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C.01 INCOME STATEMENT

1 January to 31 December

€m	Note	2013 adjusted[1]	2014
Revenue	11	54,912	56,630
Other operating income	12	1,962	2,016
Total operating income		56,874	58,646
Materials expense	13	−31,038	−32,042
Staff costs	14	−17,776	−18,189
Depreciation, amortisation and impairment losses	15	−1,337	−1,381
Other operating expenses	16	−3,863	−4,074
Total operating expenses		−54,014	−55,686
Net income from investments accounted for using the equity method	17	5	5
Profit from operating activities (EBIT)		**2,865**	**2,965**
Financial income		182	74
Finance costs		−432	−423
Foreign currency result		−43	−39
Net finance costs	18	**−293**	**−388**
Profit before income taxes		**2,572**	**2,577**
Income taxes	19	−361	−400
Consolidated net profit for the period	20	**2,211**	**2,177**
attributable to Deutsche Post AG shareholders		2,091	2,071
attributable to non-controlling interests	21	120	106
Basic earnings per share (€)	22	**1.73**	**1.71**
Diluted earnings per share (€)	22	**1.66**	**1.64**

[1] Note 4.

C.02 STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€m	Note	2013 adjusted[1]	2014
Consolidated net profit for the period	20	**2,211**	**2,177**
Items that will not be reclassified to profit or loss			
Change due to remeasurements of net pension provisions		−50	−2,350
IFRS 3 revaluation reserve		−1	−2
Other changes in retained earnings		1	2
Income taxes relating to components of other comprehensive income	19	36	285
Share of other comprehensive income of investments accounted for using the equity method (after tax)		0	0
Total (after tax)		**−14**	**−2,065**
Items that may be subsequently reclassified to profit or loss			
IAS 39 revaluation reserve			
Changes from unrealised gains and losses		77	112
Changes from realised gains and losses		0	0
IAS 39 hedging reserve			
Changes from unrealised gains and losses		111	−73
Changes from realised gains and losses		−49	−19
Currency translation reserve			
Changes from unrealised gains and losses		−461	454
Changes from realised gains and losses		1	0
Income taxes relating to components of other comprehensive income	19	−26	17
Share of other comprehensive income of investments accounted for using the equity method (after tax)		−1	4
Total (after tax)		**−348**	**495**
Other comprehensive income (after tax)		**−362**	**−1,570**
Total comprehensive income		**1,849**	**607**
attributable to Deutsche Post AG shareholders		1,739	488
attributable to non-controlling interests		110	119

[1] Note 4.

C.03 BALANCE SHEET

€m	Note	1 Jan. 2013 adjusted[1]	31 Dec. 2013 adjusted[1]	31 Dec. 2014
ASSETS				
Intangible assets	24	12,146	11,832	12,352
Property, plant and equipment	25	6,652	6,800	7,177
Investment property	26	43	33	32
Investments accounted for using the equity method	27	66	68	75
Non-current financial assets	28	1,038	1,123	1,363
Other non-current assets	29	301	187	151
Deferred tax assets	30	1,328	1,327	1,752
Non-current assets		**21,574**	**21,370**	**22,902**
Inventories	31	321	402	332
Current financial assets	32	252	821	351
Trade receivables	33	6,940	7,022	7,825
Other current assets	34	2,155	2,223	2,415
Income tax assets	35	127	167	172
Cash and cash equivalents	36	2,395	3,414	2,978
Assets held for sale	37	76	42	4
Current assets		**12,266**	**14,091**	**14,077**
Total ASSETS		**33,840**	**35,461**	**36,979**
EQUITY AND LIABILITIES				
Issued capital	38	1,209	1,209	1,210
Capital reserves	39	2,254	2,269	2,339
Other reserves	40	–474	–817	–341
Retained earnings	41	6,017	7,183	6,168
Equity attributable to Deutsche Post AG shareholders	42	9,006	9,844	9,376
Non-controlling interests	43	207	190	204
Equity		**9,213**	**10,034**	**9,580**
Provisions for pensions and similar obligations	44	5,216	5,016	7,226
Deferred tax liabilities	30	156	124	84
Other non-current provisions	45	1,954	1,589	1,556
Non-current provisions		7,326	6,729	8,866
Non-current financial liabilities	46	4,421	4,619	4,683
Other non-current liabilities	47	276	227	255
Non-current liabilities		4,697	4,846	4,938
Non-current provisions and liabilities		**12,023**	**11,575**	**13,804**
Current provisions	45	1,667	1,752	1,545
Current financial liabilities	46	410	1,335	486
Trade payables	48	5,960	6,358	6,922
Other current liabilities	47	4,003	3,978	4,196
Income tax liabilities	35	534	429	446
Liabilities associated with assets held for sale	37	30	0	0
Current liabilities		10,937	12,100	12,050
Current provisions and liabilities		**12,604**	**13,852**	**13,595**
Total EQUITY AND LIABILITIES		**33,840**	**35,461**	**36,979**

[1] Note 4.

C.04 CASH FLOW STATEMENT

1 January to 31 December

€m	Note	2013 adjusted[1]	2014
Consolidated net profit for the period attributable to Deutsche Post AG shareholders		2,091	2,071
Consolidated net profit for the period attributable to non-controlling interests		120	106
Income taxes		361	400
Net finance costs		293	388
Profit from operating activities (EBIT)		**2,865**	**2,965**
Depreciation, amortisation and impairment losses		1,337	1,381
Net income from disposal of non-current assets		−22	−11
Non-cash income and expense		12	−4
Change in provisions		−500	−698
Change in other non-current assets and liabilities		−53	−25
Dividend received		0	1
Income taxes paid		−561	−548
Net cash from operating activities before changes in working capital		**3,078**	**3,061**
Changes in working capital			
Inventories		−104	106
Receivables and other current assets		−670	−814
Liabilities and other items		685	687
Net cash from operating activities	49.1	**2,989**	**3,040**
Subsidiaries and other business units		32	4
Property, plant and equipment and intangible assets		177	200
Investments accounted for using the equity method and other investments		0	0
Other non-current financial assets		32	118
Proceeds from disposal of non-current assets		241	322
Subsidiaries and other business units		−37	−5
Property, plant and equipment and intangible assets		−1,381	−1,750
Investments accounted for using the equity method and other investments		0	−1
Other non-current financial assets		−68	−103
Cash paid to acquire non-current assets		−1,486	−1,859
Interest received		55	45
Current financial assets		−575	405
Net cash used in investing activities	49.2	**−1,765**	**−1,087**
Proceeds from issuance of non-current financial liabilities		1,010	43
Repayments of non-current financial liabilities		−34	−1,030
Change in current financial liabilities		35	−53
Other financing activities		39	−5
Proceeds from transactions with non-controlling interests		1	0
Cash paid for transactions with non-controlling interests		−21	−34
Dividend paid to Deutsche Post AG shareholders		−846	−968
Dividend paid to non-controlling interest holders		−109	−90
Purchase of treasury shares		−23	−85
Proceeds from issuing shares or other equity instruments		4	62
Interest paid		−166	−188
Net cash used in financing activities	49.3	**−110**	**−2,348**
Net change in cash and cash equivalents		**1,114**	**−395**
Effect of changes in exchange rates on cash and cash equivalents		−102	−42
Changes in cash and cash equivalents associated with assets held for sale		7	0
Changes in cash and cash equivalents due to changes in consolidated group		0	1
Cash and cash equivalents at beginning of reporting period		2,395	3,414
Cash and cash equivalents at end of reporting period	49.4	**3,414**	**2,978**

[1] Note 4.

C.05 STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

€m			Other reserves							
	Issued capital	Capital reserves	IFRS 3 revaluation reserve	IAS 39 revaluation reserve	IAS 39 hedging reserve	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	38	39	40.1	40.2	40.3	40.4	41	42	43	
Balance at 1 January 2013	1,209	2,254	3	−1	−7	−470	6,031	9,019	209	9,228
Adjustment[1]	0	0	0	0	0	1	−14	−13	−2	−15
Balance at 1 January 2013, adjusted	1,209	2,254	3	−1	−7	−469	6,017	9,006	207	9,213
Capital transactions with owner										
Dividend	0	0	0	0	0	0	−846	−846	−111	−957
Transactions with non-controlling interests	0	0	0	0	0	−5	−62	−67	−18	−85
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	−3	−3
Issue of shares or other equity instruments	0	0	0	0	0	0	0	0	5	5
Purchase of treasury shares	−1	0	0	0	0	0	−22	−23	0	−23
Share-based payment (issuance)	0	35	0	0	0	0	0	35	0	35
Share-based payment (exercise)	1	−20	0	0	0	0	19	0	0	0
								−901	**−127**	**−1,028**
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	2,091	2,091	120	2,211
Currency translation differences	0	0	0	0	0	−450	0	−450	−11	−461
Change due to remeasurements of net pension provisions	0	0	0	0	0	0	−15	−15	1	−14
Other changes	0	0	−1	69	44	0	1	113	0	113
								1,739	**110**	**1,849**
Balance at 31 December 2013, adjusted[1]	**1,209**	**2,269**	**2**	**68**	**37**	**−924**	**7,183**	**9,844**	**190**	**10,034**
Balance at 1 January 2014	1,209	2,269	2	68	37	−924	7,183	9,844	190	10,034
Capital transactions with owner										
Dividend	0	0	0	0	0	0	−968	−968	−101	−1,069
Transactions with non-controlling interests	0	0	0	0	0	0	−6	−6	−15	−21
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	5	5
Issue of shares or other equity instruments	2	54	0	0	0	0	0	56	6	62
Purchase of treasury shares	−3	0	0	0	0	0	−82	−85	0	−85
Share-based payment (issuance)	0	47	0	0	0	0	0	47	0	47
Share-based payment (exercise)	2	−31	0	0	0	0	29	0	0	0
								−956	**−105**	**−1,061**
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	2,071	2,071	106	2,177
Currency translation differences	0	0	0	0	0	441	0	441	17	458
Change due to remeasurements of net pension provisions	0	0	0	0	0	0	−2,061	−2,061	−4	−2,065
Other changes	0	0	−2	102	−65	0	2	37	0	37
								488	**119**	**607**
Balance at 31 December 2014	**1,210**	**2,339**	**0**	**170**	**−28**	**−483**	**6,168**	**9,376**	**204**	**9,580**

[1] Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE POST AG

BASIS OF PREPARATION

Deutsche Post DHL Group is a global mail and logistics group. The Deutsche Post and DHL corporate brands represent a portfolio of logistics (DHL) and communication (Deutsche Post) services. The financial year of Deutsche Post AG and its consolidated subsidiaries is the calendar year. Deutsche Post AG, whose registered office is in Bonn, Germany, is entered in the commercial register of the Bonn Local Court.

1 Basis of accounting

As a listed company, Deutsche Post AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the provisions of commercial law to be additionally applied in accordance with section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code).

The requirements of the Standards applied have been satisfied in full, and the consolidated financial statements therefore provide a true and fair view of the Group's net assets, financial position and results of operations.

The consolidated financial statements consist of the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the Notes. In order to improve the clarity of presentation, various items in the balance sheet and in the income statement have been combined. These items are disclosed and explained separately in the Notes. The income statement has been classified in accordance with the nature of expense method.

The accounting policies, as well as the explanations and disclosures in the Notes to the IFRS consolidated financial statements for financial year 2014, are generally based on the same accounting policies used in the 2013 consolidated financial statements. Exceptions to this are the changes in international financial reporting under the IFRSs described in Note 5 that have been required to be applied by the Group since 1 January 2014. The accounting policies are explained in Note 7.

These consolidated financial statements were authorised for issue by a resolution of the Board of Management of Deutsche Post AG dated 20 February 2015.

The consolidated financial statements are prepared in euros (€). Unless otherwise stated, all amounts are given in millions of euros (€ million, €m).

2 Consolidated group

The consolidated group includes all companies controlled by Deutsche Post AG. Control exists if Deutsche Post AG has decision-making powers, is exposed to, and has rights to, variable returns, and is able to use its decision-making powers to affect the amount of the variable returns.

The Group companies are consolidated from the date on which Deutsche Post DHL Group is able to exercise control.

When Deutsche Post DHL Group holds less than the majority of voting rights, other contractual arrangements may result in the Group controlling the investee.

DHL Sinotrans International Air Courier Ltd. (Sinotrans), China, is a significant company that has been consolidated despite Deutsche Post DHL Group not having a majority of voting rights. Sinotrans provides domestic and international express delivery and transport services and has been assigned to the Express segment. The company is fully integrated into the global DHL network and operates exclusively for Deutsche Post DHL Group. Due to the arrangements in the Network Agreement, DHL is able to prevail in decisions concerning Sinotrans' relevant activities. Sinotrans has therefore been consolidated fully although Deutsche Post DHL Group holds no more than 50% of the company's share capital.

