a new Works Council Statute signed by both parties at the central works council meeting on 16 December 2013. This regulates the relationship between the company and works councils members with regards to time allocated to their membership of the works councils, the facilities the company provides them and the career development planning of individual works councils members.

At the beginning of the year the European Works Council (EWC) and the management of PostNL agreed upon the terms and conditions of a PostNL EWC agreement. The new agreement was signed at the bi-annual EWC meeting on 23 April 2013. The PostNL EWC agreement is in line with the terms and conditions of the revised EWC directive and its main objective is to establish a meaningful dialogue between management and the EWC on transnational matters that have a significant impact on the employees involved.

Cultural change programme

To realise our future ambitions and become a more diverse organisation with multiple logistics networks, in January 2013 we introduced the following desired and leading behaviour principles:

- working together for one PostNL,
- more fact-based and faster decision making,
- taking ownership for results, and
- being more innovative and customer-focused.

During the year, we organised 42 workshops involving the top management of the company to create awareness around these behaviours and become the drivers/promoters of the desired behaviours. We also redefined our leadership competencies and incorporated these competencies in the various HR tools and processes such as recruitment, training and development and talent and performance management.

Engagement

Engaged and motivated employees form the core of PostNL and enable us to provide high quality services day after day. We are convinced that engaged employees and associates will lead to satisfied and loyal customers. In 2013, all PostNL employees were invited to participate in the annual engagement survey, which resulted in an overall response rate of 44%. The overall employee engagement improved from 56% in 2012 to 58% in 2013. We will continue to focus on driving and improving employee engagement in the future.

Diversity and inclusion

PostNL's diversity approach is based on the principle that everybody who qualifies for a job at our company should feel welcome and respected, regardless of ethnicity, gender, age or sexual orientation. We strongly believe that appreciating differences between people is beneficial to achieving better results. To promote such a working environment we focus on three areas.

Multicultural organisation

We place strong emphasis on diversity and inclusion at the workplace. In 2013, we trained operational managers on their communication and management skills through multicultural master classes and training sessions. We also continue to attract and develop operational managers with a multicultural background.

We seek to attract and recruit talented future leaders with multicultural backgrounds. Around 10% of the people on the Young Executive Programme fit this profile. We want these employees to be successful in building their careers within the company and be promoted to senior management levels.

Female leadership

PostNL welcomes female talent and wants to create and foster an environment that encourages women to build their careers within the company. The percentage of women in total headcount within PostNL is 44% (2012: 44%). We actively seek opportunities and initiatives to sponsor and promote female talent. Through initiatives such as the Women Inclusion Network (WIN), mentoring programmes and paying special attention to female talent in our succession and talent management approach, we have been able to improve the percentage of female leaders in our management from 23% in 2012 to 26% in 2013. We will continue our efforts to grow this number.

WIN was founded in 2011 and has grown to 700 women. Over the years it has developed tools to help women progress, including a company-wide mentoring programme, female leadership events and workshops addressing themes such as self promotion, work-life balance and more recently, female leadership competencies such as connecting and trust.

In November 2013, PostNL signed the 'Talent to the Top' charter and became part of the country-wide platform to facilitate and stimulate recruitment and development of women to senior positions in private and public companies.

People with limited access to the labour market

The third focus area of our diversity and inclusion approach is to create work experience opportunities for people with limited access to the labour market. We establish partnerships with social employment organisations and network organisations like 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 mail deliverers. Last year around 550 people participated in these reintegration programmes and obtained their working experience at PostNL.

Recruitment and career development

PostNL recognises the importance of attracting new talent and the personal development of our employees and leaders. That's why, even in a year of significant restructuring and downsizing, we continued to put a lot of effort into the recruitment and retention of young talent and experienced professionals. In 2013, we hired 19 new trainees for our Young Executive Programme (YEP) and filled 63 vacancies with experienced professionals.

We also continue to invest in our development programmes and in 2013 we introduced the new 'Leading Into The Future' (LIFT) programme for senior executives. The main objectives of this programme are to develop the strategic skills of these executives and to strengthen their entrepreneurship and the impact they have as senior leaders on their teams and associates.

In 2013, we also continued other leadership development programmes such as Mastering Your Leadership Programme (MYLP) (17 attendants) and the international-oriented Nexus programme (9 attendants). MYLP is PostNL's company-wide programme to develop talented managers and high-potentials to become senior business leaders. Nexus is a cross-international programme for process and people managers to develop personal growth combined with an international mindset and business focus.

Our employees receive feedback on their performance in the annual performance management cycle. In the 2013 talent review sessions, we evaluated almost 2,000 employees to identify future leaders and specialists and to discuss their next career steps and development needs. We believe that stimulating the development of our employees leads to more motivated people.

To support a management style that is in line with the required cultural change programme, we introduced the following new leadership competencies: connecting, entrepreneurship, delivering, trust and solving.

The company continues to invest in career websites and social media. Our internal vacancy pool had 180,000 visitors in 2013 and the number of PostNL followers on Linkedin doubled from 8,000 to 16,000. This way we are able to connect and build relationships with a great variety of multi-disciplined employees within the labour market. PostNL finished in the top 10 of 550 companies that participated in a digital recruitment contest.

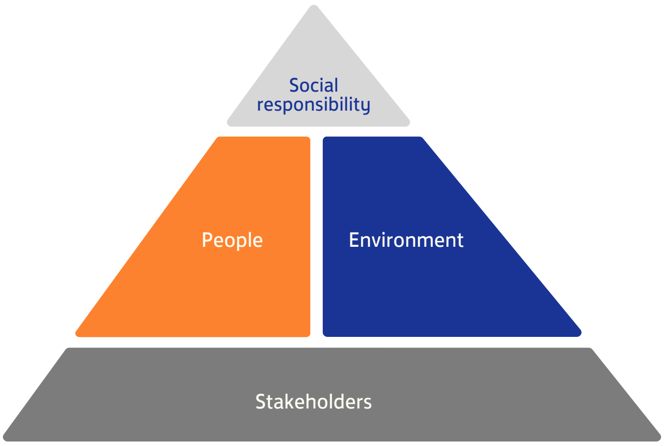
Next to these development programmes, we also want our workforce to be fit and healthy. Per location there are a variety of training modules, health and safety instructions and other tools including professional support and training on safe lifting, life style programmes for drivers and health and vitality events promoting awareness among employees to stay fit and healthy on the job.

9 Corporate responsibility

PostNL's ambition is to provide sustainable mail and parcel solutions for our customers and the society in which we operate. The Board of Management incorporated a Corporate Responsibility Council (CRC) to provide strategic advice and expertise and to bring emerging issues, policies and global trends that could impact PostNL to the attention of the executive committee. To improve the integration of corporate responsiblity into the business, CRC members are primarily senior business managers together with a representative of the central works councils and a member of Young PostNL, the network for young, high-potential employees.

CR strategy

PostNL's corporate responsiblity strategy revolves around four areas where we can draw on our specific expertise and experience to make a difference.



In managing its CR strategy. PostNL applies several globally-recognised management standards across the company. These are:

- OHSAS 18001 for safety in the workplace,
- Investors in People (IiP) for the personal growth of employees,
- ISO 9001 for the quality of work, and
- ISO 14001 for environmental management.

Our own analysis and the outcome of the multi-stakeholder dialogue are the basis for PostNLs strategic CR priorities and future ambitions. The issues which have emerged as the most important, have been translated into measurable KPIs. For each of these KPIs we report the achievements in 2013 and the ambitions PostNL intends to adapt in the coming years. The connection between our priorities and our KPIs, stakeholder expectations, achievements and future ambitions is presented in the following overview.

CR strategy	Our 2013 priorities	Our KPIs	Stakeholder expectations	Achievements	Future ambitions
People	• Responsible redesign • Health & Safety • Diversity & inclusion • Recruitment and career development	• Voluntary turnover • Accidents • Gender profile • Employee engagement score • Internal promotions • Absenteeism	• Being a good employer • Safe workplace • No discrimination • Equal remuneration • Stimulate diversity	• No fatal accidents • Increase of employee engagement score to 58% • Internal promotion rate of 52%	• Zero fatalities • Improve employee engagement • Reduce absenteeism
Environment	• Environmental impact buildings • Environmental impact vehicles	• CO_2 footprint • CO_2 efficiency index	• Sensible use of energy • Minimise emissions	• Reduction of CO_2 footprint • Improved CO_2 efficiency index	• Improve the CO_2 index to 45 in 2020
Stakeholders	• Customer satisfaction and on-time delivery • Subcontracting • Procurement	• Customer satisfaction • On-time delivery of mail	• Sustainable procurement • Protect client data	• Multistakeholder dialogue attended by over 40 stakeholders	• Increase customer satisfaction • On-time delivery above 95%
Social responsibility	• Social contributions	• Voluntary contributions	• Social initiative related to PostNL business	• A total of € 1.2 million of voluntary contributions to a variety of initiatives	• Continue WFP partnership

People

With over 59,000 people, PostNL is a people company. We strive to be a social employer and partner, stimulating diversity and the employability of our staff and partners.

To become fit for the future, PostNL implemented cost-saving programmes to reduce staff at our production centres and head office. Works councils and trade unions are important partners in this process to prepare the company for the future. Where it is necessary to reduce staff, we strive to redesign in a responsible way with respect and support for those who have to leave the company. PostNL helps people to find new jobs. Since 2006, we have successfully supported over 7,500 employees in finding a new future outside PostNL.

An engaged workforce is the core of PostNL and enables us to provide high-quality services day after day. PostNL is convinced that engaged employees will lead to satisfied and loyal customers. In 2013, employee engagement improved to 58% (2012: 56%). We introduced a culture change programme to develop the required behaviour for realising our business goals.

Preventing accidents from operations and managing absenteeism are two focus areas of our health & safety policy. During 2013 there were no fatal accidents (2012: 3). The main part of the organisation (90%) is certified to the health & safety management system OHSAS18001 (2012: 91%). Due to an active management approach focused on reintegration, absenteeism declined to 5.1% (2012: 5.5%).

We believe our business results will improve by stimulating diversity. We strive 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 have several networks to stimulate diversity, for example the Women Inclusion Network (WIN) and the Gay, Lesbian, Bisexual Network (GLBN). We support events and initiatives to promote and stimulate diversity. To underline this vision PostNL signed the 'Talent to the Top' charter, which is a public commitment to increase the number of women in the top echelons of the organisation.

By supporting the Giving Back Foundation, PostNL stimulates talented and ambitious students from various cultural backgrounds to enter the labour market where they can use their talents and fulfil their ambitions. Eleven PostNL managers are coaching students. This initiative enables the PostNL managers to broaden their multicultural experience.

We attract new talent and invest in the development of people through several development programmes.

Environment

Most of our mail volumes are delivered by bicycle or on foot. Together, PostNL mail deliverers walk and cycle many thousands of kilometers every day. Although these deliveries are CO_2-neutral, some of our activities are not. Around one million square metres of our buildings are not yet fully sustainable and we use a fleet of around 2,500 vehicles for our operations.

Buildings

Mail in the Netherlands and Parcels use sustainable electricity (CO_2 neutral) in all buildings where we manage our own energy contracts. When energy contracts are managed by third parties, we stimulate the use of sustainable electricity. For those buildings where no sustainable electricity is used the CO_2 emissions are compensated by gold standard credits. PostNL uses 1.3 million m^3 biogas to heat our head office building and six Netherlands-based sorting centres. The New Logistical Infrastructure of Parcels includes 18 climate-friendly (energy level A) hybrid depots of which 14 are already in use.

Vehicles

PostNL's fleet complies with international standards (Euro norms) to reduce our environmental impact. Besides the influence of the technical specifications of the fleet, the behaviour and awareness of our drivers play an important role in managing the environmental impact of the fleet. Training and managing driver behaviour to reduce fuel usage is part of

PostNL's daily business. More fuel-efficient driving leads to lower operational costs and reduces our environmental impact. The International Postal Corporation (IPC) has adopted the Drive Me Challenge of PostNL and made it a competition for all European postal operators. The PostNL team came in second in the 2013 edition.

PostNL is piloting several alternatively-fueled vehicles. One example is a truck using liquid natural gas (LNG), which reduces the emission of fine particles, nitrogen and CO_2 substantially. Electric vehicles are tested for the last mile delivery, leading to reduction of CO_2 emissions.

PostNL invited several students groups from different universities in the Netherlands to think about sustainable business solutions for the future. One of these teams won an award at the National Sustainability Congress with its solution for inner city distribution.

Stakeholders

At PostNL we recognise the importance of a structural and fundamental dialogue with our stakeholders. It is of great value for us to recognise and understand trends in social, government, ecological and customer developments and to share ideas about our responsibility to contribute to solving issues. PostNL contacts stakeholders frequently, for example through our Public Affairs department, which maintains close connections with European, national and local government about the impact of PostNL on society as a major employer and provider of mail and parcel-related services. The results of these dialogues are used to improve our products and services and PostNL's role as an employer and corporate citizen.

Stakeholder dialogue

In 2013, PostNL organised a broad stakeholder dialogue to receive feedback and information about stakeholders' views and expectations of our CR strategy and results. Interviews were also held with subject owners inside PostNL. Next step was an online survey for consumers and employees. Finally, a broad stakeholder event was organised. The participants were asked to complete a survey beforehand. The outcomes of the surveys and interviews in combination with PostNL's ambitions and results were discussed in the stakeholder dialogue meeting, which was attended by over 40 different stakeholders (customers, investors, employees, subcontractors, suppliers, local government, social organisations, experts and rating institutes).

Based on the stakeholder dialogue, a top 10 of most material topics was identified, which will be used as input for our CR roadmap to 2017:

- be a good employer,
- safe workplace,
- no discrimination,
- equal remuneration for men and women,
- stimulate diversity,
- sensible use of energy,
- minimise emissions,
- sustainable procurement,
- protect client data, and
- social responsibility initiatives related to PostNLs business.

As one of the stakeholders said: "PostNL can and should want to be an exemplary company on CR".

Customer satisfaction and on-time delivery quality

Despite the restructuring programmes in significant parts of the organisation, customer satisfaction improved to 85% (2012: 84%) and on-time delivery quality improved to 95.9% (2012: 93.9%).

Subcontracting

Subcontracting selected activities contributes to our business: it allows efficiency. Key to the success of subcontracting is a sustainable relationship between PostNL and our subcontractors.

In 2013, we experienced pressure on our subcontracting model. The transition to the NLI had an impact on our routes, the subcontractors' rates and our approach to maintaining mutual relationships. This led to local strikes. As a result, the way we operate since 2011 is being redesigned in close collaboration with the subcontractors. The new strategy includes a review of the remuneration and routing systems, along with a modernised form of managing our relationship with subcontractors as business partners.The long-term improvement programme was developed for implementation from 2014 and onwards.

On top of daily communication between subcontractors and operational management, the website Subconet.nl includes practical information and administrative support, and offers our partners services such as discounts for lease vehicles and insurance. PostNL encourages its subcontractors to conduct their services in an environmentally-friendly and socially-responsible way. All subcontractors are expected to act in accordance with all prevailing local and international legislation and with the PostNL Business Principles. Subcontractors are trained and regulary reviewed, as they are an important 'point of contact' with our customers. High-performing subcontractors are invited to participate in the 'Drive Me Challenge', in which PostNL drivers and subcontractors compete to become the best driver in terms of quality of delivery and safe and fuel-efficient driving.

Procurement

PostNL has a large number of suppliers and acknowledges that a significant part of our social and environmental impact is rooted in the supply chain. We select suppliers that are proactive and innovative in delivering socially-responsible products and services. PostNL's group policy on procurement was renewed in 2013. This policy follows the OECD guidelines on corporate responsibility and specifically encourages suppliers to set up programmes that support and meet these recommendations. Our suppliers are required to sign a set of documents based upon the OECD guidelines. Special attention is paid to supply chains with highly sustainable risks. Based on supplier risk assessments, approximately 1% of the total spend is marked as high sustainable risk. This includes items such as corporate wear and other postal means.

With our methodology to manage sustainable risks in our supply chain, we intend to select qualified sustainable suppliers. We take additional measures such as supplier checks, visits and contractual agreements that include improvement plans. If necessary, third party audits are executed on our request. PostNL signed the sustainable purchase manifest (MVIO) of the Dutch

Procurement Association NEVI (Nederlandse Vereniging voor Inkoopmanagement) and the convenant of the Forest Stewardship Council (FSC) (http://info.fsc.org/).

Social responsibility

For PostNL corporate responsibility goes beyond responsibility for people, environment and stakeholders. We also focus on social responsibility. Since 2002, we have partnered with the United Nations' World Food Programme. One of the projects we support is a school feeding programme in Malawi. This project provides a free school lunch to underprivileged children. The concept is straightforward: food attracts hungry children to attend school and in return they get an education that enables them to break out of the vicious cycle of hunger and poverty.

In 2013, PostNL published the seventh edition of the 'Master chefs for home chefs' cookery book to raise funds for the WFP school feeding programme and bring the WFP to the public's attention, thereby increasing recognition of the WFP brand and raising awareness of world hunger. The sales of the cookery book combined with other actions for the WFP resulted in 2.1 million meals provided in 2013. Since this initiative began in 2007, PostNL has donated more than 15 million school meals. Please visit the cookery book website for more information topkoksvoorthuiskoks.nl.

Since the start of the partnership with WFP, PostNL employees have raised funds to support the school feeding programme through a range of fun and effective fundraising activities, including sorting mail and parcels, sports tournaments and auctions. These activities are organised on a voluntary basis outside normal working hours. Additional information can be found on movingtheworld.nl.

An essential element of the WFP partnership is the secondment of skilled PostNL specialists. In 2013, three PostNL employees worked as project managers for the school feeding projects in Malawi, each for four months. Another employee worked as logistic specialist at the WFP headquarters in Malawi. Additional information can be found on movingtheworld.nl.

The Kids Moving the World (KMtW) Foundation focuses on creating awareness of global developmental issues among school children in the Netherlands. KMtW offers an educational package for primary school children. The package consists of three lessons and an interactive game, aimed at making young children aware of hunger, poverty and climate change issues. In 2013, about 85 PostNL employees assisted in the programme by facilitating the interactive game. Since the launch of KMtW in 2004, the Foundation has already reached over 427,000 children. Please see detailed information about the programme on kidsmovingtheworld.nl.

In the Netherlands, PostNL actively seeks cooperation with social employment organisations for the sorting and delivery of parcels and mail. Currently around 550 people from social employment organisations are employed.

Valid Express, a PostNL company, is staffed by disabled people. The goal of Valid Express is to enable chronically sick and handicapped people to earn their own money. As the government intends to insource judicial letters we assume they will take over the corresponding people from Valid Express.

PostNL promotes human rights by taking measures to prevent and mitigate any adverse human rights impact, both from our own activities and from the activities of our subcontractors and suppliers. The PostNL Business Principles, which can be found on the corporate website postnl.com, represent the core of our commitment to human rights. We are a signatory to the UN Global Compact (see Annex 1) and we report on its 10 principles.

Sector initiatives, benchmarks and awards

PostNL strongly believes in encouraging cooperation with other members in our sector, on sector-wide agreements, legislation and other key issues. Our goal is to stimulate sustainability within the postal sector by sharing knowledge and benchmark results. Benchmarking with our industry peers helps us to focus on improvement areas.

Sector initiatives

- International Postal Corporation: PostNL CEO Herna Verhagen is a member of the IPC board. IPC has developed an industry-wide programme to measure and stimulate CO_2 reduction by its members. In 2013, a reduction of 19% of scope one and two emissions was reached and it was decided to raise the goal for 2020 towards 33%. Steps were also taken to include scope three subcontractor emissions in the programme.
- Universal Postal Union (UPU): The UPU consists of almost all national postal operators in the world and is responsible for cross-border postal services and regulation.
- PostEurop: a trade organisation of European public postal operators. PostEurop supports agreements and deliberation on social, regulatory, operational and market developments. An example of PostEurop's significance is an agreement it created between postal operators to reduce greenhouse gases.
- Green Freight Europe: a cross-sector initiative aimed at reducing the environmental impact of road freight transport. The goal of the initiative is to improve and evaluate the environmental performance of transportation companies by developing and establishing a standardised system for measuring and monitoring emissions.

Benchmarks

- PostNL scored 80 (2012: 88) out of 100 points in the 2013 Dow Jones Sustainability Indexes (DJSI). Based on this result PostNL is recognised as one of the top-scoring companies in our industry and we received the Silver Class distinction for our excellent sustainability performance. PostNL is included in the DJSI Europe and DJSI World indexes, which represents the top 10% of leading sustainable companies among the 2,500 largest companies of the Dow Jones Global Stock Market Index.
- PostNL scored 176 (2012: 179) points out of 200 in the Transparency benchmark organised by the Dutch Ministry of Economic Affairs, Agriculture and Innovation.
- PostNL achieved a number four ranking in the International Postal Corporation benchmark on CO_2 efficiency.

Awards

- PostNL received an Effie award for our labour market campaign "Post employee part of your life".
- PostNL Cargo Belgium received the Lean and Green award for its CO_2 reduction policy and achievements.
- Spring Belgium received the Jobkanaal award for its diversity achievements.

More detailed information about PostNL's CR performance in 2013 can be found in chapter 18 of this report.

Ambitions for 2014

Overall

- Develop a renewed CR roadmap towards 2017.
- Migrate to the GRI G4 reporting standard.

Employees

- Strive for zero fatalities by continuing to raise awareness of safety in the workplace and in traffic.
- Reduce absenteeism.
- Improve the level of employee engagement.

Stakeholders

- Increase customer satisfaction.
- Achieve on-time delivery of next-day mail in the Netherlands of above 95%.

Environment

- Improve the CO_2 efficiency index to stay in line with the 2020 goal of 45 (base year 2007 = 100).

Social Responsibility

- Continue the WFP partnership and our activities to share knowledge, raise awareness among employees and focus on fundraising for the school feeding project.

10 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 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 concluded more cost-effective bilateral agreements.

EU postal regulation

The European Commission asked stakeholders, via a Green Paper consultation, for their opinions on how to improve convenience of cross-border parcel delivery, ensure cost effectiveness and better prices (particularly for consumers and SMEs) and improve interoperability between operators. PostNL actively participates in an ambitious programme of the national postal operators to improve their services. In its recently-published roadmap, the European Commission confirms that the projected improvements address many of its concerns and that no regulatory intervention will be proposed in the short term. However, the focus of regulatory supervision is expect to shift in the medium term from mail to parcels.

EU Data Protection regulation

The European Commission's proposal for a revision of the data protection regulatory framework was amended and voted upon in the European Parliament. The European Council has committed to completing the legislative process 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 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, and
- 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 delivery round five days a week, delivering on average no less than 95% of all standard single-rated domestic letters posted the day before, except on Sundays, public holidays and, as of 1 January 2014, Mondays. Urgent medical items and funeral cards are still 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

In June 2013, the Minister of Economic Affairs sent a letter to parliament recognising the need for further modernisation of the

Universal Service Obligation. The minister stated that continuing volume declines demand substantial changes to both tariffs and obligations in order to keep Universal Postal Services accessible and affordable to all. He intends to mitigate the requirements for mandatory letter boxes and service outlets. As a result, coming years could see the number of letter boxes being reduced from 19,000 to 8,700, and service outlets from 2,000 to 1,000. The minister will send parliament a proposed amendment to the Postal Act 2009 in the summer of 2014.

Tariffs and tariff regulation

The Minister of Economic Affairs approved additional tariff increases for 2013 and 2014. PostNL therefore increased USO tariffs as of 1 January 2013, 1 August 2013 and 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, ACM first has to define a fictional permitted average postal rate. 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 rates.

Net costs

PostNL has withdrawn its net cost application over 2011 and has not filed an application over 2012, now that the Minister of Economic Affairs has sent his proposal to increase the financial stability of the Universal Postal Service to parliament.

Significant market power

Parliament has voted in favour of the amended Dutch Postal Act 2009 introducing a supervisory regime of significant market power. As of 1 January 2014, the ACM is authorised to impose specific obligations on parties with significant market power. Before it can impose obligations, ACM has to establish significant market power and assess a suitable obligation for the type of potential competition problem that may need to be resolved. PostNL expects the results of the analysis by the ACM in the second half of 2014.

Social Agreement

Programme to combat pseudo self-employment

The Minister of Social Affairs and Employment initiated a national programme to combat pseudo self-employment in 2013. The Minister aims to improve the legal position of people working in different sectors as an independent contractor. The Parcels subcontractors of PostNL and its competitors fall within the scope of this programme.

Participation Act

The Social Agreement includes the Participation Act, an approach to help people with an occupational disability to find work. Employers are expected to actively participate and to find work for 5,000 people with an occupational disability in 2014. In 2026, Dutch employers are expected to offer work to 100,000 people with an occupational disability. The Dutch Second Chamber of Parliament has voted in favour of the proposed Participation Act on 20 February 2014. The proposed Participation Act will now be sent to the First Chamber of Parliament.

Value added tax on postal services

PostNL is not allowed to charge value added tax 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.

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 will be asked to decide on the compatibility of UK VAT legislation with the EU VAT Directive in April 2014. It is possible that this will be referred to the European Court of Justice. Unlike Royal Mail's regulated delivery services, TNT Post UK Limited's delivery services are subject to VAT. This creates a competitive distortion in favour of Royal Mail.

Royal Mail access terms

In March 2013, Royal Mail introduced new contract terms that gives it increased flexibility to make changes. In January 2014, Royal Mail announced its intention to make pricing and other changes that could adversely affect TNT Post UK's business. Royal Mail has proposed charging different prices to its different types of competitors and to significantly reduce prices for mail delivered in areas where competition is expected to emerge, namely London and other urban areas. It proposes to fund these price cuts by increasing prices for rural areas where competition is unlikely. These changes could hamper postal delivery competition and will unfairly benefit other postal operators at the expense of TNT Post UK. Both the new contract terms and the pricing changes are the subject of a formal regulatory challenge, which was filed with regulatory authority Ofcom in January 2014. A decision by Ofcom is expected in the course of the year and is of importance to closing the transaction with LDC.

Regulation of delivery competition

Ofcom published guidance on possible regulation of Royal Mail's delivery competitors if their activities threaten the provision of the universal service. Possible measures could include requiring more frequent delivery; minimum geographical coverage; establishing a UK universal service support fund; relaxing Royal Mail's obligation to provide nationwide access services; requiring competitors to offer access to their networks; or putting the burdensome elements of the UK universal service out to tender. The first review of the impact of competition is not expected before the end of 2015.

Germany
The German postal market is characterised by strong competition and limited regulation. Ongoing series of legal procedures make competition difficult and maintains the market share of competitors to the incumbent Deutsche Post at 11%.

The elections of 22 September 2013 produced a coalition of CDU/CSU and SPD. Two important topics in the coalition negotiations were the introduction of a general minimum wage and improvement of competition in the letter market. Both TNT Post Germany and the Bundesverband Briefdienste (BBD) have actively participated in the opinion-making process. The result of that process is a competition-friendly section in the coalition document. TNT Post Germany has taken measures to comply with the introduction of the minimum wage of € 8.50 as of 1 January 2015 in the whole of Germany.

Statute on tariff compliance and minimum wage
Public tenders in most regions of Germany require a minimum wage. The BBD's model of pro rata calculation of the minimum wage in public contracts is currently enforced in almost all regions. The TNT Post Germany product 'Authorities Letters' was developed together with Mail Alliance, which complies with the fundamental requirements of (regional) minimum wage laws.

Regulatory developments
TNT Post Germany took part in the price cap procedures of the Federal Network Agency (Bundesnetzagentur) regarding the admissible range for Deutsche Post to change postal tariffs. The arguments of TNT Post Germany were taken into account in the Agency's decision. As a consequence, Bundesnetzagentur insisted that prices for business and large mailers were increased by the same rate. TNT Post Germany has profited from the increase.

The so-called Compador case at the Federal Network Agency is in its final stage, with a decision expected in the first half of 2014, subject to a court ruling upon data confidentiality. The Bundesnetzagentur is investigating possible abusive behaviour by Deutsche Post InHaus Services (DPIHS) in offering mail sorting to Compador. With this help from DPIHS, Compador is in a position to offer consolidation nationwide at low prices. Bundesnetzagentur has indicated to Deutsche Post that preferential treatment of Compador compared to other letter services may constitute illegal discrimination.

Additionally, Bundeskartellamt is examining the pricing strategy of Deutsche Post in relation to pricing and conditions offered to large customers.

Collective bargaining
Master tariff sector agreements with the unions are being prepared by the BBD (of which TNT Post Germany is a member), with the aim of securing reasonable labour conditions for the sector in the long term.

Italy
In 2009, PostNL filed complaints with Autorita Garante della Concorrenza e del Mercato (AGCM), the Italian national competition authority, against Poste Italiane, alleging abuse of the latter's dominant position. The AGCM sustained PostNL's claims on 15 December 2011, and imposed a fine of €39.4 million on Poste Italiane. Poste Italiane appealed the decision before the Italian tribunals. In 2013, the appeal was accepted and the Italian national competition authority's decision annulled.

An additional 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 subject 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 issued its final decision on 23 April 2013, ruling 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 and rejected the appeal of Poste Italiane.

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. Sandd lodged a complaint in 2007 regarding alleged predatory pricing and conditional sale through PostNL's subsidiary Netwerk VSP Geadresseerd, which discontinued its activities on the addressed mail market on 17 December 2011. The ACM concluded that PostNL did not abuse its position in any way, but Sandd continued to object. Sandd lodged an appeal at the Trade and Industry Tribunal (CBb), but withdrew this appeal in December 2013.

11 Risk management

Implementing PostNL's strategy is not without risk. The Board of Management believes, however, that the strategy contains manageable risks as they are derived from PostNL's core strengths.

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

PostNL's management reviewed the risk profile regularly throughout 2013 and will continue to do so during 2014. For those risks deemed to be material, the Board of Management develops and reviews comprehensive risk response plans. Events and new circumstances affecting risks and the risk responses are used as triggers to align risk responses, such as the outcome of the discussion on pensions with social partners and strikes at Parcels. PostNL will remain focused and will continue to deliver decisive management attention in 2014. Specific attention will be given to the subjects highlighted in grey in this chapter.

All operational units are engaged in a comprehensive risk identification process. The outcome of this process is reported to the relevant Group and functional management, including the Board of Management, and is shared and discussed with the Supervisory Board and the audit committee of the Supervisory Board.

The risks described in this chapter cover the main risks to PostNL businesses. However, it cannot be considered as an all-inclusive list of risks.

The risk responses as described are meant to provide a high-level overview of possible and initiated action points in response to the risks identified and are not to be interpreted as a comprehensive list of risk responses within PostNL.

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 risk management and control programme is to be considered as a process to support management. No matter how comprehensive a risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments from occurring in its business and business environment or that risk responses will be fully effective.

It is important to note that new, unknown and/or unforeseen risks may be identified and/or occur. PostNL will react to changes in its risk profile and/or risk responses with due care and will continuously analyse possible alternatives that may be included in its risk management and control framework.

Notwithstanding the above, any of the following risks, both individually and/or in aggregate, could have a material adverse effect on PostNL's financial position, operational results, liquidity, solvency and the actual outcome of matters referred to in the forward-looking statements contained in this annual report.

Risk	Risk response
Strategic risks	
USO regulation As provider of Universal Postal Services, changes in USO regulation could have an adverse impact on PostNL's ability to adapt to market developments and changes in customer demand in a timely and effective way.	PostNL is in a continuous dialogue with government, decision makers and regulators to enhance its position as designated provider.
Substitution The increasing substitution of alternatives for PostNL's delivery services could reduce revenues and profitability.	PostNL continuously and consistently takes commercial initiatives to slow down or adapt to substitution. Furthermore, PostNL develops operational processes to adapt more flexibly to future volume declines.
Competition Competition may put pressure on market share, volumes and prices, which could have an adverse effect on PostNL's revenues and/or profitability.	Commercial initiatives are in place such as differentiation in service levels, (new) products and adequate pricing.
Exit certain businesses or markets PostNL may decide to exit certain businesses or markets in the future, which could result in additional costs related to the discontinuation of operations, impairment of goodwill or other contractual liabilities.	The decision to exit, if contemplated, is reviewed by the Board of Management and the Supervisory Board. If it is approved, an exit plan is then made to limit the (financial) impact for relevant stakeholders involved.

Risk	Risk response
Operational risks	
Execution of cost savings initiatives Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the results intended, could cause labour unrest or a deterioration in quality of services and/or products, and could adversely affect PostNL's reputation, revenues and/or profitability.	Cost savings projects are executed via enhanced programmes and are monitored continuously. Mechanisms to adjust to changing circumstances have been implemented and are reviewed periodically.
Business continuity A significant accidental or adverse event (for example affecting critical IT systems, key accounts or key staff, or causing logistical disturbances/strikes) could negatively impact PostNL's critical businesses, which could adversely affect its reputation, revenues and/or profitability.	At a strategic and tactical level, PostNL constantly assesses whether it has adequate operational capabilities and resources. In addition, PostNL continuously updates its processes around business continuity management to ensure the organisation is well prepared for potential adverse risk events.
Legal and regulatory risks	
Status of subcontractors A change in tax, law or other regulation that has an impact on the self-employed status or labour conditions of subcontractors could adversely affect PostNL's reputation, operating expenses and/or profitability.	PostNL continuously monitors developments in this area and is, where opportune, in dialogue with the authorities to reach or maintain agreement on the status of subcontractors. PostNL also agrees upon relevant contractual terms and conditions with subcontractors in order to comply with these developments, where necessary.
Misconduct Employee, contractor/subcontractor and supplier misconduct could result in financial losses, the loss of customers and the payment of monetary penalties or other sanctions imposed by national and local governments (and other regulators) of the countries in which PostNL operates. Besides these actions, misconduct might harm PostNL's reputation.	PostNL has implemented a robust integrity programme that includes business principles, intended to ensure people act in accordance with the company's preferred way of operation.
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 (including recent developments with respect to significant market power), data protection/privacy and Postal Law requirements. These regulatory requirements may increase given the expanding scope of regulatory authorities (e.g. the ACM). Failure to comply with these requirements may have a material adverse effect on business operations and on PostNL's revenues and profitability.	PostNL implements appropriate policies, processes and procedures, which limits exposure to (changes in) complex legal and regulatory requirements.
Financial risks	
Remaining stake in TNT Express PostNL holds a financial stake of 14.8% in TNT Express. Due to volatile capital markets, and depending on the business performance of TNT Express, the fair value of that stake may decline materially. As a consequence, PostNL's equity and funding positions could be negatively affected and this could hinder the payout of a (cash) dividend.	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 and PostNL reviews its position on a regular basis. In 2013, PostNL divested 15% of the outstanding share capital of TNT Express, resulting in a reduction in risk exposure (see note 3 to the consolidated financial statements).
Collective labour agreements The risk that in the future no agreement will be reached with the unions in the Netherlands to adopt the collective labour agreements (on subjects including structurally reducing the employer's contribution to the pension funds) may lead to higher labour costs and impact profitability.	The current collective labour agreement for Mail in the Netherlands and Parcels expired on 31 March 2013 and for Mail Delivery on 31 December 2013. PostNL aims to have constructive discussions with the social partners to reach acceptable conclusions for the coming period.