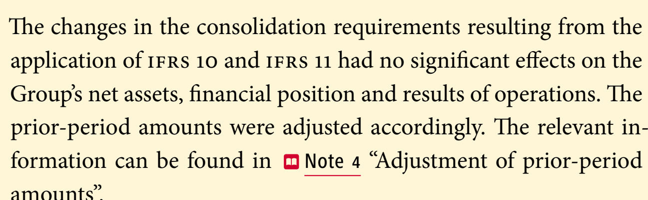
The complete list of the Group's shareholdings in accordance with section 313 (2) nos. 1 to 4 and section 313 (3) of the HGB can be accessed online at www.dpdhl.com/en/investors.html.

The companies listed in the following table are consolidated in addition to the parent company Deutsche Post AG:

Consolidated group

	2013	Adjustment[1]	2013 adjusted	2014
Number of fully consolidated companies (subsidiaries)				
German	88	–1	87	90
Foreign	707	–5	702	685
Number of proportionately consolidated joint ventures				
German	1	–1	0	0
Foreign	3	–3	0	0
Number of joint operations				
German	0	1	1	1
Foreign	0	1	1	1
Number of investments accounted for using the equity method				
German	0	1	1	1
Foreign	8	7	15	14

[1] Note 4.



The changes in the consolidation requirements resulting from the application of IFRS 10 and IFRS 11 had no significant effects on the Group's net assets, financial position and results of operations. The prior-period amounts were adjusted accordingly. The relevant information can be found in Note 4 "Adjustment of prior-period amounts".

2.1 Acquisitions

Acquisitions in 2014

The following acquisitions were made in 2014:

Acquisitions, 2014

Name	Country	Segment	Interest %	Date of acquisition
DHL Global Forwarding & Co. LLC (DHL Oman), Muscat	Oman	Global Forwarding, Freight	40	7 May 2014
StreetScooter, Aachen	Germany	PeP[1]	100	18 Dec. 2014

[1] Post - eCommerce - Parcel, formerly the Mail segment.

Freight forwarding, transport and logistics service provider DHL Global Forwarding & Co. LLC (DHL Oman), Oman, which was previously accounted for using the equity method, has been consolidated since May 2014 due to contractual changes. In December 2014, Deutsche Post DHL Group acquired StreetScooter GmbH. The company develops electric vehicles. As a result of the acquisition, Deutsche Post DHL Group has also acquired the development and production rights to the vehicles.

Insignificant acquisitions, 2014

€m 1 January to 31 December	Carrying amount	Adjustment	Fair value
Non-current assets	3	–	3
Current assets	11	–	11
Cash and cash equivalents	5	–	5
ASSETS	**19**	**–**	**19**
Current provisions and liabilities	9	–	9
EQUITY AND LIABILITIES	**9**	**–**	**9**
Net assets			**10**

The calculation of goodwill is presented in the following table:

Goodwill, 2014

€m	Fair value
Contractual consideration	7
Fair value of the existing equity interest[1]	2
Cost	**9**
Less net assets	10
Difference	**–1**
Plus non-controlling interests[2]	3
Goodwill	**2**

[1] Gain on the change in the method of consolidation is recognised under other operating income.
[2] Non-controlling interests are recognised at their carrying amounts.

Since their consolidation, the companies have contributed €17 million to consolidated revenue and €2 million to consolidated EBIT. If the companies had already been acquired as at 1 January 2014, they would have contributed an additional €8 million to consolidated revenue and €1 million to consolidated EBIT.

Transaction costs amounted to less than €1 million and are reported in other operating expenses.

€7 million was paid for the companies acquired in financial year 2014, and €3 million was paid for companies acquired in previous years. The purchase price for the companies acquired was paid by transferring cash funds.

Acquisitions in 2013

In the period up to 31 December 2013, Deutsche Post DHL Group acquired companies that did not materially affect the Group's net assets, financial position and results of operations, either individually or in the aggregate:

Acquisitions, 2013

Name	Country	Segment	Interest %	Date of acquisition
Compador Technologies GmbH, Berlin	Germany	PeP	49	15 January 2013
optivo GmbH, Berlin	Germany	PeP	100	28 June 2013
RISER ID Services GmbH, Berlin	Germany	PeP	100	31 July 2013

In January 2013, Deutsche Post DHL Group acquired 49% of the shares of Compador Technologies GmbH (Compador), Berlin, which specialises in the development and manufacture of sorting machines and software solutions. The company is consolidated because of existing potential voting rights.

In addition, optivo GmbH, Berlin, was acquired in June 2013. optivo provides technical e-mail marketing services. The software and services offered by the company make it possible to reach out to existing customers by automatically sending campaign e-mails.

At the end of July 2013, all of the shares of RISER ID Services GmbH, Berlin, were acquired via a subsidiary in which Deutsche Post DHL Group holds a 51% interest. The company is a service provider offering electronic address information from public resident registers.

In financial year 2012, Deutsche Post DHL Group increased its stake in All you need GmbH, Berlin, a mobile commerce supermarket. The step acquisition of the company was carried out with a view to resale. The company was therefore classified under assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. In the third quarter of 2013, the Board of Management announced that it no longer intended to resell the company. Initial consolidation resulted in goodwill of €5 million. The company was accounted for in the third quarter of 2013. The income statement presentation was not adjusted retrospectively due to the immateriality of the amounts involved.

Insignificant acquisitions, 2013

€m 1 January to 31 December	Carrying amount	Adjustment	Fair value
Non-current assets	2	–	2
Current assets	8	–	8
Cash and cash equivalents	2	–	2
ASSETS	**12**	**–**	**12**
Current liabilities and provisions	7	–	7
EQUITY AND LIABILITIES	**7**	**–**	**7**
Net assets			**5**

The calculation of goodwill is presented in the following table:

Goodwill, 2013

€m	Fair value
Contractual consideration	37
Fair value of existing equity interest[1]	2
Cost	**39**
Less net assets	5
Less cost attributable to non-controlling interests	5
Difference	**29**
Plus non-controlling interests[2]	2
Goodwill	**31**

[1] Gain on the change in the method of consolidation is recognised under other operating income.
[2] Non-controlling interests are recognised at their carrying amount.

In financial year 2013, the companies contributed €8 million to consolidated revenue and €–2 million to consolidated EBIT following consolidation. If the companies had already been acquired as at 1 January 2013, they would have contributed an additional €9 million to consolidated revenue and €1 million to consolidated EBIT.

Transaction costs amounted to less than €1 million and are reported in other operating expenses.

€34 million was paid for the companies acquired in financial year 2013 and €5 million was paid for companies acquired in previous years. The purchase price for the companies acquired was paid by transferring cash funds.

2.2 Contingent consideration

Variable purchase prices, which are presented in the following table, were agreed for the acquisitions in previous financial years:

Contingent consideration

Basis	Period for financial years from/to	Results range from	Fair value of total obligation	Remaining payment obligation at 31 Dec. 2013	Remaining payment obligation at 31 Dec. 2014
Revenue and EBITDA[1]	2011 to 2013	€0 to €3 million	€0 million	€1 million	€0 million
Revenue and sales margin	2012 to 2014	€0 to €9 million	€3 million	€1 million	€0 million

[1] Change in the fair value of the total and remaining payment obligation due to differences between actual and estimated amounts.

2.3 Disposal and deconsolidation effects

Gains are shown under other operating income; losses are reported under other operating expenses.

Disposal and deconsolidation effects, 2014

The disposal and deconsolidation effects in financial year 2014 were as follows:

Disposal and deconsolidation effects, 2014

€m 1 January to 31 December	Hull Blyth	Digital Solutions Business	Compador Technologies	Total
Non-current assets	1	1	1	3
Current assets	3	0	0	3
Cash and cash equivalents	0	0	0	0
ASSETS	4	1	1	6
Non-current provisions and liabilities	0	0	5	5
Current provisions and liabilities	2	0	1	3
EQUITY AND LIABILITIES	2	0	6	8
Net assets	2	1	–5	–2
Total consideration received	2	4	–4	2
Income from the currency translation reserve	0	0	0	0
Non-controlling interests	0	0	2	2
Deconsolidation gain (+)/loss (–)	0	3	–1	2

POST - ECOMMERCE - PARCEL SEGMENT

Compador Technologies, Berlin, was sold and deconsolidated in December 2014.

SUPPLY CHAIN SEGMENT

In December 2014, DHL Supply Chain Limited, UK, sold its Digital Solutions Business by way of an asset deal.

GLOBAL FORWARDING, FREIGHT SEGMENT

In July 2014, activities not forming part of the core business of Hull Blyth (Angola) Ltd., Angola, including the related non-current assets and the company Hull Blyth Angola Viagens e Turismo Lda., Angola, were sold. During the course of the year, the assets and liabilities were reclassified as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. The most recent measurement of the assets prior to reclassification did not indicate any impairment.

Disposal and deconsolidation effects in 2013

€m 1 January to 31 December	Cargus International	DHL Fashion (France)	ITG Group	Exel Direct	DHL Express UK	Total
Non-current assets	6	0	14	6	1	**27**
Current assets	3	12	30	14	0	**59**
Cash and cash equivalents	2	23	4	1	0	**30**
ASSETS	**11**	**35**	**48**	**21**	**1**	**116**
Current provisions and liabilities	4	12	38	10	0	**64**
EQUITY AND LIABILITIES	**4**	**12**	**38**	**10**	**0**	**64**
Net assets	**7**	**23**	**10**	**11**	**1**	**52**
Total consideration received	19	0	18	24	1	**62**
Losses from the currency translation reserve	0	0	0	–2	0	**–2**
Deconsolidation gain (+)/loss (–)	**12**	**–23**	**8**	**11**	**0**	**8**

EXPRESS SEGMENT

The sale of the Romanian domestic express business of Cargus International S.R.L. was completed in the first quarter of 2013. The assets and liabilities had previously been reclassified as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. The most recent measurement of the assets prior to their reclassification did not indicate any impairment.

The sale of the Domestic Same Day business of DHL Express UK Limited, UK, closed at the end of October 2013. The relevant assets and liabilities had previously been reclassified as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. The most recent measurement of the assets and liabilities prior to their reclassification did not indicate any impairment.

SUPPLY CHAIN SEGMENT

Deutsche Post DHL Group completed the sale of the fashion logistics business of DHL Fashion (France) SAS, France, in April 2013. The most recent measurement of the assets and liabilities prior to their reclassification as assets held for sale and liabilities associated with assets held for sale resulted in an impairment loss of €1 million in 2012, which was reported in depreciation, amortisation and impairment losses.

In addition, ITG GmbH Internationale Spedition und Logistik, Germany, was sold together with its subsidiaries in June 2013. The companies' assets and liabilities were reclassified as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. The most recent measurement of the assets prior to their reclassification did not indicate any impairment.

The sale of US company Exel Direct Inc. including its Canadian branch was completed in May 2013. The most recent measurement of the assets prior to their reclassification did not indicate any impairment.

US warehousing specialist Llano Logistics Inc. was sold and deconsolidated in May 2013. Since all of the amounts involved were lower than €1 million, they are not shown in the table.

2.4 Joint operations

Joint operations are consolidated in accordance with IFRS 11, based on the interest held.

A significant joint operation is Aerologic GmbH (Aerologic), Germany, a cargo airline domiciled in Leipzig. The company has been allocated to the Express segment. It was jointly established by Deutsche Lufthansa AG and Deutsche Post Beteiligungen Holding GmbH, which each hold 50% of its capital and voting rights. Aerologic's shareholders are simultaneously its customers, giving them access to its freight aircraft capacity. Aerologic serves the DHL Express network exclusively from Monday to Friday, whilst it flies for the Lufthansa Cargo network at weekends. In contrast to its capital and voting rights, the company's assets and liabilities, as well as its income and expenses, are allocated based on this user relationship.

3 Significant transactions

Capital increases

Deutsche Post AG increased its capital in March and December 2014 by issuing new shares and performing a share buy-back; Note 38.

There were no other significant transactions to report.

4 Adjustment of prior-period amounts

As the amended IFRS 10 and IFRS 11 came into force on 1 January 2014 and were applied retrospectively, the prior-period amounts of the relevant balance sheet and income statement items were adjusted accordingly. During this transition process, further insignificant adjustments were made to the inclusion method and the equity interest included.

The investments in associates balance sheet item was renamed investments accounted for using the equity method as it now also includes the joint ventures to be accounted for using the equity method. Accordingly, the net income from associates item in the income statement was changed to net income from investments accounted for using the equity method.