Risk	Risk response
Financial risks	
Additional funding to pension funds due to drop in coverage levels/ratio The coverage ratios of the pension funds in the Netherlands could drop below the minimum required levels. A downturn in the capital markets and/or a decline in interest rates may reduce the coverage ratios, which could result in multi-year additional funding by PostNL.	PostNL intensively reviews the development of funding requirements and coverage ratios of the pension funds. Together with the unions, PostNL reached a mutual agreement with the pension fund board at the end of 2013 to limit the funding exposure of PostNL.
Liability for loss or damage PostNL is exposed to claims for loss or damage. Some of these are covered under conventions such as the United Postal Union, the Warsaw Convention or the Convention on the Contract for the International Carriage of Goods by Road and PostNL's general terms and conditions. Claims for loss or damage not covered under these conventions and/or PostNL's general terms and conditions may negatively affect PostNL's profitability.	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.
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.	Both currency and interest rate risks are hedged in accordance with the relevant Group policies (see note 30 to the consolidated financial statements).
Decline in asset values Changes in markets, useful lives of assets and PostNL's business plans could result in impairment of the carrying value of assets, thereby reducing net income and affecting equity.	PostNL performs regular impairment tests for intangible and tangible assets based on business planning and strategic forecasts and whether impairment triggers occur.
Downgrade in credit rating A downgrade in the credit rating of PostNL may increase financing costs and harm the ability to finance operations and/or acquisitions, which could negatively affect revenues and profitability in the medium and long term.	Credit ratings are closely monitored and actively managed based on actual and expected performance and other relevant factors. With the proceeds of the divestment of a part of the TNT Express stake, PostNL has actively improved its debt position. Refer to note 13 to the consolidated financial statements.
Impact of economic downturn Apart from the effect of the TNT Express stake and the pension results, an economic recession in Europe, including unforeseeable developments regarding the stability of the euro, could negatively affect PostNL's business results. This may also trigger impairment on PostNL investments in the corporate financial statements or additional write-downs of debtors. As a consequence, PostNL's equity and funding position could be negatively affected, hindering the payout of (cash) dividend.	PostNL has a balanced portfolio, of which some parts are more cyclical in nature than others. In addition, corrective plans have been developed to potentially counter the impact of an economic downturn.

12 Board of Management compliance statement

Risk management, internal control, integrity and compliance are part of PostNL's business management. These are embedded in PostNL's business objective-setting process and operations and are continuously strengthened and improved.

Risk management, internal control, integrity and compliance

This chapter summarises PostNL's approach to risk management, internal control, integrity and compliance. It includes the disclosures required by the Dutch Corporate Governance Code and chapter 5.1a of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). The key risks PostNL faces in executing its strategy and business processes are described in chapter 11 (Risk Management).

PostNL has embedded the Enterprise Risk Management – Integrated Framework (2004) of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the foundation of its risk management, internal control, integrity and compliance systems. Built upon this framework is a comprehensive portfolio of Group policies and controls, 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.

Risk management

PostNL has a comprehensive risk management framework. This framework targets the detection of and response to the main risks that PostNL encounters in realising its objectives.

Internal control over financial reporting (ICFR)

In 2013, 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 ICFR programme.

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 corporate 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 tone at the top 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.

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 2013. 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 2013 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 key risks and risk responses described in chapter 11 (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 2013 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL and its consolidated companies, and
- the additional management information disclosed in the annual report gives a true and fair view of PostNL and its Group companies as at 31 December 2013, the state of affairs during the financial year to which the report relates, together with a description of the key risks facing PostNL.

The Hague, 24 February 2014

Herna Verhagen, CEO
Jan Bos, CFO

13 Corporate governance

General

PostNL N.V. is a company falling under the large company regime (*structuurvennootschap*). It has a two-tier governance structure with a board of management entrusted with executive management under the supervision of an independent supervisory board.

Under the large company regime, certain resolutions of a board of management of a large company such as PostNL N.V. require the prior approval of the supervisory board. Both the supervisory board and the board of management are accountable to the general meeting of shareholders for the performance of their duties.

Members of the PostNL 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. 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 as a whole by an absolute majority of the votes cast representing at least one-third of the issued share capital.

For further details on the appointment and dismissal of members of the Board of Management and/or the Supervisory Board, see articles 17, 24 and 25 of PostNL's articles of association.

Board of Management

The Board of Management is collectively responsible for setting and implementing PostNL's mission, vision and strategy, for the management of PostNL as a whole and for all decisions taken in this respect. In addition, the Board of Management takes responsibility for PostNL's overall results.

In 2013, 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.

PostNL's reporting structure in 2013 was in line with the management structure of the three segments: Mail in the Netherlands, Parcels and International.

The executive committee advises and supports the Board of Management. The executive committee comprises the members of the Board of Management and the directors of the PostNL segments, HR and IT: 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 and Mr A.G. Rodenboog, responsible for Operations Mail in the Netherlands.

The directors of PostNL's segments are primarily responsible for developing and executing the business strategy and operational performance of each of their respective segments within the framework set by PostNL's corporate strategy.

In accordance with the Act on Management and Supervision (*Wet Bestuur en Toezicht*), companies governed by this act must have a balanced representation of men and women on their management and supervisory boards. Balanced representation of men and women is deemed to exist if at least 30% of the seats are filled by men and at least 30% are filled by women.

On the PostNL Board of Management, one of the two members is female, so 50% of its seats are filled by women and 50% by men. PostNL thus complies with the requirements of balanced representation of men and women on its Board of Management.

The Act also sets outs new provisions on supervision and management limiting the number of supervisory positions that management and supervisory board directors may hold in so-called large entities. PostNL qualifies as a large entity. The number of positions that must be taken into account pursuant to this legislation are listed for members of the Board of Management on page 50 and for the Supervisory Board in chapter 14, under Biographies.

Duties of the Board of Management

The Board of Management manages PostNL. It has responsibilities for areas including the setting and achieving of PostNL's objectives and strategy, the associated risk profile, the development of results, and corporate responsibility issues relevant to PostNL.

The Board of Management acts in accordance with the interests of PostNL. To that end, it is required to consider all relevant interests associated with the company. The Board of Management is committed to managing the company transparently. The responsibility for day-to-day management of the PostNL segments is decentralised within established standards, processes, requirements and guidelines.

The Board of Management is responsible for compliance with all relevant legislation, the risk profile laid down in the strategy, PostNL's financing, the corporate responsibility policy and external communication. It is required to report developments on these topics to the Supervisory Board and its audit committee, and discusses the internal risk management and control systems with them.

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).

The disclosure committee advises and assists the Board of Management in ensuring that PostNL's press releases are accurate and complete and are, where available and appropriate, supported by accurate and reasonable detailed records, fairly represent the condition of the company in all material respects and are – if necessary – communicated to the AFM in compliance with relevant laws and regulations.

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 throughout PostNL. The integrity committee oversees and coordinates investigations based on reports of possible breaches under the PostNL Business Principles and related policies.

The CR council advises and assists the Board of Management in deploying the CR strategy and integrating it into daily operations, and provides guidance on CR issues and opportunities. It also supports the Board of Management in developing and achieving CR objectives across the company.

Specific functions and departments – internal audit, legal, procurement, real estate & facilities, human resources, and accounting & reporting – are responsible for ensuring that the legal and regulatory compliance objectives are achieved.

The by-laws of the Board of Management and the terms of reference of the disclosure committee can be viewed on PostNL's corporate website, postnl.com.

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.

Members of the Board of Management

H.W.P.M.A. (Herna) Verhagen (1966, Dutch)
Chief Executive Officer
Ms Verhagen became chief executive officer on 24 April 2012. Prior to this, she had served as member of the Board of Management of PostNL N.V. since 31 May 2011. 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, communications, corporate responsibility, human resources and internal audit. She is responsible for Mail in the Netherlands, Parcels, International and Group IT.

Ms Verhagen's term is up for renewal in April 2015.

Ms Verhagen is a member of the supervisory board of Nutreco N.V. and, since 28 November 2013, of the supervisory board of Rexel S.A. Until 1 November 2013, Ms Verhagen was a member of the supervisory board of SNS REAAL N.V. 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 Dutch Civil Code and therefore – in her capacity as board member of PostNL – complies with article 2:132a, paragraph 1 of the Dutch Civil Code.

J.P.P. (Jan) Bos (1965, Dutch)
Chief Financial Officer
Mr Bos was appointed chief financial officer and a member of the Board of Management of PostNL N.V. effective 31 May 2011. 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, treasury & investor relations, tax, accounting & reporting.

Mr Bos' term is up for renewal in April 2015.

Mr Bos is a member of the association for registered controllers. Mr Bos holds no positions as a supervisory board member of a legal entity as referred to in article 2:132a of the Dutch Civil Code and therefore – in his capacity as board member of PostNL – complies with article 2:132a, paragraph 1 of the Dutch Civil Code.

Supervisory Board

Duties of the Supervisory Board
Information about the duties of the Supervisory Board can be found in chapter 14 (Report of the Supervisory Board).

Securities owned by members of the Board of Management

The members of the Supervisory Board, the Board of Management and PostNL's other senior management are subject to the PostNL Group Policy on Prevention of Insider Trading, which contains rules of conduct to prevent trading in PostNL's financial instruments when in possession of inside information.

PostNL's Supervisory Board has adopted a policy concerning ownership of and transactions in securities other than PostNL's financial instruments by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and the by-laws of the Supervisory Board and requires that each member of the Board of Management and Supervisory Board gives periodic notice, at least quarterly, 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 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

[1]	At 31 Dec 2013	At 31 Dec 2012
Board of Management		
Herna Verhagen	41,744	41,744
Jan Bos	38,251	38,251
Supervisory Board		
Piet Klaver	20,950	20,950

1 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 18 to the consolidated financial statements and chapter 15 under actual remuneration in 2013. The information in this table is publicly available at www.afm.nl

Shareholders and their rights

General Meetings of Shareholders

Annual General Meeting of Shareholders held on 16 April 2013
On 16 April 2013, 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, compared to 66.4% in 2012.

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

- the 2012 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 2012,
- the amendment of the articles of association ,
- the appointment of Ms A.M.(Agnes) Jongerius and Mr J.W.M. (Marc) Engel as members of the Supervisory Board,
- approval of the remuneration policy 2013,
- extension of the mandate granted to the Board of Management to issue ordinary shares until 16 October 2014 (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 2014 (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), and
- the authorisation of the Board of Management to decide on the acquisition of own shares by the company up to a maximum of 10% of the issued capital until 16 October 2014 (see chapter 13).

The agenda, resolutions and voting results for each resolution, the presentations given during the meeting and a webcast of the meeting, are available on PostNL's corporate website in Dutch and English. Minutes of the meeting are available in Dutch on PostNL's corporate website.

Frequency and venue
PostNL is required to hold an Annual General Meeting of Shareholders within six months after 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, in the event that one or more shareholders representing at least 10% of the issued share capital request the Supervisory Board and the Board of Management in writing to convene a shareholders meeting, stating their proposed agenda in detail, such meeting shall in principle be convened.

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 have the right 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 to the company's strategy, the Board of Management shall be given the opportunity to stipulate a reasonable period in which to respond, which shall not exceed 180 days.

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 PostNL's website.

Admission to and voting rights at the meeting
Each shareholder has the right 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 of the shares in PostNL's share capital carries the right to cast one vote. Unless otherwise required by Dutch law or PostNL's articles of association, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting.

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, PostNL 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' (see page 53).

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 Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

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

Amendments to the articles of association
Amendments to PostNL's articles of association can be made upon a proposal by the Board of Management, approved by the Supervisory Board and adopted by the General Meeting of Shareholders. A proposal to amend the articles of association must be stated in a notice convening a General Meeting of Shareholders and announced in such manner as permitted by law at any time. The proposal shall be passed upon an absolute majority of the votes cast in the General Meeting of Shareholders. PostNL's articles of association and the by-laws of the Supervisory Board and the Board of Management are available on PostNL's corporate website.

Ability of the company to acquire its own shares
In order to execute share buy-back programmes, PostNL must be allowed to acquire its own shares. Under its articles of association, PostNL may acquire its own shares, provided that they are fully paid up. If such shares are acquired for consideration, the following conditions apply:

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

The Board of Management is authorised to decide that the Company acquires its own 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, and
- 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 taken upon a proposal by the Board of Management that has been approved by the Supervisory Board.

In principle, each holder of ordinary shares has a pre-emptive right 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.

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 as far as possible any influences that could threaten PostNL's continuity, independence and identity. 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 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 measure 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 is due at such time as PostNL makes a call for payment by a resolution of the 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 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 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*). Should such an inquiry be granted, the Enterprise Chamber may impose immediate provisions.

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

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 rather than in 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 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 in its own capital. 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 approval by the Supervisory Board, the part of the remaining profits to be appropriated to reserves. The profit that remains after appropriation is at the disposal of the General Meeting of Shareholders.

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

Auditor

PostNL's external auditor, PwC, is appointed by the General Meeting of Shareholders. PostNL's audit committee has the sole authority, 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 work 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. As of 1 January 2013, 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 corporate website. See note 22 to the consolidated financial statements of PostNL N.V. for the fees paid to PwC 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. PostNL is preparing the mandatory auditor rotation that must be implemented by 2016 at the latest.

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, supports the external auditor in its assignment to audit the annual accounts of PostNL and provides consulting services to the businesses on the issues mentioned above. 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.

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:

- *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 chapter 15 under Remuneration Policy 2013.

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.

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, the composition and functioning of the Supervisory Board and its committees, the functioning of 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.

For the Board of Management's statement pursuant to chapter 5.1a of the Dutch Financial Markets Supervision Act, please refer to chapter 12.

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. For the design of its remuneration policy for 2013, the company held dialogue with several important governance organisations in the Netherlands.

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 corporate website, postnl.com.

14 Report of the Supervisory Board

Message from the Chairman of the Supervisory Board

Dear stakeholders,
It is my pleasure to present the report of the Supervisory Board for the financial year 2013. The report aims to give you an overview of the performance of our Supervisory Board.

Last year would teach us whether the change of course set in mid-2012 was the right decision. The conditions were not easy: a persistent recession and a higher than expected decline in mail volumes. However, the results of the adjusted cost savings initiatives are promising and cost reductions are being realised ahead of schedule. This allowed the Board of Management to adjust the outlook positively as the year progressed.

The Supervisory Board is happy with the progress made. The reorganisation of Mail in the Netherlands gathered pace last year. Cost savings were achieved ahead of schedule and compensated for the addressed mail volume decline. The Parcels business grew as expected and further growth is foreseen. Our International business performed as expected and in December we announced to set up a joint venture with LDC for our UK operations. Combined with the extension of the social plan and the collective labour and new pension agreements, the Board of Management is on track to achieve the targets for 2015.

The Supervisory Board had good and fruitful discussions with the Board of Management on PostNL's strategy and other important topics. These included finding a good balance between the various issues related to the execution of the adjusted cost savings initiatives, such as realising cost reductions, improving efficiency, achieving quality of service and creating a motivating work environment for employees and business partners. Thus stimulating an open dialogue within the organisation with the ultimate goal to serve our customers in accordance with their wishes.

Other subjects discussed were the developments with respect to our stake in TNT Express N.V. (including the decision to sell half of PostNL's stake in December 2013 and using the proceeds to reduce the company's debt position), the company's cash generation and equity position, corporate responsibility, the pension discussions (resulting in agreements that were announced in October 2013 and became final in December 2013) and the collective labour agreement negotiations. It goes without saying that human resources, management development and succession planning were and remain high on the agenda.

It is unfortunate that the equity position and credit rating of PostNL do not allow for a dividend payment.

We hope this report proves informative to our stakeholders.

Kind regards,

P.C. Klaver
Chairman of the Supervisory Board of PostNL N.V.

Supervision

This chapter summarises the duties of the Supervisory Board, the manner in which it performed these duties and the key issues discussed by the Supervisory Board. It also sets out the internal organisation and states the acknowledgement of the 2013 financial statements.

Supervisory duties – general

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. Members of the Supervisory Board may take views that differ from those of the Board of Management. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management, as well as the general and financial risks and the internal risk management and control systems.

In performing its duties, the Supervisory Board acts in accordance with the interests of PostNL and takes into account the relevant interests of the company's stakeholders. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the company's business. PostNL's Supervisory Board is responsible for the quality of its own performance, which is reviewed annually. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

Meetings of the Supervisory Board

At every meeting, the Supervisory Board discusses business and market developments and the results and developments in PostNL's business segments. In 2013, strategic, regulatory and corporate responsibility issues were recurring topics, as were the financial position of PostNL, the adjusted cost savings initiatives, the development of the stake in TNT Express N.V. (both the withdrawal by UPS of its offer for the TNT Express shares at the beginning of 2013 and the decision to sell half PostNL's stake in TNT Express in December 2013) and new pension agreements. The Supervisory Board mandated several of its members to discuss pension matters and several of its members to discuss the TNT Express stake more regularly than in meetings of the Supervisory Board.

The Supervisory Board discussed its composition and the composition of its committees, the amendment of the articles of association and the remuneration policy 2013 and the new dividend policy ahead of PostNL's Annual General Meeting of Shareholders held in April 2013.

Quarterly, half-yearly and annual results were discussed, as were budget, strategy and outlook. The Supervisory Board discussed the 2012 auditors' report by PostNL's external auditor PwC, the 2012 integrated annual report (including financial statements), the corporate responsibility report and the 2013 management letter of the external auditor. In the management letter, PwC reported that it considers PostNL's overall control environment to be appropriate considering the size and complexity of the company. PwC considered PostNL's CR reporting control environment strengthened. Recommendations were made to continue updating the ICFR framework towards the changing PostNL environment. The importance to keep focus on execution of our controls in the context of the ongoing restructuring programs was emphasized. Furthermore, PwC highlighted the importance of improving the IT control environment in the areas of segregation of duties and change management.

Various human resources and corporate responsibility-related issues were discussed, including labour conditions and the collective labour agreement negotiations, the strike of the subcontractors, pensions, management development & succession planning, the reputation of PostNL and the rating of PostNL in the Dow Jones Sustainability Indexes. The Supervisory Board and the public affairs committee of the Supervisory Board perform an oversight role with respect to corporate responsibility issues, supported by PostNL's Internal Audit department, which monitors the CR governance structure and reporting. The chairman of the Supervisory Board, as well as some individual members, had several meetings with the central works council during the year.

The Supervisory Board discussed compliance with and developments in applicable legislation, regulations and rules both in its board and in its committees. This included relevant changes to the Dutch Postal Act (termination of Monday delivery and introduction of significant market power (*aanmerkelijke marktmacht*) and the Dutch Postal Regulation (tariff mechanism and transparency requirements), as well as certain public and political discussions in the Netherlands, such as in-sourcing of certain activities by the government and self-employed employees.

It goes without saying that adjusting PostNL's organisation to the declining mail volumes and increasing parcel volumes was and remains an important topic in strategic discussions. The business segments Mail in the Netherlands, Parcels and International presented their business plans. The financial strategy and Group strategy were reviewed and new products and potential areas for growth in the Netherlands and in the countries where PostNL operates were discussed. The Supervisory Board reviewed the strategic plans for each business segment and for PostNL as a whole, as were the financial objectives and outlook and main risks for PostNL. A summary of these risks can be found in chapter 11 (Risk management). The outcome of the risk management process, the key 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.

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

The Supervisory Board discussed changes in its composition as part of its succession planning and in relation to the profile of the Supervisory Board.

Of the 12 meetings, 11 were held together with the full Board of Management. These meetings included several extra conference calls about the UPS offer for the TNT Express shares and the pension agreement. Almost all meetings were attended by the full Supervisory Board (for attendance percentages, see the paragraph about the evaluation of the Supervisory Board). Most meetings were held at PostNL's head office in The Hague, three meetings were held by teleconference and one meeting was held at PostNL's sorting centre in Rotterdam.

Meetings of the committees of the Supervisory Board

PostNL's Supervisory Board has an audit committee, a nominations 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. 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 PostNL's corporate website.

Each committee reports its findings and conclusions after each meeting to the full Supervisory Board. The information on the composition and functioning of the Supervisory Board and its committees are included in the corporate governance statement. This statement is available on PostNL's corporate website under Corporate Governance.

Audit committee

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

The audit committee met five times in 2013. All meetings were attended by the CFO, director audit & security, director accounting & reporting and director control and the external auditor, PwC. The CEO attended the meetings when the half-year and full-year figures were discussed.

The audit committee discussed PostNL's full-year 2012 results and the first-quarter, half-year and third-quarter 2013 results and the related press releases. The impact of the economic downturn on PostNL's financial position and on the position of the pension funds' coverage ratios was discussed at almost every meeting. The main financial factors influencing the strategic plan, including volume development, pricing, cost savings, pensions, collective labour agreement and regulatory issues were discussed. The audit committee discussed the final dividend 2012 and the proposal for the dividend policy, which were discussed at the General Meeting of Shareholders held on 16 April 2013. The committee also discussed the sale of part of the stake in TNT Express and the pension agreement.

The audit committee discussed reports on internal control and risk management (reports which are, if necessary, also discussed in the Supervisory Board). Reports from internal audit function and the external auditor, including the internal and the PwC audit plan, management letter and board report, were discussed regularly. The audit committee receives half-yearly updates on integrity issues (including the fraud & whistleblower report) and claims and litigation. The external audit fees were discussed and approved. Contemplated changes in the laws and regulations governing financial reporting, the supervision of these and the accountant's functioning were regularly discussed and the audit committee started to prepare the tender process for the mandatory change of the external auditor.

Nomination committee

The nomination committee assists the Supervisory Board with drawing up selection criteria and appointment procedures for members of the Supervisory Board and the Board of Management and 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 also 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.

The nominations committee held four meetings in 2013. Supervisory Board appointments and reappointments were discussed, as were the composition of the Supervisory Board committees. The nomination committee discussed succession planning in respect of the Supervisory Board and the Board of Management, the managerial top structure and management development issues.

Public affairs committee

The public affairs committee acts as a sounding board and advisory committee for the Board of Management with respect to (i) formulating, developing and monitoring PostNL's public affairs policy governing the relationships between PostNL and national and international 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 PostNL's social and environmental policies.

The public affairs committee met five times in 2013. National postal regulatory developments were frequently discussed, such as those relating to the Dutch Postal Act (termination of Monday delivery and introduction of significant market power) and Dutch postal regulation (tariff mechanism and transparency requirements). The committee also discussed the public and political debate in the Netherlands, such as that around in-sourcing of certain activities by the government and self-employed employees.

The committee reviewed PostNL's 2012 CR performance and reporting and the 2013 CR targets. The Dow Jones Sustainability rating, the results of PostNL's employee engagement survey and customer satisfaction levels in the Netherlands were discussed.

The committee discussed the social consequences and progress of the cost savings initiatives, health and safety issues (including fatalities), the subcontractor strike and diversity. Updates on the collective labour agreements (and related social implications) and pensions were given. Regulatory issues were discussed, as were relations between the Supervisory Board and the Board of Management with the works councils and trade unions. The company's long-term vision on the Dutch mail market was discussed, as was the reputation of PostNL among its customers, its employees and as an organisation operating in Dutch society at large. Measures to improve PostNL's reputation both internally and externally were discussed.

Remuneration committee

The remuneration committee proposes 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 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).

In 2013, the remuneration committee held four meetings. It discussed the new remuneration policy for 2013, which was discussed and approved by shareholders on 16 April 2013 at the Annual General Meeting of Shareholders and the renumeration of the Board of Management and senior management.

See chapter 15 (Remuneration) for further details on remuneration for the Board of Management and the Supervisory Board, 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 2013.

Internal organisation

Composition of the Supervisory Board

Pursuant to PostNL's articles of association, the Supervisory Board has at least three members. Taking this requirement into account, the Supervisory Board has discretion 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, 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. 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 amendments to the profile are made. The profile is available on PostNL's corporate website.

A Supervisory Board member must be capable of assessing the broad outline of PostNL'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 Act on Management and Supervision (*Wet Bestuur en Toezicht*) limits the number of supervisory positions that managing and supervisory board directors may hold in certain companies. The Act prohibits a person as of 1 January 2013 from being appointed as 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 reappointment.

The composition of the Supervisory Board changed in 2013. At the Annual General Meeting of Shareholders held on 16 April 2013, Ms Altenburg and Mr Kok resigned as members of the Supervisory Board. Ms Jongerius and Mr Engel were appointed as new members of the Supervisory Board. Ms Jongerius was appointed with the enhanced recommendation right of the central works council. Ms Jongerius and Mr Engel joined the audit and the public affairs committee upon their appointment.

At the Annual General Meeting of Shareholders in April 2014, Mr Wallage will be available for reappointment as member of the Supervisory Board.

Biographies

In accordance with the Act on Management and Supervision, members of a supervisory board may not hold more than five positions in supervisory boards of large entities (including PostNL), to be determined at the moment of appointment/ reappointment. Supervisory 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. Compliance of each member of the Supervisory Board with these requirements is indicated below.

P.C. (Piet) Klaver (1945, Dutch)

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 B.V., Dura Vermeer Groep N.V. and Blokker Holding B.V. He is a member of the supervisory board of SHV Holdings N.V. (vice-chairman). Mr Klaver 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.

Mr Klaver holds seven positions as referred to in article 2:142a of the Dutch Civil Code.

J. (Jacques) Wallage (1946, Dutch)

Mr Wallage was appointed member of the Supervisory Board on 8 April 2010 and vice-chairman of the Supervisory Board in 2011. His current term expires in 2014. For over 12 years, Mr Wallage was member of the Dutch Parliament and served as a junior minister at the Ministry of Education and Sciences and as a junior minister at the Ministry of Social Affairs. He was mayor of the city of Groningen from 1998 until 2009. Mr Wallage is chairman of the board of the Council for Public Administration and of the advisory council of the *Sociale Verzekeringsbank*. He is a professor at the University of Groningen (integration and public administration).

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. Mr Boersma was CEO of Essent N.V. and president of Shell Global Solutions International B.V. Mr Boersma is, among others, non-executive member of the board of Neste Oil Corporation, chairman of the supervisory boards of ProRail and Telegraaf Media Groep, and of

Composition of the Supervisory Board and committees per 1 January 2014

Name	Nationality	Appointed	Term expires	Committee membership
Mr P. C. Klaver	Dutch	April 2008	2016	Nomination (chair), remuneration
Mr J. Wallage	Dutch	April 2010	2014	Remuneration (chair), public affairs
Mr M.A.M. Boersma	Dutch	May 2011	2015	Audit, nomination
Mr J.W.M. Engel	Dutch	April 2013	2017	Audit, public affairs
Ms A.M. Jongerius	Dutch	April 2013	2017	Audit, public affairs
Ms T. Menssen	Dutch	May 2011	2015	Audit (chair), remuneration
Mr F.H. Rövekamp	Dutch	May 2012	2016	Audit, remuneration, public affairs (chair)

the supervising body of VieCuri Medisch Centrum Noord-Limburg and member of the board of foundation Protection Fugro N.V.

Mr Boersma holds seven 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. Mr Engel 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. Ms Jongerius is affiliated researcher at Institutions for Open Societies of the Utrecht University and member of the supervisory board of FMO, the Dutch development bank. Until recently 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. Ms Menssen is chief financial officer and member of the board of management of Royal BAM Group. Until September 2012, Ms Menssen was chief operating officer of the Port of Rotterdam Authority. Ms Menssen is a member of the supervisory boards of Vitens N.V., Maritiem Museum Rotterdam and Rotterdam Philharmonic Orchestra.

Ms Menssen 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. Mr Rövekamp was a member of the executive committee and group CMO of Vodafone Group Plc, president and CEO of Beyoo (European travel agency) and senior vice president (marketing and revenue management) of KLM Royal Dutch Airlines. Mr Rövekamp 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.

Mr Rövekamp holds two positions as referred to in article 2:142a of the Dutch Civil Code.

General
All Supervisory Board members are native Dutch. Their ages range from 46 to 68. 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.

Chairman and corporate secretary
The chairman of the Supervisory Board determines the agenda and presides over meetings of the Supervisory Board. The chairman is responsible for the proper functioning of the Supervisory Board and its committees. 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.

The Supervisory Board is assisted by PostNL's corporate secretary. All members of the Supervisory Board have access to the advice and services of the corporate secretary, who is responsible for ensuring that Supervisory Board procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations under the articles of association. At PostNL, the corporate secretary is corporate secretary to both the Board of Management and the Supervisory Board.

Gender diversity
The Act on Management and Supervision introduced statutory provisions to ensure a balanced representation of men and women in boards of management and supervisory boards of companies governed by this Act. According to the Act, a balanced representation of men and women is deemed to exist if at least 30% of the seats are taken by men and at least 30% by women.

PostNL's Supervisory Board currently has seven members, of which two are female. This means 28.6% of the seats are held by women, which means that the Supervisory Board does not fully meet the required 30% female representation. In case of a vacancy in the Supervisory Board, the preferred gender is taken into account when selecting candidates. 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.

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 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.

The evaluation process was conducted without the presence of the Board of Management. As a general comment, the members noted that the dynamics within the Supervisory Board allowed for sufficient open discussion and critical thinking among each other, as well as with the members of the Board of Management. 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.

Independence and reporting of conflict of interest
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.

All members of the Supervisory Board are independent in the sense of best practice provision III.2.2 of the Code. 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.

A member of the Board of Management or a member of the Supervisory Board is required to report immediately and provide all relevant information to the chairman of the Supervisory Board and to the other members of the Board of Management (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 of material significance to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and 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 between PostNL and a member of its Board of Management, the company will be represented by another member of the Board of Management or a member of the Supervisory Board appointed by the Supervisory Board for this purpose.

A decision to enter into a transaction involving a conflict of interest with a member of the Board of Management or a member of the Supervisory Board that is of significance, 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 2013, so best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.3 inclusive of the Code did not apply. The same goes for provision III.6.4 of the Code.

The by-laws of the Board of Management and the Supervisory Board also include a provision that a member of the Board of Management or 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 2013, there were no cases whereby conflict of interest occurred.

Induction and training
As new members of the Supervisory Board, Ms Jongerius and Mr Engel followed an induction programme in 2013, including meetings with commercial directors, staff and representatives of the central works council and visits to PostNL sites. In addition, some members of the Supervisory Board paid individual visits to business units or sites of PostNL.

Information by external parties
There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice at PostNL's expense, if so required.

Attendance

	Attendance percentage
Supervisory Board	92%
Audit committee	100%
Remuneration committee	100%
Nominations committee	100%
Public Affairs committee	100%

Adherence to the Dutch Corporate Governance Code – principles and best practices

Key elements of the governance within PostNL, including the level of adherence to the Dutch Corporate Governance Code, can be found in chapter 13.

Financial statements
This annual report and the 2013 consolidated financial statements, audited by PwC, were presented to the Supervisory Board in the presence of the Board of Management and the external auditor. PwC's report can be found in chapter 17.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code. The members of the Board of Management have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Financial Markets Supervision Act (*Wet op het financieel toezicht*). See also chapter 12.

The Supervisory Board recommends that the General Meeting of Shareholders adopt the 2013 consolidated financial statements of PostNL. The General Meeting of Shareholders will be asked to release the members of the Board of Management and Supervisory Board from liability for the exercise of their duties. Given the current equity position and credit rating of PostNL, no dividend can be distributed to PostNL's shareholders for 2013. The appropriation of profit approved by the Supervisory Board can be found in chapter 17.

The Supervisory Board endorses the Board of Management's view on 2013. The Supervisory Board wishes to thank the Board of Management and all employees of PostNL for their outstanding contributions in 2013.

Supervisory Board PostNL N.V.

The Hague, 24 February 2014

15 Remuneration

The remuneration committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy for the members of the Board of Management. The Supervisory Board 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

Following some general information on the remuneration committee, the second part of this chapter outlines the 2013 remuneration policy and the different compensation elements for the members of the Board of Management.

The third part of this chapter outlines the actual remuneration of the members of the Board of Management in 2013. The fourth part reflects any expected changes in the remuneration policy for 2014. Finally, the 2013 remuneration of the members of the Supervisory Board is described.

Remuneration committee

The remuneration committee prepares its remuneration proposal independently after careful consideration and approval by the Supervisory Board. The remuneration policy is prepared in accordance with all relevant Dutch legal requirements and the Dutch Corporate Governance Code and is compliant with these.

Since May 2013, the remuneration committee has had three members: Mr Wallage (chairman since 25 May 2011), Mr Klaver and Mr Rövekamp. In 2013, the remuneration committee met four times.

The remuneration committee consulted professional internal advisors and external advisors/firms independent from the Board of Management and Supervisory Board, specialised in legal, tax and executive remuneration topics.

Remuneration policy 2013

The 2013 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 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
CSM[1]	Mediq[2]
Fugro	Nutreco
Imtech	Royal Boskalis Westminster
BAM Groep	USG People
DSM	Wolters Kluwer

[1] As of 2013, CSM is named Corbion.
[2] Mediq is no longer listed and will therefore not be taking into account for future benchmark purposes.

The remuneration package consists of a base salary, a variable compensation component and a pension scheme.

Remuneration policy 2013: 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.

Remuneration policy 2013: variable remuneration
The variable remuneration 2013 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.

Remuneration policy 2013: 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 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. More information can be found in note 20 to the consolidated financial statements.

Remuneration policy 2013: short-term incentive

	2013
Underlying cash operating income PostNL	30%
Adjusted net cash flow from operating and investing activities	30%
Total financial targets	**60%**
Employees	
Employee engagement	10%
Customers	
Customer satisfaction	10%
Quality score	10%
Environment	
CO_2 reduction	10%
Total non-financial targets	**40%**

Remuneration policy 2013: 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 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,
- 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, and
- 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,
- if a member of the Board of Management leaves the company due to other reasons, a pro rata performance and time based vesting applies.

Remuneration policy 2013: long-term incentive

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

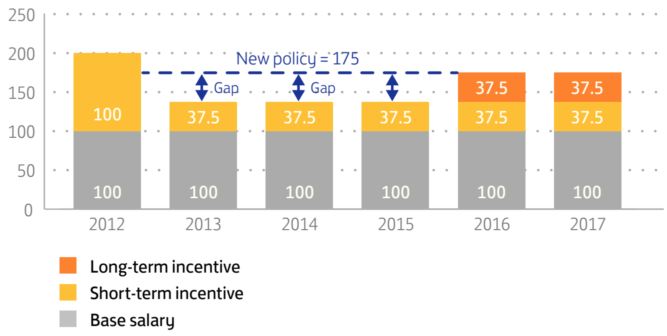
Remuneration policy 2013: temporary transition plan

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 next few years amounting to 37.5% per year, as the graph below shows.

Remuneration transition plan

(in %)



From 2016 onwards, this gap will dissipate as the restrictions on the first grant of the long-term incentive plan shares (allocated in 2013) will be lifted in that year.

This temporary transition plan compensates the gap arising in the years 2013 to 2015 and provides for an annual award of restricted shares during 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 purchase of these shares is exempted.

Pensions

In 2013, 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 65 years,
- pensionable income based on average annual base salary only,
- annual accrual rate for the old age pension of 2.25%,
- offset for state pension at fiscal minimum,
- benefits conditionally indexed during accrual, and
- 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

The Supervisory Board introduced a 'claw-back' clause, effective as of 2008, for a situation where the financial information on which the payout of variable remuneration was based is determined to be incorrect.

Until 1 January 2014, for all current members of the Board of Management, in the event of a change of control of the company, the Supervisory Board could, at its discretion, allow all or part of the allocations of performance shares and/or matching shares to vest on the date on which control of the company passes.

However, in the event of a change of control, the proceeds of any share grant would be capped at the level of the sum of:

- the average of the closing prices of the PostNL share according to the Official Price List for a period of five trading days prior to the date when the first announcement of a public offer was made, and
- 50% of the difference between the ultimate share price paid by the buyer and the price as calculated under the previous bullet point.

On 1 January 2014 the 'claw-back bill' came into force relating to the event of a change of control. The Supervisory Board will observe the boundaries of the 'claw-back bill'.

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. The new legislation provides that this employment relationship may no longer be regarded as an employment contract. The legislature expects that the director's employment with a listed company will be qualified as a contract for services, in practice also referred to as a management agreement. 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 2013

Remuneration Board of Management in 2013

		Base salary	Accrued for short-term incentive 2013	Accrued for long-term incentive 2013	Accrued for temporary transition plan	Other periodic compensation[1]	Pension costs	Total 2013	Total 2012[2]
Herna Verhagen[3]	Chief Executive Officer	625,000	234,375	44,504	234,375	157,509	207,104	1,502,867	823,152
Jan Bos	Chief Financial Officer	475,000	178,125	41,432	178,125	100,327	142,155	1,115,164	626,207
Total remuneration		**1,100,000**	**412,500**	**85,936**	**412,500**	**257,836**	**349,259**	**2,618,031**	**1,449,359**

(in €)

1 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.
2 Difference 2012/2013 mainly due to the members of the Board of Management having waived their rights to the 2012 incentive. See note 20 to the consolidated financial statements for detailed disclosure.
3 Ms Verhagen was appointed to the position of CEO as of 24 April 2012; the base salary has been adjusted retrospectively to a base salary of €625,000 as of the appointment date.