An analysis of Deutsche Post DHL Group's investment portfolio revealed that it only held investments in companies that are active in the Group's core business area. This means that reporting the income and expenses from these investments under operating profit (EBIT) gives a better view of operating performance. As a result, the net income from investments accounted for using the equity method item and those effects from available-for-sale financial assets relating to equity investments have been reclassified from net finance costs to profit from operating activities. This item has been reclassified retrospectively.

Balance sheet adjustments at 1 January 2013 and 31 December 2013

€m	1 Jan. 2013	Adjustment	1 Jan. 2013 adjusted	31 Dec. 2013	Adjustment	31 Dec. 2013 adjusted
ASSETS						
Intangible assets	12,151	−5	**12,146**	11,836	−4	**11,832**
Property, plant and equipment	6,663	−11	**6,652**	6,814	−14	**6,800**
Investments in associates	46	−46	**–**	48	−48	**–**
Investments accounted for using the equity method	–	66	**66**	–	68	**68**
Non-current financial assets	1,039	−1	**1,038**	1,124	−1	**1,123**
Other non-current assets	298	3	**301**	184	3	**187**
Inventories	322	−1	**321**	403	−1	**402**
Trade receivables	6,959	−19	**6,940**	7,040	−18	**7,022**
Other current assets	2,153	2	**2,155**	2,221	2	**2,223**
Income tax assets	127	0	**127**	168	−1	**167**
Cash and cash equivalents	2,400	−5	**2,395**	3,417	−3	**3,414**
Total ASSETS	**33,857**	**−17**	**33,840**	**35,478**	**−17**	**35,461**
EQUITY AND LIABILITIES						
Other reserves	−475	1	**−474**	−819	2	**−817**
Retained earnings	6,031	−14	**6,017**	7,198	−15	**7,183**
Non-controlling interests	209	−2	**207**	191	−1	**190**
Provisions for pensions and similar obligations	5,216	0	**5,216**	5,017	−1	**5,016**
Other non-current provisions	1,943	11	**1,954**	1,574	15	**1,589**
Non-current financial liabilities	4,413	8	**4,421**	4,612	7	**4,619**
Current provisions	1,663	4	**1,667**	1,745	7	**1,752**
Current financial liabilities	403	7	**410**	1,328	7	**1,335**
Trade payables	5,991	−31	**5,960**	6,392	−34	**6,358**
Other current liabilities	4,004	−1	**4,003**	3,981	−3	**3,978**
Income tax liabilities	534	0	**534**	430	−1	**429**
Total EQUITY AND LIABILITIES	**33,857**	**−17**	**33,840**	**35,478**	**−17**	**35,461**

Income statement adjustments 1 January to 31 December 2013

€m	2013	Adjustment	2013 adjusted
Revenue	55,085	−173	**54,912**
Other operating income	1,961	1	**1,962**
Materials expense	−31,212	174	**−31,038**
Staff costs	−17,785	9	**−17,776**
Depreciation, amortisation and impairment losses	−1,341	4	**−1,337**
Other operating expenses	−3,847	−16	**−3,863**
Net income from investments accounted for using the equity method	–	5	**5**
Profit from operating activities (EBIT)	2,861	4	**2,865**
Net income from associates	2	−2	**–**
Net finance costs	−289	−4	**−293**

5 New developments in international accounting under IFRSs

New Standards required to be applied in financial year 2014

The following Standards, changes to Standards and Interpretations are required to be applied on or after 1 January 2014:

Standard	Effective for financial years beginning on or after	Subject matter and significance
IFRS 10 (Consolidated Financial Statements) including transitional provisions	1 January 2014	This new standard introduces a uniform definition of control for all entities that are to be included in the consolidated financial statements. IFRS 10 supersedes IAS 27 (Consolidated and Separate Financial Statements) and SIC-12 (Consolidation – Special Purpose Entities). Special purpose entities previously consolidated in accordance with SIC-12 are now subject to IFRS 10. Retrospective application of the standard only resulted in insignificant changes for financial year 2013; Notes 2 and 4. Pro forma disclosure: non-application of the standard in financial year 2014 would not have resulted in significant changes to EBIT or consolidated net profit.
IFRS 11 (Joint Arrangements) including transitional provisions	1 January 2014	IFRS 11 supersedes IAS 31 (Interests in Joint Ventures) and abolishes the option to proportionately consolidate joint ventures. However, IFRS 11 does not require all entities that were previously subject to proportionate consolidation to be accounted for using the equity method. IFRS 11 provides a uniform definition of the term "joint arrangements" and distinguishes between joint operations and joint ventures. The interest in a joint operation is recognised on the basis of direct rights and obligations, whereas the interest in the profit or loss of a joint venture must be accounted for using the equity method. Application of the equity method to joint ventures will follow the requirements of the revised IAS 28 (Investments in Associates and Joint Ventures). Retrospective application of the standard only resulted in insignificant changes for financial year 2013; Notes 2 and 4. Pro forma disclosure: non-application of the standard in financial year 2014 would not have resulted in significant changes to EBIT or consolidated net profit.
IFRS 12 (Disclosures of Interests in Other Entities) including transitional provisions	1 January 2014	IFRS 12 combines the disclosure requirements for all interests in subsidiaries, joint ventures, associates and unconsolidated structured entities into a single standard. An entity is required to provide quantitative and qualitative disclosures about the types of risks and financial effects associated with the entity's interests in other entities. The disclosures required by IFRS 12 are presented in the Notes to the consolidated financial statements for the year ending on 31 December 2014.
IAS 27 (Separate Financial Statements) (revised 2011)	1 January 2014	The existing standard IAS 27 (Consolidated and Separate Financial Statements) was revised in conjunction with the new standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 27 (Separate Financial Statements) (revised 2011). The revised standard now only contains requirements applicable to separate financial statements. The amendment does not affect the financial statements.
IAS 28 (Investments in Associates and Joint Ventures) (revised 2011)	1 January 2014	The existing standard IAS 28 (Investments in Associates) was revised by the standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 28 (Investments in Associates and Joint Ventures) (revised 2011). Its scope was extended to include accounting for joint ventures using the equity method. The previous requirements of SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Venturers) have been incorporated into IAS 28. The amendment has no significant effect on the financial statements.
Amendments to IAS 32 (Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities)	1 January 2014	These amendments have provided clarification on the conditions for offsetting financial assets and liabilities in the balance sheet. They have no significant effect on the presentation of the financial statements. In individual cases, additional disclosures are required.
Amendments to IAS 36 (Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets)	1 January 2014	The amendment clarifies that disclosures regarding the recoverable amount of non-financial assets are only required if an impairment loss has been recognised or reversed in the current reporting period. In addition, the disclosures required when the recoverable amount is determined based on fair value less costs of disposal have been amended. The standard was applied early in financial year 2013.
Amendments to IAS 39 (Novation of Derivatives and Continuation of Hedge Accounting)	1 January 2014	Under this amendment, subject to certain conditions, novation of a hedging instrument to a central counterparty as a consequence of laws or regulations does not give rise to termination of a hedging relationship. The amendment has no significant effect on the presentation of the financial statements.

The following are not relevant for the consolidated financial statements:
amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), effective for financial years beginning on or after 1 January 2014.

New accounting pronouncements adopted by the EU but only required to be applied in future periods

The following Standards, changes to Standards and Interpretations have already been endorsed by the EU. However, they will only be required to be applied in future periods.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
IFRIC 21 (Levies) (20 May 2013)	17 June 2014[1]	This Interpretation provides guidance on when to recognise a liability for a levy imposed by a government. It covers the recognition of levies imposed in accordance with laws or regulations. It does not include taxes, fines and other outflows that fall within the scope of other standards. The effects of this Interpretation on the consolidated financial statements are immaterial.
Amendments to IAS 19 (Defined Benefit Plans: Employee Contributions) (21 November 2013)	1 February 2015[1]	The amendments apply to the recognition of employee contributions to defined benefit retirement plans. Their objective is to simplify accounting for employee contributions that are independent of the number of years of service. In such cases, the service cost in the period in which the corresponding service is rendered may be reduced. The new requirements must be applied retrospectively. Application will not lead to any significant effects.
Annual Improvements to IFRSs 2010–2012 Cycle (12 December 2013)	1 February 2015[1]	The annual improvement process refers to the following standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 37, IAS 38 and IAS 39. The amendments will not have a significant influence on the consolidated financial statements.
Annual Improvements to IFRSs 2011–2013 Cycle (12 December 2013)	1 January 2015[1]	The annual improvement process refers to the following standards: IFRS 1, IFRS 3, IFRS 13 and IAS 40. The amendments will not have a significant influence on the consolidated financial statements.

[1] The effective date was amended for companies within the EU. This is a departure from the original standard.

New accounting requirements not yet adopted by the EU (endorsement procedure)

The IASB and the IFRIC issued further Standards, amendments to Standards and Interpretations in financial year 2014 and in previous years whose application is not yet mandatory for financial year 2014. The application of these IFRSs is dependent on their adoption by the EU.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
IFRS 9 (Consolidated Financial Statements) (24 July 2014)	1 January 2018	IFRS 9 was issued in 2009 as part of the project to replace IAS 39 and contains rules on the recognition and measurement of financial instruments, derecognition and hedge accounting. The fourth and final version of IFRS 9 now issued supersedes all previous versions. IFRS 9 changes the previous requirements applicable for the classification and measurement of financial assets, including the requirements regarding impairment, and supplements the new hedge accounting requirements published in 2013. A new fair value through other comprehensive income measurement category was introduced for business models where assets are both held for sale and held to collect contractual cash flows. The new requirements for determining impairment (impairment losses, particularly allowances for losses on loans and advances) include a new expected loss model, under which losses are recognised earlier, with both incurred and expected future losses taken into account. By contrast, IFRS 9 results in little change to the classification and measurement requirements for financial liabilities. For financial liabilities designated as at fair value, changes to their fair value attributable to changes in the credit risk of the entity must in future be presented in other comprehensive income (OCI), as opposed to profit and loss. The revision of hedge accounting places greater focus on an entity's economic risk management. Extensive new disclosure requirements were added as an amendment to IFRS 7. Application of IFRS 9 is required for reporting periods beginning on or after 1 January 2018. Voluntary early application is permitted subject to local requirements. Initial application must in principle be retrospective, although various simplification options are permitted. The Group is currently reviewing the effects on the consolidated financial statements.
IFRS 15 (Revenue from Contracts with Customers) (28 May 2014)	1 January 2017	This standard will in future replace the existing requirements governing revenue recognition under IAS 18 (Revenue) and IAS 11 (Construction Contracts). The new standard establishes uniform requirements regarding the timing and amount of revenue recognition, which are applicable for all sectors and for all categories of revenue transaction. The standard provides a principle-based five-step model that must be applied to all contracts with customers. It also introduces extensive disclosure requirements. IFRS 15 must be applied for reporting periods beginning on or after 1 January 2017. The requirements must in principle be applied retrospectively. Its effects on the consolidated financial statements are currently being reviewed.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IFRS 11 (Joint Arrangements – Acquisition of Interests in Joint Operations) (6 May 2014)	1 January 2016	The amendment clarifies that the acquisition and additional acquisition of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 (Business Combinations), must be recognised in accordance with the principles governing business combinations accounting in IFRS 3 and other IFRSs, with the exception of those principles that conflict with the requirements of IFRS 11. The amendments do not apply if the reporting entity and the other parties involved are under the common control of the same ultimate controlling party. The new requirements are applicable prospectively for interests acquired in reporting periods beginning on or after 1 January 2014. Voluntary earlier application is permitted. The effects on the Group are currently being reviewed.
Amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets): Clarification of Acceptable Methods of Depreciation and Amortisation (12 May 2014)	1 January 2016	The amendments expand the existing requirements relating to the permitted depreciation and amortisation methods for intangible assets and for property, plant and equipment. The amendments specify that revenue-based depreciation and amortisation methods are not permitted for property, plant and equipment and may only be used for intangible assets in certain exceptional circumstances. In addition, the amendments clarify that a reduction in the selling price of goods and services could signal obsolescence, which could in turn reflect a reduction in the economic benefits available from the asset. The requirements are applicable prospectively. Voluntary early application is permitted. The effects on the consolidated financial statements are currently being reviewed.
Annual Improvements to IFRSs 2012–2014 Cycle (25 September 2014)	1 January 2016	The annual improvement process refers to the following standards: IFRS 5, IFRS 7, IAS 19, IAS 34. Application of the new requirements is mandatory for reporting periods beginning on or after 1 January 2016. The amendments will not have a significant influence on the consolidated financial statements.
Amendments to IAS 1 (Presentation of Financial Statements) (18 December 2014)	1 January 2016	The changes comprise clarifications relating to the materiality of the items presented in the balance sheet, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the disclosures in the notes. Information that is not material need not be presented. This applies even if disclosure is explicitly required in other standards. In addition, the revised version of IAS 1 includes new rules or clarifications of existing requirements concerning the presentation of subtotals, the structure of the notes and the disclosures on accounting policies. The presentation of the interest in equity-accounted investments in other comprehensive income is also clarified. The amendments will not have a significant effect on the financial statements.