The table above summarises the 2013 remuneration elements of the members of the Board of Management of PostNL calculated in accordance with IFRS and the remuneration policy 2013. Note that IFRS amounts do not necessarily represent the actual compensation payout.

For detailed disclosure on the remuneration of the members of the Board of Management, see note 20 to the consolidated financial statements.

The scorecard contains a summary of achievements of the 2013 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 members of the Board of Management

	2013
General financial targets	
Underlying cash operating income PostNL	√
Adjusted net cash flow from operating/investing activities	√
General non-financial targets	
Employees	
Engagement survey	√
Customers	
Customer satisfaction	√
Quality score	√
Environment	
CO_2 reduction	√

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 2014

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.

Furthermore, due to fiscal requirements, some features of the pension scheme of the Board of Management are changed:
- retirement age of 67 years instead of 65 years, and
- annual accrual rate for the old age pension of 2.15% instead of 2.25%.

As these changes are legally required these will be incorporated in the remuneration policy for 2014.

No further changes are proposed or expected.

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

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

(in €)

For detailed disclosure on the remuneration of individual members of the Supervisory Board, see note 20 to the consolidated financial statements.

16 Investor relations and shareholder information

PostNL is committed to an open and constructive dialogue with the financial community.

Investor relations

The CFO has primary responsibility for investor relations, with active involvement of the CEO. Our investor relations programme consists of meetings with analysts and investors, conference calls, roadshows and investor conferences. 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 2013, 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 or conference calls, which are accessible by phone and on the corporate website. Meetings with investors may be held 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.

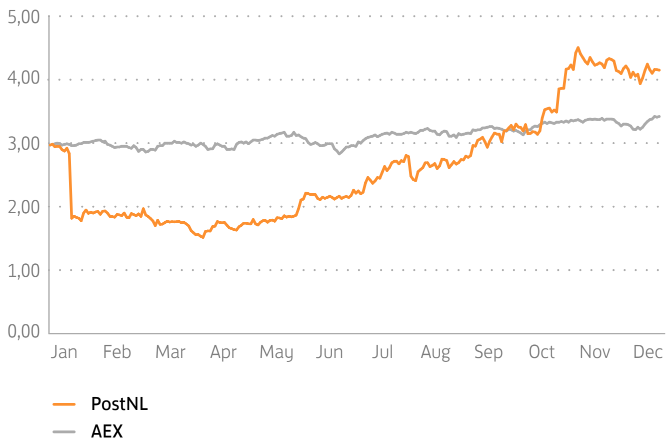
Share information and performance

Shares and listing

The shares of PostNL N.V. (ticker: PNL) are listed on NYSE Euronext Amsterdam and included in the AEX index, which normally consists of the top 25 companies in the Netherlands, ranked on the basis of their turnover on NYSE Euronext Amsterdam and free-float adjusted market capitalisation. In 2014, Euronext will change the index calculation. As a result, it is expected that PostNL will be part of the AMX index as of March 2014. 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 2013, 1,518 million PostNL shares were traded on NYSE Euronext Amsterdam (2012: 1,051 million shares). The average daily number of traded shares was 6.0 million shares (2012: 4.1 million).The market capitalisation of PostNL was €1,826 million at the end of 2013 (2012: €1,285 million).

2013 relative performance to the AEX 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 439,973,297 on 31 December 2013, unchanged compared to the year before. No preference shares B were issued and outstanding. For more information on PostNL's equity, see note 10 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 Dutch Financial Markets Authority (AFM) without delay. The company is notified by the AFM. Our substantial shareholders as of 31 December 2013 are listed in the table below.

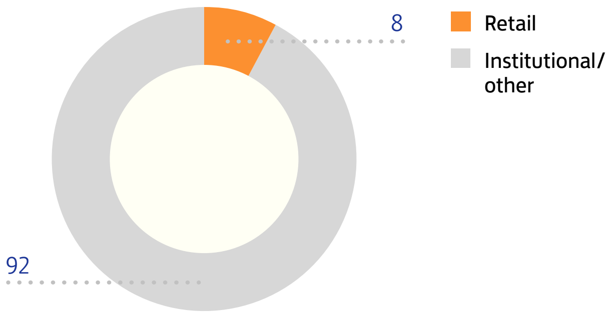
Since November 2012, investors also have to disclose short positions in the company that exceed 0.5% of outstanding shares. At the end of 2013, no notifications on short positions in PostNL were disclosed.

Shareholders by sector and by country

The distribution of our shares between retail and institutional shareholders did not change compared to 2012. In 2013, Dutch shareholders held 10% of the outstanding shares of PostNL, down from 25% in 2012, while North American shareholders held 33% of the shares (2012: 40%). This was mainly balanced by shareholders from the United Kingdom and the rest of Europe holding more shares.

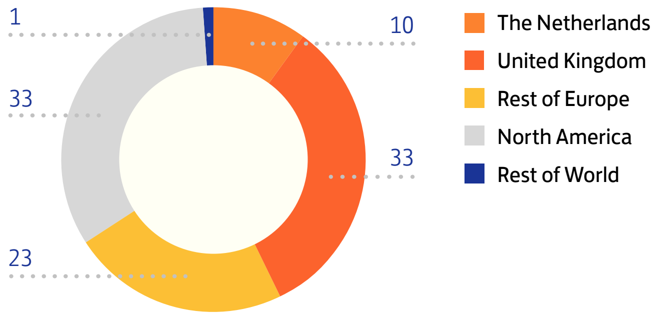
Shareholders by sector

(in %)



Shareholders by country

(in %)



Overview of substantial shareholders (>3%)

Date of notification	Company	(Indirect) Holding	Holding of (indirect) voting rights)
14 November 2013	JP Morgan Asset Management Holdings Inc.	4.84%	4.84%
6 November 2013	Mackenzie Financial Corporation	7.89%	9.38%
29 August 2013	Edinburgh Partners	3.24%	3.24%
15 March 2012	Manning & Napier Advisors LLC	5.48%	4.93%
30 September 2011	Causeway Capital Management LLC	6.76%	5.02%

Dividend

Dividend 2013

PostNL did not declare a final 2012 dividend nor an interim 2013 dividend.

Negative distributable corporate equity restricts the payout of dividend. Accordingly, there will be no dividend proposal. Our dividend policy states that two conditions have to be met before PostNL will pay out dividend, neither of which is met at year end:

- Certainty of credit rating BBB+/Baa1, and
- Positive consolidated equity.

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 an optional 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 corporate website, postnl.com.

Other information

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

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Financial calendar 2014

24 February	Publication of 2013 fourth quarter and full year results
16 April	Annual General Meeting of Shareholders
6 May	Publication of 2014 first quarter results
4 August	Publication of 2014 second quarter/half year results
3 November	Publication of 2014 third quarter results

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Consolidated statement of financial position

	Notes	At 31 December 2013	At 31 December 2012 (restated)	At 1 January 2012 (restated)
ASSETS				
Goodwill		95	111	121
Other intangible assets		48	57	55
Total intangibles	1	143	168	176
Land and buildings		345	303	238
Plant and equipment		128	140	112
Other		37	42	32
Construction in progress		29	51	69
Total property, plant and equipment	2	539	536	451
Investments in associates	3	6	1,373	940
Other loans receivable		5	4	3
Deferred tax assets	24	56	70	20
Available-for-sale financial assets	4	542		
Total financial fixed assets		609	1,447	963
Pension assets	11			548
Total non-current assets		**1,291**	**2,151**	**2,138**
Inventory	5	8	9	9
Trade accounts receivable	6	378	432	417
Accounts receivable	6	21	50	41
Income tax receivable	24	1	4	3
Prepayments and accrued income	7	102	116	121
Cash and cash equivalents	8	469	391	668
Total current assets		**979**	**1,002**	**1,259**
Assets classified as held for sale	9	194	63	52
TOTAL ASSETS		**2,464**	**3,216**	**3,449**
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the parent		(679)	(301)	(290)
Non-controlling interests		7	9	11
Total equity	10	**(672)**	**(292)**	**(279)**
Deferred tax liabilities	24	37	41	110
Provisions for pension liabilities	11	544	535	474
Other provisions	12	128	117	201
Long-term debt	13	1,263	1,615	1,607
Accrued liabilities		1	2	
Total non-current liabilities		**1,973**	**2,310**	**2,392**
Trade accounts payable		165	233	219
Other provisions	12	69	91	132
Other current liabilities	14	204	240	291
Income tax payable	24	59	28	94
Accrued current liabilities	15	549	595	600
Total current liabilities		**1,046**	**1,187**	**1,336**
Liabilities related to assets classified as held for sale	9	117	11	
TOTAL EQUITY AND LIABILITIES		**2,464**	**3,216**	**3,449**

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

Consolidated income statement

Year ended at 31 December	Notes	2013	2012 restated
Net sales	16	4,296	4,317
Other operating revenue	17	11	13
Total operating revenue		4,307	4,330
Other income	18	7	31
Cost of materials		(167)	(187)
Work contracted out and other external expenses	19	(2,142)	(2,140)
Salaries, pensions and social security contributions	20	(1,288)	(1,323)
Depreciation, amortisation and impairments	21	(132)	(115)
Other operating expenses	22	(181)	(201)
Total operating expenses		(3,910)	(3,966)
Operating income		**404**	**395**
Interest and similar income		10	33
Interest and similar expenses		(184)	(132)
Net financial expense	23	(174)	(99)
Results from investments in associates	3	36	(13)
Reversal of/(impairment of) investments in associates	3	(369)	448
Profit/(loss) before income taxes		**(103)**	**731**
Income taxes	24	(67)	(74)
Profit for the year		**(170)**	**657**
Attributable to:			
Non-controlling interests		0	1
Equity holders of the parent		**(170)**	**656**
Earnings per ordinary share *(in € cents)*[1]	32	(38.6)	149.1
Earnings per diluted ordinary share (in € cents) [2]	32	(38.6)	149.1

(in € millions)

[1] Earnings per ordinary share are in 2013 based on an average of 439,973,297 outstanding ordinary shares (2012:439,973,297).
[2] Earnings per diluted ordinary share are in 2013 based on an average of 440,867,038 ordinary shares on a fully diluted basis in the year (2012: 439,973,297).

Consolidated statement of comprehensive income

Year ended at 31 December	Notes	2013	2012 restated
Profit for the year		**(170)**	**657**
Pension asset ceiling/minimum funding requirement, net of tax	11	(140)	
Actuarial gains/(losses) pensions, net of tax	11	(90)	(661)
Share other comprehensive income associates		(5)	
Other comprehensive income that will not be reclassified to the income statement		(235)	(661)
Currency translation adjustment, net of tax			1
Gains/(losses) on cashflow hedges, net of tax		(1)	(1)
Share other comprehensive income associates		(19)	(3)
Change in value of available-for-sale financial assets	4	44	
Other comprehensive income that may be reclassified to the income statement		(20)	(3)
Total other comprehensive income for the year		**(211)**	**(664)**
Total comprehensive income for the year		**(381)**	**(7)**
Attributable to:			
Non-controlling interests		0	1
Equity holders of the parent		**(381)**	**(8)**

(in € millions)

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

Consolidated statement of cash flows

Year ended at 31 December	Notes	2013	2012 restated
Profit/(loss) before income taxes		**(103)**	**731**
Adjustments for:			
Depreciation, amortisation and impairments		132	115
Share-based payments		4	
(Profit)/loss on assets held for sale		(6)	(13)
(Profit)/loss on sale of Group companies/joint ventures			(1)
Negative goodwill on acquisition of Group companies			(15)
Interest and similar income		(10)	(33)
Interest and similar expenses		184	132
(Reversal of) impairments and results of investments in associates		333	(435)
Investment income		501	(365)
Pension liabilities		(318)	(266)
Other provisions		(12)	(132)
Changes in provisions		(330)	(398)
Inventory		1	0
Trade accounts receivable		(22)	(9)
Other accounts receivable		18	(8)
Other current assets			4
Trade accounts payable		(26)	10
Other current liabilities excluding short-term financing and taxes		(15)	3
Changes in working capital		(44)	0
Cash generated from operations		**160**	**83**
Interest paid		(150)	(99)
Income taxes received/(paid)		55	(40)
Net cash (used in)/from operating activities	25	**65**	**(56)**
Interest received		6	11
Dividend received		9	2
Acquisition of subsidiaries and joint ventures (net of cash)			15
Investments in associates		(1)	(1)
Disposal of associates		505	
Capital expenditure on intangible assets		(27)	(29)
Capital expenditure on property, plant and equipment		(90)	(175)
Proceeds from sale of property, plant and equipment		14	27
Other changes in (financial) fixed assets			(2)
Changes in non-controlling interests			(4)
Net cash (used in)/from investing activities	26	**416**	**(156)**
Changes related to non-controlling interests		(3)	(2)
Proceeds from long-term borrowings		1	4
Repayments of long-term borrowings		(363)	0
Proceeds from short-term borrowings		1	0
Repayments of short-term borrowings		(1)	(67)
Repayments of finance leases		(2)	(1)
Net cash used in financing activities	27	**(367)**	**(66)**
TOTAL CHANGE IN CASH		**114**	**(278)**
Cash at the beginning of the year		391	668
Cash included in assets held for sale		(35)	
Exchange rate differences		(1)	1
Total change in cash		114	(278)
Cash at the end of the year		469	391

(in € millions)

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

Consolidated statement of changes in equity

	Issued share capital	Additional paid-in capital	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 2011	31	151	8	(12)		(1,478)	1,700	400	14	414
Effect of adoption IAS19R						(690)		(690)	(3)	(693)
Balance at 1 January 2012	**31**	**151**	**8**	**(12)**		**(2,168)**	**1,700**	**(290)**	**11**	**(279)**
Total comprehensive income			1	(1)		(664)	656	(8)	1	(7)
Appropriation of net income						1,091	(1,091)	0		0
Final dividend previous year	2	(2)						0		0
Interim dividend current year	2	(2)						0		0
Other						(3)		(3)	(3)	(6)
Total direct changes in equity	4	(4)	0	0		1,088	(1,091)	(3)	(3)	(6)
Balance at 31 December 2012	**35**	**147**	**9**	**(13)**		**(1,744)**	**1,265**	**(301)**	**9**	**(292)**
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)**	**770**	**(679)**	**7**	**(672)**

(in € millions)

Notes to the consolidated financial statements

General information and description of the business

PostNL N.V. is a public limited liability company with its registered seat and head office in The Hague, the Netherlands. The consolidated financial statements include the financial statements of PostNL N.V. and its consolidated subsidiaries (hereafter referred to as 'PostNL', 'Group' or 'the company'). Following the demerger of Express in 2011 and the sale of 15% of the shares of TNT Express in 2013, PostNL holds a share of 14.8% in TNT Express N.V. ('TNT Express'). Both PostNL and TNT Express are listed on NYSE Euronext in Amsterdam.

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

The consolidated financial statements were authorised for issue by PostNL's Board of Management and Supervisory Board on 24 February 2014 and are subject to adoption at the Annual General Meeting of Shareholders on 16 April 2014.

Classification of TNT Post UK as assets/liabilities held for sale

In December 2013, PostNL reached an agreement with LDC to establish a joint venture that will allow TNT Post UK 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 expected in 2014 subject to a number of conditions, including regulatory clearances.

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 TNT Post UK 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 TNT Post UK 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.

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 details on these financials, see note 9 to the consolidated financial statements.

Reclassification and partial sale of the stake in TNT Express

In January 2013, UPS withdrew its offer for TNT Express announced in March 2012. Accordingly, the stake in TNT Express no longer met the criteria under IFRS 5 to be classified as an asset held for sale and was therefore accounted for as investment in associates using the equity method. Following IAS 28, the reclassification can be applied retrospectively or in the current year. Management decided to apply the change in the reporting of the stake in TNT Express as investments in associates retrospectively as from the moment it was accounted for as assets held for sale. Consequently, the comparative figures of 2012 have been restated.

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 and a book loss of €106 million. The partial disposal consisted of a private placement to institutional investors of 81,743,614 TNT Express ordinary shares (15% of the outstanding share capital of TNT Express). The remaining stake comprises 80,386,421 TNT Express ordinary shares, equivalent to 14.8% of the outstanding share capital of TNT Express. In accordance with IAS 39, the 14.8% 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. The fair value as at 31 December 2013 amounts to €542 million and has been determined by multiplying the closing share price of €6.75 on 31 December 2013 by 80,386,421, the total number of issued ordinary shares held by PostNL.

For all financial details, see notes 3 and 4 to the consolidated financial statements.

Reclassification of customer contact services

In 2013, PostNL decided to stop the sales process of its customer contact services. Accordingly, the criteria under IFRS 5 to be classified as assets held for sale were no longer met and customer contact services will no longer be reported as assets held for sale. The results will continue to be reported in PostNL Other.

Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise. All amounts included in the financial statements are presented in euros, unless stated otherwise.

Basis of preparation

The consolidated financial statements of PostNL have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) 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). The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying PostNL's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in 'Critical accounting estimates and judgements in applying PostNL's accounting policies'.

Going concern

In 2013, the impact of the revised IAS 19 'Employee Benefits' and the reduction in value of the stake in TNT Express resulted in negative consolidated equity attributable to the equityholders of the parent of -€679 million as at 31 December 2013. Corporate equity as at 31 December 2013 remained positive at €1,925 million.

In 2013, the company made its first steps towards recovery via a solid financial performance driven by cost savings and price increases, taking into account the impact of our stake in TNT Express and the interest expenses resulting from the bond buy-back programme. The company successfully agreed on a new pension and funding arrangement, reducing future pension contributions and limiting the risk and size of future top up payments. Despite significant payments related to pensions and restructuring, cash generated from operations positively contributed €160 million to our cash flow balance. Measures aimed at further improving the company's liquidity and solvency include additional cost savings to cover the volume declines within Mail in the Netherlands and further increases in sales prices. The company will continue to limit and control capital expenditures and refrain from major acquisitions. The company will also refrain from (cash) dividend distributions as long as it has a negative consolidated equity and a credit rating lower than BBB+/Baa1. In the light of measures already taken or planned, management is confident it will be able to sufficiently strengthen liquidity and shareholders' equity and 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 2013, the balance of cash and cash equivalents amounted to €469 million and the company has an undrawn multi-currency revolving credit facility of €570 million. Its financing arrangements do not include financial covenants and the first bond repayments are not due until 2015. 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. 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.

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.

a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted by the Group:

- Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to Group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group has applied the amended standard as of 1 January 2013.

- In 2011, the IASB issued the revised IAS 19 'Employee Benefits'. The revised IAS 19 was endorsed by the European Union on 5 June 2012 and is effective from 1 January 2013. The impact of the revised IAS 19 on the 2013 consolidated financial position and consolidated income statement of PostNL has been significant.

  The main changes in IAS 19R are:
  - the requirement to recognise all actuarial gains and losses immediately within other comprehensive income, with the cancellation of the amortisation of the unrecognised actuarial gains and losses as a consequence, and
  - the interest costs and the expected return on plan assets are replaced by a net interest amount that is calculated by applying the discount rate at the beginning of the year to the net defined benefit liability/asset.

  In addition, PostNL decided:
  - to report the net interest on the net defined benefit liability/asset as 'Interest and similar expenses/income' below operating income, to better reflect the operating expenses related to PostNL's pension plans.

  The Group has applied the changes as of 1 January 2013. The comparative figures of 2012 have been restated for these changes.

  As future actuarial results must also 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 expected developments.

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS standards. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group has applied the new standard as from 1 January 2013.

There are no other IFRS standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2013 that would be expected to have a material impact on the 2013 accounts of the Group.

Summary of restatements
The effect on the year-end 2011 consolidated balance sheet of the adoption of IAS19R is as follows:

- the reported pension assets of €1,217 million decreased by €669 million to a pension asset of €548 million,
- the reported provision for pension liabilities of €219 million increased by €255 million to €474 million,
- the reported deferred tax liability of €341 million decreased by €231 million to €110 million, and
- the reported total equity of €414 million decreased by €693 million to a restated equity of -€279 million.

The following table summarises the effect on the year-end 2012 consolidated balance sheet and 2012 consolidated (comprehensive) income statement of the adoption of IAS19R and the reclassification of the stake in TNT Express.

At 31 December	2012 Reported	Adoption IAS19R	Stake in TNT Express	2012 Restated
Goodwill	111			111
Other intangibles	57			57
Plant and equipment	140			140
Other property, plant and equipment	396			396
Investments in associates	6		1,367	1,373
Deferred tax assets	23	47		70
Other non-current financial fixed assets	4			4
Pension assets	1,487	(1,487)		
Total non-current assets	2,224	(1,440)	1,367	2,151
Trade accounts receivable	432			432
Prepayments and accrued income	116			116
Other current assets	454			454
Total current assets	1,002			1,002
Assets classified as held for sale	1,430		(1,367)	63
Total assets	**4,656**	**(1,440)**	**0**	**3,216**
Equity attributable to the equity holders of the parent	1,069	(1,370)		(301)
Non-controlling interests	11	(2)		9
Total equity	1,080	(1,372)		(292)
Deferred tax liabilities	451	(410)		41
Provisions for pension liabilities	193	342		535
Other provisions	117			117
Other non-current liabilities	1,617			1,617
Total non-current liabilities	2,378	(68)		2,310
Trade accounts payable	233			233
Other provisions	91			91
Other current liabilities	240			240
Income tax payable	28			28
Accrued current liabilities	595			595
Total current liabilities	1,187			1,187
Liabilities related to assets classified as held for sale	11			11
Total liabilities and equity	**4,656**	**(1,440)**	**0**	**3,216**

(in € millions)

Year ended at 31 December	2012 Reported	Adoption IAS19R	Stake in TNT Express	2012 Restated
Total operating revenue	4,330			4,330
Other income	32		(1)	31
Salaries, pensions and social security contributions	(1,293)	(30)		(1,323)
Depreciation, amortisation and impairments	(250)		135	(115)
Other operating expenses	(2,528)			(2,528)
Total operating expenses	(4,071)	(30)	135	(3,966)
Operating income	**291**	**(30)**	**134**	**395**
Interest and similar income	6	27		33
Interest and similar expenses	(110)	(22)		(132)
Net financial expense	(104)	5		(99)
Results from investments in associates	1		(14)	(13)
Reversal of/(impairment of) investments in associates	570		(122)	448
Profit/(loss) before income taxes	**758**	**(25)**	**(2)**	**731**
Income taxes	(80)	6		(74)
Profit for the year	**678**	**(19)**	**(2)**	**657**
Earnings per (diluted) ordinary share *(in € cents)*[1]	153.9			149.1
Gains/(losses) on cash flow hedges, net of tax	(1)			(1)
Currency translation adjustment, net of tax	1			1
Actuarial gains/(losses) pensions, net of tax		(661)		(661)
Share other comprehensive income associates	(5)		2	(3)
Total other comprehensive income for the year	(5)	(661)	2	(664)
Total comprehensive income for the year	**673**	**(680)**	**0**	**(7)**

(in € millions)

[1] Earnings per (diluted) ordinary share are based on an average of 439,973,297 outstanding (diluted) ordinary shares (2012 retrospectively restated for stock dividend).

b) New standards, amendments and interpretations issued but not effective for the financial year beginning on 1 January 2013 and not adopted early by the Group

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013. 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 2017. The Group will also consider the impact of the remaining phases of IFRS 9 when completed.

- 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 the full impact of IFRS 10 and expects no material impact from its adoption. The Group will adopt IFRS 10 in the accounting period beginning 1 January 2014.

- IFRS 11 'Joint Arrangements' and the revisions in IAS 28 'Associates and joint ventures' will take effect on 1 January 2014. IFRS 11 puts more focus on the rights and obligations of the arrangement than on its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures 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.

  The Group will adopt IFRS 11 and IAS 28 revised in the accounting period beginning 1 January 2014. The impact on the 2013 consolidated financial statements has been assessed. The impact on PostNL's revenue in 2013 amounts to -€144 million and the impact on operating income of 2013 is -€4 million. The impact on PostNL's profit for the period of 2013 is nil.

- 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 the full impact of IFRS 12 and expects no material impact from its adoption. The Group will adopt IFRS 12 in the accounting period beginning 1 January 2014.

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.

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.

Associates
An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and financial policy decisions PostNL has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity.

PostNL's share in the results of associates is included in the consolidated income statement using the equity method. The carrying value of PostNL's share in associates includes goodwill on acquisition and includes changes to reflect PostNL's share in net earnings of the respective companies, reduced by dividends received. When PostNL's share of accumulated losses in an associate exceeds its interest in the associate, the book value of the investment is reduced to zero and PostNL does not recognise further losses unless PostNL is bound by guarantees or other undertakings in relation to the associate.

Joint ventures
A joint venture is a contractual arrangement whereby PostNL and one or more parties (together with PostNL 'the ventures') undertake an economic activity that is subject to joint control. A joint venture often involves the establishment of a legal entity. The ventures share the full economic ownership and are entitled to a share of the financial result of the activities of the joint venture rather than individual assets or obligations for expenses of the venture. Joint ventures in which PostNL participates with another party/other parties are consolidated proportionately. In applying the proportionate consolidation method, PostNL's percentage share of the balance sheet and income statement items is included in PostNL's consolidated financial statements.

Functional currency and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is PostNL's functional and presentation currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using year-end exchange rates. Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement except for qualifying cash flow hedges and qualifying net investment hedges that are directly recognised in other comprehensive income.

Foreign operations
The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities are translated at the closing exchange rates,
- income and expenses are translated at average exchange rates, and
- the resulting exchange rate differences based on the different ways of 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.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of acquisition over the fair value of PostNL's share of the identifiable net assets acquired and is recorded as goodwill. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is not separately recognised or tested for impairment. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately-recognised goodwill arising on acquisitions is capitalised and subject to an annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

Other intangible assets
Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Apart from software, other intangible assets mainly include customer lists, assets under development, licences and concessions. Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

An asset 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.

Property, plant and equipment
Property, plant and equipment is valued at historical cost using a component approach, less depreciation and impairment losses. In addition to costs of acquisition, the company also includes costs of bringing the asset 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.

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.

Financial assets and liabilities

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, and
- financial liabilities measured at amortised cost.

The classification depends on the purpose for which the financial asset or liability was acquired. Management determines the classification of PostNL's financial assets and liabilities at initial recognition.

Financial assets and financial liabilities at fair value through profit or loss include derivatives and other assets and liabilities that are designated as such upon initial recognition.

Measurement at fair value requires disclosure of how this measurement has been determined in relation to the following fair value measurement hierarchy:
1. quoted prices (unadjusted) in active markets,
2. inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from quoted prices), and
3. inputs not based on observable market data.

Financial assets and financial liabilities at fair value through profit or loss are initially recorded at fair value net of transaction costs incurred and subsequently 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).

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.

At the inception of the transaction, PostNL documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the 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 forecast transaction is ultimately recognised in the income statement. When a forecast 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 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 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 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 are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

Inventory
Inventories of raw materials and finished goods are valued at the lower of historical cost or net realisable value. Historical cost is based on weighted average prices.

Accounts receivable
Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of accounts receivable is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the loss is recognised in the income statement. Any reversal of the loss is included in the income statement on the same line as where the original expense was recorded.

Cash and cash equivalents
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.

Non-current assets (or disposal groups) held for sale
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.

Equity
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.

Provisions for pension liabilities
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 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.

Other provisions

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.

Provisions are recorded for employee benefit obligations, restructuring, onerous contracts and other obligations.

The provision for employee benefit obligations includes long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within 12 months after the end of the period, profit-sharing, bonuses and deferred compensation. The expected costs of these benefits are recognised over the period of employment. Actuarial gains and losses and the impact of changes in actuarial assumptions are charged or credited to income in the period that such a gain or loss occurs. Related service costs are recognised immediately.

The provision recorded for restructuring largely relates to termination benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. PostNL recognises termination benefits when the company has committed to 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.

Trade accounts payable

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the income statement is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Deferred tax assets and liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised. Deferred tax assets and liabilities within the same tax group where a legally enforceable right to offset exists are presented net in the balance sheet.

Revenue recognition

PostNL's normal business operations consist of the provision of logistics services. Revenue are recognised when services are rendered, goods are delivered or work is completed. Revenue is the gross inflow of economic benefits during the current year that arise from ordinary activities and result in an increase in equity, other than increases relating to contributions from equity participants.

Revenue of delivered goods and services are recognised when:
- the company has transferred to a buyer the significant risks and rewards of ownership of the goods,
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods sold,
- the amounts of revenue are measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the company,
- the costs to be incurred in respect of the transaction can be measured reliably, and
- the stage of completion of the transaction at the balance sheet date can be measured reliably.

Contracted services that have not yet been rendered by PostNL on the balance sheet date, as well as outstanding customer prepayments for stamps and frankings, are designated as deferred income.

Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers or goods are delivered.

Net sales

Net sales represent 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.

Other operating revenue

Other operating revenues relate to the sale of goods and rendering of services not related to PostNL's normal trading activities and mainly include rental income of temporarily leased-out property and custom clearance income.

Other income

Other income includes net gains or losses from the sale of property, plant and equipment and book results following the divestment of activities.

Profit-sharing and bonus plans

The company recognises a liability and an expense for cash-settled bonuses and profit-sharing, based on a calculation that takes into consideration the profit attributable to its shareholders after certain adjustments in accordance with contractual arrangements.

Share-based payments

Equity-settled share-based compensation plans

As from 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 and 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.

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.

Interest income and expense
Interest income and expense are recognised on a time-proportionate basis using the effective interest method. Interest income comprises interest income on borrowings, 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.

Borrowing costs
All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they can be capitalised as cost of a qualifying asset.

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.

Operating leases
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement as incurred during the period of the lease.

Dividend distribution
Dividend distribution to PostNL's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders. If PostNL offers its shareholders dividends or the choice of dividends in additional shares, the additionally issued shares are recognised at their nominal amount.

Earnings per share
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.

Consolidated statement of cash flows
The consolidated statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the statement of cash flows. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. 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.

Operating segment information
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.

Critical accounting estimates and judgements in applying PostNL's accounting policies

The preparation of PostNL's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities at the date of PostNL's financial statements. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PostNL makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 11 to the consolidated financial statements.

Restructuring

Restructuring charges mainly result from restructuring operations and/or relocations of operations, changes in PostNL's strategy or managerial responses to declining demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, reduction of excess facilities, contract settlements and tangible asset impairments. Actual experience has been and may continue to be different from these estimates.

In 2010, PostNL announced the restructuring of its operations in the Netherlands with the Master Plan III programme. The scope and measurement of the related restructuring provision depends highly on the projected cash outflows over the years, which are mainly driven by the estimated number of staff that will either be made redundant or apply for a mobility arrangement. In 2012, PostNL changed the rollout plan of the Master Plan III restructuring programme within the operations department. This is expected to result in substantially lower employee redundancies, which resulted in a partial release of the restructuring provision. In 2013, PostNL announced the further restructuring of staff and management within operations, the marketing & sales department and head office departments in the Netherlands,

For details on the current Master Plan III restructuring provision, see note 12 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 from stamps
PostNL has to estimate the deferred revenues from stamps sold but not yet used by its customers. The company uses a seasonal model based on historical figures in order to account for the seasonal effects on sales from stamps (for example, stamp sales for Christmas greetings in November and December).

Income taxes
The company is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision and liability for income taxes. 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 income tax and deferred tax provisions 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.

Non-current assets and 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 TNT Post UK 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 TNT Post UK activities will be retained, management did not separate the financial performance of TNT Post UK from the continuing activities. Under the new 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 TNT Post UK is disclosed in note 9 to the consolidated financial statements.

Notes to the consolidated statement of financial position

1 Intangible assets

Intangible assets: 143 million (2012: 168)

Statement of changes

	Goodwill	Software	Other	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	310	198	53	561
Accumulated amortisation and impairments	(189)	(168)	(28)	(385)
Balance at 31 December 2011	**121**	**30**	**25**	**176**
Additions	1	12	17	30
Internal transfers/reclassifications		27	(27)	
Amortisation		(25)	(2)	(27)
Transfers to assets held for sale	(11)			(11)
Total changes	(10)	14	(12)	(8)
Historical cost	293	230	44	567
Accumulated amortisation and impairments	(182)	(186)	(31)	(399)
Balance at 31 December 2012	**111**	**44**	**13**	**168**
Additions		12	15	27
Internal transfers/reclassifications		15	(15)	
Amortisation		(27)	(2)	(29)
Transfers to assets held for sale	(16)	(7)		(23)
Total changes	(16)	(7)	(2)	(25)
Historical cost	284	204	36	524
Accumulated amortisation and impairments	(189)	(167)	(25)	(381)
Balance at 31 December 2013	**95**	**37**	**11**	**143**

(in € millions)

As at 31 December 2013, intangible assets consisted of goodwill totalling €95 million (2012: 111) and software and other intangible assets totalling €48 million (2012: 57).

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 2012, the CGU structure has not changed.

The total goodwill balance at 31 December 2013 amounted to €95 million (2012: 111), of which PostNL has allocated €57 million (2012: 57) to CGU Mail in the Netherlands, €5 million (2012: 3) to CGU Parcels and €33 million (2012: 51) to International CGUs (€31 million to CGUs Germany and €2 million to CGU Italy).

In 2013, goodwill totalling €18 million relating to TNT Post UK 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 2012, goodwill of €11 million relating to customer contact services was transferred to assets held for sale and impaired for an amount of €9 million. In 2013, no goodwill impairment charges were recorded (2012: 0). In 2012, the additions to goodwill amounted to €1 million arising from the acquisition of Marvia B.V. within Mail in the Netherlands.

Based on 2013 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 applied growth rate does not exceed the long-term average growth rate of the related operation and market. The cash flow projections based on financial budgets have been approved by management.

PostNL 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 11% to 13% (pre-tax).

Key assumptions used to determine the recoverable values for each individual CGU are the following:
- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of 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 2013, the software balance of €37 million (2012: 44) included internally-generated software with a book value of €30 million (2012: 33). The additions to software of €12 million related to self-produced software of €8 million and purchased software of €4 million. They mainly concerned IT investments in the New Logistics Infrastructure within Parcels and software licences for Microsoft and SAP applications. The reclassification of €15 million from other intangibles was due to finalised IT projects.

Other intangibles
As at 31 December 2013, the other intangible assets of €11 million (2012: 13) related to customer lists of €5 million (2012: 4) and software under construction of €6 million (2012: 9).

The estimated amortisation expenses for software and other intangible assets are:
- 2014: €29 million,
- 2015: €10 million,
- 2016: €7 million,
- 2017: €0 million,
- 2018: €1 million, and
- thereafter: €1 million.

PostNL does not conduct significant research and development activities and therefore does not incur research and development costs.

2 Property, plant and equipment

Property, plant and equipment: 539 million (2012: 536)

Statement of changes

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Depreciation percentage	0%-10%	4%-33%	7%-25%	0%	
Historical cost	666	545	168	69	1,448
Accumulated depreciation and impairments	(428)	(433)	(136)		(997)
Balance at 31 December 2011	**238**	**112**	**32**	**69**	**451**
Capital expenditure in cash	4	17	11	143	175
(De)consolidation		1	2		3
Disposals	(6)	(1)	(1)		(8)
Internal transfers and reclassifications	103	45	13	(161)	
Depreciation	(30)	(32)	(15)		(77)
Impairments	(2)				(2)
Transfers to assets held for sale	(4)	(2)			(6)
Total changes	65	28	10	(18)	85
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**
Capital expenditure in cash	7	11	8	64	90
Disposals	(1)		(1)		(2)
Internal transfers and reclassifications	60	20	5	(85)	
Depreciation	(30)	(34)	(15)		(79)
Impairments	(11)				(11)
Transfers to and from assets held for sale	17	(8)	(2)	(1)	6
Exchange rate differences		(1)			(1)
Total changes	42	(12)	(5)	(22)	3
Historical cost	806	456	122	29	1,413
Accumulated depreciation and impairments	(461)	(328)	(85)		(874)
Balance at 31 December 2013	**345**	**128**	**37**	**29**	**539**

(in € millions)

Capital expenditures of €90 million (2012: 175) mainly concerned investments within Mail in the Netherlands of €12 million, within Parcels of €63 million and within International of €9 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 cost savings initiatives explain the lower capital expenditures compared to 2012.

The disposals of €2 million (2012: 8) mainly related to the sale of real estate in the Netherlands.

The internal transfers and reclassifications of €85 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 2013, depreciation costs amounted to €79 million and were in line with 2012 (€77 million).

In 2013, impairment charges amounted to €11 million (2012: 2) and related to real estate in the Netherlands. An amount of €8 million of the impairments is reported within Mail in the Netherlands and an amount of €3 million within PostNL Other. 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 2013, the transfers from assets held for sale amounted to €6 million (2012: -6) 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 TNT Post UK of €13 million. In 2012, the transfers to assets held for sale related to buildings within Mail in the Netherlands totalling €4 million and to equipment relating to customer contact services totalling €2 million.

Finance leases included in the property, plant and equipment balance as at 31 December 2013 amounted to €14 million (2012: 13), which fully concerns land and buildings. 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 (2012: 13), comprising a historical cost of €22 million (2012: 19) with accumulated depreciation of €8 million (2012: 6).

Leasehold rights and ground rents expiring:
- between 1 and 5 years amount to €1 million (2012: 0),
- between 5 and 20 years amount to €13 million (2012: 5), and
- between 20 and 40 years amount to €0 million (2012: 8).

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 2013 (2012: 0).

3 Investments in associates

Investments in associates: 6 million (2012: 1,373)

Stake TNT Express

With a 29.8% shareholding in TNT Express as at 1 January 2013, PostNL was assumed to have significant influence in TNT Express and classified the stake in TNT Express as an investment in associates, accounted for based on the equity method. Following the sale of 15% of the outstanding share capital of TNT Express on 6 December 2013, the remaining 14.8% shareholding in TNT Express was transferred from investments in associates to available-for-sale financial assets.

The following table presents the changes in the carrying value of the stake in TNT Express.

Stake TNT Express

	2013	2012 restated
Balance at 1 January	**1,367**	**936**
Share in net result	47	3
Purchase price adjustments	(12)	(16)
Share in direct equity movements	(21)	(3)
Dividend received	(8)	(1)
Reversal /(impairment)	(263)	448
Carrying value before disposal and subsequent transfer	**1,110**	
Disposal of 15% shareholding	(507)	
Book loss at disposal	(105)	
Transfer to available-for-sale financial assets	(498)	
Balance at 31 December	**0**	**1,367**

(in € millions)

The share in the net result and direct equity movements of TNT Express, €47 and -€21 million respectively (2012: 3 and -3), are derived from the third-quarter 2013 report of TNT Express N.V. as published on 28 October 2013. The purchase price adjustments of -€12 million (2012: -16) include the net amortisation charge of the identified intangibles. In 2013, PostNL received a dividend of €8 million (2012: 1) from TNT Express.

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. In 2012, as a result of the UPS offer, the share price of TNT Express increased from €5.77 on 31 December 2011 to €8.43 on 31 December 2012, leading to an increase in the market value of our stake from €936 million as at 31 December 2011 to €1,367 million as at 31 December 2012. This increase resulted in a reversal of previously-recognised impairments for a net amount of €448 million in 2012.

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. The partial disposal consisted of a private placement to institutional investors of 81,743,614 TNT Express ordinary shares (15% of the outstanding share capital of TNT Express). Following the disposal, the remaining 14.8% 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 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, 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 income statement.

Other investments in associates

As at 31 December 2013, all other investments in associates amounted to €6 million (2012: 6) and included €3 million of goodwill (2012: 3). These investments mainly related to minority shareholdings in Germany within the segment International. They included total assets of €23 million (2012: 26), revenues of €104 million (2012: 94) and net profit of €3 million (2012: 3).

4 Available-for-sale financial assets

Available-for-sale financial assets: 542 million (2012: 0)

Stake TNT Express

In 2013, following the sale of 15% of the shareholding in TNT Express on 6 December 2013, the remaining 14.8% 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 to the consolidated financial statements). In accordance with IAS 39, the 14.8% 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.

The fair value per 31 December 2013 amounts to €542 million and has been determined by multiplying the closing share price at 31 December 2013 of €6.75 by the total number of issued ordinary shares held by PostNL of 80,386,421. The gain of €44 million has been recorded in other comprehensive income.

5 Inventory

Inventory: 8 million (2012: 9)

Inventory

At 31 December	2013	2012
Raw materials and supplies	1	2
Finished goods	7	7
Total	**8**	**9**

(in € millions)

Total inventory of €8 million (2012: 9) is valued at historical cost at a total of €10 million (2012: 11) and is stated net of provisions for obsolete items of €2 million (2012: 2). No inventories are pledged as security for liabilities as at 31 December 2013 (2012: 0). In 2013 and 2012, no material write-offs relating to inventories occurred. The balance of inventories expected to be recovered after 12 months is €0 million (2012: 0).

6 (Trade) accounts receivable

(Trade) accounts receivable: 399 million (2012: 482)

(Trade) accounts receivable

At 31 December	2013	2012
Trade accounts receivable - total	393	445
Allowance for doubtful debt	(15)	(13)
Trade accounts receivable	**378**	**432**
VAT receivable	11	36
Other accounts receivable	10	14
Accounts receivable	**21**	**50**
Total (trade) accounts receivable	**399**	**482**

(in € millions)

As at 31 December 2013, the trade accounts receivable amounted to €393 million (2012: 445), of which €197 million (2012: 182) was past due but not individually impaired. The average payment term within PostNL is around 23 days. The total allowance for doubtful debt amounted to €15 million (2012: 13). 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 credit quality of trade accounts receivable that are neither past due nor individually impaired is in general considered to be good. The total amount of write-offs is in general limited and totalled €4 million in 2013 (2012: 4). Major customers are financial institutions, publishers, large retailers and the government.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. PostNL did not pledge the outstanding balances as collateral. The concentration of the trade accounts receivable per customer is limited. The top 10 trade accounts receivable accounted for 11% of the outstanding balance as at 31 December 2013 (2012: 9%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: the Netherlands €232 million (2012: 221), Germany and Italy €123 million (2012: 95) and the rest of the world €23 million (2012: 23). The trade accounts receivable of TNT Post UK of €79 million (2012: 93) are included in assets held for sale. For the non-trade accounts receivable, no allowance for doubtful debt was required.

The increase of the trade accounts receivable in Germany and Italy of €28 million is mainly caused by debtors in Italy. Within Italy, €21 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. Although the timing of collection is uncertain, management expects the receivable to be collected within two years.

The fair value of the total (trade) accounts receivable approximated its carrying value. The balance of the total (trade) accounts receivable that is expected to be recovered after 12 months is €10 million (2012: 1) and related to Italy.

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

At 31 December	2013	2012
Up to 1 month	112	116
2-3 months	49	46
3-6 months	16	10
Over 6 months	20	10
Total	**197**	**182**

(in € millions)

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

	2013	2012
Balance at 1 January	**13**	**13**
Provided for during financial year	8	4
Receivables written off during year as uncollectable	(4)	(4)
Transfers to assets held for sale	(2)	0
Balance at 31 December	**15**	**13**

(in € millions)

In 2013, the VAT receivable of TNT Post UK of €10 million is reported as assets held for sale. In 2012, the VAT receivable also included VAT related to the purchase of land for NLI of €6 million.

7 Prepayments and accrued income

Prepayments and accrued income: 102 million (2012: 116)

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 2013, prepayments amounted to €6 million (2012: 26) and accrued income to €96 million (2012: 90). The decrease in prepayments and accrued income is mainly caused by reporting TNT Post UK as assets held for sale (€17 million).

The balance of prepayments and accrued income that is expected to be recovered after 12 months is zero (2012: 0).

8 Cash and cash equivalents

Cash and cash equivalents: 469 million (2012: 391)

As at 31 December 2013, cash and cash equivalents comprised cash at bank and in hand of €79 million (2012: 96), short-term bank deposits of €240 million (2012: 75), cash placed into money market funds of €100 million (2012: 120) and cash placed on an on-call deposit account of €50 million (2012: 100).

The effective interest rate on cash placed was 0.01% (2012: 0.14%) and the average outstanding amount was €115 million (2012: 61). The individual deposits had an average maturity of 1.4 days (2012: 1.4). The effective interest rate on the money market funds was 0.03% and the average outstanding amount was €89 million (2012: 148). The effective interest rate on the on-call deposit account was 0.26% and the average outstanding amount was €68 million (2012: 100).

As at 31 December 2013, included in cash and cash equivalents was €19 million (2012: 25) of restricted cash.

The fair value of cash and cash equivalents approximated the carrying value.

9 Assets classified as held for sale

Assets classified as held for sale: 194 million (2012: 63) and liabilities related to assets classified as held for sale: 117 million (2012: 11)

As at 31 December 2013, assets classified as held for sale amounted to €194 million (2012: 63). Of these, €27 million (2012: 51) related to buildings held for sale in the Netherlands and €167 million to TNT Post UK. The liabilities related to assets classified as held for sale of €117 million related to TNT Post UK. As at 31 December 2012, assets classified as held for sale of €12 million and liabilities related to assets classified as held for sale of €11 million related to customer contact services. In 2013, PostNL decided to stop the sales process, so customer contact services are no longer reported as assets held for sale.

TNT Post UK

In December 2013, PostNL reached an agreement with LDC to establish a joint venture, which will allow TNT Post UK 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 second half of 2014.

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 TNT Post UK 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 TNT Post UK 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.

Under the new 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 and as a consequence, revenue and costs of the UK are not reflected in the income statement anymore. This will materially impact the reported revenues and operating income of PostNL.

In 2013, TNT Post UK accounted for €730 million of revenue and €7 million of profit for the period. The major classes of assets and liabilities classified as held for sale related to TNT Post UK are presented below. The impairment of €12 million is charged to the intangible assets that were transferred to assets held for sale for an amount of €25 million (see note 1 to the consolidated financial statements).

TNT Post UK

At 31 December	2013
Intangibles	13
Property, plant and equipment	13
Cash and cash equivalents	35
Other current assets	106
Total assets	**167**
Total non-current liabilities	
Total current liabilities	117
Total liabilities	**117**

(in € millions)

Property, plant and equipment

Property, plant and equipment included in assets held for sale decreased by €24 million from €51 million at 31 December 2012 to €27 million at 31 December 2013. In 2013, an amount of €17 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. The book value of the buildings sold in 2013 amounted to €6 million, which wholly related to the sale of buildings in the Netherlands. In 2013, impairment charges of assets held for sale of €1 million (2012: 0) related to real estate within Mail in the Netherlands.

10 Equity

Equity: -672 million (2012: -292)

The consolidated statement of changes in equity can be found on page 73. Consolidated equity consisted of equity attributable to the equity holders of PostNL of -€679 million (2012: -301) and non-controlling interests of €7 million (2012: 9). Equity attributable to the equity holders of PostNL consisted of the following items:

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 2013, the company's issued share capital amounted to €35 million (2012: 35).The number of authorised, issued and outstanding shares by class of share is as follows:

Shares

Before proposed appropriation of profit	2013	2012
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	392,301,442
Issued for stock dividend		47,671,855
Per 31 December of the reported year	**439,973,297**	**439,973,297**
Issued and outstanding per 31 December by class		
Ordinary shares	439,973,297	439,973,297
of which held by the company to cover share plans	0	0
of which a foundation incorparated by the company only holds the legal title	922,033	773,765
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 did not purchase any ordinary shares in 2013 (2012: 0) to cover its obligations under the existing share plans. As at 31 December 2013, the total number of shares held for this purpose was nil (2012: 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 2013 (2012: 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 2013, the number of PostNL shares involved amounted to 922,033 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 2013, additional paid-in capital of €147 million (2012: 147) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company.

Currency translation reserve
As at 31 December 2013, the translation reserve amounted to €9 million (2012: 9), 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 2013, the hedge reserve amounted to -€14 million (2012: -13) and consisted of the fair value timing difference of -€11 million (2012: -9) on the £225/€284 million, £88/€111 million and £13/€16 million cross-currency swaps and the fair value timing difference of -€3 million (2012: -4) 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 £88/€111 million cross-currency swaps have been entered into to hedge foreign currency exposure on the £313 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 net movements in the hedge reserve during 2013 amounted to -€1 million and included -€10 million related to the change in the value of cross-currency swaps and €9 million that was recycled from the hedge reserve to the income statement (net of taxes).

The tax impact on the cash flow hedges included in the hedge reserve as at 31 December 2013 is €5 million (2012: 4).

For more information on the cross-currency swaps, see notes 30 and 31 to the consolidated financial statements.

Available-for-sale financial assets
As at 31 December 2013, the reserve relating to the available-for-sale financial assets amounted to €44 million and relates to the change in value of the remaining 14.8% stake in TNT Express.

Other reserves
As at 31 December 2013, the other reserves amounted to -€1,670 million (2012: -1,744). In 2013, the other reserves increased by €74 million. This increase resulted from the appropriation of net income from 2012 of €325 million, a negative pension effect within other comprehensive income (net of tax) of -€230 million, the share in other comprehensive income of TNT Express of -€24 million, an amount of €4 million related to share-based compensation plans and -€1 million related to the buy-out of the minority interest in Spring Global Mail.

Retained earnings
As at 31 December 2013, retained earnings amounted to €770 million (2012: 1,265). In 2013, retained earnings declined by €495 million. This decrease was due to the appropriation of net income from 2012 of €325 million and total profit for the year of -€170 million in 2013.

The Board of Management has proposed adding €935 million (2012: 325) to the other reserves. Refer to 'Other information' on page 157 for more details of this proposal.

11 Pension assets / Provisions for pension liabilities
Pension assets: 0 million (2012: 0) and provisions for pension liabilities: 544 million (2012: 535)

PostNL operates a number of post-employment benefit plans in Europe. Most of PostNL's non-Dutch post-employment benefit plans are defined contribution plans. The majority of the Dutch post-employment benefit plans are defined benefit pension plans and consist of a main plan, transitional plans and other pension plans.

PostNL's main Dutch pension plan (main plan), which is externally funded in 'Stichting Pensioenfonds PostNL' (main fund), covers the employees 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 PostNL participants, including around 23,000 pensioners and around 42,000 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.

Amendments related to the pension plan funded in Stichting Pensioenfonds PostNL
In 2013, PostNL, the trade unions and Stichting Pensioenfonds PostNL reached a pension and financing agreement with regard to the main Dutch pension plan.

- PostNL and the trade unions agreed on a new pension scheme following necessary changes resulting from new fiscal regulations. The pension scheme remains a defined benefit average pay scheme. The main changes are an increase in the retirement age to 67 years, a higher accrual percentage and a lower franchise. As a result, the amount over which pension is accrued will increase.
- PostNL, the trade unions and the main fund also agreed on a new financing arrangement for the new pension scheme. The pension (cash) contributions are bounded by a minimum and maximum contribution level, as a percentage of the pensionable salary base. The minimum and maximum level is set at 21.5% and 27.5% respectively. Based on the total maximum premium amount, the intended pension accrual can be increased or reduced in any year. The actuarial contributions are calculated by applying a 60-month moving average pension fund discount rate. The resulting contributions are increased by 10% if the coverage ratio is below 120% and by 5% if the coverage ratio is between 120% and 130%.
- PostNL and the main fund also agreed on a limitation of PostNL's obligation for top-up payments in the event of a coverage deficit of a maximum 1.25% of the fund's plan obligations per year. In determining the limited top-up payment obligation, the resilience of the pension fund will be taken into account.
- PostNL agreed on a one-off unconditional contribution into the main fund of €150 million to compensate for the implementation of the limited top-up payment obligation and a conditional budget of €300 million to prevent cutbacks, if any, during the years 2014-2018. The conditional budget is additional to the regular top-up payments of 1.25% at most of the fund's plan obligations per year.
- The unconditional commitment of €150 million and other possible commitments required from the conditional budget of €300 million 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.

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 changes apply as of 1 January 2014.

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.

Amendments related to the pension plan funded in Stichting Ondernemingspensioenfonds TNT
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'.

In 2013, PostNL communicated the proposed amendments to the pension scheme, following necessary changes resulting from new fiscal regulations. The pension scheme remains a defined benefit final pay scheme. The main changes are a higher annual accrual rate and a higher retirement age (aimed at age 67). Both the financing arrangement of the new pension scheme and PostNL's unlimited obligation for top-up payments have not changed.

In addition, PostNL communicated the reduction of the transitional arrangements for the relevant employees in line with the original intentions in 2006. This change is comparable to the changes made in 2012 for the relevant employees under the collective labour agreement.

The amendments 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.

Amendments related to the pension plan funded in Stichting Pensioenfonds Postbezorgers PostNL
PostNL is also the sponsoring employer of the pension plan covering mail deliverers in the Netherlands, which is externally funded in 'Stichting Pensioenfonds Postbezorgers PostNL'.

In 2013, PostNL and the trade unions reached an agreement to change the pension scheme from a defined benefit average pay scheme to a defined contribution scheme as of 1 January 2014. The new pension scheme is applicable to all current and future employees. The defined contribution scheme will not be insured by the existing pension fund. As a consequence of no new pension accruals, PostNL has cancelled the execution agreement with the fund, effective 31 December 2014. During 2014, PostNL's obligation for top-up payments, if any, remains unchanged.

The amendments resulted in the decrease of the pension plan obligation to the vested benefit obligation, with the resulting obligation matching the pension plan assets as at 31 December 2013. The resulting past service costs are reported as part of operating expenses in the income statement.

Additional restructuring programmes

Declining mail volumes force PostNL to make comprehensive changes to its organisation. In 2013, additional to the restructuring programme applicable to production employees, restructuring programmes were initiated for staff and management within operations, the marketing and sales department and head office departments. Allowing for natural attrition and voluntary departures, redundancies of approximately 1,000 FTEs are expected among this group.

The impact of the additional restructuring programmes has 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.

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 €191 million (2012: 212), including top-up payments of €64 million (2012: 81) as a result of the coverage deficit during 2012.

By the end of 2013, the coverage ratio of the main fund increased to 111.9% (2012: 102.5%), including the outstanding payment of the unconditional contribution of €150 million by PostNL. As at 31 December 2013, no top-up payments are outstanding. The increased coverage ratio was mainly due to an increase in the fund's long-term interest rate, a decreased longevity outlook and the receivable of €150 million. The fund's coverage ratio as at 31 December 2013 includes the latest longevity outlook, based on recent statistical studies performed by the Dutch Actuarial Association (Actuarieel Genootschap).

As at 31 December 2013, 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 2013, the weight of equity and equity derivatives investments amounted to 22%, the weight of fixed interest investments amounted to 63%, the weight of real estate and alternative investments amounted to 11% and the weight of swaps and swaptions investments amounted to 4%. The plan assets may from time to time include investments in PostNL's own financial instruments through indirect holdings by mutual funds. Around 83% 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 derivates.

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/returns of main pension plan

At 31 December	Actual mix 2013	Strategic mix 2013	Return 2013
Equities and equity derivatives	22%	21%[1]	29.5%
Fixed interest and inflation linked bonds	63%	67%[2]	-1.6%
Real estate and alternative investment	11%	12%	-1.1%
Swaps and swaptions / Contribution to the return	4%		-3.0%
Total / total weighted average	**100%**	100%	**0.9%**

[1] Including the actual 2013 investment in equity derivatives.
[2] Including the actual 2013 investment in swaps and swaptions.

In 2013, the return on the plan assets was 0.9% (2012: 10.9%), comprising -3.0% direct return of swaps and swaptions and 3.9% 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 2013, including the impact from IAS 19R of €1,829 million on the reported provision at 31 December 2012. Included in the provision for pension liabilities are the unfunded defined benefit Trattamento di Fine Rapporto (TFR) in Italy of €9 million (2012: 7).

Statement of changes in provision for defined benefit plans

	Balance at 31 December 2012 (reported)	Impact adoption IAS19R	Balance at 31 December 2012 (restated)	Post-employment benefit income/ (expenses)	Employer contributions	Actuarial gains/(losses)	Pension asset ceiling/ minimum funding requirement	Balance at 31 December 2013
Main pension plan in the Netherlands	1,376	(1,465)	(89)	(3)	191	(63)	(186)	(150)
Transitional plans in the Netherlands	(185)	(233)	(418)	0	95	(34)		(357)
Other pension plans	110	(131)	(21)	0	18	(25)		(28)
Provision for pension liabilities	1,301	(1,829)	(528)	(3)	304	(122)	(186)	(535)
Other post-employment benefit plans	(7)	0	(7)	(3)	2	(1)		(9)
Total provision for post-employment benefit plans	**1,294**	**(1,829)**	**(535)**	**(6)**	**306**	**(123)**	**(186)**	**(544)**

(in € millions)

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 2013, PostNL's expenses for defined benefit post-employment plans were €6 million (2012: 72), including a positive effect from past service costs of €140 million (2012: 27). The expenses for defined contribution plans were €5 million (2012: 5). Including these charges for defined contribution plans, PostNL's total expenses for post-employment benefit plans amounted to €11 million (2012: 77).

The past service costs of €140 million in 2013 consist of a positive effect of €49 million resulting from the additional restructuring programmes, mainly due to the release of conditional obligations within the transitional plans, and a positive effect of €91 million resulting from the amended pension and financing arrangements.

In the income statement, the total expenses of €11 million (2012: 77) are included in 'Salaries, pensions and social security contributions' for an amount of -€8 million (2012: 82), refer to note 20 to the consolidated financial statements and included in 'Interest and similar expenses for an amount of €19 million (2012: net interest income: 5), refer to note 23 to the consolidated financial statements.

For 2014, total expenses for post-employment benefit plans are expected to amount to around €140 million, including €120 million operating expenses and €20 million interest expenses.

Defined benefit pension cash contributions
In 2013, total employer cash contributions for defined benefit post-employment plans amounted to €306 million (2012: 343), including top-up payments of €64 million as a result of the coverage deficit in 2012 (2012: 83). Including the cash outflow for defined contribution plans of €5 million (2012: 5), PostNL's total cash contributions amounted to €311 million (2012: 348).

For 2014, total regular employer cash contributions, excluding top-up payments, are expected to amount to around €180 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 €123 million during 2013 is mainly explained by a negative difference of €113 million between the assumed return on plan assets and the actual investment return (see the next table). 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 €90 million.

Regarding the main pension plan in the Netherlands, the plan and financing amendments in 2013 resulted in a defined benefit pension asset of €36 million. As a result of the application of the pension asset ceiling test, the full pension asset of €36 milion can not be recorded by PostNL. Furthermore, following the regulations on minimum funding requirements, PostNL had to fully provide for the unconditional payment of €150 million resulting from the pension agreement with the main fund. As a result, an adjusting effect of €186 million has been accounted for in the defined benefit provision of this plan. The net charge within other comprehensive income amounted to €140 million.

The total net provision for defined benefit post-employment plans of €544 million at 31 December 2013 (2012 restated: 535) consists entirely of a provision for pension liabilities.

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

	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	(6,750)	(5,486)
Service costs	(125)	(96)
Interest costs	(251)	(262)
Past service costs	140	27
Actuarial (losses)/gains	(9)	(1,156)
Benefits paid	224	223
Benefit obligation at end of year	**(6,771)**	**(6,750)**
Change in plan assets		
Fair value of plan assets at beginning of year	6,222	5,569
Assumed return on plan assets	232	267
Employee contributions	9	1
Employer contributions	304	340
Other costs	(8)	(9)
Actuarial (losses)/gains	(113)	277
Benefits paid	(224)	(223)
Fair value of plan assets at end of year	**6,422**	**6,222**
Change in funded status		
Funded status at the beginning of year	(528)	83
Operating expenses	16	(77)
Interest (expenses)/income	(19)	5
Employer contributions	304	340
Actuarial (losses)/gains	(122)	(879)
Funded status at end of year	**(349)**	**(528)**
Impact of pension asset ceiling	(36)	
Impact of minimum funding requirement	(150)	
Other post-employment benefit plans	(9)	(7)
Netted pension liabilities	**(544)**	**(535)**
Components of employer pension expenses		
Service costs (net of employee contributions)	(116)	(95)
Interest (expenses)/income	(19)	5
Past service costs	140	27
Other costs	(8)	(6)
Post-employment benefit income/(expenses)	**(3)**	**(69)**
Other post-employment benefit plan expenses	(3)	(3)
Total post-employment benefit income/(expenses)	**(6)**	**(72)**
Weighted average assumptions as at 31 December		
Discount rate	3.5%	3.7%
Rate of benefit increases	1.4%	1.5%
Life expectancy 65 year old men/women (in years)	21.0/22.8	21.8/23.5

(in € millions)

The actuarial losses on the defined benefit obligation of €9 mllion (2012: 1,156) can be splitted into the following developments.

- The change in discount rate from 3.7% to 3.5% accounted for €207 million of actuarial losses. During 2012, the discount rate decreased from 4.8% to 3.7%, which resulted in actuarial losses of €1,117 million.
- The changes in demographic assumptions accounted for €144 million of actuarial gains (2012: gains of 3).
- Experience adjustments accounted for €54 million of actuarial gains (2012: losses of 42). The experience adjustment is the difference between the expected and actual position at year-end, excluding the impact of changes in assumptions.

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.

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.

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 21.0 years (2012: 21.8). The equivalent expectancy for women is 22.8 years (2012: 23.5). The applied longevity rates are derived from the mortality table 'GBM/GBV 2012 – 2062 + CVS experience rates based on postal areas, starting rates 2014 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 2013 to deviations in key assumptions (applied in the year-end 2013 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		**6,771**
Discount rate	+ 0.5%	-8.0%
Rate of benefit increases	+ 0.5%	+8.8%
Life expectancy men/women	+ 1 yr	+2.6%
Benefit obligation at end of year		**6,771**
Discount rate	- 0.5%	+9.0%
Rate of benefit increases	- 0.5%	-7.8%
Life expectancy men/women	- 1 yr	-2.8%

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 (2012: 7).

Details balances defined benefit plans

At 31 December	2013	2012
Present value of funded benefit obligations	(6,414)	(6,331)
Fair value of plan assets	6,422	6,222
Funded status of funded benefit obligations	8	(109)
Present value of unfunded benefit obligations	(357)	(419)
Unfunded status at end of year	**(349)**	**(528)**
Impact of pension asset ceiling	(36)	
Impact of minimum funding requirement	(150)	
Other post-employment benefit plans	(9)	(7)
Netted pension liabilities	**(544)**	**(535)**
of which included in pension assets		
of which included in provisions for pension liabilities	(544)	(535)

(in € millions)

12 Other provisions

Other provisions: 197 million (2012: 208)

Statement of changes

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Non-current other provisions	21	69	17	10	117
Current other provisions	5	78	3	5	91
Balance at 31 December 2012	**26**	**147**	**20**	**15**	**208**
Additions	4	80	2	3	89
Withdrawals	(2)	(81)	(2)	(3)	(88)
Releases	(3)	(7)	(2)	(1)	(13)
Interest		1			1
Total changes	(1)	(7)	(2)	(1)	(11)
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**

(in € millions)

As at 31 December 2013, the total other provisions amounted to €197 million. The estimated utilisation in 2014 is €69 million, in 2015 €59 million, in 2016 €34 million and in 2017 and thereafter €35 million.

Other employee benefit obligations

As at 31 December 2013, the other employee benefit obligations related to jubilee payments of €22 million and other employee benefits of €3 million.

Restructuring

As at 31 December 2013, the provision for restructuring programmes amounted to €140 million (2012: 147). The provision related mainly to the Master Plan III restructuring programme for a total of €135 million and other smaller restructuring programmes for a total of €5 million.

The additions of €80 million related mainly to the Master Plan restructuring programmes (€75 million) and to a restructuring within International (€3 million). The additions to the Master Plan provision relate to the restructuring of staff and management within operations (€39 million), the marketing & sales department (€12 million) and head office departments (€24 million), and relates to around 780 FTE in total.

The restructuring of staff and management within operations and the marketing & sales department resulted from the announcement to adjust the employee base to the increased volume decline within Mail in the Netherlands. The restructuring of head office departments continued in 2013. This programme relates to a number of different departments.

The restructuring provision within International resulted from the announcement of Spring Global Mail to restructure part of its marketing & sales and head office activities.

The withdrawals of €81 million concerned severance payments under the Master Plan programmes totalling €70 million, settlement payments within Postkantoren B.V. of €7 million, payments for other initiatives within Mail in the Netherlands of €2 million and within other business lines of €2 million. The total withdrawals of €81 million related to a total of 979 FTEs (2012: 1,529), of which 871 FTEs related to the Master Plan programmes and 108 FTEs related to other restructuring programmes.

Of the release of €7 million, €6 million related to changes in the Master Plan restructuring programmes, mainly due a decrease in forced redundancies and periodical reassessments of the projected cash costs.

The restructuring provisions are discounted against an average discount rate of 1.2% (2012: 1.8%) as they are expected to be utilised mainly during the period 2014-2016. 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 additions of €3 million related mainly to the postal fund for unemployment of €2 million. The withdrawals from the other provisions of €3 million related mainly to the settlement of onerous contracts within operations and Postkantoren B.V. (€2 million).

13 Long-term debt

Long-term debt: 1,263 million (2012: 1,615)

Carrying amounts and fair value

At 31 December	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Eurobonds	1,224	1,374	1,575	1,817
Financial leases	1	1	1	1
Other loans	3	3	10	10
Derivatives	35	35	29	29
Total long-term debt	**1,263**	**1,413**	**1,615**	**1,857**

(in € millions)

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 in 2013 is due to the bond-buy back transaction announced and completed in December 2013. The table below gives details of the repurchased nominal value of the individual bonds and the premiums paid, which are reported as interest expenses in the income statement.

Bond buy-back

	Nominal value	Premium	Accrued interest	Total paid
3.875% eurobond 2015	51	2	1	54
5.375% eurobond 2017	132	17	1	150
7.500% eurobond 2018 (£ denominated)	161	31	4	196
Total	**344**	**50**	**6**	**400**

(in € millions)

The long-term eurobonds with a carrying amount of €1,224 million include a remaining portion of British pound-denominated bonds after partial repurchase of the original £450 million bond. The related foreign exchange risk is covered by cross-currency swaps. The derivatives of €35 million consist of the fair value valuations of the £225/€284 million, £88/€111 million and £13/€16 million cross-currency swaps.

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

	Eurobonds	Financial leases	Other loans	Derivatives	Total
2014		1	6		7
2015	344	1	3		348
2016					0
2017	505				505
2018	375			35	410
Thereafter					0
Total borrowings	**1,224**	**2**	**9**	**35**	**1,270**
of which included in long-term debt	1,224	1	3	35	1,263
of which included in other current liabilities		1	6		7

(in € millions)

For the underlying details of the financial instruments, see notes 30 and 31 to the consolidated financial statements.

14 Other current liabilities

Other current liabilities: 204 million (2012: 240)

Other current liabilities

At 31 December	2013	2012
Total current borrowings	7	3
Taxes and social security contributions	110	150
Expenses to be paid	1	8
Other	86	79
Total	**204**	**240**

(in € millions)

As at 31 December 2013, short-term debt consisted of the current portion of outstanding finance lease liabilities of €1 million (2012: 2) and the current portion of long-term loans of €6 million (2012: 1).

Taxes and social security contributions of €110 million (2012: 150) consisted of VAT payable of €79 million (2012: 112) and social security contributions payable of €31 million (2012: 38).

As at 31 December 2013, the other liabilities of €86 million mainly related to payables with joint venture partners (€8 million), payments in advance received from customers (€45 million) and liabilities related to partnership business (€13 million).

There are no balances at 31 December 2013 that are expected to be settled after 12 months (2012: 0).

15 Accrued current liabilities

Accrued current liabilities: 549 million (2012: 595)

Accrued current liabilities

At 31 December	2013	2012
Amounts received in advance	117	111
To be paid to third parties	195	230
To be paid to personnel	49	76
Vacation days/vacation payments	95	102
Terminal dues	88	74
Other accrued current liabilities	5	2
Total	**549**	**595**

(in € millions)

As at 31 December 2013, amounts received in advance mainly included €69 million (2012: 60) for deferred revenue for stamps that were sold but not yet used, deferred revenues from franking machines of €15 million (2012: 30) and rental of mailboxes of €14 million (2012: 13).

Main items within the expenses to be paid to third parties included payables to subcontractors of €36 million (2012: 43), interest payables on PostNL's interest-bearing debt of €33 million (2012: 42), claims of €8 million (2012: 10), discounts to be paid of €6 million (2012: 10) and various other expenses to be paid.

Expenses to be paid to personnel included accrued wages and salaries of €35 million (2012: 37), the accrual for voluntary termination agreements of €7 million (2012: 25) and accruals for employee profit-sharing over 2013 and a salary increase by 0.4% resulting from the pension agreement.

Of the total accrued current liabilities, an amount of €40 million is expected to be settled after 12 months (2012: 37).

Notes to the consolidated income statement

16 Net sales
Net sales: 4,296 million (2012: 4,317)

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 35 to the consolidated financial statements.

17 Other operating revenue
Other operating revenue: 11 million (2012: 13)

Other operating revenue covers the sale of goods and rendering of services not related to PostNL's regular business activities. In 2013, these revenue mainly related to customs and administration revenue for €5 million (2012: 5), package material for €2 million (2012: 1), rental income on temporarily leased-out property for €1 million (2012: 2) and IT advisory revenue for €1 million (2012: 2).

18 Other income
Other income: 7 million (2012: 31)

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 €6 million (2012: 14) and a received claim of €1 million. In 2012, other income also included an amount of €15 million of negative goodwill arising from the 2012 acquisition of trans-o-flex (within Parcels).

19 Work contracted out and other external expenses
Work contracted out and other external expenses: 2,142 million (2012: 2,140)

Work contracted out and other external expenses

At 31 December	2013	2012
Subcontractors & other work contracted out	2,466	2,454
Rent & lease expenses	120	124
External temporary staff	130	149
Intercompany expenses	(574)	(587)
Total	**2,142**	**2,140**

(in € millions)

Work contracted out and other external expenses mainly related to €2,466 million of expenses for subcontractors and other work contracted out in the segments International €1,271 million (2012: 1,261), Mail in the Netherlands €674 million (2012: 683) and Parcels €409 million (2012: 377), all including intercompany expenses.

Rent and lease expenses were €120 million (2012: 124) and expenses are roughly evenly spread over all segments.

Mail in the Netherlands accounts for €46 million (2012: 73) of the expenses for external temporary staff. Parcels reported €52 million (2012: 40), International €17 million (2012: 15) and PostNL Other €15 million (2012: 21).

20 Salaries, pensions and social security contributions

Salaries, pensions and social security contributions: 1,288 million (2012: 1,323)

Salaries, pensions and social security contributions

Year ended at 31 December	2013	2012
Salaries	1,128	1,080
Defined benefit plans	(13)	77
Defined contribution plans	5	5
Pension charges	(8)	82
Share-based payments	5	
Social security charges	163	161
Total	**1,288**	**1,323**

(in € millions)

In 2013, salaries of €1,128 million increased by €48 million from €1,080 million in 2012, which is mainly due to the impact of a net addition to other provisions of €73 million in 2013 compared to a net release of €23 million in 2012, offset by a reduction of the workforce following the restructuring programme in the Netherlands. The pension expenses in 2013 included a positive effect from past service costs of €140 million (2012: 27) related to the additional restructuring programmes and the amendments to the defined benefit pension plan following the pension agreements reached. The costs of share-based payments amounted to €5 million, of which €4 million related to the equity-settled performance share plan, temporary share plan and short-term incentive of senior management and €1 million related to the cash-settled bonus/investment matching plan.