The following are not relevant for the consolidated financial statements:
IFRS 14 (Regulatory Deferral Accounts), issued on 30 January 2014 and effective for financial years beginning on or after 1 January 2016; amendments to IAS 16 (Property, Plant and Equipment) and IAS 41 (Agriculture): Bearer Plants, issued on 30 June 2014 and effective for financial years beginning on or after 1 January 2016; amendments to IAS 27 (Equity Method in Separate Financial Statements), issued on 12 August 2014 and effective for financial years beginning on or after 1 January 2016; amendments to IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures), issued on 11 September 2014 and effective for financial years beginning on or after 1 January 2016. Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception, issued on 18 December 2014 and effective for financial years beginning on or after 1 January 2016.

6 Currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros (€) in accordance with IAS 21 using the functional currency method. The functional currency of foreign companies is determined by the primary economic environment in which they mainly generate and use cash. Within the Group, the functional currency is predominantly the local currency. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rates, whilst periodic income and expenses are generally translated at the monthly closing rates. The resulting currency translation differences are recognised in other comprehensive income. In financial year 2014, currency translation differences amounting to €441 million (previous year, adjusted: €–450 million) were recognised in other comprehensive income (see the statement of comprehensive income and statement of changes in equity).

Goodwill arising from business combinations after 1 January 2005 is treated as an asset of the acquired company and therefore carried in the functional currency of the acquired company.

The exchange rates for the currencies that are significant for the Group were as follows:

		Closing rates		Average rates	
Currency	Country	2013 EUR 1 =	2014 EUR 1 =	2013 EUR 1 =	2014 EUR 1 =
AUD	Australia	1.5408	1.4823	1.3769	1.4729
CNY	China	8.3411	7.5389	8.1670	8.1891
GBP	UK	0.8332	0.7789	0.8492	0.8064
JPY	Japan	144.6070	145.1930	129.6521	140.3815
SEK	Sweden	8.8682	9.3797	8.6511	9.1000
CHF	Switzerland	1.2269	1.2025	1.2308	1.2146
USD	USA	1.3778	1.2148	1.3284	1.3291

The carrying amounts of non-monetary assets recognised at consolidated companies operating in hyperinflationary economies are generally indexed in accordance with IAS 29 and thus reflect the current purchasing power at the balance sheet date.

In accordance with IAS 21, receivables and liabilities in the financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate as at the balance sheet date. Currency translation differences are recognised in other operating income and expenses in the income statement. In financial year 2014, income of €171 million (previous year, adjusted: €157 million) and expenses of €170 million (previous year, adjusted: €157 million) resulted from currency translation differences. In contrast, currency translation differences relating to net investments in a foreign operation are recognised in other comprehensive income.

The company's business in Venezuela is subject to exchange controls. The Venezuelan currency, the bolívar fuerte, is not freely convertible. In March 2014, a new exchange rate system known as SICAD II (Sistema Complementario de Administración de Divisas) was introduced and the state-set exchange rate adjusted. Deutsche Post DHL Group began using this system in the second quarter of 2014 and modified the conversion rate on this basis. Due to currency effects, the cash and cash equivalents of the companies affected decreased by €130 million and non-current assets by €27 million as at the date of the change. Other current assets declined by €56 million and current provisions and liabilities by €103 million. The corresponding contra entries are included in the currency translation reserve in equity. Cash and cash equivalents amounted to €23 million as at 31 December 2014.

7 Accounting policies

Uniform accounting policies are applied to the annual financial statements of the entities that have been included in the consolidated financial statements. The consolidated financial statements are prepared under the historical cost convention, except where items are required to be recognised at their fair value.

Revenue and expense recognition

Deutsche Post DHL Group's normal business operations consist of the provision of logistics services. All income relating to normal business operations is recognised as revenue in the income statement. All other income is reported as other operating income. Revenue and other operating income is generally recognised when services are rendered, the amount of revenue and income can be reliably measured and, in all probability, the economic benefits from the transactions will flow to the Group. Operating expenses are recognised in income when the service is utilised or when the expenses are incurred.

Intangible assets

Intangible assets are measured at amortised cost. Intangible assets comprise internally generated and purchased intangible assets and purchased goodwill.

Internally generated intangible assets are capitalised at cost if it is probable that their production will generate an inflow of future economic benefits and the costs can be reliably measured. In the Group, this concerns internally developed software. If the criteria for capitalisation are not met, the expenses are recognised immediately in income in the year in which they are incurred. In addition to direct costs, the production cost of internally developed software includes an appropriate share of allocable production overhead costs. Any borrowing costs incurred for qualifying assets are included in the production cost. Value added tax arising in conjunction with the acquisition or production of intangible assets is included in the cost if it cannot be deducted as input tax. Capitalised software is amortised over its useful life.

Intangible assets are amortised using the straight-line method over their useful lives. Impairment losses are recognised in accordance with the principles described in the section headed Impairment. The useful lives of significant intangible assets are presented in the table below.

Useful lives

	Years[1]
Internally developed software	up to 10
Purchased software	up to 5
Licences	term of agreement
Customer relationships	up to 20

[1] The useful lives indicated represent maximum amounts specified by the Group. The actual useful lives may be shorter due to contractual arrangements or other specific factors such as time and location.

Intangible assets that are not affected by legal, economic, contractual, or other factors that might restrict their useful lives are considered to have indefinite useful lives. They are not amortised but are tested for impairment annually or whenever there are indications of impairment. They generally include brand names from business combinations, for example. Impairment testing is carried out in accordance with the principles described in the section headed Impairment.

Property, plant and equipment

Property, plant and equipment is carried at cost, reduced by accumulated depreciation and valuation allowances. In addition to direct costs, production cost includes an appropriate share of allocable production overhead costs. Borrowing costs that can be allocated directly to the purchase, construction or manufacture of property, plant and equipment are capitalised. Value added tax arising in conjunction with the acquisition or production of items of property, plant or equipment is included in the cost if it cannot be deducted as input tax. Depreciation is charged using the straight-line method. The estimated useful lives applied to the major asset classes are presented in the table below:

Useful lives

	Years[1]
Buildings	20 to 50
Technical equipment and machinery	10 to 20
Aircraft	15 to 20
IT systems	4 to 5
Transport equipment and vehicle fleet	4 to 18
Other operating and office equipment	8 to 10

[1] The useful lives indicated represent maximum amounts specified by the Group. The actual useful lives may be shorter due to contractual arrangements or other specific factors such as time and location.

Useful lives for letter sorting systems were extended from ten to 20 years and those for parcel sorting systems from 15 to 20 years in financial year 2014, based on an improved estimate. A standard adjustment to 50 years was made for operational and administrative buildings. The useful lives were adjusted prospectively as a change in accounting estimates; they have not been adjusted retrospectively for prior periods. Application of the adjusted useful lives caused depreciation to decrease by €42 million in financial year 2014. It is expected that depreciation will be reduced by €68 million for financial year 2015 and by €66 million for financial year 2016.

If there are indications of impairment, an impairment test must be carried out; section headed Impairment.

Impairment

At each balance sheet date, the carrying amounts of intangible assets, property, plant and equipment and investment property are reviewed for indications of impairment. If there are any such indications, an impairment test must be carried out. This is done by determining the recoverable amount of the relevant asset and comparing it with the carrying amount.

In accordance with IAS 36, the recoverable amount is the asset's fair value less costs to sell or its value in use, whichever is higher. The value in use is the present value of the pre-tax free cash flows expected to be derived from the asset in future. The discount rate used is a pre-tax rate of interest reflecting current market conditions. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets to which the asset in question can be allocated and which generates independent cash flows (cash generating unit – CGU). If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in respect of the asset. If, after an impairment loss has been recognised, a higher recoverable amount is determined for the asset or the CGU at a later date, the impairment loss is reversed up to a carrying amount that does not exceed the recoverable amount. The increased carrying amount attributable to the reversal of the impairment loss is limited to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised in the past. The reversal of the impairment loss is recognised in the income statement. Impairment losses recognised in respect of goodwill may not be reversed.

Since January 2005, goodwill has been accounted for using the impairment-only approach in accordance with IFRS 3. This stipulates that goodwill must be subsequently measured at cost, less any cumulative adjustments from impairment losses. Purchased goodwill is therefore no longer amortised and instead is tested for impairment annually in accordance with IAS 36, regardless of whether any indication of possible impairment exists, as in the case of intangible assets with an indefinite useful life. In addition, the obligation remains to conduct an impairment test if there is any indication of impairment. Goodwill resulting from company acquisitions is allocated to the identifiable groups of assets (CGUs or groups of CGUs) that are expected to benefit from the synergies of the acquisition. These groups represent the lowest reporting level at which the goodwill is monitored for internal management purposes. The carrying amount of a CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Where impairment losses are recognised in connection with a CGU to which goodwill has been allocated, the existing carrying amount of the goodwill is reduced first. If the amount of the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated to the remaining non-current assets in the CGU.

Finance leases

A lease financing transaction is an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, beneficial ownership of leased assets is attributed to the lessee if the lessee substantially bears all risks and rewards incident to ownership of the leased asset. To the extent that beneficial ownership is attributable to the Group as the lessee, the asset is capitalised at the date on which use starts, either at fair value or at the present value of the minimum lease payments if this is less than the fair value. A lease liability in the same amount is recognised under non-current liabilities. The lease is subsequently measured at amortised cost using the effective interest method. The depreciation methods and estimated useful lives correspond to those of comparable purchased assets.

Operating leases

For operating leases, the Group reports the leased asset at amortised cost as an asset under property, plant and equipment where it is the lessor. The lease payments recognised in the period are shown under other operating income. Where the Group is the lessee, the lease payments made are recognised as lease expenses under materials expense. Lease expenses and income are recognised using the straight-line method.

Investments accounted for using the equity method

Investments accounted for using the equity method cover associates and joint ventures. These are recognised using the equity method in accordance with IAS 28 (Investments in Associates and Joint Ventures). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investment is increased or reduced annually to reflect the share of earnings, dividends distributed and other changes in the equity of the associates and joint ventures attributable to the investments of Deutsche Post AG or its consolidated subsidiaries. The goodwill contained in the carrying amounts of the investments is accounted for in accordance with IFRS 3. Investments accounted for using the equity method are impaired if the recoverable amount falls below the carrying amount. Gains and losses from the disposal of investments accounted for using the equity method, as well as impairment losses and their reversals, are recognised in other operating income or other operating expenses; Note 4.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and derivative financial assets held for trading. Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity. These mainly comprise trade payables, liabilities to banks, liabilities arising from bonds and finance leases, and derivative financial liabilities.

Fair value option

Under the fair value option, financial assets or financial liabilities may be measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). The Group makes use of the option in order to avoid accounting mismatches.

Financial assets

Financial assets are accounted for in accordance with the provisions of IAS 39, which distinguishes between four categories of financial instruments.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

These financial instruments are non-derivative financial assets and are carried at their fair value, where this can be measured reliably. If a fair value cannot be determined, they are carried at cost. Changes in fair value between reporting dates are generally recognised in other comprehensive income (revaluation reserve). The reserve is reversed to income either upon disposal or if the fair value falls below cost more than temporarily. If, at a subsequent balance sheet date, the fair value of a debt instrument has increased objectively as a result of events occurring after the impairment loss was recognised, the impairment loss is reversed in the appropriate amount. Impairment losses recognised in respect of equity instruments may not be reversed to income. If equity instruments are recognised at fair value, any reversals must be recognised in other comprehensive income. No reversals may be made in the case of equity instruments that were recognised at cost. Available-for-sale financial instruments are allocated to non-current assets unless the intention is to dispose of them within 12 months of the balance sheet date. In particular, investments in unconsolidated subsidiaries, marketable securities and other equity investments are reported in this category.

HELD-TO-MATURITY FINANCIAL ASSETS

Financial instruments are assigned to this category if there is an intention to hold the instrument to maturity and the economic conditions for doing so are met. These financial instruments are non-derivative financial assets that are measured at amortised cost using the effective interest method.