Labour force

[1]	2013	2012
Employees		
Mail in the Netherlands	46,676	54,474
Parcels	3,146	3,510
International	7,690	6,274
PostNL Other	1,768	2,153
Total at year end	**59,280**	**66,411**
Employees of joint ventures	2,427	2,527
External agency staff at year end	6,670	8,391
Full-time equivalents (FTEs)		
Mail in the Netherlands	20,466	23,278
Parcels	2,849	2,839
International	6,084	5,323
PostNL Other	1,617	1,844
Total year average	**31,016**	**33,284**
FTEs of joint ventures	1,838	1,964

[1] Including temporary employees on our payroll; joint ventures are additonal and on a 100% basis as are the external agency staff.

The reported employees match the number of personnel paid through payroll. For work contracted out refer to note 19.

During 2013, the total headcount of PostNL decreased by 7,131 employees compared to 31 December 2012. This mainly related to the reduction within Mail in the Netherlands of 7,798 employees due to the impact of volume decline, cost savings initiatives and the quality recovery measures in 2012, partly offset by an increase of 1,416 employees within International mainly due to the end-to-end services into South West London and Manchester in the United Kingdom.

At the end of 2013, there were 2,427 people (2012: 2,527) employed by joint ventures, of whom 424 employees (2012: 535) were on the payroll of Dutch companies, primarily within Bruna B.V. (a 100% subsidiary of Postkantoren B.V.), and 2,003 employees (2012: 1,992) were on the payroll of HIM Holtzbrinck in Germany.

Apart from the headcount of employees, the labour force is also measured in FTEs based on the hours worked divided by the local standard. In 2013, the average number of FTEs decreased by 2,268 FTEs compared to 2012.

Remuneration of members of the Supervisory Board
For the year 2013, the remuneration cost of the current and former members of the Supervisory Board amounted to €395,000 (2012: 411,333) as shown in the below table.

Remuneration Supervisory Board

	Base compensation	Meeting fees[1]	Total remuneration
Mr P. C. Klaver	55,000	12,000	67,000
Mr J. Wallage	40,000	15,000	55,000
Mr M.A.M. Boersma	40,000	11,500	51,500
Mr J.W.M. Engel[2]	28,333	10,000	38,333
Ms A.M. Jongerius[2]	28,333	10,000	38,333
Ms T. Menssen	40,000	16,000	56,000
Mr F.H. Rövekamp	40,000	19,500	59,500
Total current members	**271,667**	**94,000**	**365,667**
Ms P.M. Altenburg[3]	11,667	2,500	14,167
Mr W. Kok[3]	11,667	3,500	15,167
Total former members	23,333	6,000	29,333
Total 2013	**295,000**	**100,000**	**395,000**
Total 2012	298,333	113,000	411,333

(in €)

1 Payments relating to number of Supervisory Board committee meetings attended.
2 Appointed as of 16 April 2013.
3 Retired as of 16 April 2013.

No loans, advance payments, guarantees, options or shares were granted to members of the Supervisory Board in 2013 (2012: nil). None of the members of the Supervisory Board accrued any pension rights with the company.

Remuneration of members of the Board of Management
Total remuneration Board of Management
In 2013, the total remuneration of the Board of Management consisted of:
- base salary,
- variable remuneration,
- other periodic compensation, and
- pension costs.

The total 2013 remuneration of the Board of Management, including pension, social security contributions and other costs, amounted to €2,618,031.

Remuneration Board of Management in 2013

	Fixed remuneration	Variable remuneration					
	Base salary	Accrued for short-term incentive 2013	Accrued for long-term incentive 2013[1]	Accrued for temporary transition plan	Other periodic compensation[2]	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**

(in €)

1 The amount of €41,432 includes an amount of €7,609 related to the share-based payments costs for Mr Bos 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.

The total 2012 remuneration of the Board of Management, including pension, social security contributions and other costs, amounted to €3,438,095. A total of €1,449,359 related to the 2012 current members of the Board of Management and €1,988,736 to the 2012 former members.

Remuneration Board of Management in 2012

	Fixed remuneration	Variable remuneration				
	Base salary	Accrued for short-term incentive 2012[1]	Accrued for long-term incentive 2012[2]	Other periodic compensation[3]	Pension costs	Total 2012
Herna Verhagen [4]	570,069			167,851	85,232	823,152
Jan Bos	425,000		3,218	128,320	69,669	626,207
Total current members	**995,069**	**0**	**3,218**	**296,171**	**154,901**	**1,449,359**
Harry Koorstra[5]	583,333			601,489	224,560	1,409,382
Gérard Aben [6]	350,000			114,059	115,295	579,354
Total former members	933,333	0	0	715,548	339,855	1,988,736
Total remuneration 2012	**1,928,402**	**0**	**3,218**	**1,011,719**	**494,756**	**3,438,095**

(in €)

1 The members of the Board of Management waived their rights to the 2012 incentive.
2 The amount of €3,218 related to the share-based payments costs for Mr Bos under the one-off investment/matching plan.
3 Other periodic compensation included company costs related to tax and social security, company car and other costs. It also included a total of €441,706 crisis tax ('crisisheffing') charged on salaries above €150,000 in 2012 for all current and former members of the Board of Management.
4 Ms Verhagen was appointed to the position of CEO as of 24 April 2012; the base salary has been adjusted retrospectively to a base salary of €625,000 as of the appointment date.
5 Due to the notice period of six months, Mr Koorstra's contract ended on 1 November 2012. The figures presented relate to the period January-October 2012.
6 Mr Aben resigned as member of the Board of Management on 1 November 2012, in connection with his retirement on 1 March 2013. As advisor to the Board of Management, no changes were made to his contractual arrangements prior to his retirement date.

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 2013, an amount of €412,500 relating to the 2013 short-term incentive of the Board of Management was accrued for. In accordance with the 2013 remuneration policy, this amount will be paid in cash in 2014.

In 2013, no amount was paid in relation to the short-term incentive to the members of the Board of Management, due to the fact that they waived their variable remuneration opportunity for 2012.

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 €85,936 (2012: 3,218) and related for 2013 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) financial targets.

The performance share plan contains the following characteristics:
- it is a conditional equity-settled share plan based on three-year internal financial 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

	Year	Number outstanding 1 Jan 2013	Granted during 2013[1]	Settled during 2013	Forfeited during 2013	Number outstanding 31 Dec 2013
Herna Verhagen	2013		134,405			134,405
Jan Bos	2013		102,148			102,148
Total		**0**	**236,553**	**0**	**0**	**236,553**

1 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 the grant date (€1.744).

In 2013, an amount of €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 (€1.753) and by taking into account expected vesting percentages. The costs are amortised over the vesting period. For the 2013 grant, the vesting period 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.

One-off investment/matching plan Board of Management 2013

	Grant year	Outstanding 1 Jan 2013[1]	Vested or settled during 2013	Outstanding 31 Dec 2013
Jan Bos	2011	3,503		3,503
Total current members		**3,503**	**0**	**3,503**

(in rights)

1 The fair value of the one-off investment/matching plan grants, based on the NYSE Euronext Amsterdam share price of PostNL on the date the grants were made, amounted to €5.43.

The fair value of the one-off investment/matching plan grants based on the NYSE Euronext Amsterdam share price of PostNL on the reporting date amounted to €4.15 (2012: 2.92). The liabilities arising from the share-based payment transaction, taking into account the terms and conditions upon which the rights were granted and the extent to which the employee had rendered service, amounted to €11,712 as at 31 December 2013 (2012: 4,103).

Accrued for temporary transition plan

The temporary transition plan compensates the gap 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 short-term incentive for the members of the Board of Management amounted to €412,500 (2012: 0) and related to the temporary transition plan. In accordance with the 2013 remuneration policy, this amount will be granted and paid in PostNL shares in 2014.

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 costs. It also included a total of €127,857 (2012: 210,326) crisis tax ('crisisheffing') charged on salaries above €150,000 in 2013 for the current members of the Board of Management.

Pension costs
The pension costs consist of the service costs for the reported year, net of employee contributions. The increase in pension costs is mainly explained by an increased salary base and a decreased discount rate, both from year-end 2011 (for the costs in 2012) to year-end 2012 (for the costs in 2013). 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 2013 (2012: 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% will be 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 €3.3 million in 2013. This amount will be granted and paid in PostNL shares in 2014.

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 financial 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.

	Year	Number outstanding 1 Jan 2013	Granted during 2013[1]	Settled during 2013	Forfeited during 2013	Number outstanding 31 Dec 2013
Performance share plan	2013		320,865			320,865
Total		**0**	**320,865**	**0**	**0**	**320,865**

[1] 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 the grant date (€1.744).

In 2013, an amount of €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 (€1.753) and by taking into account expected vesting percentages. The costs are amortised over the vesting period. For the 2013 grant, the vesting period is from 8 May 2013 to 8 May 2016.

Bonus/matching share plan
Since 2011, all senior management have had the opportunity, on a voluntary basis, to participate in a bonus/matching plan. If they do, they are paid 100% of their bonus in cash and can convert 25% 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 (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 the number of shares is equal to the number of bonus shares (job level A) or twice the number of bonus shares (job level B and above),
- the matching rights vest three years after the delivery of the bonus shares. The cash value of the shares comprising the matching rights will be paid out for each bonus share that has been retained for three years,
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect,
- where a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death), the right to matching shares will vest immediately and he/she can exercise his/her right pro rata, and
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned.

The exercise of the rights to matching shares is subject to the PostNL rules concerning the prevention of use of inside information. All awards under this plan are cash-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 PostNL 2013

	Year	Number outstanding 1 Jan 2013	Granted during 2013	Settled during 2013	Forfeited during 2013	Number outstanding 31 Dec 2013
Matching rights	2011	192,919		(39,654)	(19,664)	133,601
	2012	351,786		(53,898)	(69,781)	228,107
	2013		328,323	(3,125)	(16,441)	308,757
Total		**544,705**	**328,323**	**(96,677)**	**(105,886)**	**670,465**

The fair value of the bonus/matching plan rights based on the NYSE Euronext Amsterdam share price of PostNL on the reporting date amounted to €4.15 (2012: 2.92). The liabilities arising from the 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 €445,787 (2012: 260,357) for the 2011 bonus/matching plan, €447,026 (2012: 193,896) for the 2012 bonus/matching plan and €242,031 (2012: 0) for the 2013 bonus/matching plan as at 31 December 2013.

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 2013 (2012: 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 (2012: 0).

21 Depreciation, amortisation and impairments

Depreciation, amortisation and impairments: 132 million (2012: 115)

Depreciation, amortisation and impairments

Year ended at 31 December	2013	2012
Amortisation of intangible assets	29	27
Depreciation property, plant and equipment	79	77
Impairment of property, plant and equipment	11	2
Impairment of assets held for sale	13	9
Total	**132**	**115**

(in € millions)

In 2013, the amortisation of intangible assets of €29 million (2012: 27) related to software for €27 million (2012: 25) and other intangibles for €2 million (2012: 2).

The 2013 impairment of property, plant and equipment of €11 million (2012: 2) related to impaired real estate for €8 million within Mail in the Netherlands and for €3 million within PostNL Other.

The 2013 impairment of assets held for sale of €13 million (2012: 9) related for €12 million to TNT Post UK within International and for €1 million to real estate within Mail in the Netherlands. The 2012 impairment of assets held for sale of €9 million related to customer contact services within Mail in the Netherlands.

22 Other operating expenses

Other operating expenses: 181 million (2012: 201)

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

In 2013, total PwC fees amounted to €2.5 million (2012: 2.7). The table below presents the total PostNL Group-incurred PwC fees, which can be divided into the following categories:

Audit fees

Year ended at 31 December	2013	2012
Audit fees	2.2	2.4
Audit related fees	0.3	0.3
Tax advisory fees	0.0	0.0
Other fees	0.0	0.0
Total	**2.5**	**2.7**

(in € millions)

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 €2.3 million (2012: 2.5).

23 Net financial expenses

Net financial expenses: 174 million (2012: 99)

Interest and similar expenses

Year ended at 31 December	2013	2012
Interest expenses	(152)	(107)
Interest on net defined benefit pension liabilities	(19)	(22)
Hedge reserve recycled to profit and loss	(12)	(2)
Net foreign exchange gains	(1)	(1)
Total	**(184)**	**(132)**

(in € millions)

In 2013, the interest expenses of €152 million (2012: 107) mainly consisted of ordinary interest expenses on long-term borrowings of €96 million (2012: 98), financial expenses on early repurchased long-term borrowings of €50 million (2012: 0), interest on other provisions of €1 million (2012: 4), gross-up of notional cash pools of €1 million (2012: 2), interest on taxes of

€1 million (2012: 1) and €3 million bank charges (2012: 2). The financial 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 of €50 million.

Interest expenses on net defined benefit pension liabilities amounted to €19 million (2012: 22).

The amount of the hedge reserve recycled to profit and loss increased from €2 million in 2012 to €12 million in 2013 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 £313 million eurobonds caused by accounting adjustments required under IFRS 13. The hedge expenses of €12 million are reflected in the hedge reserve net of tax for €9 million, see note 10.

Interest and similar income

Year ended at 31 December	2013	2012
Interest income	10	6
Interest on net defined benefit pension assets		27
Total	**10**	**33**

(in € millions)

In 2013, interest and similar income amounted to €10 million (2012: 33). This amount included €2 million (2012: 0) of fair value adjustments to reflect own credit risk as required by IFRS 13, €1 million (2012: 3) of interest income on banks, loans and deposits (of which €1 million (2012: 2) related to a gross-up of notional cash pools), €1 million (2012: 0) of income from exceptional sources such as sub-let of property or penalties and €6 million (2012: 0) of interest on taxes. In 2012, an amount of €3 million represented the change in the value of fair value hedges.

In 2012, interest income on net defined benefit pension assets amounted to €27 million.

In accordance with IFRS, the 2013 interest income on cash pools of €1 million (2012: 2) and interest expense on cash pools are reported on a gross basis as part of interest expense as well as interest income. In accordance with IFRS 13, the credit risk adjustments have been made to the fair value of the financial instruments open at the reporting date and are included in the interest income as above.

24 Income taxes

Income taxes: 67 million (2012: 74)

In 2013, income taxes amounted to €67 million (2012: 74), or -65.0% (2012: 10.1%) of the profit before income taxes of -€103 million (2012: 731).

Effective income tax rate

Year ended at 31 December	2013	2012
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding effective income tax rates other countries	1.2	0.7
Weighted average statutory tax rate	26.2	25.7
Tax effects of:		
Non and partly deductible costs	1.3	0.6
Non deductible impairments	1.3	0.8
Other	0.2	(2.1)
Effective income tax rate - before impact stake Express	**29.0**	**25.0**
Impact stake Express	(94.0)	(14.9)
Effective income tax rate	**(65.0)**	**10.1**

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate by the profit before income taxes. The effective income tax rate was -65.0% (2012: 10.1%). In 2013, the statutory income tax rate in the Netherlands was 25.0% (2012: 25.0%).

In 2013, the effective income tax rate was significantly impacted by the non-taxable results of the stake in TNT Express of -€334 million (2012: 435). Excluding the impact of the stake in TNT Express, the profit before income taxes would have been €231 million (2012: 296) with a corresponding effective income tax rate of 29.0% (2012: 25.0%).

The effective income tax rate before the impact of the stake in TNT Express of 29.0% was mainly caused by the balance of differences between Dutch and local tax rates in other countries (1.2%), non-deductible and partly deductible costs predominantly in the Netherlands (1.3%), a non-deductible impairment on assets classified as held for sale relating to TNT Post UK (1.3%), and certain items included in the line 'Other' (0.2%). The line 'Other' consists mainly of the combined impact of irrecoverable tax losses for which no deferred tax assets could be recognised and several prior year adjustments that positively affected the effective income tax rate.

Income tax expense consists of the following:

Income taxes

Year ended at 31 December	2013	2012
Current tax expense	(20)	(27)
Changes in deferred taxes	87	101
Total income taxes	**67**	**74**

(in € millions)

The current tax expense amounted to -€20 million (2012: -27). 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 2013, the income tax receivable amounted to €1 million (2012: 4) and the income tax payable amounted to €59 million (2012: 28). In 2013, PostNL received income taxes totalling €55 million (2012: 40 paid); see note 25 to the consolidated financial statements.

The following table shows the movements in deferred tax assets in 2013:

Statement of changes deferred income tax assets

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2011	**0**	**1**	**12**	**7**	**20**
Changes via other comprehensive income	167				167
Changes via income statement	(119)		(2)	4	(117)
Deferred tax assets at 31 December 2012	**48**	**1**	**10**	**11**	**70**
Changes via other comprehensive income	77				77
Changes via income statement	(97)		(2)	8	(91)
Deferred tax assets at 31 December 2013	**28**	**1**	**8**	**19**	**56**

(in € millions)

Of the deferred tax assets as at 31 December 2013, €19 million (2012: 6) is to be recovered within 12 months and €37 million (2012: 64) 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 2013 amounted to €156 million (2012: 144). With these losses carried forward, future tax benefits of €48 million could be recognised (2012: 42). 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 €40 million (2012: 32) of the potential future tax benefits and has recorded deferred tax assets of €8 million at the end of 2013 (2012: 10).

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

Expiration of accumulated losses for carry forward arrangements income tax

2014	0
2015	1
2016	1
2017	3
2018 and thereafter	36
Indefinite	115
Total	**156**

(in € millions)

The following table shows the movements in deferred tax liabilities in 2013:

Statement of changes deferred income tax liabilities

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2011	284	54	3	341
Effect of adoption IAS19R	(231)			(231)
Deferred tax liabilities at 1 January 2012	**53**	**54**	**3**	**110**
Changes via other comprehensive income	(53)			(53)
Changes via income statement		(14)	(2)	(16)
Deferred tax liabilities at 31 December 2012	**0**	**40**	**1**	**41**
Changes via other comprehensive income				
Changes via income statement		(3)	(1)	(4)
Deferred tax liabilities at 31 December 2013	**0**	**37**	**0**	**37**

(in € millions)

Of the deferred tax liabilities at 31 December 2013, an amount of €0 million (2012: 0) is to be settled within 12 months and an amount of €37 million (2012: 41) after 12 months.

Notes to the consolidated statement of cash flows

25 Net cash (used in)/from operating activities

Net cash (used in)/from operating activities: 65 million (2012: -56)

Net cash from operating activities increased by €121 million from -€56 million in 2012 to €65 million in 2013. The adjustments to profit/(loss)before income taxes for non-cash transactions in the statement of cash flows relate to depreciation, amortisation and impairments, share-based payments, investment income and changes in provisions.

Cash generated from operations

The cash generated from operations increased from €83 million in 2012 to €160 million in 2013. The increase of €77 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 €53 million,
- change in pension liabilities of -€52 million,
- change in other provisions of €120 million, and
- change in working capital of -€44 million.

The profit before income taxes of -€103 million (2012: 731) adjusted for the non-cash impact of depreciation, amortisation and impairments of €132 million (2012: 115), share-based payments of €4 million (2012: 0) and total investment income of €501 million (2012: -365) amounted to €534 million, which is €53 million higher than in 2012 (€481 million).

The change in pension liabilities decreased by €52 million from -€266 million in 2012 to -€318 million in 2013 and mainly reflects the difference between the total non-cash employer pension expense for the post-employment defined benefit plans of -€13 million (2012: 77) and the comparable total cash contributions totalling €306 million (2012: 343). In 2013, the cash contributions include top-up payments of €64 million in total (2012: 83).

The change in other provisions increased by €120 million from -€132 million in 2012 to -€12 million in 2013 and reflects the difference between the recorded costs for provisions (net amount of additions and releases) of €76 million (2012: -21) and the withdrawals of €88 million (2012: 111). These withdrawals related mainly to restructuring settlements for cost savings initiatives and several other smaller restructuring programmes.

The change in working capital decreased by €44 million from €0 million in 2012 to -€44 million in 2013. In 2013, the change in working capital worsened mainly due to a reduction in payables within Mail in the Netherlands and PostNL Other.

Interest paid

The total cash-out for interest paid in 2013 amounted to €150 million (2012: 99). In 2013, interest paid mainly included interest on PostNL's long-term borrowings of €97 million (2012: 92), interest compensation paid as a result of the bond buy-back transaction of €50 million, interest related to income taxes of €0 million (2012: 3) and other bank charges of €2 million (2012: 2). In addition, interest payments of €1 million (2012: 2) on notional cash pools were included, which in accordance with IFRS, is reported on a gross basis (and offset in received interest).

Income taxes received/(paid)

PostNL received income taxes totalling €55 million (2012: 40 paid), which includes refunds on preliminary prior year tax assessments in the Netherlands relating to timing differences totalling €74 million.

26 Net cash (used in)/from investing activities

Net cash (used in)/from investing activities: 416 million (2012: -156)

Interest received

In 2013, interest received amounted to €6 million (2012: 11) and included interest received on income taxes of €4 million (2012: 7) and interest received on short-term bank balances and deposits of €2 million (2012: 4), of which €1 million (2012: 2) related to a gross-up on notional cash pools, which is offset in the interest paid.

Dividend received

In 2013, the cash inflow for dividend of €9 million (2012: 2) mainly related to dividend received from the stake in TNT Express and from minority shareholdings in Germany.

Acquisition of subsidiaries and joint ventures (net of cash)
In 2013, no cash was involved with the acquisition of Group companies or joint ventures (2012: 15, for the acquisition of trans-o-flex).

Investments in associates
In 2013, the investments in associates amounted to €1 million, mainly relating to additional investments in Scoupy B.V. (2012: 1, for the acquisition of a 40% share in Scoupy B.V.).

Disposal of associates
In 2013, proceeds from the disposal of associates amounted to €505 million (2012: 0) relating to the sale of 15% of the shares of TNT Express. The amount consists 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 2013, capital expenditures on other intangible assets of €27 million (2012: 29) mostly related to software including prepayments for software. The capital expenditures on property, plant and equipment amounting to €90 million (2012: 175) mainly related to the New Logistics Infrastructure within Parcels, cost savings initiatives 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 2013, proceeds from the sale of property, plant and equipment amounted to €14 million (2012: 27) and mainly related to the sale of several buildings from PostNL Real Estate B.V. and PostNL Real Estate Development B.V. totalling €13 million (2012: 26).

Other changes in (financial) fixed assets
In 2012, the other changes in (financial) fixed assets of -€2 million mainly related to the non-consolidated part of a new loan to the joint venture in HIM Holtzbrinck.

Changes in non-controlling interests
In 2012, the changes in non-controlling interests of -€4 million related to a repayment of capital of €3 million to TNT Post GmbH & Co. KG, a 71% investment of PostNL, and the buy-out of minority interests in subsidiaries of TNT Post UK of €1 million.

27 Net cash (used in)/from financing activities
Net cash (used in)/from financing activities: -367 million (2012: -66)

Changes related to non-controlling interests
In 2013, changes related to non-controlling interests amounted to -€3 million (2012: -2) and related to the buy-out of the minority interest in Spring Global Mail. In 2012, the amount of €2 million related to the buy-out of minority interests in subsidiaries of TNT Post UK.

Proceeds from and repayments of long-term borrowings
In 2013, the total net proceeds from and repayments of long-term borrowings amounted to -€362 million (2012: 4) and 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. In 2012, the amount of €4 million related to some small loans in International.

Proceeds from and repayments of short-term borrowings
In 2013, the total net proceeds from and repayments of short-term borrowings amounted to €0 million (2012: -67). In 2012, the repayments of €67 million mainly related to a repayment of €30 million of the short-term part of a long-term loan and to the net of increases and decreases on outstanding local short-term debt, of which -€31 million was in the United Kingdom.

Repayments of finance leases
In 2013, total repayments related to redemptions on finance lease contracts amounted to €2 million (2012: 1).

Additional notes

28 Business combinations

(No corresponding financial statement number)

In 2013, PostNL did not acquire new business by the acquisition of the shares of other entities.

29 Commitments and contingencies

(No corresponding financial statement number)

Off-balance sheet commitments

At 31 December	2013	2012
Rent and operating lease	240	301
Capital expenditure	54	44
Purchase commitments	24	30
Pension top up invoices		64

(in € millions)

As at 31 December 2013, €149 million of the commitments indicated above are of a short-term nature (2012: 212).

Rent and operational lease contracts

In 2013, operational lease expenses (including rental) in the consolidated income statement amounted to €120 million (2012: 124). There were no material individual lease contracts as at 31 December 2013.

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

At 31 December	2013	2012
Less than 1 year	81	99
Between 1 and 2 years	62	69
Between 2 and 3 years	35	50
Between 3 and 4 years	21	27
Between 4 and 5 years	15	18
Thereafter	26	38
Total	**240**	**301**
of which guaranteed by a third party/customers	5	1

(in € millions)

Capital expenditure

As at 31 December 2013, commitments in connection with capital expenditure amounted to €54 million (2012: 44) 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 2013, PostNL had unconditional purchase commitments of €24 million (2012: 30), 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 2013, no unconditional commitments relating to pension deficits existed. The €64 million outstanding 2012 top-up invoice was paid in the first quarter of 2013.

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 2013, PostNL, on behalf of its subsidiaries, had various parental and bank guarantees outstanding. However, none (2012: 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
Ordinary course litigation
The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, subcontracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. PostNL does not expect any liability arising from any of these legal proceedings to have a material effect on its 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.

30 Financial risk management
(No corresponding financial statement number)

PostNL's activities expose the company to a variety of financial risks, such as market risks (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. All 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 risk in close cooperation with operating units. The Board of Management provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, credit risk and liquidity risk. Periodic reporting on financial risks 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. For the financial effects of movements in interest rates on the company's pension obligations, see note 11 to the consolidated financial statements.

A minor part of PostNL's borrowings is against floating interest rates. 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 floating interest rates expose the company to the risk of increasing interest costs (cash flow interest risk). 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. Group policy is to significantly limit the impact of interest fluctuations over a term of seven years as a percentage of earnings before interest, taxes, depreciation and amortisation. As at 31 December 2013, PostNL's gross interest-bearing borrowings, including finance lease obligations, totalled €1,270 million (2012: 1,618), of which €1,270 million (2012: 1,615) was at fixed interest rates.

Although PostNL generally enters into interest rate swaps and other interest rate derivatives in order to attempt to reduce its exposure to interest rate fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs. At the end of 2013, PostNL did not have any interest rate swaps open.

At 31 December 2013, 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 €5 million higher (2012: 4). 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 €0 million (2012: 0), due to the change in the interest curve projection applied for the calculation of the fair value of the £225/€284 million, £88/€111 million and £13/€16 cross-currency swaps, as well as the €5 million (2012: 4) impact on profit before income taxes (see also note 31 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.

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 exposure to currency fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs.

The main currencies of PostNL's external hedges are the British pound and US dollar, of which the 2013 exchange rates to euro are shown below:

Exchange rates main foreign currency

	Year opening[1]	Year end closing[2]	Annual Average[3]
British pound	0.81400	0.83370	0.85034
US dollar	1.32620	1.37910	1.32943

(in €)

1 Source: European Central Bank, reference rate on the first day of the year.
2 Source: European Central Bank, reference rate on the last day of the year.
3 The annual average is calculated as the 12-month 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 2013, 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 2013, 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 (2012: 0). In 2013, the net income sensitivity to movements in euro/pound sterling and euro/US dollar exchange rates compared to 2012 did not change. Equity would have been impacted by €9 million (2012: 18), all related to the move in hedge reserve.

Credit risk
Credit risk represents the 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.

In the current economic environment, PostNL emphasises proactive management of credit risk relevant to both customers and financial institutions. Several initiatives have been proposed by Group Treasury to widen the range of instruments and to minimise the exposure to individual financial institutions and commercial organisations.

On the reporting date, there was no significant concentration of credit risk across the customer portfolio. The top 10 trade accounts receivable accounted for 11% of outstanding trade receivables as at 31 December 2013. Within Italy, €21 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. Although the timing of collection is uncertain, management expects the receivable to be collected 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. Furthermore, other non PostNL-specific adverse market conditions could also turn out to have a material adverse effect on the company's funding ability.

The PostNL Group has the following undrawn revolving credit facility (committed) with end term 1 June 2016:

Undrawn committed credit facilities

At 31 December	2013	2012
Multicurrency Revolving Credit Facilities	570	570

(in € millions)

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

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Eurobonds	69	466	891		1,224
Other loans	6	3			9
Financial leases	1	1			2
Interest rate and cross-currency swaps - outgoing	28	40	453		35
Foreign exchange contracts - outgoing	19				
Trade accounts payable	168				168
Other current liabilities	86				86
Total outgoing flows	377	510	1,344		1,524
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	**330**	**470**	**891**		**1,524**
Eurobonds	91	573	787	573	1,575
Other loans	1	10			11
Financial leases	2	1			3
Interest rate and cross-currency swaps - outgoing	40	96	80	579	29
Foreign exchange contracts - outgoing	8				0
Trade accounts payable	233				233
Other current liabilities	79				79
Total outgoing flows	454	680	867	1,152	1,930
Interest rate and cross-currency swaps - incoming	40	96	80	579	
Foreign exchange contracts - incoming	8				
Total mitigation on incoming flows	48	96	80	579	
Total liquidity risk 2012	**406**	**584**	**787**	**573**	**1,930**

(in € millions)

Capital structure management

PostNL's capital structure is managed along the following components: (I) an investment grade credit rating targeted at BBB +/Baa1; (2) availability of €400-€500 million of undrawn revolving credit facilities; (3) structured funding through a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest; (4) cash-pooling systems facilitating optimised cash requirements for the Group; and (5) 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.

31 Financial instruments

(No corresponding financial statement number)

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

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			5				5
Other financial fixed assets		level 1				542	542
Accounts receivable	6		401				401
Prepayments and accrued income	7		105				105
Cash and cash equivalents	8		469				469
Total assets as per balance sheet 2013			**980**	**0**	**0**	**542**	**1,522**
Other loans receivable			4				4
Other financial fixed assets							
Accounts receivable	6		482				482
Prepayments and accrued income	7		116				116
Cash and cash equivalents	8		391				391
Total assets as per balance sheet 2012			**993**	**0**	**0**	**0**	**993**

(in € millions)

Financial instruments - liabilities

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	13	level 1&2	1,228	35		1,263
Trade accounts payable			168			168
Other current liabilities	14		93			93
Total liabilities as per balance sheet 2013			**1,489**	**35**	**0**	**1,524**
Long-term debt	13		1,586	29		1,615
Trade accounts payable			233			233
Other current liabilities	14		82			82
Total liabilities as per balance sheet 2012			**1,901**	**29**	**0**	**1,930**

(in € millions)

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

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.

The outstanding nominals of the eurobonds of PostNL in issue as at 31 December 2013 are listed in the table below:

Outstanding eurobonds (nominal values)

	Issue currency	Nominal value at 31 Dec 2012	Bond buy-back during 2013	Nominal value at 31 Dec 2013
3.875% eurobond 2015	EUR	400	(51)	349
5.375% eurobond 2017	EUR	640	(132)	508
7.500% eurobond 2018	GBP	450	(136)	314

(in millions)

As at 31 December 2013 all the outstanding eurobonds are measured at amortised cost of €1,224 million (2012: 1,575). 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 £88/€111 million cross-currency swaps (see 'Derivatives').

For the outstanding eurobonds, see the table below.

Outstanding eurobonds

At 31 December	Nominal value	Costs/discount to be amortised	Hedge accounting	Carrying value	Fair value
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**
3.875% eurobond 2015	400	10	No	390	423
5.375% eurobond 2017	640	3	No	637	726
7.500% eurobond 2018 (£450 million)	568	3	Yes	548	668
Total outstanding eurobonds 2012	**1,608**	**16**		**1,575**	**1,817**

(in € millions)

The decrease in the nominal value of the bonds is €355 million, as follows from the table above.The difference to the nominal value of €344 million, as stated in note 13 to the financial statements, relates to the accelerated payment at maturity of the cross-currency swap used to hedge the sterling/euro exposure of the partially repurchased bond denominated in British pounds.

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

At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Total outstanding financial leases 2013	2	fixed	No	2	2
Total outstanding financial leases 2012	3	fixed	No	3	3

(in € millions)

Derivatives

Cross-currency swaps

As a result of the bond-buy back transaction (see 'Eurobonds'), one of two £225/€284 million cross-currency swaps originally entered into to hedge a £450 million eurobond has been adjusted to comply with Group policy on managing currency risk (see note 30 for more details on Financial Risk Management). The adjustment was performed via an accelerated settlement of £136 million out of the originally swapped amount of £225 million. The net cash impact of the accelerated settlement was -€18 million.

As at 31 December 2013, PostNL had £225/€284 million and £88/€111 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 2013, net financial expense included an amortisation of €2 million from the hedge reserve.

In 2013, the total ineffective portion recognised in the income statement that arises from the use of fair value hedges amounted to €0 million (2012: 0). The total ineffective portion recognised in the income statement that arises from the use of cash flow hedges amounted to €2 million (2012: 0). The inefficiency was caused by credit valuation adjustments of -€2 million (2012: 0) to the fair value of outstanding cross-currency swaps to comply with IFRS 13 provisions. The net result on the financial statements of PostNL was therefore €0 million (2012: 0).

For the outstanding cross-currency swaps, see the table below.

Outstanding swaps

At 31 december	Nominal value	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value
Total cross-currency swaps 2013	411	No	GBP/EUR	Yes	float	fixed	cash flow	35
Total cross-currency swaps 2012	584	No	GBP/EUR	Yes	float	fixed	cash flow	29

(in € millions)

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 and will be offset by the movement between hedge reserve and income statement to record 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 2013 amounted to €0 million (2012: 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 2013 amounted to €0 million (2012: 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 and will be offset by the movement between hedge reserve and income statement to record the ineffective part of the hedge relationship. The IFRS 13 credit valuation adjustments for foreign exchange contracts made in 2013 amounted to €0 million (2012: 0).

For the outstanding foreign exchange contracts, see the table below.

Outstanding foreign exchange contracts

At 31 december	Notes	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Asset	7	0	0	19	fair value	No
Liability	15	0	0	19	fair value	No
Foreign exchange contracts 2013						
Asset	7	0	0	8	fair value	No
Liability	15	0	0	8	fair value	No
Foreign exchange contracts 2012						

(in € millions)

32 Earnings per share

To calculate basic earnings per share, an average of 439,973,297 ordinary shares is taken into account. For calculating diluted earnings per share, an average number of 440,867,038 is taken into account. For both calculations, the profit attributable to equity holders of the parent of -€170 million (2012: 656) has been applied.

At 31 December 2013, PostNL had potential obligations under share plans to deliver 893,741 shares (2012: 0), calculated based on the share price of €4.15 as at 31 December 2013.

The following table summarises the outstanding shares for PostNL's calculation related to earnings per share.

(Average) number of outstanding ordinary shares

Year averages and numbers at 31 December	2013	2012
Number of issued and outstanding ordinary shares	439,973,297	439,973,297
Shares held by the company to cover share plans	0	0
Average number of ordinary shares per year	439,973,297	439,973,297
Diluted number of ordinary shares per year	893,741	0
Average number of ordinary shares per year on fully diluted basis in the year	**440,867,038**	**439,973,297**

(in shares)

33 Joint ventures
(No corresponding financial statement number)

The company accounts for joint ventures in which PostNL and another party have equal control according to the proportionate consolidation method. PostNL's most significant joint venture as at 31 December 2013 was the 50% interest in Postkantoren B.V. with ING Bank N.V., to operate post offices in the Netherlands. In addition, PostNL holds a 50% interest in HIM Holtzbrinck joint ventures.

The company's share in the joint ventures' off-balance sheet commitments amounted to €24 million and mainly related to rent and operating lease contracts of €18 million, guarantees issued of €1 million and other commitments of €5 million.