LOANS AND RECEIVABLES

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Unless held for trading, they are recognised at cost or amortised cost at the balance sheet date. The carrying amounts of money market receivables correspond approximately to their fair values due to their short maturity. Loans and receivables are considered current assets if they mature not more than 12 months after the balance sheet date; otherwise, they are recognised as non-current assets. If the recoverability of receivables is in doubt, they are recognised at amortised cost, less appropriate specific or collective valuation allowances. A write-down on trade receivables is recognised if there are objective indications that the amount of the outstanding receivable cannot be collected in full. The write-down is recognised in the income statement via a valuation account.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All financial instruments held for trading and derivatives that do not satisfy the criteria for hedge accounting are assigned to this category. They are generally measured at fair value. All changes in fair value are recognised in income. All financial instruments in this category are accounted for at the trade date. Assets in this category are recognised as current assets if they are either held for trading or will likely be realised within 12 months of the balance sheet date.

To avoid variations in earnings resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible and economically useful. Gains and losses from the derivative and the related hedged item are recognised in income simultaneously. Depending on the hedged item and the risk to be hedged, the Group uses fair value hedges and cash flow hedges.

The carrying amounts of financial assets not carried at fair value through profit or loss are tested for impairment at each balance sheet date and whenever there are indications of impairment. The amount of any impairment loss is determined by comparing the carrying amount and the fair value. If there are objective indications of impairment, an impairment loss is recognised in the income statement under other operating expenses or net financial income/net finance costs. Impairment losses are reversed if there are objective reasons arising after the balance sheet date indicating that the reasons for impairment no longer exist. The increased carrying amount resulting from the reversal of the impairment loss may not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if the impairment loss had not been recognised. Impairment losses are recognised within the Group if the debtor is experiencing significant financial difficulties, it is highly probable that the debtor will be the subject of bankruptcy proceedings, there are material changes in the issuer's technological, economic, legal or market environment, or the fair value of a financial instrument falls below its amortised cost for a prolonged period.

A fair value hedge hedges the fair value of recognised assets and liabilities. Changes in the fair value of both the derivatives and the hedged item are recognised in income simultaneously.

A cash flow hedge hedges the fluctuations in future cash flows from recognised assets and liabilities (in the case of interest rate risks), highly probable forecast transactions as well as unrecognised firm commitments that entail a currency risk. The effective portion of a cash flow hedge is recognised in the hedging reserve in equity. Ineffective portions resulting from changes in the fair value of the hedging instrument are recognised directly in income. The gains and losses generated by the hedging transactions are initially recognised in equity and are then reclassified to profit or loss in the period in which the asset acquired or liability assumed affects profit or loss. If a hedge of a firm commitment subsequently results in the recognition of a non-financial asset, the gains and losses recognised directly in equity are included in the initial carrying amount of the asset (basis adjustment).

Net investment hedges in foreign entities are treated in the same way as cash flow hedges. The gain or loss from the effective portion of the hedge is recognised in other comprehensive income, whilst the gain or loss attributable to the ineffective portion is recognised directly in income. The gains or losses recognised in other comprehensive income remain there until the disposal or partial disposal of the net investment. Detailed information on hedging transactions can be found in Note 50.2.

Regular way purchases and sales of financial assets are recognised at the settlement date, with the exception of held-for-trading instruments, particularly derivatives. A financial asset is derecognised if the rights to receive the cash flows from the asset have expired. Upon transfer of a financial asset, a review is made under the requirements of IAS 39 governing disposal as to whether the asset should be derecognised. A disposal gain/loss arises upon disposal. The remeasurement gains/losses recognised in other comprehensive income in prior periods must be reversed as at the disposal date. Financial liabilities are derecognised if the payment obligations arising from them have expired.

Investment property

In accordance with IAS 40, investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the supply of services, for administrative purposes, or for sale in the normal course of the company's business. It is measured in accordance with the cost model. Depreciable investment property is depreciated over a period of between 20 and 50 years using the straight-line method. The fair value is determined on the basis of expert opinions. Impairment losses are recognised in accordance with the principles described under the section headed Impairment.

Inventories

Inventories are assets that are held for sale in the ordinary course of business, are in the process of production, or are consumed in the production process or in the rendering of services. They are measured at the lower of cost or net realisable value. Valuation allowances are charged for obsolete inventories and slow-moving goods.

Government grants

In accordance with IAS 20, government grants are recognised at their fair value only when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. The grants are reported in the income statement and are generally recognised as income over the periods in which the costs they are intended to compensate are incurred. Where the grants relate to the purchase or production of assets, they are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Assets held for sale and liabilities associated with assets held for sale

Assets held for sale are assets available for sale in their present condition and whose sale is highly probable. The sale must be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets held for sale may consist of individual non-current assets, groups of assets (disposal groups), components of an entity or a subsidiary acquired exclusively for resale (discontinued operations). Liabilities intended to be disposed of together with the assets in a single transaction form part of the disposal group or discontinued operation and are also reported separately as liabilities associated with assets held for sale. Assets held for sale are no longer depreciated or amortised, but are recognised at the lower of their fair value less costs to sell and the carrying amount. Gains and losses arising from the remeasurement of individual non-current assets or disposal groups classified as held for sale are reported in profit or loss from continuing operations until the final date of disposal. Gains and losses arising from the measurement at fair value less costs to sell of discontinued operations classified as held for sale are reported in profit or loss from discontinued operations. This also applies to the profit or loss from operations and the gain or loss on disposal of these components of an entity.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term liquid financial assets with an original maturity of up to three months and are carried at their principal amount. Overdraft facilities used are recognised in the balance sheet as amounts due to banks.

Non-controlling interests

Non-controlling interests are the proportionate minority interests in the equity of subsidiaries and are recognised at their carrying amount. If an interest is acquired from, or sold to, other shareholders without this impacting the existing control relationship, this is presented as an equity transaction. The difference between the proportionate net assets acquired from, or sold to, another shareholder/other shareholders and the purchase price is recognised in other comprehensive income. If non-controlling interests are increased by the proportionate net assets, no goodwill is allocated to the proportionate net assets.

Share-based payments to executives

Equity-settled share-based payment transactions are measured at fair value at the grant date. The fair value of the obligation is recognised in staff costs over the vesting period. The fair value of equity-settled share-based payment transactions is determined using internationally recognised valuation techniques.

Stock appreciation rights are measured on the basis of an option pricing model in accordance with IFRS 2. The stock appreciation rights are measured on each reporting date and on the settlement date. The amount determined for stock appreciation rights that will probably be exercised is recognised pro rata in income under staff costs to reflect the services rendered as consideration during the vesting period (lock-up period). A provision is recognised for the same amount.

Retirement plans

There are arrangements in many countries under which the Group grants post-employment benefits to its employees. These benefits include pensions, lump-sum payments on retirement and other post-employment benefits and are referred to as retirement benefits, pensions and similar benefits, or simply pensions, in these disclosures. A distinction must be made between defined benefit and defined contribution plans.

THE GROUP'S DEFINED BENEFIT RETIREMENT PLANS

Defined benefit obligations are measured using the projected unit credit method prescribed by IAS 19. This involves making certain actuarial assumptions. Most of the defined benefit retirement plans are at least partly funded via external plan assets. The remaining net obligations are funded by provisions for pensions and similar obligations; net assets are presented separately as pension assets. Where necessary, an asset ceiling must be applied when recognising pension assets. With regard to the cost components, the service cost is recognised in staff costs, the net interest cost in net financial income/net finance costs and any remeasurement outside profit and loss in other comprehensive income.

DEFINED CONTRIBUTION RETIREMENT PLANS FOR CIVIL SERVANT EMPLOYEES IN GERMANY

In accordance with statutory provisions, Deutsche Post AG pays contributions to retirement plans in Germany which are defined contribution retirement plans for the company. These contributions are recognised in staff costs.

Under the provisions of the *Gesetz zum Personalrecht der Beschäftigten der früheren Deutschen Bundespost* (PostPersRG – Former Deutsche Bundespost Employees Act), introduced as article 4 of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German Posts and Telecommunications Reorganisation Act), Deutsche Post AG provides benefit and assistance payments through the Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), a special pension fund for postal civil servants operated jointly, since early 2001, by the Deutsche Bundespost successor companies, to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. At the beginning of 2013, *Bundesanstalt für Post und Telekommunikation* (BAnstPT – Federal Posts and Telecommunications Agency) assumed the rights and obligations of the BPS-PT. It has undertaken the tasks of the pension fund for postal civil servants since that time. The amount of Deutsche Post AG's payment obligations is governed by section 16 of the PostPersRG. Since 2000, this Act has obliged Deutsche Post AG to pay into the postal civil servant pension fund an annual contribution of 33% of the gross compensation of its active civil servants and the notional gross compensation of civil servants on leave of absence who are eligible for a pension.

Under section 16 of the PostPersRG, the federal government makes good the difference between the current payment obligations of the postal civil servant pension fund on the one hand, and the funding companies' current contributions or other return on assets on the other, and guarantees that the postal civil servant pension fund is able at all times to meet the obligations it has assumed in respect of its funding companies. Insofar as the federal government makes payments to the postal civil servant pension fund under the terms of this guarantee, it cannot claim reimbursement from Deutsche Post AG.

DEFINED CONTRIBUTION RETIREMENT PLANS FOR THE GROUP'S HOURLY WORKERS AND SALARIED EMPLOYEES

Contributions to defined contribution retirement plans for the Group's hourly workers and salaried employees are also reported under staff costs.

This also includes contributions to certain multi-employer plans which are basically defined benefit plans, especially in the USA and the Netherlands. However, the relevant institutions do not provide the participating companies with sufficient information to use defined benefit accounting. The plans are therefore accounted for as if they were defined contribution plans.

Regarding these multi-employer plans in the USA, contributions are made based on collective bargaining agreements between the employer and the local union. There is no employer liability to any of the plans beyond the normal bargained contribution rates except in the event of a withdrawal meeting specified criteria or in the event of liability for other entities' obligations as governed by US federal law. The expected employer contributions to the funds for 2015 are €26 million (actual employer contributions in the reporting year: €25 million, in the previous year: €23 million). Some of the plans in which Deutsche Post DHL Group participates are underfunded according to information provided by the funds. There is no information from the plans that would indicate any change from the contribution rates set by current collective bargaining agreements. Currently, Deutsche Post DHL Group does not represent a significant level to any fund in terms of contributions, with the exception of one fund where the Group represents the largest employer in terms of contributions.

Regarding one multi-employer plan in the Netherlands, cost coverage-based contribution rates are set annually by the board of the pension fund with the involvement of the Central Bank of the Netherlands, and these rates are equal for all participating employers and employees. There is no liability for the employer towards the fund beyond the contributions set, even in the case of withdrawal or obligations not met by other entities. Any subsequent underfunding ultimately results in the rights of members being cut and/or no indexation of their rights. The expected employer contributions to the funds for 2015 are €21 million (actual employer contributions in the reporting year: €21 million, in the previous year: €21 million). Currently, the plan is not underfunded according to information provided by the fund. Deutsche Post DHL Group does not represent a significant portion of the fund in terms of contributions.

Other provisions

Other provisions are recognised for all legal or constructive obligations to third parties existing at the balance sheet date that have arisen as a result of past events, that are expected to result in an outflow of future economic benefits and whose amount can be measured reliably. They represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the region and time to settlement of the obligation. The discount rates used in the financial year were between 0% and 12% (previous year: 0.25% and 11%). The effects arising from changes in interest rates are recognised in net financial income/net finance cost.

Provisions for restructurings are only established in accordance with the aforementioned criteria for recognition if a detailed, formal restructuring plan has been drawn up and communicated to those affected.

The technical reserves (insurance) consist mainly of outstanding loss reserves and IBNR (incurred but not reported claims) reserves. Outstanding loss reserves represent estimates of obligations in respect of actual claims or known incidents expected to give rise to claims, which have been reported to the company but which have yet to be finalised and presented for payment. Outstanding loss reserves are based on individual claim valuations carried out by the company or its ceding insurers. IBNR reserves represent estimates of obligations in respect of incidents taking place on or before the balance sheet date that have not been reported to the company. Such reserves also include provisions for potential errors in settling outstanding loss reserves. The company carries out its own assessment of ultimate loss liabilities using actuarial methods and also commissions an independent actuarial study of these each year in order to verify the reasonableness of its estimates.

Financial liabilities

On initial recognition, financial liabilities are carried at fair value less transaction costs. The price determined on a price-efficient and liquid market or a fair value determined using the treasury risk management system deployed within the Group is taken as the fair value. In subsequent periods the financial liabilities are measured at amortised cost. Any differences between the amount received and the amount repayable are recognised in income over the term of the loan using the effective interest method.