Key pro rata information regarding all joint ventures in which PostNL has joint decisive influence over operations is presented in the following table and includes balances at 50%.

Key pro rata data joint ventures

Year ended at 31 December	2013	2012
Non-current assets	17	14
Current assets	50	58
Total assets	**67**	**72**
Equity	30	28
Non-current liabilities	6	9
Current liabilities	31	35
Total equity and liabilities	**67**	**72**
Net sales	150	158
Operating income	4	(1)
Profit attributable to the shareholders	**2**	**(2)**
Net cash used in operating activities	(9)	(13)
Net cash used in investing activities	(1)	(6)
Net cash from financing activities	7	10
Changes in cash and cash equivalents	**(3)**	**(9)**

(in € millions)

34 Related party transactions and balances
(No corresponding financial statement number)

The PostNL Group companies have trading relationships with a number of joint ventures as well as with unconsolidated companies in which PostNL holds minority 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 2013, purchases of PostNL from its joint ventures amounted to €12 million (2012: 22). No sales were made by PostNL companies to its joint ventures (2012: 0). The net amounts due to the joint venture entities amounted to €0 million (2012: 14).

As at 31 December 2013, no material amounts were payable by PostNL to associated companies.

Related party transactions with PostNL's pension fund are presented in note 11 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 20 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 2013, no events had occurred that triggered disclosure of a significant contingent asset or liability following the aforementioned agreements with TNT Express.

35 Segment information

(No corresponding financial statement number)

PostNL identifies the following reportable segments:

- Mail in the Netherlands, which provides mail services in the Netherlands, including the provision of the universal service and data and electronic communications activities,
- Parcels, which provides standard parcel services in the Netherlands and Belgium for both domestic and cross-border parcel distribution, and
- International, which provides addressed and unaddressed mail activities outside the Netherlands, in particular the United Kingdom, Germany and Italy.

The measure of profit and loss and assets and liabilities is based on the PostNL Group accounting policies, which are compliant with IFRS. The pricing of intercompany sales is done at arm's length.

Segmentation – results

The following table presents the reconciliation of the segment information relating to the income statement of the reportable segments.

Segmentation

Year ended at 31 December 2013	Mail in NL	Parcels	International	PostNL Other	Intercompany	Total 2013
Net sales	2,032	618	1,622	24		4,296
Intercompany sales	126	179	36	233	(574)	
Other operating revenue	3	6		2		11
Total operating revenue	**2,161**	**803**	**1,658**	**259**	**(574)**	**4,307**
Other income	6	0	0	1		7
Depreciation/impairment property, plant and equipment	(45)	(11)	(10)	(24)		(90)
Amortisation/impairment intangibles	(16)	(5)	(4)	(4)		(29)
Impairment assets held for sale	(1)		(12)			(13)
Total operating income	**145**	**90**	**4**	**165**		**404**
Net financial expense						(174)
Results from investments in associates						36
Reversal of/(impairment of) investments in associates						(369)
Income taxes						(67)
Profit for the year						**(170)**
Attributable to:						
Non-controlling interests						0
Equity holders of the parent						**(170)**
Number of employees (headcount)	46,676	3,146	7,690	1,768		59,280

(in € millions, except employees)

Taxes, net financial expense and investments in 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 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 (see page 95 in the notes to the consolidated financial statements),
- the effect of pensions top-up payments in Mail in the Netherlands (€57 million) and Parcels (€3 million) offset by PostNL Other (-€60 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.

Segmentation

Year ended at 31 December 2012	Mail in NL	Parcels	International	PostNL Other	Intercompany	Total 2012
Net sales	2,134	568	1,586	29		4,317
Intercompany sales	133	155	38	261	(587)	
Other operating revenue	3	7		3		13
Total operating revenue	**2,270**	**730**	**1,624**	**293**	**(587)**	**4,330**
Other income	14	16	1	0		31
Depreciation/impairment property, plant and equipment	(40)	(8)	(8)	(23)		(79)
Amortisation/impairment intangibles	(6)	(3)	(4)	(14)		(27)
Decreases value assets held for sale	(9)					(9)
Total operating income	**146**	**109**	**27**	**113**		**395**
Net financial expense						(99)
Results from investments in associates						(13)
Reversal of/(impairment of) investments in associates						448
Income taxes						(74)
Profit for the year						**657**
Attributable to:						
Non-controlling interests						1
Equity holders of the parent						**656**
Number of employees (headcount)	54,474	3,510	6,274	2,153		66,411

(in € millions, except employees)

In 2012, the material non-recurring and exceptional items of income and expense as included in operating income were a positive effect of past service pension costs (€27 million), rebranding costs (€12 million), restructuring-related charges (-€26 million) and an impairment of assets held for sale relating to customer contact services (€9 million).

Balance sheet information

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

Segmentation - balance sheet and capital expenditures

At 31 December 2013	Mail in NL	Parcels	International	PostNL Other[1]	Total 2013
Intangible assets	78	20	38	7	143
Property, plant and equipment	253	194	21	71	539
Trade accounts receivable	190	36	142	10	378
Other current assets	68	13	77	443	601
Total assets	**628**	**263**	**462**	**1,111**	**2,464**
Trade accounts payable	77	22	42	24	165
Other current liabilities	563	71	102	145	881
Total liabilities	**1,030**	**154**	**284**	**1,668**	**3,136**
Cash out for capital expenditures	21	74	14	8	117

(in € millions)

1 PostNL's stake in TNT Express is included in this segment.

As at 31 December 2013, the total assets of PostNL Other of €1,111 million (2012: 1,865) mainly included assets related to the stake in TNT Express amounting to €542 million (2012: 1,367). The total assets of International included assets held for sale of €167 million. Refer to note 9 to the consolidated financial statements.

The segmented balance sheet information as at 31 December 2012 was as follows:

Segmentation - balance sheet and capital expenditures

At 31 December 2012	Mail in NL	Parcels	International	PostNL Other[1]	Total 2012
Intangible assets	87	11	62	8	168
Property, plant and equipment	273	142	35	86	536
Trade accounts receivable	173	43	210	6	432
Other current assets	89	14	119	348	570
Total assets	**696**	**212**	**443**	**1,865**	**3,216**
Trade accounts payable	92	20	95	26	233
Other current liabilities	574	85	157	138	954
Total liabilities	**1,124**	**167**	**271**	**1,946**	**3,508**
Cash out for capital expenditures	56	72	16	60	204

(in € millions)

1 PostNL's stake in TNT Express is included in this segment.

Geographical segment information

The segment information from a geographical perspective is derived as follows: the basis of allocation of net sales by geographical area is the country or region in which the entity recording the sales is located; and segment assets and investments are allocated to the location of the assets.

Geographical segmentation - net sales

Year ended at 31 December	2013	2012
The Netherlands	2,662	2,733
United Kingdom	757	780
Italy	227	206
Germany	557	512
Rest of Europe	74	64
Europe	4,277	4,295
Rest of the World	19	22
Total net sales	**4,296**	**4,317**

(in € millions)

Geographical segmentation - assets

At 31 December	2013			2012		
	Intangible assets	Property, plant and equipment	Financial fixed assets	Intangible assets	Property, plant and equipment	Financial fixed assets
The Netherlands	106	517	589	107	502	1,426
United Kingdom				24	14	
Italy	5	5	7	4	5	7
Germany	32	14	11	33	14	10
Rest of Europe		3	2			4
Europe	143	539	609	168	535	1,447
Rest of the World					1	
Total	**143**	**539**	**609**	**168**	**536**	**1,447**

(in € millions)

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

36 Subsequent events

(No corresponding financial statement number)

There were no subsequent events to report.

37 Postal regulation and concession

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 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, and
- 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 delivery round five days a week, delivering on average no less than 95% of all standard single-rated domestic letters posted the day before, except on Sundays, public holidays and, as of 1 January 2014, Mondays. Urgent medical items and funeral cards are still 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
In June 2013, the Minister of Economic Affairs sent a letter to parliament recognising the need for further modernisation of the Universal Service Obligation. The minister stated that continuing volume declines demand substantial changes to both tariffs and obligations in order to keep Universal Postal Services accessible and affordable to all. He intends to mitigate the requirements for mandatory letter boxes and service outlets. As a result, coming years could see the number of letter boxes being reduced from 19,000 to 8,700, and service outlets from 2,000 to 1,000. The minister will send parliament a proposed amendment to the Postal Act 2009 in the summer of 2014.

Tariffs and tariff regulation
The Minister of Economic Affairs approved additional tariff increases for 2013 and 2014. PostNL therefore increased USO tariffs as of 1 January 2013, 1 August 2013 and 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, ACM first has to define a fictional permitted average postal rate. 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 rates.

Net costs
PostNL has withdrawn its net cost application over 2011 and has not filed an application over 2012, now that the Minister of Economic Affairs has sent his proposal to increase the financial stability of the Universal Postal Service to parliament.

Significant market power
Parliament has voted in favour of the amended Dutch Postal Act 2009 introducing a supervisory regime of significant market power. As of 1 January 2014, the ACM is authorised to impose specific obligations on parties with significant market power. Before it can impose obligations, ACM has to establish significant market power and assess a suitable obligation for the type of potential competition problem that may need to be resolved. PostNL expects the results of the analysis by the ACM in the second half of 2014.

Social Agreement
Programme to combat pseudo self-employment
The Minister of Social Affairs and Employment initiated a national programme to combat pseudo self-employment in 2013. The Minister aims to improve the legal position of people working in different sectors as an independent contractor. The Parcels subcontractors of PostNL and its competitors fall within the scope of this programme.

Participation Act
The Social Agreement includes the Participation Act, an approach to help people with an occupational disability to find work. Employers are expected to actively participate and to find work for 5,000 people with an occupational disability in 2014. In 2026, Dutch employers are expected to offer work to 100,000 people with an occupational disability. The Dutch Second Chamber of Parliament has voted in favour of the proposed Participation Act on 20 February 2014. The proposed Participation Act will now be sent to the First Chamber of Parliament.

Value added tax on postal services
PostNL is not allowed to charge value added tax 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.

Corporate statement of financial position

	Notes	At 31 December 2013	At 31 December 2012 (restated)	At 1 January 2012 (restated)
Before proposed appropriation of profit				
ASSETS				
Investments in Mail		3,084	2,442	2,442
Investments in associates				860
Available-for-sale financial assets		542		
Total financial fixed assets	38	3,626	2,442	3,302
Deferred tax assets	50	21	28	
Pension assets	43			546
Total non-current assets		**3,647**	**2,470**	**3,848**
Loan receivable from Group companies	39	400		
Accounts receivable from Group companies	40	2	1	
Other current assets		3	3	4
Total current assets		**405**	**4**	**4**
Assets classified as held for sale	41		860	
TOTAL ASSETS		**4,052**	**3,334**	**3,852**
EQUITY AND LIABILITIES				
Issued share capital		35	35	31
Additional paid-in capital		147	147	151
Hedge reserves		(14)	(13)	(12)
Revaluation reserve investments in Mail		2,187	1,549	1,549
Available-for-sale financial assets		44		
Other reserves		(1,409)	(905)	(1,383)
Unappropriated profit		935	325	1,091
Total shareholders' equity	42	**1,925**	**1,138**	**1,427**
Deferred tax liabilities	50			136
Provision for pension liabilities	43	172	104	
Eurobonds	44	1,224	1,575	1,557
Other long-term liabilities		8	15	8
Total non-current liabilities		**1,404**	**1,694**	**1,701**
Eurobonds held by Group companies	39	400		
Accounts payable to Group companies	40	226	443	576
Other current liabilities	45	97	59	148
Total current liabilities		**723**	**502**	**724**
TOTAL EQUITY AND LIABILITIES		**4,052**	**3,334**	**3,852**

(in € millions)

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

Corporate income statement

Year ended at 31 December	Notes	2013	2012 restated
Dividend income	46	124	275
Reversal impairment Mail investments	47	638	
Salaries, pensions and social security contributions	48	193	138
Other operating expenses		1	3
Total operating expenses		832	141
Operating income		**956**	**416**
Interest and similar income		7	29
Interest and similar expenses		(163)	(104)
Net financial expense	49	(156)	(75)
Book profit on disposal of investment in associates	38	141	
Profit/(loss) before income taxes		**941**	**341**
Income taxes	50	(6)	(16)
Profit for the year attributable to shareholders		**935**	**325**

Corporate statement of comprehensive income

Year ended at 31 December	Notes	2013	2012 restated
Profit for the year attributable to shareholders		**935**	**325**
Pension asset ceiling/minimum funding requirement, net of tax	43	(140)	
Actuarial gains/(losses) pensions, net of tax	43	(55)	(613)
Other comprehensive income that will not be reclassified to the income statement		(195)	(613)
Gains/(losses) on cashflow hedges, net of tax		(1)	(1)
Change in value available-for-sale financial assets		44	
Other comprehensive income that may be reclassified to the income statement		43	(1)
Total other comprehensive income for the year		**(152)**	**(614)**
Total comprehensive income for the year		**783**	**(289)**

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

Corporate statement of cash flows

Year ended at 31 December	Notes	2013	2012 restated
Profit/(loss) before income taxes		**941**	**341**
Adjustments for:			
Reversal impairment Mail investments		(638)	
Share-based payments		0	
Interest and similar income		(7)	(29)
Interest and similar expenses		163	104
Dividend income from investments in Mail		(116)	(274)
Results and dividend income from investments in associates		(149)	(1)
Investment income		(109)	(200)
Pension liabilities		(197)	(142)
Other provisions		(1)	(4)
Changes in provisions		(198)	(146)
Changes in working capital		0	1
Cash used in operations		(4)	(4)
Interest paid		(90)	(97)
Income taxes received/(paid)		106	(26)
Net cash used in operating activities	51	**12**	**(127)**
Dividend received		124	275
Disposal of associates		505	
Interest received		3	7
Net cash from investing activities	52	**632**	**282**
Financing related to Group companies		(643)	(125)
Repayments of short-term borrowings		(1)	(30)
Net cash used in financing activities	53	**(644)**	**(155)**
TOTAL CHANGE IN CASH		**0**	**0**
Cash at the beginning of the year		0	0
Total change in cash		0	0
Cash at the end of the year		0	0

(in € millions)

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

Corporate statement of changes in equity

	Issued share capital	Additional paid-in capital	Hedge reserves	Available-for-sale financial assets	Revaluation reserve investments in Mail	Other reserves	Unappropriated profit	Total shareholders' equity
Balance at 31 December 2011	31	151	(12)		1,549	(892)	1,091	1,918
Effect of adoption IAS19R						(491)		(491)
Balance at 1 January 2012	**31**	**151**	**(12)**		**1,549**	**(1,383)**	**1,091**	**1,427**
Total comprehensive income			(1)			(613)	325	(289)
Appropriation of net income						1,091	(1,091)	0
Final dividend previous year	2	(2)						0
Interim dividend current year	2	(2)						0
Total direct changes in equity	4	(4)	0		0	1,091	(1,091)	0
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**

(in € millions)

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

Notes to the corporate financial statements

General information and description of the business

PostNL N.V. (hereafter referred to as '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 24 February 2014 and are subject to adoption at the Annual General Meeting of Shareholders on 16 April 2014.

Reclassification and partial sale of the stake in TNT Express

In January 2013, UPS withdrew its offer for TNT Express that was announced in March 2012. Accordingly, the stake in TNT Express no longer met the criteria under IFRS 5 to be classified as an asset held for sale, and was therefore accounted for as investment in associates measured at cost.

Following the withdrawal of the 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.

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 and a book profit of €141 million. The partial disposal consisted of a private placement to institutional investors of 81,743,614 TNT Express ordinary shares (15% of the outstanding share capital of TNT Express). The remaining stake comprises 80,386,421 TNT Express ordinary shares, equivalent to 14.8% of the outstanding share capital of TNT Express. In accordance with IAS 39, the 14.8% 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. The fair value as at 31 December 2013 amounts to €542 million and has been determined by multiplying the closing share price on 31 December 2013 of €6.75 by 80,386,421, the total number of issued ordinary shares held by PostNL.

Summary of significant accounting policies

The significant accounting policies applied in the preparation of these corporate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All amounts included in the financial statements are presented in euros, unless stated otherwise.

Basis of preparation

The corporate financial statements 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 2013.

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 42 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 2013, 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. Except for the impact of the revised IAS 19, none of these had a significant effect on the corporate financial statements. The impact of the revised IAS 19 'Employee Benefits' on the corporate financial statements differs from the impact on the consolidated financial statements due to local plans.

Summary of restatements
The effect on the year-end 2011 corporate balance sheet of the adoption of IAS19R is as follows:

- the reported pension assets of €1,200 million decreased by €654 million to a restated pension asset of €546 million,
- the reported deferred tax liability of €299 million decreased by €163 million to a restated deferred tax liability of €136 million, and
- the reported equity of €1,918 million decreased by €491 million to a restated equity of €1,427 million.

The following table summarises the effect on the 2012 corporate balance sheet and corporate (comprehensive) income statement of the adoption of IAS19R.

At 31 December	2012 reported	Adoption IAS19R	2012 restated
Before proposed appropriation of profit			
Total financial fixed assets	2,442		2,442
Deferred tax assets		28	28
Pension assets	1,454	(1,454)	
Total non-current assets	3,896	(1,426)	2,470
Total current assets	4		4
Assets classified as held for sale	860		860
Total assets	**4,760**	**(1,426)**	**3,334**
Other shareholders'equity	1,718		1,718
Other reserves	199	(1,104)	(905)
Unappropriated profit	389	(64)	325
Total shareholders' equity	2,306	(1,168)	1,138
Deferred tax liabilities	362	(362)	
Provision for pension liabilities		104	104
Other long-term liabilities	1,590		1,590
Total non-current liabilities	1,952	(258)	1,694
Total current liabilities	502		502
Total equity and liabilities	**4,760**	**(1,426)**	**3,334**

Year ended at 31 December	2012 reported	Adoption IAS19R	2012 restated
Dividend income	275		275
Salaries, pensions and social security contributions	250	(112)	138
Other operating expenses	3		3
Total operating expenses	253	(112)	141
Operating income	**528**	**(112)**	**416**
Interest and similar income	3	26	29
Interest and similar expenses	(104)		(104)
Net financial expense	(101)	26	(75)
Profit/(loss) before income taxes	**427**	**(86)**	**341**
Income taxes	(38)	22	(16)
Profit for the year attributable to shareholders	**389**	**(64)**	**325**
Actuarial losses pensions, net of tax		(613)	(613)
Gains/(losses) on cashflow hedges, net of tax	(1)		(1)
Total other comprehensive income for the year	(1)	(613)	(614)
Total comprehensive income for the year	**388**	**(677)**	**(289)**

b) New standards, amendments and interpretations issued but not effective for the financial year beginning on 1 January 2013 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 2013. 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 38 to the corporate financial statements.

Investments in subsidiaries and associated companies
Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the company’s subsidiaries and associated companies is recognised when the right to receive payment is established.

Impairment of investments in subsidiaries
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 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.

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.

Provisions for pension liabilities

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 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.

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.

Non-current assets (or disposal groups) held for sale
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 the fair value less costs of disposal. Assets held for sale are no longer amortised or depreciated from the time they are classified as such.

Taxation
The company is tax-resident in the Netherlands.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the statement of income is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Deferred tax assets and/or liabilities arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised.

Notes to the corporate statement of financial position

38 Total financial fixed assets

Total financial fixed assets: 3,626 million (2012: 2,442)

The movement in investments is as follows:

Statement of changes corporate financial fixed assets

	Investments in Mail	Investments in associates	Available-for-sale financial assets	Total
Balance at 31 December 2011	**2,442**	**860**		**3,302**
Transfer to assets held for sale		(860)		(860)
Balance at 31 December 2012	**2,442**	**0**	**0**	**2,442**
Additions to capital	4			4
Reversal impairment Mail investments	638			
Transfer from assets held for sale		860		0
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	(314)
Balance at 31 December 2013	**3,084**	**0**	**542**	**3,626**

(in € millions)

Investments in Mail

The subsidiary undertakings of the company as at 31 December 2013, 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.

Following the (financial) achievements in 2013 on regulatory developments, cost savings and the pension agreements, 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 2013. 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, pension top-up payments 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 11% to 13% (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.

The detailed review of the value of the Mail investments resulted in the recoverable value of the Mail investments exceeding their carrying value by €638 million. The recoverable value was derived from the 2013 strategic planning, taking into account uncertainties relating to volume decline, pension top-up payments and efficiency measures. Management concluded that a reversal of the 2011 impairment was present for an amount of €638 million (2012: no impairment or reversal).

In 2013, the additions to capital of €4 million 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
Following the withdrawal of the UPS offer in January 2013, the stake in TNT Express of €860 million was transferred back from assets classified as held for sale to investments in associates measured at cost.

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. The partial disposal consisted of a private placement to institutional investors of 81,743,614 TNT Express ordinary shares (15% of the outstanding share capital of TNT Express). Following the disposal, the remaining 14.8% 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
Following the sale of 15% of the shareholding in TNT Express on 6 December 2013, the remaining 14.8% 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 14.8% 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.

The fair value as at 31 December 2013 amounts to €542 million and has been determined by multiplying the closing share price on 31 December 2013 of €6.75 by the total number of issued ordinary shares held by PostNL of 80,386,421. The gain of €44 million has been recorded in other comprehensive income.

39 Loan receivable from/eurobonds held by Group companies

Loan receivable from Group companies: 400 million (2012: 0)/eurobonds held by Group companies: 400 million (2012: 0)

The loan receivable from Group companies of €400 million and the eurobonds held by Group companies of €400 million relate to balances with G3 Worldwide Mail N.V. and are a result of the bond buy-back transaction that was executed by G3 Worldwide Mail N.V.

40 Accounts receivable from/payable to Group companies

Accounts receivable from Group companies: 2 million (2012: 1)/Accounts payable to Group companies: 226 million (2012: 443)

Accounts receivable from Group companies related to a receivable from PostNL Holding B.V. of €2 million (2012: 1).

Accounts payable to Group companies related to an amount payable to PostNL Finance B.V. of €226 million (2012: 443). 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 2013 that are expected to be settled after 12 months (2012: 0).

41 Assets classified as held for sale

Assets classified as held for sale: 0 million (2012: 860)

In January 2013, UPS withdrew its offer for TNT Express that was announced in March 2012. Accordingly, the stake in TNT Express no longer met the criteria under IFRS 5 to be classified as an asset held for sale. It was therefore transferred to investments in associates.

42 Equity

Equity: 1,925 million (2012: 1,138)

Equity consists of equity attributable to the equity holders of the company of €1,925 million (2012: 1,138). 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 note 10 to the consolidated financial statements. The 2013 tax impact on the cash flow hedges is €5 million (2012: 4).

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 2013, the revaluation reserve of €2,187 million (2012: 1,549) 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 2013, the other reserves decreased to -€1,409 million from -€905 million, due to a negative pension effect within other comprehensive income (net of tax) of €195 million and a reclassification to the revaluation reserve of €638 million, partly offset by the appropriation of net income for 2012 of €325 million and share based payments of €4 million.

As at 31 December 2013, the unappropriated profit amounted to €935 million (2012: 325).

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 as at and for the year ended 31 December 2013 is as follows:

Consolidated to corporate equity and total comprehensive income attributable to the equity holders of the parent

Year ended at 31 December	2013		2012	
	Equity	Income	Equity	Income
Consolidated				
Equity and total comprehensive income-reported	**(679)**	**(381)**	**1,069**	**672**
Effect of adoption IAS 19R			(1,370)	(680)
Equity and total comprehensive income-restated	**(679)**	**(381)**	**(301)**	**(8)**
Reconciliation items				
Reconciliation items previous years	1,439		1,518	
Effect adoption IAS 19R on investments Mail			202	3
Reversal impairment Mail	638	638		
(Reversal)/impairment of TNT Express	263	263	(448)	(448)
Difference in book profit sale 15% of TNT Express	247	247		
Results from investments	(43)	(43)	160	160
Other comprehensive income (CTA/hedges/associates/pensions)	59	59	4	4
Other direct equity movements	1		3	
Total reconciliation items	2,604	1,164	1,439	(281)
Corporate				
Shareholders' equity and total comprehensive income-reported	**1,925**	**783**	**2,306**	**388**
Effect of adoption IAS 19R			(1,168)	(677)
Shareholders' equity and total comprehensive income-restated	**1,925**	**783**	**1,138**	**(289)**

(in € millions)

The reconciling items for equity and income are further detailed below.

Reconciliation items

The 2012 reconciliation items previous years of €1,518 million relate to the difference between the reported consolidated equity as at 31 December 2011 of €400 million and the reported corporate equity of €1,918 million.

The effect of the adoption of IAS 19R on the investments in Mail of €202 million can be calculated as the effect on corporate equity as at 31 December 2012 of -€1,168 million minus the effect on consolidated equity of -€1,370 million. The effect on the result for 2012 of €3 million relates to the difference between the effect on the corporate result of -€677 million and the effect on the consolidated result of -€680 million.

For details of the reversal of the impairment of the Mail investments recognised in the corporate financial statements, see note 38 to the corporate financial statements. For details of the impact of the (reversal)/impairments of the investment in TNT Express recognised in the 2013 and 2012 consolidated financial statements, see note 3 to the consolidated financial statements.

As regards the difference in book profit on the disposal of 15% of the shares in TNT Express, €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 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.

The 2012 results from investments were €160 million higher in the corporate financial statements as dividend income for 2012 was €275 million, whereas the result in the consolidated financial statement was €115 million. The result from investments of €115 million can be calculated from the result from the reported consolidated income statement of €677 million, minus the reversal of the impairment of TNT Express of €448 million, minus the result from the reported corporate income statement of €389 million excluding the dividend income of €275 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 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.

The 2012 difference in other comprehensive income of €4 million included -€5 million of reported other comprehensive income related to the stake in TNT Express and €1 million of currency translation adjustments related to movements in exchange rate differences on converting foreign subsidiaries.

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. In 2012, the additional difference in direct equity movements of €3 million concerned an amount of -€2 million related to the buy-out of minority interests in subsidiaries of TNT Post UK and -€1 million related to various other items.

43 Pension assets / Provisions for pension liabilities

Pension assets: 0 million (2012: 0) and provisions for pension liabilities: 172 million (2012: 104)

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 €195 million (2012: 168), whereas the consolidated financial statements record defined benefit pension expenses of €6 million (2012: 72).

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

	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	(6,291)	(4,996)
Service costs	(108)	(82)
Interest costs	(234)	(240)
Past service costs	93	(4)
Other movements	(35)	(28)
Actuarial (losses)/gains	37	(1,093)
Benefits paid	175	152
Benefit obligation at end of year	**(6,363)**	**(6,291)**
Change in plan assets		
Fair value of plan assets at beginning of year	6,187	5,542
Assumed return on plan assets	231	266
Other movements	48	38
Participants contributions	208	226
Other costs	(8)	(8)
Actuarial (losses)/gains	(114)	275
Benefits paid	(175)	(152)
Fair value of plan assets at end of year	**6,377**	**6,187**
Change in funded status		
Funded status at the beginning of year	(104)	546
Operating expenses (incl. participants contributions)	198	142
Interest (expenses)/income	(3)	26
Actuarial (losses)/gains	(77)	(818)
Funded status at end of year	**14**	**(104)**
Impact of pension asset ceiling	(36)	
Impact of minimum funding requirement	(150)	
Netted pension liabilities	**(172)**	**(104)**
Components of employer pension expenses		
Service costs	(108)	(82)
Interest (expenses)/income	(3)	26
Past service costs	93	(4)
Other costs	5	2
Participants contributions	208	226
Post-employment benefit income/(expenses)	**195**	**168**
Weighted average assumptions as at 31 December		
Discount rate	3.5%	3.7%
Rate of benefit increases	1.4%	1.5%
Life expectancy 65 year old men/women (in years)	21.0/22.8	21.8/23.5

(in € millions)

44 Eurobonds

Eurobonds: 1,224 million (2012: 1,575)

For the disclosure on the eurobonds, reference is made to notes 13 and 31 to the consolidated financial statements.

45 Other current liabilities

Other current liabilities: 97 million (2012: 59)

Other current liabilities

At 31 December	2013	2012
Current interest bearing debt	6	1
Income tax payable	50	11
Interest payable	33	42
Other	8	5
Total	**97**	**59**

(in € millions)

Income tax payable increased from €11 million in 2012 to €50 million in 2013 due to refunds on preliminary tax assessments relating to timing differences and internal settlements with Group companies within the PostNL fiscal unity.

Notes to the corporate income statement

46 Dividend income

Dividend income: 124 million (2012: 275)

Dividend income is recognised when the right to receive payment is established. The dividend income from the company's subsidiaries for 2013 was €116 million (2012: 274) and the dividend income from the stake in TNT Express for 2013 was €8 million (2012: 1).

47 Reversal impairment Mail investments

Reversal impairment Mail investments: 638 million (2012: 0)

In 2013, an amount of €638 million in impairments on the company's investments in Mail was reversed (2012: 0). Reference is made to note 38 to the corporate financial statements.

48 Salaries, pensions and social security contributions

Salaries, pensions and social security contributions: 193 million positive (2012: 138 positive)

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 43 to the corporate financial statements. PostNL N.V. does not have any employees other than the Board of Management.

49 Net financial expense

Net financial expense: 156 million (2012: 75)

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.

Interest and similar expenses

Year ended at 31 December	2013	2012
Interest expenses	(148)	(102)
Interest on net defined benefit pension liabilities	(3)	
Hedge reserve recycled to profit and loss	(12)	(2)
Total	**(163)**	**(104)**

(in € millions)

In 2013, interest expenses amounted to €148 million (2012: 102) and consisted of external interest and similar expenses of €146 million (2012: 100) and internal interest and similar expenses of €2 million (2012: 2). The external interest and similar expenses mainly related to interest expenses on long-term borrowings of €96 million (2012: 99) and the difference between nominal value and market value of bonds purchased on the date of the bond buy-back transaction of €50 million (2012: 0).

Interest and similar income

Year ended at 31 December	2013	2012
Interest income	7	3
Interest on net defined benefit pension assets		26
Total	**7**	**29**

(in € millions)

In 2013, interest income amounted to €7 million (2012: 3), of which €5 million (2012: 3) related to external interest income on taxes and €2 million (2012: 0) to a fair value adjustment to reflect the own credit risk as required by IFRS 13.

50 Income taxes

Income taxes: 6 million (2012: 16)

In 2013, income taxes amounted to €6 million (2012: 16), or 0.6% (2012: 4.7%) of profit before income taxes of €941 million (2012: 341).

Corporate effective income tax rate

Year ended at 31 December	2013	2012
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	(7.0)	(20.3)
Other	(0.5)	
Effective income tax rate	**0.6**	**4.7**

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate by the profit before income taxes. In 2013, the effective income tax rate was 0.6% (2012: 4.7%). The statutory income tax rate in the Netherlands in 2013 was 25.0% (2012: 25.0%).

In 2013, the effective income tax rate was predominantly affected by tax-exempt dividend income from the company's investments in subsidiaries as well as a tax-exempt book profit on the divestment of the 15% shareholding in TNT Express (totalling -7.0%) and a non-taxable reversal of impairments of the Mail investments (-17.0%).

Income tax expense consists of the following:

Corporate income taxes

Year ended at 31 December	2013	2012
Current tax expense	(66)	(25)
Changes in deferred taxes	72	41
Total income taxes	**6**	**16**

(in € millions)

In 2013, the current tax expense amounted to -€66 million (2012: -25). 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 2013, income tax payable amounted to €50 million (2012: 11). The company received income taxes, including internal settlements with Group companies within the PostNL fiscal unity, totalling €106 million (2012: 26 paid).

The following table shows the movements in deferred tax assets and liabilities.

Statement of changes corporate deferred income tax assets and liabilities

	Provisions	Other	Total
Deferred tax liabilities at 31 December 2011	(300)	1	(299)
Effect of adoption IAS19R	163		163
Deferred tax liabilities at 1 January 2012	**(137)**	**1**	**(136)**
Changes via other comprehensive income	205		205
Changes via income statement	(42)	1	(41)
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**

(in € millions)

Of the deferred tax assets as at 31 December 2013, €12 million (2012: 0) is to be settled within 12 months and €9 million (2012: 28) is to be settled after 12 months.

Deferred tax assets and liabilities are presented net in the balance sheet if the company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

Notes to the corporate statement of cash flows

51 Net cash from/(used in) operating activities

Net cash from/(used in) operating activities: 12 million (2012: -127)

Net cash from operating activities totalled €12 million in 2013 compared to -€127 million in 2012, an improvement of €139 million. The change mainly related to the change in income taxes received/(paid).

Cash used in operations

In 2013, the cash used in operations remained stable at -€4 million (2012: -4).

Interest paid

In 2013, the total cash outflow for interest paid was €90 million (2012: 97). Interest paid mainly included interest on PostNL's long-term borrowings of €90 million (2012: 94) and interest on taxes of €0 million (2012: 3).

Income taxes received/(paid)

In 2013, the company received income taxes totalling €106 million (2012: paid 26). This includes refunds on preliminary prior year tax assessments in the Netherlands relating to timing differences amounting to €74 million and internal settlements with Group companies within the PostNL fiscal unity.

52 Net cash from investing activities

Net cash from investing activities: 632 million (2012: 282)

Dividend received

In 2013, the total cash inflow from dividend received was €124 million (2012: 275). In 2013, dividend of €116 million was received from the company's subsidiaries (2012: 274) and dividend of €8 million from the TNT Express stake (2012: 1).

Interest received

In 2013, €3 million (2012: 7) was received relating to interest on corporate income tax.

Disposal of associates

In 2013, proceeds from the disposal of associates amounted to €505 million (2012: 0) and related to the sale of 15% of the shareholding in TNT Express.

53 Net cash used in financing activities

Net cash used in financing activities: -644 million (2012: -155)

Financing related to Group companies

In 2013, financing related to Group companies amounted to -€643 million (2012: -125) mainly relating to intercompany financing of PostNL by PostNL Finance B.V. and the payment of an intercompany loan to G3 Worldwide Mail N.V. of €400 million.

Repayments of short-term borrowings

In 2013, repayments on short-term borrowings were made totalling €1 million (2012: 30).

Dividends paid

In 2013, no cash dividend was paid (2012: 0).

Additional notes

54 Commitments and contingencies

(No corresponding financial statement number)

Declaration of joint and several liability

On 31 December 2013, 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:

Cendris Customer Contact B.V.	PostNL Pakketten Benelux B.V.
Cendris Dataconsulting B.V.	PostNL Pakketten Holding B.V.
Euro Mail B.V.	PostNL Productie B.V.
Koninklijke PostNL B.V.	PostNL Real Estate B.V
Netwerk VSP B.V.	PostNL Real Estate Development B.V
PostNL Billing & Document Solutions B.V.	PostNL Real Estate Holding B.V
PostNL Data & Document Management B.V.	PostNL Retail B.V.
PostNL Holdco B.V.	PostNL Shared Services B.V.
PostNL Holding B.V.	PostNL Transport B.V.
PostNL Marketing & Sales 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 11 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 in the form of specific guarantees to various subsidiaries: €570 million relating to committed revolving credit facilities, €86 million for guarantee facilities to facilitate the issuance of guarantees by various subsidiaries of the Group, €109 million to facilitate the operation of cash pools of PostNL in the Netherlands, United Kingdom and Germany, €18 million guarantees to facilitate ordinary business activities of various subsidiaries of the Group, as well as various guarantees included in International Swaps and Derivatives Association (ISDA) agreements with banks for the trading of financial derivatives. In addition, minor uncommitted credit and guarantee facilities are guaranteed by the company for its local businesses.

55 Financial risk management

(No corresponding financial statement number)

For disclosure on the company's overall risk management programme, reference is made to note 30 to the consolidated financial statements.

56 Financial instruments

(No corresponding financial statement number)

For a summary of the company's financial instruments relevant to these corporate financial statements, reference is made to note 31 to the consolidated financial statements.