CONVERTIBLE BOND ON DEUTSCHE POST AG SHARES

The convertible bond on Deutsche Post AG shares is split into an equity and a debt component, in line with the contractual arrangements. The debt component, less the transaction costs, is reported under financial liabilities (bonds), with interest added up to the issue amount over the term of the bond using the effective interest method (unwinding of discount). The value of the call option, which allows Deutsche Post AG to redeem the bond early if a specified share price is reached, is attributed to the debt component in accordance with IAS 32.31. The conversion right is classified as an equity derivative and is reported in capital reserves. The carrying amount is calculated by assigning to the conversion right the residual value that results from deducting the amount calculated separately for the debt component from the fair value of the instrument as a whole. The transaction costs are deducted on a proportionate basis.

Liabilities

Trade payables and other liabilities are carried at amortised cost. The fair value of the liabilities corresponds more or less to their carrying amount.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for temporary differences between the carrying amounts in the IFRS financial statements and the tax accounts of the individual entities. Deferred tax assets also include tax reduction claims which arise from the expected future utilisation of existing tax loss carryforwards and which are likely to be realised. The recoverability of the tax reduction claims is assessed on the basis of each entity's earnings projections which are derived from the Group projections and take any tax adjustments into account. The planning horizon is five years.

In compliance with IAS 12.24 (b) and IAS 12.15 (b), deferred tax assets or liabilities were only recognised for temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG where the differences arose after 1 January 1995. No deferred tax assets or liabilities are recognised for temporary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG as at 1 January 1995. Further details on deferred taxes from tax loss carryforwards can be found in Note 30.

In accordance with IAS 12, deferred tax assets and liabilities are calculated using the tax rates applicable in the individual countries at the balance sheet date or announced for the time when the deferred tax assets and liabilities are realised. The tax rate applied to German Group companies was raised by 0.4% to 30.2%, based on an improved estimate in the trade tax area. It comprises the corporation tax rate plus the solidarity surcharge, as well as a municipal trade tax rate that is calculated as the average of the different municipal trade tax rates. Foreign Group companies use their individual income tax rates to calculate deferred tax items. The income tax rates applied for foreign companies amount to up to 40% (previous year: 38%).

Income taxes

Income tax assets and liabilities are measured at the amounts for which repayments from or payments to the tax authorities are expected to be received or made. Tax-related fines are recognised in income taxes if they are included in the calculation of income tax liabilities, due to their inclusion in the tax base and/or tax rate.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognised as liabilities; Note 51.

8 Exercise of judgement in applying the accounting policies

The preparation of IFRS-compliant consolidated financial statements requires the exercise of judgement by management. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances. For example, this applies to assets held for sale. In this case, it must be determined whether the assets are available for sale in their present condition and whether their sale is highly probable. If this is the case, the assets and the associated liabilities are reported and measured as assets held for sale and liabilities associated with assets held for sale.

Estimates and assessments made by management

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make certain assumptions and estimates that may affect the amounts of the assets and liabilities included in the balance sheet, the amounts of income and expenses, and the disclosures relating to contingent liabilities. Examples of the main areas where assumptions, estimates and the exercise of management judgement occur are the recognition of provisions for pensions and similar obligations, the calculation of discounted cash flows for impairment testing and purchase price allocations, taxes and legal proceedings.

Disclosures regarding the assumptions made in connection with the Group's defined benefit retirement plans can be found in Note 44.

The Group has operating activities around the globe and is subject to local tax laws. Management can exercise judgement when calculating the amounts of current and deferred taxes in the relevant countries. Although management believes that it has made a reasonable estimate relating to tax matters that are inherently uncertain, there can be no guarantee that the actual outcome of these uncertain tax matters will correspond exactly to the original estimate made. Any difference between actual events and the estimate made could have an effect on tax liabilities and deferred taxes in the period in which the matter is finally decided. The amount recognised for deferred tax assets could be reduced if the estimates of planned taxable income or the tax benefits achievable as a result of tax planning strategies are revised downwards, or in the event that changes to current tax laws restrict the extent to which future tax benefits can be realised.

Goodwill is regularly reported in the Group's balance sheet as a consequence of business combinations. When an acquisition is initially recognised in the consolidated financial statements, all identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. One of the most important estimates this requires is the determination of the fair values of these assets and liabilities at the date of acquisition. Land, buildings and office equipment are generally valued by independent experts, whilst securities for which there is an active market are recognised at the quoted exchange price. If intangible assets are identified in the course of an acquisition, their measurement can be based on the opinion of an independent external expert valuer, depending on the type of intangible asset and the complexity involved in determining its fair value. The independent expert determines the fair value using appropriate valuation techniques, normally based on expected future cash flows. In addition to the assumptions about the development of future cash flows, these valuations are also significantly affected by the discount rates used.

Impairment testing for goodwill is based on assumptions with respect to the future. The Group carries out these tests annually and also whenever there are indications that goodwill has become impaired. The recoverable amount of the CGU must then be calculated. This amount is the higher of fair value less costs to sell and value in use. Determining value in use requires adjustments and estimates to be made with respect to forecasted future cash flows and the discount rate applied. Although management believes that the assumptions made for the purpose of calculating the recoverable amount are appropriate, possible unforeseeable changes in these assumptions – e.g., a reduction in the EBIT margin, an increase in the cost of capital or a decline in the long-term growth rate – could result in an impairment loss that could negatively affect the Group's net assets, financial position and results of operations.

Pending legal proceedings in which the Group is involved are disclosed in Note 53. The outcome of these proceedings could have a significant effect on the net assets, financial position and results of operations of the Group. Management regularly analyses the information currently available about these proceedings and recognises provisions for probable obligations including estimated legal costs. Internal and external legal advisers participate in making this assessment. In deciding on the necessity for a provision, management takes into account the probability of an unfavourable outcome and whether the amount of the obligation can be estimated with sufficient reliability. The fact that an action has been launched or a claim asserted against the Group, or that a legal dispute has been disclosed in the Notes, does not necessarily mean that a provision is recognised for the associated risk.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the balance sheet date. For the purpose of estimating the future development of the business, a realistic assessment was also made at that date of the economic environment likely to apply in the future to the different sectors and regions in which the Group operates. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be significant adjustments in financial year 2015 to the carrying amounts of the assets and liabilities recognised in the financial statements.

9 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and the subsidiaries, joint operations and investments accounted for using the equity method included in the consolidated financial statements and prepared in accordance with uniform accounting policies as at 31 December 2014.

Acquisition accounting for subsidiaries included in the consolidated financial statements uses the purchase method of accounting. The cost of the acquisition corresponds to the fair value of the assets given up, the equity instruments issued and the liabilities assumed at the transaction date. Acquisition-related costs are recognised as expenses. Contingent consideration is recognised at fair value at the date of initial consolidation.

The assets and liabilities, as well as income and expenses, of joint operations are included in the consolidated financial statements in proportion to the interest held in these operations, in accordance with IFRS 11. Accounting for the joint operators' share of the assets and liabilities, as well as recognition and measurement of goodwill, use the same methods as applied to the consolidation of subsidiaries.

In accordance with IAS 28, joint ventures and companies on which the parent can exercise significant influence (associates) are accounted for in accordance with the equity method using the purchase method of accounting. Any goodwill is recognised under investments accounted for using the equity method.

In the case of step acquisitions, the equity portion previously held is remeasured at the fair value applicable on the date of acquisition and the resulting gain or loss recognised in profit or loss.

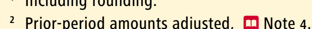
Intra-group revenue, other operating income, and expenses as well as receivables, liabilities and provisions between companies that are consolidated fully or on a proportionate basis are eliminated. Intercompany profits or losses from intra-group deliveries and services not realised by sale to third parties are eliminated. Unrealised gains and losses from business transactions with investments accounted for using the equity method are eliminated on a proportionate basis.

SEGMENT REPORTING

10 Segment reporting

Segments by division

€m	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/Other		Consolidation[1]		Group	
1 Jan. to 31 Dec.	2013[2]	2014	2013[2]	2014	2013[2]	2014	2013[2]	2014	2013	2014	2013[2]	2014	2013[2]	2014
External revenue	15,146	15,546	11,471	12,116	14,087	14,201	14,137	14,627	71	140	0	0	54,912	56,630
Internal revenue	145	140	350	375	700	723	90	110	1,180	1,203	−2,465	−2,551	0	0
Total revenue	15,291	15,686	11,821	12,491	14,787	14,924	14,227	14,737	1,251	1,343	−2,465	−2,551	54,912	56,630
Profit/loss from operating activities (EBIT)	1,286	1,298	1,083	1,260	478	293	441	465	−421	−352	−2	1	2,865	2,965
of which net income from investments accounted for using the equity method	0	0	1	1	2	2	2	2	0	0	0	0	5	5
Segment assets	5,210	5,384	8,286	8,644	7,608	8,488	5,969	6,401	1,491	1,630	−118	−200	28,446	30,347
of which investments accounted for using the equity method	6	6	40	43	21	24	1	2	0	0	0	0	68	75
Segment liabilities	2,645	2,611	2,763	2,985	2,916	3,188	2,900	3,132	845	1,007	−123	−166	11,946	12,757
Capex	452	415	484	571	127	207	277	304	407	380	0	−1	1,747	1,876
Depreciation and amortisation	372	335	358	355	90	88	270	267	209	217	0	−1	1,299	1,261
Impairment losses	12	5	22	107	0	0	0	1	4	7	0	0	38	120
Total depreciation, amortisation and impairment losses	384	340	380	462	90	88	270	268	213	224	0	−1	1,337	1,381
Other non-cash expenses	282	280	246	177	88	121	107	91	115	80	0	0	838	749
Employees	164,537	164,582	70,462	73,009	43,588	44,311	143,724	146,400	12,907	12,507	0	0	435,218	440,809

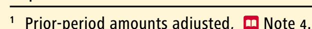


1 Including rounding.
2 Prior-period amounts adjusted, Note 4.

The segment liabilities include the non-interest bearing provisions. The employee numbers are expressed as average numbers of FTEs.

Information about geographical regions

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 Dec.	2013[1]	2014	2013[1]	2014	2013[1]	2014	2013[1]	2014	2013[1]	2014	2013[1]	2014
External revenue	16,983	17,367	17,633	18,501	9,526	9,375	8,526	9,143	2,244	2,244	54,912	56,630
Non-current assets	5,129	5,532	7,015	6,915	3,226	3,515	3,024	3,289	332	373	18,726	19,624
Capex	1,128	1,092	227	300	172	223	165	191	55	70	1,747	1,876



1 Prior-period amounts adjusted, Note 4.

10.1 Segment reporting disclosures

Deutsche Post DHL Group reports four operating segments; these are managed independently by the responsible segment management bodies in line with the products and services offered and the brands, distribution channels and customer profiles involved. Components of the entity are defined as a segment on the basis of the existence of segment managers with bottom-line responsibility who report directly to Deutsche Post DHL Group's top management.

External revenue is the revenue generated by the divisions from non-Group third parties. Internal revenue is revenue generated with other divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-oriented prices are used as transfer prices (arm's length principle). The transfer prices for services for which no external market exists are generally based on incremental costs.

The expenses for IT services provided in the IT service centres are allocated to the divisions by their origin. The additional costs resulting from Deutsche Post AG's universal postal service obligation (nationwide retail outlet network, delivery every working day), and from its obligation to assume the compensation structure as the legal successor to Deutsche Bundespost, are allocated to the PeP division.

As part of the central management of currency risk, fluctuations between projected and actual exchange rates are fully or partially absorbed centrally by Corporate Treasury on the basis of division-specific agreements.

In keeping with internal reporting, capital expenditure (capex) is disclosed. Additions to intangible assets net of goodwill and to property, plant and equipment are reported in the capex figure. Depreciation, amortisation and impairment losses relate to the segment assets allocated to the individual divisions. Other non-cash expenses relate primarily to expenses from the recognition of provisions.

The profitability of the Group's operating areas is measured as profit from operating activities (EBIT).

ADJUSTMENT OF PRIOR-PERIOD AMOUNTS

Prior-period amounts were adjusted due to the initial application of IFRS 10 and IFRS 11 (Note 4) and the reallocation of companies between the segments in the first and second quarters of 2014. The domestic parcel business in Belgium, the Czech Republic, India, the Netherlands and Poland was consolidated in the PeP division effective 1 January 2014. This business was previously part of the Express and Global Forwarding, Freight divisions. In addition, the US company Sky Courier Inc. was reallocated from the Express division to the Global Forwarding, Freight division. The prior-period amounts have been adjusted accordingly.

Reflecting the Group's predominant organisational structure, the primary reporting format is based on the divisions. The Group distinguishes between the following divisions:

10.2 Segments by division

Post - eCommerce - Parcel

The Mail division was renamed Post - eCommerce - Parcel (PeP) as part of the Group's ongoing strategic development. The Post - eCommerce - Parcel division handles both domestic and international mail and is a specialist in dialogue marketing, nationwide press distribution services and all the electronic services associated with mail delivery. In addition to Germany, it also offers domestic parcel services in other markets. It is divided into two business units: Post, and eCommerce - Parcel.

EXPRESS

The Express division offers time-definite courier and express services to business and private customers. The division comprises the Express Europe, Express Americas, Express Asia Pacific and Express MEA (Middle East and Africa) business units.

GLOBAL FORWARDING, FREIGHT

The activities of the Global Forwarding, Freight division comprise the transportation of goods by rail, road, air and sea. The division's business units are Global Forwarding and Freight.

SUPPLY CHAIN

The Supply Chain division delivers customised logistics solutions to its customers based on globally standardised modular components including warehousing, transport and value-added services. In addition, it offers specialised Business Process Outsourcing (BPO) and marketing communications solutions tailored to customers' needs. The division's business units are Supply Chain and Williams Lea.

In addition to the reportable segments given above, segment reporting comprises the following categories:

Corporate Center/Other

Corporate Center/Other comprises Global Business Services (GBS), the Corporate Center, non-operating activities and other business activities. The profit/loss generated by GBS is allocated to the operating segments, whilst its assets and liabilities remain with GBS (asymmetrical allocation).

Consolidation

The data for the divisions are presented following consolidation of interdivisional transactions. The transactions between the divisions are eliminated in the Consolidation column.

10.3 Information about geographical regions

The main geographical regions in which the Group is active are Germany, Europe, the Americas, Asia Pacific and Other regions. External revenue, non-current assets and capex are disclosed for these regions. Revenue, assets and capex are allocated to the individual regions on the basis of the domicile of the reporting entity. Non-current assets primarily comprise intangible assets, property, plant and equipment and other non-current assets.

10.4 Reconciliation of segment amounts

Reconciliation of segment amounts to consolidated amounts

Reconciliation

€m	Total for reportable segments		Corporate Center/Other		Reconciliation to Group/Consolidation[1]		Consolidated amount	
	2013[2]	2014	2013	2014	2013[2]	2014	2013[2]	2014
External revenue	54,841	56,490	71	140	0	0	54,912	56,630
Internal revenue	1,285	1,348	1,180	1,203	–2,465	–2,551	0	0
Total revenue	56,126	57,838	1,251	1,343	–2,465	–2,551	54,912	56,630
Other operating income	1,846	1,915	1,358	1,318	–1,242	–1,217	1,962	2,016
Materials expense	–32,352	–33,420	–1,308	–1,304	2,622	2,682	–31,038	–32,042
Staff costs	–16,802	–17,247	–983	–951	9	9	–17,776	–18,189
Depreciation, amortisation and impairment losses	–1,124	–1,158	–213	–224	0	1	–1,337	–1,381
Other operating expenses	–4,411	–4,617	–526	–534	1,074	1,077	–3,863	–4,074
Net income from investments accounted for using the equity method	5	5	0	0	0	0	5	5
Profit/loss from operating activities (EBIT)	3,288	3,316	–421	–352	–2	1	2,865	2,965
Net finance costs	–	–	–	–	–	–	–293	–388
Profit before income taxes	–	–	–	–	–	–	2,572	2,577
Income taxes	–	–	–	–	–	–	–361	–400
Consolidated net profit for the period	–	–	–	–	–	–	2,211	2,177
of which attributable to								
Deutsche Post AG shareholders	–	–	–	–	–	–	2,091	2,071
Non-controlling interests	–	–	–	–	–	–	120	106

[1] Including rounding.
[2] Prior-period amounts adjusted, Note 4.

The following table shows the reconciliation of Deutsche Post DHL Group's total assets to the segment assets. Financial assets, income tax assets, deferred taxes, cash and cash equivalents as well as additional interest-bearing asset components are deducted.

Reconciliation of segment assets

€m	2013 adjusted[1]	2014
Total assets	35,461	36,979
Investment property	–33	–32
Non-current financial assets	–1,123	–1,265
Other non-current assets	–125	–88
Deferred tax assets	–1,327	–1,752
Income tax assets	–167	–172
Receivables and other current assets	–7	–1
Current financial assets	–819	–344
Cash and cash equivalents	–3,414	–2,978
Segment assets	28,446	30,347
of which Corporate Center/Other	1,491	1,630
Total for reportable segments	27,073	28,917
Consolidation[2]	–118	–200

[1] Note 4.
[2] Including rounding.

The following table shows the reconciliation of Deutsche Post DHL Group's total liabilities to the segment liabilities. The interest-bearing components of the provisions and liabilities as well as income tax liabilities and deferred taxes are deducted.

Reconciliation of segment liabilities

€m	2013 adjusted[1]	2014
Total equity and liabilities	35,461	36,979
Equity	–10,034	–9,580
Consolidated liabilities	25,427	27,399
Non-current provisions	–6,729	–8,866
Non-current liabilities	–4,846	–4,910
Current provisions	–143	–1
Current liabilities	–1,763	–865
Segment liabilities	11,946	12,757
of which Corporate Center/Other	845	1,007
Total for reportable segments	11,224	11,916
Consolidation[2]	–123	–166

[1] Note 4.
[2] Including rounding.

INCOME STATEMENT DISCLOSURES

11 Revenue

€m	2013 adjusted[1]	2014
Revenue	54,912	56,630

[1] Note 4.

Revenue rose by €1,718 million (3 %) year-on-year to €56,630 million. The increase was due to the following factors:

Factors affecting revenue increase

€m	2014
Organic growth	2,277
Portfolio changes	–152
Currency translation effects	–407
Total	**1,718**

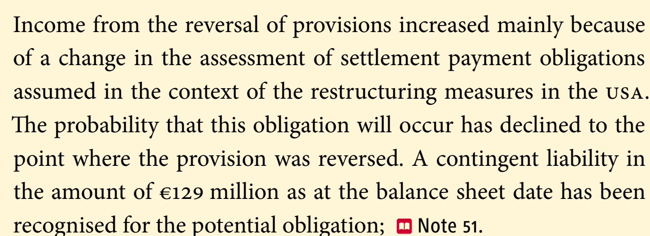
As in the prior period, there was no revenue in financial year 2014 that was generated on the basis of barter transactions.

The further classification of revenue by division and the allocation of revenue to geographical regions are presented in the segment reporting.

12 Other operating income

€m	2013 adjusted[1]	2014
Income from the reversal of provisions	206	308
Income from currency translation differences	157	171
Insurance income	191	168
Income from fees and reimbursements	133	159
Income from work performed and capitalised	88	128
Income from the remeasurement of liabilities	100	126
Commission income	105	126
Rental and lease income	136	124
Reversals of impairment losses on receivables and other assets	85	97
Income from derivatives	66	68
Gains on disposal of non-current assets	112	64
Income from the derecognition of liabilities	31	53
Income from prior-period billings	71	38
Income from loss compensation	25	28
Subsidies	8	11
Recoveries on receivables previously written off	17	9
Miscellaneous	431	338
Other operating income	**1,962**	**2,016**

[1] Note 4.


Income from the reversal of provisions increased mainly because of a change in the assessment of settlement payment obligations assumed in the context of the restructuring measures in the USA. The probability that this obligation will occur has declined to the point where the provision was reversed. A contingent liability in the amount of €129 million as at the balance sheet date has been recognised for the potential obligation; Note 51.

Subsidies relate to grants for the purchase or production of assets. The grants are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Miscellaneous other operating income includes a large number of smaller individual items.

13 Materials expense

€m	2013 adjusted[1]	2014
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Goods purchased and held for resale	1,828	2,052
Aircraft fuel	1,342	1,338
Fuel	848	817
Packaging material	363	354
Spare parts and repair materials	88	96
Office supplies	65	62
Other expenses	121	112
	4,655	4,831
Cost of purchased services		
Transportation costs	18,222	18,814
Cost of temporary staff	2,005	2,124
Expenses from non-cancellable leases	1,708	1,845
Maintenance costs	969	1,016
IT services	603	617
Expenses from cancellable leases	549	478
Commissions paid	466	462
Expenses for the use of Postbank branches	409	410
Other lease expenses (incidental expenses)	261	265
Other purchased services	1,191	1,180
	26,383	27,211
Materials expense	**31,038**	**32,042**

[1] Note 4.

The increase in the materials expense is mainly due to higher transportation costs and increased expenses related to goods purchased and held for resale for the business with the UK National Health Service in the Supply Chain division.

Other expenses include a large number of individual items.

14 Staff costs/employees

€m	2013 adjusted[1]	2014
Wages, salaries and compensation	14,300	14,583
of which expenses under Share Matching Scheme[2]	82	82
of which expenses under Performance Share Plan[3]	0	3
of which expenses under 2006 SAR Plan/LTIP[4]	202	105
Social security contributions	2,110	2,164
Retirement benefit expenses	883	965
Expenses for other employee benefits	356	344
Expenses for severance payments	127	133
Staff costs	**17,776**	**18,189**

[1] Note 4.
[2] Settlement by equity instruments and cash payments.
[3] Settlement by equity instruments.
[4] Cash payments.

€55 million of the expenses under the Share Matching Scheme (previous year: €62 million) is attributable to cash-settled share-based payments. This amount corresponds to the obligation at the balance sheet date. In addition, expenses of €27 million (previous year: €20 million) were incurred for equity-settled share-based payments.

Staff costs relate mainly to wages, salaries and compensation, as well as all other benefits paid to employees of the Group for their services in the year under review. Social security contributions relate in particular to statutory social security contributions paid by employers.

Retirement benefit expenses include the service cost related to the defined benefit retirement plans. Detailed information can be found in Note 44. These expenses also include contributions to defined contribution retirement plans for civil servants in Germany in the amount of €531 million (previous year: €538 million), as well as for the Group's hourly workers and salaried employees – particularly in the UK, the USA and the Netherlands – in the amount of €276 million (previous year: €286 million).

The average number of Group employees in the year under review, broken down by employee group, was as follows:

Employees (annual average)

Headcount	2013 adjusted[1]	2014
Hourly workers and salaried employees	433,647	440,973
Civil servants	40,321	37,963
Trainees	4,935	5,089
Employees	**478,903**	**484,025**

[1] Note 4.

The employees of companies acquired or disposed of during the year under review were included rateably. Calculated as full-time equivalents, the number of employees as at 31 December 2014 amounted to 443,784 (31 December 2013, adjusted: 434,974). The number of employees at joint operations included in the consolidated financial statements amounted to 202 on a proportionate basis (previous year, adjusted: 187).

15 Depreciation, amortisation and impairment losses

€m	2013 adjusted[1]	2014
Amortisation of and impairment losses on intangible assets, excluding impairment of goodwill	290	271
Depreciation of and impairment losses on property, plant and equipment		
Land and buildings (including leasehold improvements)	173	174
Technical equipment and machinery	252	235
Other equipment, operating and office equipment	206	204
Vehicle fleet, transport equipment	203	216
Aircraft	212	281
	1,046	1,110
Impairment losses on investment property	1	0
	1,337	1,381
Impairment of goodwill	0	0
Depreciation, amortisation and impairment losses	**1,337**	**1,381**

[1] Note 4.

Depreciation, amortisation and impairment losses increased by €44 million year-on-year to €1,381 million. This figure includes impairment losses of €120 million (previous year: €38 million) that are attributable to the segments as follows:

Impairment losses

€m	2013	2014
PeP		
Software	12	5
Express		
Property, plant and equipment	22	107
Supply Chain		
Property, plant and equipment	0	1
Corporate Center/Other		
Software	3	5
Property, plant and equipment	0	2
Investment property	1	0
Impairment losses	**38**	**120**

As in the previous year, the impairment losses in the Express segment resulted exclusively from aircraft and aircraft parts.

16 Other operating expenses

€m	2013 adjusted[1]	2014
Expenses for advertising and public relations	341	391
Travel and training costs	316	334
Cost of purchased cleaning and security services	320	319
Insurance costs	272	268
Write-downs of current assets	226	249
Warranty expenses, refunds and compensation payments	259	245
Telecommunication costs	219	223
Other business taxes	226	219
Office supplies	180	178
Consulting costs (including tax advice)	177	170
Currency translation expenses	157	170
Entertainment and corporate hospitality expenses	147	151
Services provided by *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	93	100
Customs clearance-related charges	74	88
Contributions and fees	88	87
Voluntary social benefits	80	80
Commissions paid	70	66
Legal costs	60	61
Losses on disposal of assets	87	56
Expenses from derivatives	20	48
Monetary transaction costs	40	42
Audit costs	33	32
Expenses from prior-period billings	29	24
Donations	20	21
Miscellaneous	329	452
Other operating expenses	**3,863**	**4,074**

[1] Note 4.