57 Related party transactions and balances

(No corresponding financial statement number)

The company's shares are widely held. As such, no ultimate controlling party can be identified. The company, acting as a holding company, has relationships with a number of 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 corporate party transactions PostNL

Year ended at 31 December	2013		2012	
	Transactions	Balances	Transactions	Balances
Dividend income PostNL Group companies	116		274	
Dividend income TNT Express stake	8		1	
Accounts receivable from PostNL Group companies/interest income		402		1
Accounts receivable from Express Group companies/interest income		1		1
Accounts payable to PostNL Group companies/interest expense	(1)	191	(2)	414
Accounts payable to Express Group companies/interest expense				
Hedge accounts payable to PostNL Group companies/hedge income/(costs)	(1)	35	3	29
Net financing activities from Group companies	(643)		(125)	
Income tax received from/(paid to) PostNL Group companies	32		(1)	

(in € millions)

For the compensation of the members of the Board of Management and Supervisory Board, see note 20 to the consolidated financial statements.

Separation agreement TNT Express

For details on the separation agreement with TNT Express, see note 34 to the consolidated financial statements.

58 Subsequent events

(No corresponding financial statement number)

There were no subsequent events to report.

59 Subsidiaries and associated companies at 31 December 2013

(No corresponding financial statement number)

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

The Hague, 24 February 2014

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

Other information

Independent auditor's report

To the General Meeting of Shareholders of PostNL N.V.

Report on the audit of the financial statements

Our opinion

In our opinion,

- the consolidated financial statements as set out on pages 70 to 133 give a true and fair view of of the financial position of PostNL N.V. (the 'company') and its subsidiaries (the 'Group') as at 31 December 2013, and of their results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code.
- the corporate financial statements as set out on pages 134 to 153 give a true and fair view of the financial position of PostNL N.V. as at 31 December 2013, and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2013 of PostNL N.V., The Hague. These financial statements consist of the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The corporate financial statements comprise the corporate statement of financial position as at 31 December 2013, the corporate statement of income for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 section *Our Responsibilities for the Audit of Financial Statements* as included in the appendix to our report.

We are independent of the company within the meaning of the relevant Dutch ethical requirements as included in the 'Verordening op de gedrags- en beroepsregels accountants' (VGBA) and the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and have fulfilled our other responsibilities under those ethical requirements.

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

Materiality

We set certain thresholds for materiality to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. For the purposes of determining whether the financial statements are free from material misstatement we defined materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

Overview of the scope of our audit

Our group audit scope focused on covering the segments Mail in the Netherlands, Parcels and International (Italy, Germany and the United Kingdom) and also included audit procedures at corporate level.

We determined the type of work that needed to be performed at reporting units and identified those reporting units which, in our view, required a full audit of their complete financial information, either due to their size or their risk characteristics. This, together with additional procedures performed on group level, gave us the evidence we needed for our opinion on the financial statements as a whole.

The key audit matters from our audit

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Board of Management and the Supervisory Board, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Pension accounting
As from 1 January 2013 the accounting standard for pensions has changed (IAS19R). Changes in key assumptions applied under IAS 19R have a significant impact on the defined benefit obligations, pension cost incurred and equity. The accounting requires the company to make assumptions regarding parameters such as the discount rate, the rate of benefit increase and future mortality rates. Our audit procedures included, among others, evaluating the assumptions and methodologies used by the company, whereby we also used pension experts to assist us. We tested the disclosure of the pension paragraph and specifically the change to IAS 19R. The impact of IAS 19R on the consolidated 2012 balance sheet and (comprehensive) income statement has been disclosed in the Summary of restatements in the notes. Disclosures on the assumptions applied including a sensitivity analysis are included in note 11.

Stake in TNT Express
Following several events in 2013 including the withdrawal of the offer by UPS and the sale of 15% of the shares of TNT Express by the company, classification and valuation of the remaining stake in TNT Express required reconsideration. We audited the classification of the remaining 14.8% stake in TNT Express as an available-for-sale financial asset and the valuation based on observable, publicly available market data, being the share price of TNT Express. Reclassification and partial sale of the stake in TNT Express including the effects on income and equity have been disclosed in the general notes and in note 3.

Master Plan restructuring provision
In 2013 the company announced the revision to further restructuring of its operations in the Netherlands with the Master Plan restructuring program including reductions in overhead. The measurement of the related restructuring provision highly depends on the projected cash outflows over the years affected by the estimated number of staff that will either be made redundant or apply for a mobility arrangement. Furthermore the restructuring provision depends on the progress in the Master Plans in terms of detailed plans and communication to employees. In 2013, the company further detailed the restructuring plan for overhead functions and further executed the plans in Mail operations which resulted in additions to the provision and severance payments withdrawn from the provision. In our audit we have tested the movements in the provision against supporting documentation and evaluated the assumptions used as disclosed in note 12.

Impairment of goodwill and Mail investments
Under IFRSs, the company is required to annually test goodwill for impairment. Furthermore, the carrying amount of the Mail related investments in the company accounts has also been tested for impairment based on impairment triggers such as the company share price and the development of the business. The impairment tests were significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions, particularly those relating to the cost saving measures and price / volume developments. Our audit procedures included, among others, evaluating the assumptions and methodologies used by the company. We used a valuation expert to assist us. The company's conclusion on these impairment tests and disclosures about goodwill, including the assumptions used are included in note 1 and the disclosures on the partial reversal of the 2011 impairment on the Mail investments are included in note 38.

Assets held for sale
Following the (conditional) agreement with a co-investor for the purchase of the UK business, classification and valuation of the related assets and liabilities were reconsidered. We assessed the deal structure on the basis of the sale agreement and shareholders agreement and tested the classification and valuation of the related assets and liabilities. We challenged management on the presentation of the UK business in the 2013 financial statements and the potential impact of the transaction on future financial statements. The impact of this agreement to establish a joint venture has been disclosed in the general notes and in note 9.

Our findings with respect to going concern
As included in the going concern paragraph to the financial statements on page 75, the company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

As part of our audit of the financial statements, we concur with management's use of the going concern basis of accounting in the preparation of the company's financial statements.

The Board of Management has not identified a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty.

However, neither management nor the auditor can guarantee the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Board of Management and Supervisory Board
The respective responsibilities are set out in the appendix to this report.

We are required to communicate with the Board of Management and 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 are also required to 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.

Report of the Board of Management and the other information
Pursuant to the legal requirements under Part 9 Book 2 of the Dutch Civil Code with respect to our responsibilities to report on the Board of Management and the 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 the Dutch Civil Code, and whether the other information has been annexed as required by Part 2 Book 2 of this Code; and
- We report that the report of the Board of Management, to the extent we can assess, is consistent with the financial statements.

Amsterdam, 24 February 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by H.C. Wüst RA

Appendix

Responsibilities of the Board of Management and the Supervisory Board for the financial statements
The Board of Management (management) is responsible for the preparation and fair presentation of these 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 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error. The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with Dutch Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 override of internal control.
- Obtain 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the company and the entities and business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 2013.

Dividend proposal 2013

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 €935 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 2013 dividend is proposed.

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

Appropriation of profit

	2013
Profit attributable to the shareholders	935
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 31, par. 2)	(935)
Dividend on ordinary shares	0
(Interim) dividend paid in cash	0
Final dividend	**0**

(in € millions)

Group companies of PostNL N.V.

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

Subsequent events

There were no subsequent events to report.

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The notes refer to the figures in the corporate responsibility tables on the following pages. The paragraphs corresponding to the notes give a detailed explanation of the trends in the figures and the initiatives and policies which led to our performance in the field of corporate responsibility.

Corporate responsibility performance

People performance

	Notes	2013	2012
Responsible redesign			
Voluntary turnover	1	10,936	13,490
As percentage of total headcount		19%	21%
Health & safety			
Fatal accidents	2	0	3
Serious accidents	3	24	24
Lost time accidents	4	666	690
As frequency rate per 100 FTEs		2.3	2.2
Blameworthy road traffic incidents (per 100,000 kilometres)	5	3.5	3.8
As percentage of total road traffic incidents		79%	65%
Absenteeism (percentage of total working hours)	6	5.1%	5.5%
OHSAS 18001 certification (percentage of FTE working in certified sites)	7	90%	91%
Diversity & inclusion			
Gender profile	8		
Percentage of females in total headcount		44%	44%
Percentage of females in management		26%	23%
Employees with a disability	9	1,441	1,604
As percentage of total headcount		2.5%	2.5%
Recruitment and career development			
Employee Engagement score (percentage of engaged employees)	10	58%	56%
Internal promotion (percentage of total management vacancies)	11	52%	66%
Training hours per FTE	12	19	23
Investors in People certification (percentage of headcount working in certified sites)	13	94%	95%

Environmental performance

	Notes	2013	2012
Environmental impact buildings and vehicles			
CO_2 efficiency index	14	58.3	61.8
Buildings	15		
Efficiency (kg CO_2 per m^2)		14.8	19.7
Sustainable electricity usage (as % of total electricity usage)		81%	81%
Small trucks and vans	16		
Efficiency (gr CO_2 per km)		244	238
Vehicles complying with Euro 5		78%	53%
Vehicles complying with Euro 4		20%	46%
Vehicles not complying with Euro 5 or Euro 4		2%	1%
Large trucks	16		
Efficiency (gr CO_2 per km)		720	712
Vehicles complying with Euro 6		17%	0%
Vehicles complying with Euro 5		83%	92%
Vehicles not complying with Euro 6 or Euro 5		0%	8%
CO_2 footprint (in ktonnes)	18		
Small trucks and vans	16	16	17
Large trucks	16	35	32
Total operational vehicles		51	49
Heating (gas, heating fuel)	15	16	16
Scope 1		67	65
District heating		1	1
Electricity (including electric vehicles)	15	48	45
Scope 2		49	46
Company cars	19	9	8
Business travel by air	20	1	1
Subcontractors	18	393	359
Scope 3		403	368
Gross PostNL own CO_2 footprint (total scope 1 and 2)		**116**	**111**
Avoided CO_2 emissions (sustainable electricity)	15	(39)	(36)
Avoided CO_2 emissions (biogas)	15	(2)	(2)
Effect degree days	15	(1)	0
Compensated CO_2 emissions (CO_2 credits)	15	(7)	(4)
Total PostNL own CO_2 footprint (total scope 1 and 2)		**67**	**69**
Total Net PostNL CO_2 footprint (scope 1, 2 and Subcontractors)		**460**	**428**
Other environmental indicators			
Waste (tonnes per FTE)	21	0.4	0.4
Recycling of waste in percentage of total waste	21	61%	52%
Noise complants	21	1	2
Environmental incidents on site	21	10	5
Environmental incidents off site	21	0	4
ISO 14001 certification (percentage of total FTE working in certified sites)	17	91%	91%

Stakeholders performance

	Notes	2013	2012
Customer satisfaction & on-time delivery			
Customer satisfaction as percentage of total customers (overall Mail in NL)	164	85%[1]	84%
On-time delivery of Mail in the Netherlands	22	95.9%	93.9%
CO_2-neutral postage (in ktonnes CO_2)	23	13	15
ISO 9001 certification (percentage of total FTE working in certified sites)	24	91%	91%

[1] In 2013 there were two surveys, see note 22.

Social responsibility performance

	Notes	2013	2012
Voluntary contributions (in € 1,000)			
School Feeding Support Programme	25	446	278
Kids Moving the World Support		100	100
Management & Office		132	146
Knowledge transfer		204	56
BERL - Jatropha	26	333	877
PostNL Total	27	**1,215**	**1,457**

General information

PostNL's corporate responsibility strategy and performance is focused on the four areas mentioned in chapter 9 of this report. This chapter provides an overview and explanation of the results achieved in these areas during 2013. These figures are compared to the 2012 figures, which were reported in the PostNL 2012 annual report published on 25 February 2013.

Notes to the consolidated statement of people performance

1 Voluntary turnover

The voluntary turnover in percentage of headcount decreased to 19% (2012: 21%). More than 90% of this voluntary turnover is related to the business segment Mail in the Netherlands. Most of the voluntary turnover was related to part-time mail deliverers. Around 33% of the mail deliverers left PostNL voluntarily during 2013 (2012: over 40%). PostNL developed and began implementing a programme called 'The Mail Deliverer Journey'. Several factors were determined which influence the relationship between PostNL and its mail deliverers. Actions were defined to reduce voluntary turnover.

2 Fatal accidents

A fatal accident is defined as the death of any person because of an occupational accident. An occupational accident is an unexpected and unplanned occurrence, including an act of violence, arising out of or in connection with work activities performed for PostNL. It does not matter where the fatal accident takes place or which person (employee or third party) is a casualty.

In 2013, there were no fatal accidents (2012: 3). PostNL remains determined to prevent fatalities, and to that end has implemented various initiatives. These initiatives include assessments of safety risks and an intensified focus on safe driving behaviour, as well as ongoing efforts to maintain an acceptable level of work pressure in order to minimise safety risks in the workplace and in traffic.

3 Serious accidents

Serious accidents are defined as occupational accidents 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 an act of violence, arising out of or in connection with work activities performed for PostNL.

The number of serious accidents stabilised at 24 (2012: 24). PostNL is keen to prevent any serious accident. We have implemented initiatives such as assessments of safety risks and an intensified focus on safe driving behaviour. Together with our ongoing efforts to maintain an acceptable level of work pressure, PostNL intends to minimise safety risks in the workplace and in traffic.

4 Lost time accidents

Lost time accidents are defined as occupational accidents resulting in the absence of a PostNL employee for at least one working day. An occupational accident is an unexpected and unplanned occurrence, including an act 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.

The number of lost time accidents per 100 FTEs remained stable at 2.3 in 2013 (2012: 2.2).

5 Blameworthy road traffic incidents

A road traffic incident is defined as a crash or collision involving an operational PostNL vehicle, excluding company cars. Road traffic incidents are categorised as blameworthy or non-blameworthy incidents.

Due to an active management approach focused on preventing accidents, one of the two pillars of our health & safety policy, we managed to reduce the number of blameworthy accidents per 100,000 kilometres to 3.5 (2012: 3.8). Road traffic incidents are considered blameworthy if a PostNL driver is at fault. All other road traffic incidents are non-blameworthy incidents. The non-blameworthy incidents include a variety of types of damage, such as damage discovered after the event during inspections, damage caused by third parties to parked vehicles of PostNL and other instances of minor damage.

In 2012, a large number of small trucks were internally transferred from Mail in the Netherlands to Parcelservice. Before the transfer, all trucks were inspected for previously unreported damage. This resulted in a relatively high number of non-blameworthy incidents in 2012. Consequently, the percentage of blameworthy incidents was relatively low. The percentage of blameworthy accidents is 79% (2012: 65%).

6 Absenteeism

Absenteeism declined from 5.5% in 2012 to 5.1% in 2013. The lower level of absenteeism is the result of a reduction in long-term absenteeism: fewer employees were absent for a longer period, and on average, absent workers returned to work earlier.

Ongoing reorganisations create the risk that absenteeism will increase. Transparency and personal communication by management have been key factors during these reorganisation processes, and have positively influenced the results.

In the management of absenteeism, there was a focus on long-term absence.

The use of two existing instruments was intensified in 2013:
- a compulsory training programme for all PostNL managers about absence management, and
- scenario planning, as soon as it is clear that a sick employee cannot return to his or her own job, an action plan is developed together with Mobility to help him or her move to a new job, inside or outside PostNL, which matches his or her capacities.

7 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. PostNL encourages all business segments to acquire the OHSAS 18001 certification. Twice a year, the percentage of FTEs working at certified sites is measured, to safeguard an acceptable overall percentage on a

Group level. In 2013, the number of FTEs working at certified entities declined slightly, resulting in a percentage of 90% (2012: 91%).

8 Gender profile

PostNL welcomes female talent and wants to create and foster an environment that encourages women to build their career within the company. With our Women's Inclusion Network (WIN), we stimulate and help women to realise their career goals. We have successfully increased our percentage of women in management positions to 26% (2012: 23%). This is mainly caused by Mail in the Netherlands as well as by the inclusion of UK in the coverage. The overall percentage of women working at PostNL remains stable at 44% (2012: 44%).

9 Employees with a disability

At PostNL, we believe it is important to provide equal opportunities for all employees. If necessary, additional measures are taken to provide assistance for people with a handicap in order to help them perform well in their jobs. We have adjusted our definition to include all employees on payroll whose medical condition has been recognised by the relevant authorities as a disability.

The decline in headcount also has an effect on the absolute number of employees with a disability. In 2013, the number of employees with a disability decreased to 1,441 (2012: 1,604). This equates to 2.5% of the total workforce (2012: 2.5%).

10 Employee engagement score

The 2013 engagement survey was conducted in September. All employees of PostNL were invited to participate.The overall engagement score for 2013 improved to 58% (2012: 56%). Positive scores were reached on the category responsibility and results. Main improvement areas for 2014 are cooperation and customer focus. Results will be discussed with the teams and where relevant, improvement plans will be defined.

11 Internal promotion

As the restructuring will lead to a decline in headcount, our intention is to fill around 30% of management vacancies with external candidates. By focusing on internal promotions, PostNL minimises compulsory redundancies. Our efforts resulted in a rate of 52% (2012: 66%) of management vacancies filled internally in 2013.

12 Training hours

Training hours per FTE fell to 19 in 2013 (2012: 23). The main reason for the relatively high number of training hours in 2012 was the change in operational processes within Mail in the Netherlands due to reorganisations. Many employees had to learn new tasks, for which they received additional training. In 2013, fewer employees changed to new positions, which reduced the number of training hours.

13 Investors in People certification

Investors in People (IiP) helps PostNL realise the potential of our people and improve our standards on people management. IiP offers the possibility of accreditation. Our policy is to stimulate all business segments to obtainin IiP accreditation and to maintain an overall coverage of at least 90% of our employees working at IiP accredited sites. In 2013, the number of people working at certified entities declined slightly, resulting in a percentage of headcount working at certified sites of 94% (2012: 95%).

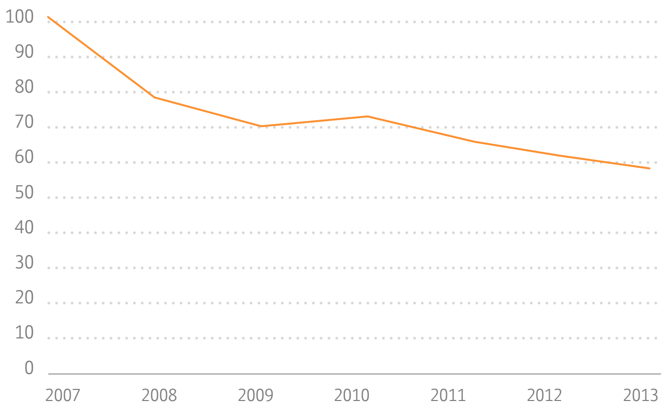
Notes to the consolidated statement of environmental performance

14 CO_2 efficiency index

To better reflect PostNL's efforts to reduce our CO_2 impact, we have introduced the CO_2 efficiency index. The three components of the CO_2 index (buildings, small trucks and large trucks) are weighted according to their absolute CO_2 emission in the base year, 2007. PostNL's long-term ambition is to improve its CO_2 index to 45 in 2020 (base year 2007=100).

PostNL's CO_2 efficiency index was 58.3 in 2013 (2012: 61.8). This is in line with our aim of reaching a CO_2 index of 45 in 2020. By further increasing the use of sustainable electricity and biogas in our buildings, we have been able to increase the CO_2 efficiency of our buildings. We continued to compensate the CO_2 emissions from electricity of buildings used for Mail in the Netherlands, where the energy contracts are not managed by the company. The growth of the parcels business affects the mix of vehicles within small trucks, resulting in more CO_2 emission per kilometre. The CO_2 efficiency of large trucks declined slightly, which had a small influence on the CO_2 index.

CO_2 efficiency index performance



15 Buildings

Different types of facilities are used by PostNL, such as depots, hubs, sorting centres and offices. Approximately 1.0 million m^2 of building space is owned or leased. The energy efficiency of buildings combines all types of energy consumed in buildings and covers electricity, gas, heating fuel and district heating. PostNL consumed 115 million Kwh of electricity in 2013 (2012: 117) and 8.9 million m^3 of gas (2012: 9.0).

The overall CO_2 efficiency of buildings further improved to 14.8 kilogrammes of CO_2 per m^2 (2012: 19.7), mainly due to the use of sustainable electricity and biogas in combination with the CO_2 compensation of electricity usage.

Compared to last year an additional amount of sustainable electricity is used which reduced the CO_2 emissions by 2,400 kilotonnes (2.1 kg CO_2/m^2). Of all electricity consumed by PostNL 81% is sustainable (2012: 81%).

PostNL decided to offset the use of non-sustainable energy at locations where we do not manage the energy contracts by buying 5,500 Gold Standard credits (2012: 3,500 Gold Standard credits) which led to an extra efficiency of 1.8 kg CO_2/m^2. PostNL used 1.3 million m^3 CO_2 neutrally produced biogas (2012: 1.3 million m^3) to heat its head office and six Netherlands-based sorting centres in 2013, thereby preventing 2.3 kilotonnes of CO_2 emissions (2012: 2.3 kilotonnes).

The winter weather conditions in the first part of the year led to a degree day correction of 1 kiloton CO_2 (2012: 0).

PostNL believes that incorporating energy efficiency into the design of new buildings, in addition to a number of other measures, leads to substantial improvements in the CO_2 efficiency of buildings.

16 Road transport

A significant part of our CO_2 footprint relates to road transport. At PostNL, we recognise our responsibility for minimising our environmental impact by improving aspects such as fuel efficiency.

The CO_2 efficiency of small trucks worsened compared to last year, emitting 244 grammes of CO_2 per kilometre (2012: 238). This is mainly caused by the change in the fleet mix, combined with the further optimisation of our logistical infrastructure. Mail in the Netherlands reduced its number of trucks with relatively low CO_2 emissions, which had a negative impact on overall CO_2 emission per kilometre. Optimisation of the logistical infrastructure led to an increase in truck loading, and consequently higher fuel use per kilometre.

The CO_2 efficiency of large trucks worsened to 720 grammes of CO_2 per kilometre (2012: 712). This was mainly caused by intensified truck loading.

In order to further reduce our environmental impact, our fleet is continuously being updated. PostNL is replacing older trucks with newer models that comply with the Euro 5 and 6 standard. The goal of the European emission standards (Euro 5 and 6) is to reduce emissions of:
• particulate matters (PM10),
• nitrogen oxides (NOx), and
• carbon monoxide (CO).

In December 2013, PostNL purchased and began using 65 trucks (Iveco Stralis AS440S42TP Hi Way) with Euro 6 classification. Trucks with Euro 6 classification have lower emissions than Euro 5 classified engines. Besides this, PostNL is experimenting with a truck fuelled by liquefied natural gas.

In parallel with the update of the fleet, we are implementing a new mobile on-board computer system. This computer supports the driver in performing his daily operational tasks. Giving the driver direct feedback on different indicators such as use of cruise control, coasting and use of throttle and brakes encourages driving in an environmentally-friendly manner. As well as the anticipated reduction in fuel consumption, this is expected to generate additional benefits such as lower reduced costs for damage and maintenance and increased safety. Implementation of this system will be extended in 2014.

17 ISO 14001 certification

We recognise the importance of our environmental performance. PostNL has therefore adopted the international standard ISO 14001 to manage its environmental performance. ISO 14001 is an international standard for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

In order to manage our environmental impacts, we encourage all our business segments to obtain ISO 14001 certification. We monitor the percentage of FTEs working at ISO 14001 certified sites twice a year. In 2013, the percentage of FTEs working at ISO 14001 certified sites was 91% (2012: 91%).

18 CO_2 footprint

In accordance with the Greenhouse Gas Protocol (GHG), the CO_2 footprint in kilotonnes is reported in three categories:

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

The CO_2 footprint in kilotonnes is based on a broader scope than PostNL's own CO_2 efficiency index scope. Additional categories for the Greenhouse Gas Protocol are company cars, business travel by air and subcontractors. These additional categories result in relatively low absolute CO_2 emissions, with the exception of subcontractors.

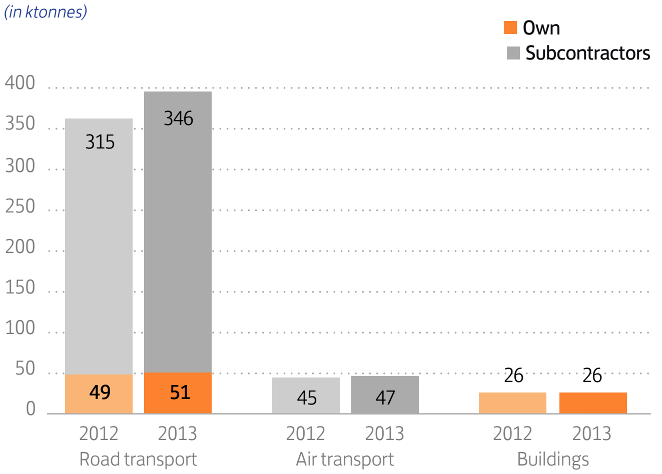
Subcontractors' emissions are an important factor in the CO_2 footprint of PostNL. Subcontracted road transport activities accounted in 2013 for 346 kiloton (2012: 315 kiloton) which is 87% (2012: 87%) of PostNL's total road transport CO_2 footprint of 397 kiloton (2012: 364 kiloton). In order to manage subcontractors' CO_2 performance, PostNL explores various options, from voluntary schemes to contractual agreements.

Subcontractor CO_2 emissions are indirect emissions (GHG Scope 3). PostNL includes subcontractor emissions from transport (both road and air) in its overall CO_2 footprint. Emissions from energy consumption by subcontractor buildings are not included due to immateriality. PostNL's calculation of subcontractors' CO_2 is based on secondary indicators such as kilometres driven and cost indicators, because primary data (fuel consumption) relating to subcontracted activities are not available. In the United Kingdom and Germany, part of the postal process is subcontracted by PostNL to the national postal company. The CO_2 impact of this subcontracted work is included in the CO_2 subcontractor emissions by using a cost-based model.

PostNL's own CO_2 emissions declined to 67 kilotonnes (2012: 69 kilotonnes), whereas CO_2 emissions from subcontractors increased to 393 kilotonnes (2012: 359 kilotonnes). This increase can be explained by the growth in the Parcels and International segments, which both use subcontractors intensively.

PostNL total CO_2 footprint (own and subcontractors)

(in ktonnes)



19 Company cars

Our company car policy sets criteria that have a positive effect on CO_2 emissions. Only fuel-efficient company cars (A, B or C label) are permitted. In addition, PostNL has signed a Gold Fleet Cleaner Car Contract with Alphabet Lease, with the ambition of achieving a company car fleet average of 120 grammes of CO_2 per kilometre for all new lease cars.

The effect of our policy became visible in 2013. During the year, the number of company cars increased by more than 30%, as we equipped with company cars team coaches becoming responsible for multiple locations, as part of the adjusted logistical process of Mail in the Netherlands. Despite this increase in the number of company cars, we were been able to keep CO_2 emissions from company cars fairly stable at 9 kilotonnes (2012: 8).

20 Business travel by air

CO_2 emissions from business travel by air stabilised at 1 kilotonne (2012: 1 kilotonne). PostNL compensates these CO_2 emissions by using 1,000 Gold Standard credits.

21 Other environmental indicators

Although waste is not recognised as one of the main attention areas by our stakeholders, we believe it remains important to focus on waste reduction, mainly from an awareness perspective. The amount of waste stabilised in 2013 at 0.4 tonnes per FTE (2012: 0.4). Of our total waste, 61% (2012: 52%) is recycled.

An environmental incident is an incident that leads to the pollution of soil, water or air. In 2013, 10 environmental incidents occured (2012: 9), none of them off-site environmental incidents (2012: 4). Most of the incidents were oil leakages from trucks. No sanctions for non-compliance were imposed.

Noise monitoring and management is part of PostNL's environmental management system. Risk assessments are conducted for workplace noise and external noise nuisance in communities living close to our operational facilities. In 2013, one complaint was received related to noise (2012: 2). No sanctions for non-compliance were received.

Notes to the consolidated statement of stakeholder performance

22 Customer satisfaction & on-time delivery

PostNLs customer satisfaction increased to 85%. That means that the customer satisfaction recovered last year compared to 2012 (84%). 2012 was the year in which the failed rollout of the centralisation of the preparation locations led to a loss in quality which also resulted in a decrease of our customer satisfaction.The 2013 result is the average score of two telephone based surveys held in quarter two and four. Two surveys were held to monitor the impact of the renewed organisation plans on the development of the customer satisfaction. During the year the score improved from 84% in quarter two to 86% in quarter four. Customers are especially more satisfied about the improved quality of on-time delivery. All categories of customers (business and consumers) were more satisfied compared to 2012. Also the aspects of customer loyalty and the reputation of PostNL improved in 2013.

As announced in the 2012 annual report PostNL has tested the use of online surveys to measure customer satisfaction. Online surveys are cost efficient and create the possibility to integrate the results of Mail in the Netherlands and Parcels. We now experienced two years with the online survey simultaneously with our telephone based surveys. Please find the 2012 and 2013 scores for both methods in the table below.

	2013	2012
Current method: telephone survey		
Mail in NL	85	84
PostNL	**85**	**84**
Future method: online survey		
Mail in NL	82	77
Parcels	84	81
PostNL	**83**	**79**

As of 2014 the online based customer satisfaction of PostNL (Mail in the Netherlands and Parcels) will be reported. Because of a change in method there will be a small trend break in the customer satisfaction scores.

On-time delivery improved to 95.9% in 2013 (2012: 93.9%), which is above the legal minimum of 95.0%. The 2012 result was heavily influenced by the rollout of the reorganisation plans. During 2012 it was decided to stop the rollout and a new plan was developed with less implementation risks. The on-time delivery quality improved during the implementation of the new plan in 2013. This figure is preliminary and yet to be validated by PwC and reported to the Dutch supervisor ACM.

23 CO_2-neutral postage

Customers are increasingly seeking a better understanding of the company's activities in all areas of corporate responsibility. Specifically, they wish to understand the CO_2 footprint caused by the transportation of their letters and parcels. Business customers were again offered a 'CO_2-neutral' delivery proposition last year. The CO_2 impact of the compensated letters and parcels is calculated at 13 kilotonnes based on the compensation rate of last year (2012: 15 kilotonnes). These emissions were compensated by Gold Standard credits. To stimulate customers to compensate the CO_2 emission of the letters and parcels they send, PostNL doubles the amount of money paid by customers for CO_2 compensation up to a maximum of €50,000. This additional contribution is invested in green projects in the Netherlands, such as a project of Natuurmonumenten concerning the Nieuwkoopse plassen and the Klimaatbos in Biddinghuizen.

24 ISO 9001

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. PostNL encourages all business segments to acquire the ISO 9001 certification. The percentage of FTEs working at certified sites is measured biannually to safeguard an acceptable percentage at Group level. The percentage of FTEs working at certified sites remained unchanged at 91% (2012: 91%).

Notes to the consolidated statement of social responsibility performance

For PostNL, corporate responsibility goes beyond responsibility for employees and the environment. We also focus on social responsibility, which is best displayed in our partnership with the United Nations World Food Programme called Moving the World, as described in chapter 9.

PostNL is committed to supporting WFP in its efforts to meet the number one Millennium Development Goal: to end poverty and child hunger by 2015. Both parties benefit from this partnership: WFP benefits from the knowledge, skills, resources and donations provided by PostNL, while PostNL benefits from increased employee engagement and employee and management development.

Since the start of Moving the World, PostNL has played a role in raising awareness of global hunger. We support WFP by organising fund-raising activities. PostNL raised a total of €426,000 in 2013 (2012: €278,000). Employees were also engaged by sharing knowledge. We create extra awareness and give additional financial support through a range of activities, including Kids Moving the World, Master Chefs for Home Chefs and a number of local initiatives.

25 School feeding programme

PostNL is involved in a school feeding programme in Malawi, a WFP project that provides a free school lunch or snack to underprivileged children. The concept is straightforward: food attracts hungry children to school, and in return they get an education that enables them to break out of the vicious cycle of hunger and poverty. This is especially important for girls, who are the first victims of circumstance, as they are kept at home in underprivileged families. For many parents, the school meals are a reason to send their children to school rather than to work. It costs WFP €0.20 to provide a child with a nourishing meal at school.

26 BERL – Jatropha

For most developing countries, generating sustainable income in the agricultural sector is considered the most effective tool to fight hunger and reduce poverty. A social venture with a local Malawian company, Bio Energy Resources Limited (BERL), was established to develop biofuel production on a sustainable basis. After completion of the processing factory in 2012, BERL now runs a complete value chain. It supports the planting of Jatropha trees by small-scale farmers, manages the purchase and collection of the Jatropha nuts and produces and sells vegetable oil and organic fertiliser to the local market. In addition, BERL is active in the growing of sunflowers within its farmer network and processing the seeds for the local food market.

Completion of the project was a natural moment to evaluate the position of BERL within the corporate responsbility framework of PostNL. It was concluded that given the stage of the project, the added value of PostNL is limited. For this reason, PostNL's shareholding in BERL was transferred to the foundation Bio-energy for Food. See http://www.berl.biz for more information on the company.

27 PostNL's voluntary contributions

PostNL contributes to social responsibility by providing staff and support for the initiatives and projects of Moving the World and BERL. The total contribution was around €1.2 million in 2013, slightly below 2012 (€1.5 million).

Reporting scope, criteria and limitations

Corporate responsibility reporting criteria and limitations

This annual report includes CR data from all entities that are fully owned or majority owned and from those joint ventures where PostNL has a controlling interest with respect to corporate responsibility. However, PostNL relies on a large number of subcontractors to perform daily activities. PostNL acknowledges its responsibility and therefore reports on the fatal road traffic accidents of its subcontractors, as well as absolute subcontractor CO_2 emissions. Subcontractor CO_2 emissions figures includes estimates and extrapolations.

The subjects we report on are based on our priorities and are supported by a broad stakeholder dialogue. The stakeholder dialogue meeting held with over 40 different stakeholders resulted in a top 10 of most material issues. These issues were taken into consideration when determining the subjects in our CR report.

In accordance with PostNL's Group policy on CR reporting, all companies acquired in any given year are required to report CR data as from the following year. PostNL companies that are divested (full or partial sale whereby PostNL no longer retains a direct or indirect controlling interest) are excluded from the CR reporting scope for the entire year in which the divestment took place and the comparative is adjusted.

It was decided to exclude Regioservice and Turbopost (part of TNT Post Germany) from CR reporting data because TNT Post Germany is in the midst of a transition towards an entrepreneurial model in which local entrepreneurs are made responsible for the business in the region.

PostNL strives to provide an adequate picture of its CR strategy and performance. A monthly reporting process has been established to collect all relevant CR information.

CR scope

	2013	2012
Full time equivalents (FTE)		
PostNL (including joint ventures)	32,854	35,248
Out of CR reporting scope	3,203	3,798
PostNL (in CR reporting scope)	**29,651**	**31,450**
Headcount		
PostNL (including joint ventures)	61,707	68,938
Out of CR reporting scope	4,410	4,971
PostNL (in CR reporting scope)	**57,297**	**63,967**

The number of FTEs and headcount included in 'Out of CR reporting scope' are people for whom no CR data is available. These are people on payroll who are not entitled to all the benefits of a PostNL employee, as well as employees of joint ventures. Besides employees, PostNL has contracted 23,571 OvO ('Overeenkomst voor Opdracht') workers, who are paid by output and do not have a labour contract.

Corporate responsibility reporting process

CR data are gathered using a questionnaire, either monthly or biannually. Accordingly, all figures are based on data provided by the reporting entities in PostNL through the CR reporting & monitoring tool.

Conversion factors are taken from the 2013 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. For CO_2 reporting any changes made in the conversion factors during 2013 are not reflected in the 2012 CR performance data.

Corporate responsibility performance data

Unless specified otherwise, the definitions and reporting principles are unchanged from 2012. Where possible, quantitative information is compared to the corresponding figures in previous years. The reporting definitions of the CR performance data are included in this chapter or the glossary (Annex 3).

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. CO_2 efficiency indicators are presented relative to the baseline year of 2007 to show progress made towards long-term objectives for CO_2 efficiency improvements. Figures related to absolute CO_2 emissions are all extrapolated to reflect the entire PostNL organisation, unless stated otherwise. Extrapolation is done on the basis of FTE coverage or square meters. PostNL defines coverage as the number of full-time equivalents (FTEs) working in entities that report data, divided by the total number of FTEs in the CR reporting scope. The data clarification table in Annex 2 shows the coverage per indicator. PostNL has taken all reasonable steps to ensure that the CR information in this annual report is accurate.

Chain responsibility - reporting on subcontractor emissions

For its business, PostNL is to a large extent reliant on subcontractors and considers it important to report on the carbon impact of subcontractor activities. The carbon impact is determined based on secondary indicators such as kilometres driven, because primary data (e.g. fuel consumption) are not available. One of the significant estimates is fuel costs as a percentage of total costs for delivery by subcontractors.

Consequently, there are inherent limitations to the accuracy of the reported figure. The most important ones are as follows:

- the percentage of fuel costs used is based on industry reports; it is a generic factor that is not derived from PostNL's specific business models,
- 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 timing reasons), and
- for commercial air linehaul, the subcontractor model uses planned volumes (kilogrammes) of mail which are based on actual 2013 data.

Data revision

In our 2013 report, we have revised the percentage of recycled waste reported in our 2012 report to 52% (previously reported: 56%).

External assurance

PostNL has engaged PwC to provide reasonable assurance on the CR chapters (8, 9, 18 and the annexes). The assurance work is performed in accordance with Assurance Standard 3410N 'Assurance Engagements Relating to Sustainability Reports' as drawn up by the professional body of Dutch Accountants (NBA).

Assurance report

To the Board of Management of PostNL N.V.

Report on the sustainability information

Our opinion

For a correct understanding of our opinion you have to read our complete assurance report.

Based on our audit procedures, in our opinion the sustainability information in the Corporate Responsibility Chapters of the Annual Report 2013 (chapters 8, 9, 18 and the annexes), in all material respects, provide a reliable and adequate presentation of the policy of PostNL N.V. for sustainable development, as well as the activities, events and performance of the organisation relating to sustainable development during the reporting year, in accordance with the Post NL N.V. reporting criteria.

The scope of our audit procedures

We have audited the content of the Corporate Responsibility Chapters of the Annual Report as included in chapters 8, 9, 18 and the annexes of the accompanying Annual Report of PostNL N.V., The Hague (hereafter referred to as: 'sustainability information') in which PostNL N.V. renders account of the performance related to sustainability in 2013.

We do not provide any assurance on the assumptions and feasibility of prospective information, such as targets, expectations and ambitions, included in the sustainability information.

The PostNL N.V. reporting criteria

PostNL N.V. developed its reporting criteria on the basis of of the G3.1 Guidelines of the Global Reporting Initiative (GRI), as mentioned in paragraph 'Reporting scope, criteria and limitation' in chapter 18. These reporting criteria contain certain inherent limitations which may influence the reliability of the information. These inherent limitations stem amongst others from applied definitions and estimations made for indicators where primary data is not available. Detailed information on the reporting criteria and the reporting scope is given in the paragraph 'Reporting scope, criteria and limitations' in chapter 18. We consider the reporting criteria to be relevant and appropriate for our examination.

For several indicators the CR chapters are not based on full coverage as intended by PostNL per its reporting criteria. By including a data clarification table in annex 2, the coverage of the CR chapters is clarified, showing for each indicator the number of FTEs working in entities that report on that indicator as a percentage of total FTEs. We believe that this limitation with regard to the completeness of the CR chapters and the reasons for it, are acceptable.

The basis for our opinion

We planned and performed our work in accordance with Dutch law, including Standard 3410N 'Assurance engagements relating to sustainability reports'.

Our most important assurance procedures were:

- performing an external environment analysis and obtaining insight into the branch, relevant social issues, relevant laws and regulations and the characteristics of the organization;
- assessing 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 sustainability information; assessing the acceptability and consistent application of the reporting policies, including the methods used by management for calculating and estimating results;
- assessing and testing the systems and processes used for data gathering, internal controls and the aggregation process of data to the information in the CR chapters;
- reconciling internal and external documentation to determine whether the sustainability information is substantiated adequately;
- validating and testing of the model used for estimating the CO_2-emissions of subcontractors;
- assessing the application level according to the G3.1 Guidelines of GRI;
- evaluating the overall presentation of the CR chapters, in line with PostNL's reporting criteria;
- evaluating the consistency of CR related information in the Annual Report.

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

Our responsibilities and the responsibilities of the Board of Management

The Board of Management of PostNL N.V. is responsible for the preparation of the sustainability information in accordance with the PostNL N.V. reporting criteria.

We are responsible for providing an assurance report, based on our scope as included in the paragraph "The scope of our audit procedures" of this assurance report, on the sustainability information included in the Annual Report.

Amsterdam, 24 February 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by H.C. Wüst RA

Annex 1: Global Compact and GRI G3.1 index

Global Compact

As a signatory to the UN Global Compact, PostNL reports on the 10 principles it contains. In the Global Reporting Initiative G3.1 index table, the GRI indicators on which PostNL reports are linked to the numbers corresponding to the 10 principles mentioned below.

Human rights	
1	Businesses should support and respect the protection of internationally proclaimed human rights.
2	Businesses should make sure that they are not complicit in human rights abuses.
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	
10	Businesses should work against corruption in all its forms.

GRI G3.1 index

This GRI Index table is based on the G3.1 guidelines of the GRI. This index includes the core indicators of the G3.1 and complementary sector supplement indicators. The table below includes PostNL's management approach per theme. Additionally, a reference is made to the 10 principles of the Global Compact, which are mentioned in a table in the next section. PostNL believes that the A+ level is applicable to this report. This has been validated by the external assurance provider.

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
Strategy and analysis				
1.1	CEO statement	Chapter 1, p. 4	Fully reported	
1.2	Key impacts, risks and opportunities	Chapter 11, p. 44, Chapter 3, p. 10-18, Chapter 4, p.19-22 , Chapter 5, p. 23-26, Chapter 6, p. 27-30	Fully reported	
Organisational profile				
2.1	Name of the organisation	Chapter 2, p. 7	Fully reported	
2.2	Products, and/or services	Chapter 2, p. 7	Fully reported	
2.3	Operational structure	Chapter 2, p. 7-9	Fully reported	
2.4	Headquarter location	Chapter 14, p.56	Fully reported	
2.5	Countries in operations / PostNL geographic spread	Chapter 2, p. 7	Fully reported	
2.6	Nature of ownership	Chapter13 , p.49	Fully reported	
2.7	Markets served	Chapter 4, p. 19-22, Chapter 5, p. 23-26 and Chapter 6, p. 27-30 and Chapter 7	Fully reported	
2.8	Scale of the organisation	At a glance, p. 2	Fully reported	
2.9	Significant operational changes	Chapter 3, p. 10-18	Fully reported	
2.10	Awards received	Chapter 9, p. 39	Fully reported	
Report profile				
3.1	Reporting period	Chapter 12, p. 48	Fully reported	
3.2	Previous report	Chapter 18 p. 161	Fully reported	
3.3	Reporting cycle	Chapter 12 p. 48	Fully reported	
3.4	Contact point for questions	Inside of the backside of the report	Fully reported	
Report scope and boundary				
3.5	Process for defining report design	Chapter 9, p. 36	Fully reported	
3.6	Boundary of the report	Chapter 18, p. 165-166	Fully reported	
3.7	Limitations on the reporting scope	Chapter 18, p. 165-166	Fully reported	
3.8	Reporting basis	Chapter 18, p. 165-166	Fully reported	
3.9	Data measurement techniques	Chapter 18, p. 165-166	Fully reported	

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
3.10	Restatements of information	Chapter 18, p. 165	Fully reported	
3.11	Significant changes from previous reports	Chapter 18, p. 165	Fully reported	
GRI content index				
3.12	GRI content index	Annex 1, p. 168-172	Fully reported	
Assurance				
3.13	Assurance	Chapter 18, p. 167	Fully reported	
Governance				
4.1	Governance structure	Chapter 13, p. 51-52	Fully reported	
4.2	Indicate relation between chair of the highest governance body and executive officer	PostNL does not have a unitary board structure.	Fully reported	
4.3	Independence of Board of Management	PostNL has a large company regime and is therefore required to adopt a two-tier system of corporate governance.	Not reported	
4.4	Shareholder feedback mechanisms	Chapter 16, p. 66	Fully reported	
4.5	Executive remuneration and performance	Chapter 15, p. 62-65	Fully reported	
4.6	Conflict of interest at the Board of Management	Chapter 14, p. 49-65	Fully reported	
4.7	Process for determining composition, qualifications and expertise of highest governance body	Chapter 13, p. 49, Chapter 14, p. 56	Fully reported	
4.8	Mission and value statements	Chapter 2, p. 7	Fully reported	
4.9	Board of Management governance	Chapter 13, p. 49	Fully reported	
4.10	Evaluation of the Board of Management	Chapter 14, p. 56-58	Fully reported	
Commitment to external initiatives				
4.11	Precautionary principles	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. Chapter 18 ,p.161 , Annex 1, p. 168	Fully reported	
4.12	External charters, principles or initiatives	Annex 1, p. 168	Fully reported	
4.13	Associated memberships	Chapter 9, p.39	Fully reported	
Stakeholder engagement				
4.14	List of stakeholders	Chapter 9, p. 38	Fully reported	
4.15	Stakeholders identification	Chapter 9, p. 38	Fully reported	
4.16	Stakeholder engagement	Chapter 9, p. 38	Fully reported	
4.17	Stakeholders' key issues	Chapter 9, p. 38-39	Fully reported	
Economic performance indicators				
EC 1	Direct economic value	Chapter 3, p. 10-18, Chapter 17, p. 70-73	Fully reported	
EC 2	Financial implications of climate change	There is no material financial impact of climate change on PostNL's business identified. Chapter 11, p. 44-46	Fully reported	
EC 3	Benefit plan	Chapter 15, p. 62, Chapter 17, p. 109	Fully reported	7
EC 4	Financial governmental assistance	PostNL does not receive significant financial assistance from governments.	Fully reported	
EC 6	Local suppliers	Chapter 9, p. 38-39	Partially reported *	
EC 7	Local recruitment	Chapter 8, p. 35	Partially reported *	6
EC 8	In kind or pro bono engagement	Chapter 9, p.39,Chapter 18, p.165	Fully reported	
Environmental management approach				
EN 1	Volume of materials used	As provider of mail and parcels services, the use of materials is not material for PostNL. PostNL reports only the costs of materials.Chapter 3, p. 13-15	Fully reported	8
EN 2	Recycled materials	As provider of mail and parcels services, the use of materials is not material for PostNL. PostNL reports on the percentage of recycled waste. Chapter 18, p.164	Fully reported	8, 9
EN 3	Direct primary energy consumption	Chapter 18, p.162	Fully reported	8

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
EN 4	Indirect primary energy consumption	Chapter 18, p. 162	Fully reported	8
EN 8	Water withdrawal	PostNL does not report this issue and has no intention of reporting this in the future as the disclosure does not relate to PostNL's business, because PostNL's core business does not require significant water use.	Not reported	8
EN 11	Land assets in sensitive areas	PostNL does not own land assets in sensitive areas.	Fully reported	8
EN 12	Biodiversity within lands owned	PostNL does not own land in protected areas or areas with high biodiversity.	Fully reported	8
EN 16	Greenhouse gas emissions	Chapter 18, p. 163-164	Fully reported	8
EN 17	Other indirect greenhouse gas emissions	Chapter 18, p. 163-164	Fully reported	8
EN 19	Ozone-depleting substance emissions	PostNL does not report on this issue 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.	Not reported	8
EN 20	NOx, SOx emissions	NOx and SOx emissions are not measured and the weight and calculation of significant air emissions are not reported. PostNL strives to reduce these emissions by increasing the number of Euro 4, 5 and 6 vehicles.	Partially reported	8
EN 21	Water discharge by quality and destination	PostNL's total water discharge is limited to domestic sewage. This indicator is not material for PostNL.	Fully reported	8
EN 22	Waste by disposal method	Chapter 18 p. 164, Instead PostNL reports on the percentage of recycled waste per FTE.	Partially reported *	8
EN 23	Significant spills	Chapter 18 p. 164, Instead PostNL reports on environmental incidents and noise complaints.	Fully reported	8
EN 26	Environmental impact mitigation	Considering the nature of the business, this subject is not material for PostNL.	Fully reported	7, 8, 9
EN 27	Packaging materials	PostNL's use of packing materials is limited. This indicator is not material for PostNL.	Fully reported	8, 9
EN 28	Non-compliance sanctions	Chapter 18, p. 164	Fully reported	8
Labour practices and decent work performance indicators				
LA 1	Breakdown of workforce	At a glance p. 2, Chapter 18, p. 162.	Fully reported	
LA 2	Employee turnover	Chapter 18, p. 161.	Fully reported	6
LA 4	Collective bargaining agreements	Chapter 8, p. 33	Partially reported *	1, 3
LA 5	Minimum notice periods	A social plan is in place. For temporary employees legal standards are leading. At a glance p. 2-3 and Chapter 18, p. 161-162	Fully reported	3
LA 7	Occupational health and safety and absenteeism	Chapter 9, p. 37-37 and Chapter 18, p. 161-162	Fully reported	1
LA 8	Education to assist workforce	Chapter 8, p.35 Chapter 18, p.161	Fully reported	1
LA 10	Training per employee	Chapter 8, p. 35 and Chapter 18, p. 162	Partially reported *	
LA 13	Employee diversity & gender governance	Chapter 8, p. 34 and Chapter 18, p. 162	Fully reported	1, 6
LA 14	Remuneration by gender	PostNL does not make any differentiation in remuneration between men and women. Only the remuneration of the members of the Board of Management is reported. Chapter 15, p. 65	Partially reported *	1,6
LA 15	Return to work and retention rates after parental leave	PostNL does not report diversity in detail. Instead diversity indicators are presented as a percentage of the total FTE in scope Chapter 8, p. 34	Partially reported *	
Human rights performance indicators				
HR 1	Human rights clauses in investment	Chapter 9, p. 38-39	Fully reported	1, 2, 3, 4, 5, 6
HR 2	Supplier screening on human rights	Chapter 9, p. 38-39	Fully reported	1, 2, 3, 4, 5, 6

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
HR 3	Training hours on policies and procedures on human rights	PostNL is primarily located in European countries. This indicator is not deemed material.	Fully reported	
HR 4	Discrimination	Chapter 12, p. 47	Partially reported *	1, 2, 4, 6
HR 5	Association and collective bargaining	PostNL's operations are based in EU countries where this subject is mandatory by law. Chapter 8, p. 33	Fully reported	1, 2, 3
HR 6	Child labour	Chapter 9, p. 38-39	Fully reported	1, 2, 5
HR 7	Forced labour	Chapter 9, p. 38	Fully reported	1, 2, 4
HR 10	Operations subject to human rights reviews	PostNL's operations are based in EU countries where this subject is mandatory by law. Chapter 9, p. 38	Fully reported	
HR 11	Grievances related to human rights	PostNL does not have any indication of human rights violations.	Fully reported	
Society performance indicators				
SO 1	Impact on communities	Chapter 9, p.39, Chapter 18, p. 165. Reported fundraising activities are organised by entities in the Netherlands.	Fully reported	
SO 2	Corruption risks	Chapter 12, p. 47	Partially reported *	10
SO 3	Anti-corruption training	Chapter 12, p. 47	Partially reported *	10
SO 4	Actions against corruption	Chapter 12, p. 47 No relevant incidents indicated. Subject is not marerial for PostNL.	Fully reported	10
SO 5	Lobbying	Chapter 9, p. 39	Fully reported	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
SO 8	Regulatory non-compliance sanctions	PostNL received no sanctions for non-compliance. Chapter 18, p. 164	Fully reported	
SO 9	Operations with significant actual or potential negative impact on local communities	Issue is not material for PostNL.	Fully reported	
SO 10	Prevention and mitigation measures	Issue is not material for PostNL. Chapter 11, p. 44	Fully reported	
Product responsibility performance indicators				
PR 1	Product life cycle	PostNL is a provider of mail and parcel services and does not provide physical products.This indicator is not applicable for PostNL.	Fully reported	1
PR 3	Product information	PostNL is a provider of mail and parcel services and does not provide physical products.This indicator is not applicable for PostNL.	Fully reported	
PR 6	Communication programmes	Considering the nature of our business, this indicator is not applicable to PostNL.	Fully reported	
PR 9	Product non-compliance	Considering the nature of our business, this indicator is not applicable to PostNL.	Fully reported	
Sector supplement indicators				
LT 1	Ship registry	This indicator is not relevant. PostNL does not own ships.	Fully reported	
LT 2	Fleet composition	Chapter 18, p. 163	Fully reported	
LT 3	Environmental reduction	Chapter 9, p. 37 and Chapter 18, p. 162	Fully reported	
LT 4	Renewable direct energy sources and energy efficiency	Chapter 18, p. 159-160 and p. 162	Fully reported	
LT 5	Initiatives to control urban air emissions	Chapter 9, p. 37 and Chapter 18, p.163-163	Fully reported	
LT 6	Traffic congestion	PostNL's road transport activities mainly take place during the night. Remaining transport activities are mainly locally-based.	Fully reported	
LT 7	Noise management and abatement	Considering the nature of PostNL's business, this indicator appears less relevant. Chapter 18, p. 164	Partially reported *	
LT 8	Environmental impact of real estate	Chapter 18, p. 162	Fully reported	
LT 9	Work patterns of mobile worker	Work patterns are part of the collective labour agreement.	Fully reported	
LT 10	Personal communication	This indicator is not applicable for PostNL because driving times never exceed one working day.	Fully reported	
LT 11	Substance abuse	Substance abuse is part of the collective labour agreement. Chapter 8, p. 33 PostNL reports qualitatively on this subject.	Partially reported *	
LT 12	Road fatalities per kilometres driven	Chapter 18, p. 161-161 PostNL reports fatalities in absolute numbers.	Fully reported	
LT 13	Ship safety inspections	This indicator is not relevant. PostNL does not own ships.	Fully reported	
LT 14	Mail accessibility	Chapter 10, p. 41-42	Fully reported	
LT 15	Humanitarian programmes	Chapter 9, p. 39-39 and Chapter 18, p. 165	Fully reported	

NR	G3.1 Indicator	Disclosure chapter number / reference	Extent of reporting	Global compact Principles
LT 16	Labour providers	Chapter 8, p. 33	Partially reported *	
LT 17	Continuity of employment	Chapter 8, p. 35	Partially reported *	

* These indicators have been found to be partially immaterial or immaterial for PostNL's operations or the substance is covered by an indicator that is presented in a relative way; for the purpose of this integrated report, it was decided to report in a way that was better suited to PostNL's operations and suits the expectations of its stakeholders.

Annex 2: Data clarification table

The data clarification table clarifies the coverage of each indicator as presented in the CR chapters of the annual report. For each indicator, the coverage is expressed as a percentage of FTEs of the total number of FTEs.

Data clarification table corporate responsibility reporting

FTEs reporting on:	2013	2012
Workforce		
Headcount	57,297	63,967
Full time equivalent	29,651	31,450
EMPLOYEES		
Training hours		
Training hours	92%	90%
Fatal accidents		
Fatal accidents	100%	100%
Serious accidents		
Serious accidents	100%	100%
Lost time accidents		
Number of lost time accidents	100%	100%
Lost time accident frequency rate	100%	100%
Blameworthy road traffic incidents		
Blameworthy road traffic incident rate	100%	100%
Diversity		
Gender profile	100%	100%
Gender profile of management	100%	95%
Employees with a disability	99%	100%
Absenteeism		
Absenteeism	98%	100%
Turnover and promotion		
Voluntary turnover	100%	100%
Internal promotion	100%	100%
Recruitment and career development		
Employee engagement score (coverage expressed in headcount)	97%	83%
ENVIRONMENT		
Operational vehicles		
Number of small trucks and vans (<7.5 tonnes)	100%	100%
Number of large trucks (> 7.5 tonnes)	100%	100%
CO_2 efficiency small trucks and vans (< 7.5 tonnes)	99%	100%
CO_2 efficiency large trucks (> 7.5 tonnes)	99%	100%
Buildings		
CO_2 efficiency buildings	90%	90%
Sustainable electricity usage	100%	100%
Company Cars		
CO_2 footprint of company cars	100%	100%
EU standard for trucks (only EU countries)		
Small Trucks	100%	100%
Large Trucks	100%	100%
Subcontractors		
Coverage PostNL Subcontractor model	98%	98%
Business Travel by Air		
CO_2 footprint of Business Travel by Air	100%	100%
Waste		
Total waste per FTE	96%	93%
Percentage of waste seperated for recycling	96%	92%
OTHER STAKEHOLDERS		
Subcontractors		
Subcontractor road traffic fatal accidents	100%	100%

Annex 3: Glossary and definitions

2B
To business

2C
To consumer

A/B delivery
Delivery structure in which a delivery area is split and each part (the A and B part) is delivered on alternating days.

Absenteeism
Total days absence versus potential working days, calculated at year-end.

ACM
Authority for Consumers and Markets.

Auditor
A "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.

B2B
Business-to-business.

B2C
Business-to-consumer.

Biofuel
Biofuel (also called agrofuel) is broadly defined as solid, liquid or gas fuel consisting of or derived from biomass. Biofuel consists of CO_2 that has recently been extracted from the atmosphere as a result of growing plants and trees and therefore does not influence the CO_2 concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over billions of years so that their combustion and subsequent emissions do influence CO_2 levels in the atmosphere.

Blameworthy road traffic incident
A road traffic incident is defined by PostNL as a crash or collision involving a PostNL vehicle. A vehicle incident can also result 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 flights.

CO_2 efficiency
CO_2 efficiency expresses the efficiency of PostNL's business in terms of CO_2 emissions, i.e. the CO_2 emitted per service provided, per letter or parcel delivered.

CO_2 neutral
Carbon neutral means that the net CO_2 equivalent emissions from activities are zero.

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 below in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants, such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure 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 Committee
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.

Depositary receipts
Refers to depositary receipts for shares in the company.

Disabled employees
Disabled employees are employees on payroll whose medical condition has been recognised by the relevant authorities as a disability.

Dow Jones Sustainability Indexes
Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios. For further information, see www.sustainability-index.com.

E2E
End-to-End, referring to the beginning and end point of a service.

Employee engagement
Employee engagement relates to the number of employees (employed by PostNL for three months or more) who stated in the employee engagement survey that they were engaged or more than engaged by PostNL as an employer.

Environmental incident
An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks 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 refers 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).

GDP guidelines
Good Distribution Practice of medicinal products for human use.

General Meeting
The body formed by shareholders with voting rights and others holding voting rights.

General Meeting of Shareholders
The meeting of shareholders and other persons entitled to attend meetings.

Global Reporting Initiative (GRI)
The GRI is a multi-stakeholder process and an independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. The GRI began in1997 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.

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 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, Investors in People 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.

Mail deliverer
Part-time employee responsible for the delivery of mail.

New Logistics Infrastructure (NLI)
The new sorting and distribution system of PostNL Parcels in the Netherlands, full implementation is 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.

NOx
NOx (NO and NO_2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperatures.

OECD
Organisation for Economic Co-operation and Development.

On-time delivery
Delivery of a consignment within the timeframe set for the service in question.

OHSAS 18001 (occupational health and safety management)
OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through the collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. For further information, see www.ohsas-18001-occupational-health-and-safety.com.

Packet
Postal item containing goods weighing up to 2 kg. Generally fits through the slot of a letter box.

Parcel
Goods to be transported by a distribution company, weighing up to 30 kg.

PM10
Particulates, alternatively 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.

SME
Small and medium-sized enterprises.

SOHO
Small office/home office.

Sustainable energy
Sustainable energy is energy from 'green' or 'renewable' sources such as solar, wind, geothermal, biomass, hydroelectric and ocean energy, purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers' invoices or other means). It does not include nuclear energy.

TNT N.V.
Until the demerger of its Express activities on 31 May 2011, 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.

VAT
Value Added Tax.

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.

We look forward to receiving feedback on this report.
Please send us your comments by e-mail to
corporatecommunications@postnl.nl
or by sending a letter to:

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postnl

BOARD OF MANAGEMENT
RESPONSIBILITY STATEMENT

UNDER THE FINANCIAL MARKET 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 of PostNL N.V. (**PostNL**) confirms to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2013 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 Group companies as at 31 December 2013, the state of affairs during the financial year to which the report relates, together with a description of the key risks facing PostNL, and

- the annual report describes the principal risks PostNL faces. These are described in chapter 11 of the annual report.

The Hague, 24 February 2014

H.W.P.M.A. (Herna) Verhagen, CEO

J.P.P. (Jan) Bos, CFO

PostNL N.V. Corporate governance statement

2013

PostNL N.V. (**"PostNL"** or the **"company"**) is a limited liability company listed on NYSE Euronext Amsterdam and governed by the Dutch large company regime (*structuurvennootschap*). The large company regime provides a legal framework which determines the corporate management structure as well as the powers and duties of the Board of Management and Supervisory Board. Further information can be found in this statement.

It has a two-tier governance structure with a board of management entrusted with executive management under the supervision of an independent supervisory board.

1 Management of the company

1.1 The Board of Management and its duties

The Board of Management is collectively responsible for setting and implementing PostNL's mission, vision and strategy, for the management of PostNL as a whole and for all decisions taken in this respect. In addition, the Board of Management takes responsibility for PostNL's overall results.

The Board of Management consists 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 comprises the members of the Board of Management and the directors of the PostNL segments, HR and IT: 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 and Mr A.G. Rodenboog, responsible for Operations Mail in the Netherlands.

The directors of PostNL's segments are primarily responsible for developing and executing the business strategy and operational performance of each of their respective segments within the framework set by PostNL's corporate strategy.

The Board of Management acts in accordance with the interests of PostNL. To that end, it is required to consider all relevant interests associated with the company. The Board of Management is committed to managing the company transparently. The responsibility for day-to-day management of the PostNL segments is decentralised within established standards, processes, requirements and guidelines.

The Board of Management is responsible for compliance with all relevant legislation, the risk profile laid down in the strategy, PostNL's financing, the corporate responsibility policy and external communication. It is required to report developments on these topics to the Supervisory Board and its audit committee, and discusses the internal risk management and control systems with them.

For a comprehensive overview of the roles of internal audit and the assurance services provided by the external auditor please see the chapter corporate governance in PostNL's Annual Report (which can be found on PostNL's corporate website www.postnl.com).

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).

The disclosure committee advises and assists the Board of Management in ensuring that PostNL's press releases are accurate and complete and are, where available and appropriate, supported by accurate and reasonable detailed records, fairly represent the condition of the company in all material respects and are – if necessary – communicated to the AFM in compliance with relevant laws and regulations.

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 throughout PostNL. The integrity committee oversees and coordinates investigations based on reports of possible breaches under the PostNL Business Principles and related policies.

The CR council advises and assists the Board of Management in deploying the CR strategy and integrating it into daily operations, and provides guidance on CR issues and opportunities. It also supports the Board of Management in developing and achieving CR objectives across the company.

Specific functions and departments – Internal Audit, Legal, Procurement, Real Estate & Facilities, Human Resources, and Accounting & Reporting – are responsible for ensuring that the legal and regulatory compliance objectives are achieved.

The by-laws of the Board of Management and the terms of reference of the disclosure committee can be found on PostNL's corporate website: **www.postnl.com**.

1.2 The supervisory board and its duties

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of PostNL, as well as assisting the Board of Management with advice. Members of the Supervisory Board may take views that differ from those of the Board of Management. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management, as well as the general and financial risks and the internal risk management and control systems.

In performing its duties, the Supervisory Board acts in accordance with the interests of PostNL and takes into account the relevant interests of the company's stakeholders. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the company's business. PostNL's Supervisory Board is responsible for the quality of its own performance, which is reviewed annually. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

The Supervisory Board and the public affairs committee of the Supervisory Board perform an oversight role with respect to corporate responsibility issues supported by PostNL's internal audit function and the company's external auditors who monitor the CR governance structure and reporting.

The Board of Management provides the Supervisory Board with the information necessary for the proper performance of its duties in a timely manner. In addition, the Board of Management is required to provide the means to allow the Supervisory Board and its individual members to obtain all information necessary to be able to function as the supervisory body of PostNL. The Board of Management seeks full transparency in its communication with the Supervisory Board.

1.3 Composition of the Supervisory Board

The Supervisory Board consists of seven members: the chairman of the Supervisory Board Mr P.C. Klaver (also chairman of the nominations committee), Mr J. Wallage (vice-chairman of the Supervisory Board and chairman of the remuneration committee), Ms T. Menssen (chairman of the audit committee), Ms A.M. Jongerius, Mr M.A.M. Boersma, Mr J.W.M. Engel and Mr F.H. Rövekamp (chairman of the pubic affairs committee).

The Supervisory Board discusses annually changes in composition as part of the succession policy of its members and in relation to the profile of the Supervisory Board. In 2013 no amendments to the profile were made.

Composition of the Supervisory Board and committees per 31 December 2013.

Name	Nationality	Appointed	Term expires	Committee membership
Mr P. C. Klaver	Dutch	April 2008	2016	Nomination (chair), remuneration
Mr J. Wallage	Dutch	April 2010	2014	Remuneration (chair), public affairs
Mr M.A.M. Boersma	Dutch	May 2011	2015	Audit, nomination
Mr J.W.M. Engel	Dutch	April 2013	2017	Audit, public affairs
Ms A.M. Jongerius	Dutch	April 2013	2017	Audit, public affairs
Ms T. Menssen	Dutch	May 2011	2015	Audit (chair), remuneration
Mr F.H. Rövekamp	Dutch	May 2012	2016	Audit, remuneration, public affairs (chair)

According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. PostNL's articles of association provide that members of the Supervisory Board shall resign periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to avoid, as far as possible, a situation in which appointments and/or reappointments occur simultaneously. Both profile and rotation plan can be found on PostNL's corporate website: **www.postnl.com**.

The Act on Management and Supervision (*Wet Bestuur en Toezicht*) limits the number of supervisory positions that managing and supervisory board directors may hold in certain companies. The Act prohibits a person as of 1 January 2013 from being appointed as 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 reappointment. An overview of the compliance with these provisions can be found in chapter Report of the Supervisory Board in PostNL's Annual Report.

1.4 Committees of the Supervisory Board

PostNL's Supervisory Board has an audit committee, a nominations 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. 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 PostNL's corporate website.

1.5 Audit committee

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

The audit committee consists of at least three members. All members of the audit committee shall be members of the Supervisory Board who are determined by the Supervisory Board to be independent within the meaning of its by-laws and the applicable corporate governance rules. A member of the audit committee shall not simultaneously serve on the audit committees of more than two other companies unless the Supervisory Board determines that this simultaneous service would not impair the ability of such a member to serve effectively on the audit committee.

Each member of the audit committee must be financially literate and at least one member of the audit committee shall be a financial expert, with relevant knowledge and expertise of financial administration and accounting for listed companies or other large companies.

1.6 Nomination committee

The nomination committee assists the Supervisory Board with drawing up selection criteria and appointment procedures for members of the Supervisory Board and the Board of Management and 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 also 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.

The nomination committee consists of at least three members, including the chairman (or vice-chairman) of the Supervisory Board, of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules. All members of the nominations committee are members of the Supervisory Board.

1.7 Public affairs committee

The public affairs committee acts as a sounding board and advisory committee for the Board of Management with respect to (i) formulating, developing and monitoring PostNL's public affairs policy governing the relationships between PostNL and national and international 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 PostNL's social and environmental policies.

The public affairs committee consists of at least three members, of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules. All members of the public affairs committee are members of the Supervisory Board.

1.8 Remuneration committee

The remuneration committee proposes 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 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).

The remuneration committee consists of at least three members (of which all but one need to be independent within the meaning of its by-laws and the applicable corporate governance rules). The chairman of the remuneration committee shall not simultaneously be chairman of the Supervisory Board.

1.9 Reporting by committees

Each committee reports its findings and conclusions after each meeting to the full Supervisory Board. The information on the composition and functioning of the Supervisory Board and its committees are included in the corporate governance statement. This statement is available on PostNL's corporate website under Corporate Governance. Information on the actual meetings of both the Supervisory Board and its committees can be found in PostNL's Annual Report.

PostNL's articles of association and the by-laws of the Supervisory Board can be viewed on PostNL's corporate website **www.postnl.com**.

The large company regime

PostNL operates as a company subject to the rules of the large company regime. Under this regime, certain resolutions of a board of management of a large company such as PostNL require the prior approval of the supervisory board. Both the supervisory board and the board of management are accountable to the general meeting of shareholders for the performance of their duties.

Both the supervisory board and the board of management are accountable to the general meeting of shareholders for the performance of their duties. Members of the PostNL 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.

For further details on the appointment and dismissal of members of the Board of Management and/or the Supervisory Board, see article 17 of PostNL's articles of association.

2 General meetings of shareholders

2.1 Frequency and venue

PostNL is required to hold an Annual General Meeting of Shareholders within six months after 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, in the event that one or more shareholders representing at least 10% of the issued share capital request the Supervisory Board and the Board of Management in writing to convene a shareholders meeting, stating their proposed agenda in detail, such meeting shall in principle be convened.

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

2.2 Agenda

One or more shareholders representing at least 1% of PostNL's issued share capital have the right to request that the Board of Management or the Supervisory Board place items on the agenda of 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 to the company's strategy, the Board of Management shall be given the opportunity to stipulate a reasonable period in which to respond, which shall not exceed 180 days.

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.

2.3 Notice to convene

General Meetings of Shareholders are convened at least 42 days in advance by a notice published on PostNL's website.

2.4 Admission to and voting rights at the meeting

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

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.

2.5 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.

2.6 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.

2.7 Major shareholders

To PostNL's knowledge, PostNL 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 Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

2.8 Annual General Meeting of Shareholders held on 16 April 2013

On 16 April 2013, 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, compared to 66.4% in 2012.

At the Annual General Meeting of Shareholders, all proposed resolutions were adopted, including the extension of the mandate granted to the Board of Management to issue ordinary shares. The Annual General Meeting of Shareholders extended the mandate with a period of 18 months, i.e. until 16 October 2014. The mandate is 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 agenda, resolutions adopted at the meeting and voting results for each resolution, the presentations given during the meeting and a webcast of the meeting, are available on PostNL's corporate website in Dutch and English. Minutes of the meeting are available in Dutch on PostNL's corporate website.

3 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 as far as possible any influences that could threaten PostNL's continuity, independence and identity. Foundation Continuity PostNL is an independent legal entity and is not owned or controlled by PostNL or any other legal person.

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

More information on the Foundation Continuity PostNL can be found in the chapter corporate governance in PostNL's Annual Report (which can be found on PostNL's corporate website **www.postnl.com**).

4 Dutch Corporate Governance Code

PostNL applies the principles and best practices of the Dutch Corporate Governance Code (the **"Code"**) which are based on a 'comply or explain' principle requiring companies listed on a regulated stock exchange to explain in their annual report how they complied with the Code and to give a motivated account of principles and/or best practice provisions which have not been complied with.

4.1 Non-compliance with the Code

PostNL complies with the principles and best practices of the Code, except for the best practice provisions below that are not fully complied with:

- *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.

In the relevant chapters of its Annual Report, 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.

The Board of Management's statement pursuant to chapter 5.1a of the Dutch Financial Markets Supervision Act, can be found in the chapter corporate governance in PostNL's Annual Report (which can be found on PostNL's corporate website **www.postnl.com**).

Unless otherwise indicated terms defined have the meaning as referred to in 2013 Annual Report.

The full text of the Code is available on PostNL's corporate website.

postnl