Taxes other than income taxes are either recognised under the related expense item or, if no specific allocation is possible, under other operating expenses.

Miscellaneous other operating expenses include a large number of smaller individual items.

17 Net income from investments accounted for using the equity method

€m	2013 adjusted[1]	2014
Net income from associates	5	5
Net income from joint ventures	0	0
Net income from investments accounted for using the equity method	**5**	**5**

[1] Note 4.

18 Net finance costs

€m	2013 adjusted[1]	2014
Financial income		
Interest income	92	43
Income from other equity investments and financial assets	14	2
Other financial income	76	29
	182	**74**
Finance costs		
Interest expenses	–365	–358
of which unwinding of discounts for net pension provisions and other provisions	–187	–221
Other finance costs	–67	–65
	–432	**–423**
Foreign currency result	**–43**	**–39**
Net finance costs	**–293**	**–388**

[1] Note 4.

The €–95 million change in net finance costs to €388 million is primarily due to interest income from the reversal of a provision for interest on tax liabilities, as included in the prior-year figure.

Net finance costs include interest income of €43 million (previous year: €92 million) as well as interest expenses of €358 million (previous year: €365 million). These result from financial assets and liabilities that were not measured at fair value through profit or loss.

Information on the unwinding of discounted net pension provisions can be found in Note 44.6.

19 Income taxes

€m	2013	2014
Current income tax expense	–604	–604
Current recoverable income tax	198	56
	–406	**–548**
Deferred tax expense from temporary differences	–87	–53
Deferred tax income from tax loss carryforwards	132	201
	45	**148**
Income taxes	**–361**	**–400**

The reconciliation to the effective income tax expense is shown below, based on consolidated net profit before income taxes and the expected income tax expense:

Reconciliation

€m

	2013	2014
Profit before income taxes	**2,572**	**2,577**
Expected income taxes	−766	−778
Deferred tax assets not recognised for initial differences	20	13
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	242	346
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	51	59
Effect of current taxes from previous years	113	4
Tax-exempt income and non-deductible expenses	−87	−117
Differences in tax rates at foreign companies	66	73
Income taxes	**−361**	**−400**

The difference from deferred tax assets not recognised for initial differences is due to temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG that result from initial differences in the opening tax accounts as at 1 January 1995. In accordance with IAS 12.15 (b) and IAS 12.24 (b), the Group did not recognise any deferred tax assets in respect of these temporary differences, which related mainly to property, plant and equipment as well as to provisions for pensions and similar obligations. The remaining temporary differences between the carrying amounts in the IFRS financial statements and in the opening tax accounts amounted to €319 million as at 31 December 2014 (previous year: €366 million).

The effects from deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences relate primarily to Deutsche Post AG and members of its consolidated tax group. Effects from deferred tax assets of foreign companies not recognised for tax loss carryforwards and temporary differences relate primarily to the Americas region.

€123 million (previous year: €106 million) of the effects from deferred tax assets not recognised for tax loss carryforwards and temporary differences relates to the reduction of the effective income tax expense due to the utilisation of tax loss carryforwards and temporary differences, for which deferred tax assets had previously not been recognised. In addition, the recognition of deferred taxes previously not recognised for tax loss carryforwards and of deductible temporary differences from a prior period reduced the deferred tax expense by €317 million (previous year: €208 million). Effects from unrecognised deferred tax assets amounting to €4 million (previous year: €10 million, write-down) were due to a valuation allowance recognised for a deferred tax asset. Other effects from unrecognised deferred tax assets primarily relate to tax loss carryforwards for which no deferred taxes were recognised.

A deferred tax asset in the amount of €17 million (previous year: €7 million) was recognised in the balance sheet for companies that reported a loss in the previous year or in the current period as, based on tax planning, realisation of the tax asset is probable.

In financial year 2014, a change in the tax rate had an insignificant effect on German Group companies. The change in the tax rate in some foreign tax jurisdictions did not lead to any significant effects.

The effective income tax expense includes prior-period tax expenses from German and foreign companies in the amount of €4 million (tax income) (previous year: income of €113 million).

The following table presents the tax effects on the components of other comprehensive income:

Other comprehensive income

€m

	Before taxes	Income taxes	After taxes
2014			
Change due to remeasurements of net pension provisions	−2,350	285	−2,065
IFRS 3 revaluation reserve	−2	0	−2
IAS 39 revaluation reserve	112	−10	102
IAS 39 hedging reserve	−92	27	−65
Currency translation reserve	454	0	454
Other changes in retained earnings	2	0	2
Share of other comprehensive income of investments accounted for using the equity method	4	0	4
Other comprehensive income	**−1,872**	**302**	**−1,570**
2013, adjusted[1]			
Change due to remeasurements of net pension provisions	−50	36	−14
IFRS 3 revaluation reserve	−1	0	−1
IAS 39 revaluation reserve	77	−8	69
IAS 39 hedging reserve	62	−18	44
Currency translation reserve	−460	0	−460
Other changes in retained earnings	1	0	1
Share of other comprehensive income of investments accounted for using the equity method	−1	0	−1
Other comprehensive income	**−372**	**10**	**−362**

[1] Note 4.

The procedure for calculating the recoverable portion of the deferred tax asset potential relating to pensions was refined during the financial year. This led to recognition of a positive tax effect in the amount of €221 million in other comprehensive income. As regards future effects, it is very difficult to make an estimation because those effects depend crucially on the change in pension provisions associated with the differences between the IFRS financial statements and the tax accounts.

20 Consolidated net profit for the period

In financial year 2014, the Group generated consolidated net profit for the period of €2,177 million (previous year: €2,211 million). Of this figure, €2,071 million (previous year: €2,091 million) was attributable to Deutsche Post AG shareholders.

21 Non-controlling interests

The net profit attributable to non-controlling interests decreased by €14 million from €120 million to €106 million.

22 Earnings per share

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share) by dividing consolidated net profit by the average number of shares. Basic earnings per share for financial year 2014 were €1.71 (previous year: €1.73).

Basic earnings per share

		2013	2014
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,091	2,071
Weighted average number of shares outstanding	number	1,208,910,457	1,209,507,913
Basic earnings per share	€	**1.73**	**1.71**

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. This item includes the executives' rights to shares under the Performance Share Plan and Share Matching Scheme share-based payment systems (as at 31 December 2014: 6,745,501 shares; previous year: 5,992,349) and the maximum number of ordinary shares that can be issued on exercise of the conversion rights under the convertible bond issued on 6 December 2012. Consolidated net profit for the period attributable to Deutsche Post AG shareholders was increased by the amounts spent for the convertible bonds.

Diluted earnings per share in the reporting period were €1.64 (previous year: €1.66).

Diluted earnings per share

		2013	2014
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,091	2,071
Plus interest expense on the convertible bond	€m	6	6
Less income taxes	€m	1	1
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,096	2,076
Weighted average number of shares outstanding	number	1,208,910,457	1,209,507,913
Potentially dilutive shares	number	52,944,097	53,243,204
Weighted average number of shares for diluted earnings	number	1,261,854,554	1,262,751,117
Diluted earnings per share	€	**1.66**	**1.64**

23 Dividend per share

A dividend per share of €0.85 is being proposed for financial year 2014. Based on the 1,211,180,262 shares recorded in the commercial register as at 31 December 2014, this corresponds to a dividend distribution of €1,030 million. In the previous year the dividend amounted to €0.80 per share. Further details on the dividend distribution can be found in Note 42.

BALANCE SHEET DISCLOSURES

24 Intangible assets

24.1 Overview

€m	Internally generated intangible assets	Purchased brand names	Purchased customer lists	Other purchased intangible assets	Goodwill	Advance payments and intangible assets under development	Total
Cost							
Balance at 1 January 2013 adjusted[1]	**1,083**	**502**	**944**	**1,497**	**12,056**	**134**	**16,216**
Additions from business combinations	1	0	0	4	31	0	**36**
Additions	39	0	0	79	0	126	**244**
Reclassifications	23	0	0	22	0	−36	**9**
Disposals	−30	0	0	−90	−22	−1	**−143**
Currency translation differences	−3	−12	−36	−33	−295	−1	**−380**
Balance at 31 December 2013/1 January 2014	**1,113**	**490**	**908**	**1,479**	**11,770**	**222**	**15,982**
Additions from business combinations	1	0	0	0	2	0	**3**
Additions	18	0	0	70	0	212	**300**
Reclassifications	48	19	0	12	0	−39	**40**
Disposals	−30	0	0	−53	−2	−4	**−89**
Currency translation differences	1	35	67	26	477	1	**607**
Balance at 31 December 2014	**1,151**	**544**	**975**	**1,534**	**12,247**	**392**	**16,843**
Amortisation and impairment losses							
Balance at 1 January 2013 adjusted[1]	**821**	**457**	**560**	**1,093**	**1,138**	**0**	**4,069**
Additions from business combinations	1	0	0	2	0	0	**3**
Amortisation	99	0	58	118	0	0	**275**
Impairment losses	0	0	0	15	0	0	**15**
Reclassifications	2	0	0	−1	0	0	**1**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	−28	0	0	−81	−5	0	**−114**
Currency translation differences	−2	−10	−26	−25	−36	0	**−99**
Balance at 31 December 2013/1 January 2014	**893**	**447**	**592**	**1,121**	**1,097**	**0**	**4,150**
Additions from business combinations	0	0	0	0	0	0	**0**
Amortisation	87	0	54	120	0	0	**261**
Impairment losses	10	0	0	0	0	0	**10**
Reclassifications	12	0	0	−13	0	2	**1**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	−24	0	0	−43	0	0	**−67**
Currency translation differences	1	31	44	19	41	0	**136**
Balance at 31 December 2014	**979**	**478**	**690**	**1,204**	**1,138**	**2**	**4,491**
Carrying amount at 31 December 2014	**172**	**66**	**285**	**330**	**11,109**	**390**	**12,352**
Carrying amount at 31 December 2013	**220**	**43**	**316**	**358**	**10,673**	**222**	**11,832**

[1] Note 4.

Purchased software, concessions, industrial rights, licences and similar rights and assets are reported under purchased intangible assets. Internally generated intangible assets relate to development costs for internally developed software.

Other than goodwill, only brand names that are acquired in their entirety are considered to have indefinite useful lives.

The additions to goodwill of €2 million relate to StreetScooter GmbH. Of the disposals of goodwill, €1 million relates to Hull Blyth Angola Viagens and €1 million to the Digital Solutions Business; Note 2.

24.2 Allocation of goodwill to CGUs

€m	2013 adjusted[1]	2014
Total goodwill	**10,673**	**11,109**
Post - eCommerce - Parcel	**877**	**906**
Express	**3,890**	**3,918**
Global Forwarding, Freight		
DHL Global Forwarding	3,662	3,919
DHL Freight	273	275
Supply Chain		
DHL Supply Chain	1,560	1,645
Williams Lea	411	446

[1] Note 4.

For the purposes of annual impairment testing in accordance with IAS 36, the Group determines the recoverable amount of a CGU on the basis of its value in use. This calculation is based on projections of free cash flows that are initially discounted at a rate corresponding to the post-tax cost of capital. Pre-tax discount rates are then determined iteratively.

The cash flow projections are based on the detailed planning for EBIT, depreciation/amortisation and investment planning adopted by management, as well as changes in net working capital, and take both internal historical data and external macroeconomic data into account. From a methodological perspective, the detailed planning phase covers a three-year planning horizon from 2015 to 2017. It is supplemented by a perpetual annuity representing the value added from 2018 onwards. This is calculated using a long-term growth rate, which is determined for each CGU separately and which is shown in the table below. The growth rates applied are based on long-term real growth figures for the relevant economies, growth expectations for the relevant sectors and long-term inflation forecasts for the countries in which the CGUs operate. The cash flow forecasts are based both on past experience and on the effects of the anticipated future general market trend. In addition, the forecasts take into account growth in the respective geographical submarkets and in global trade, and the ongoing trend towards outsourcing logistics activities. Cost trend forecasts for the transportation network and services also have an impact on value in use.

The pre-tax cost of capital is based on the weighted average cost of capital. The (pre-tax) discount rates for the individual CGUs and the growth rates assumed in each case for the perpetual annuity are shown in the following table:

%	Discount rates		Growth rates	
	2013	2014	2013	2014
Supply Chain				
DHL Supply Chain	9.3	8.4	2.5	2.5
Williams Lea	9.1	7.8	2.0	2.0
Global Forwarding, Freight				
DHL Freight	9.4	8.6	2.0	2.0
DHL Global Forwarding	9.2	8.3	2.5	2.5
Post - eCommerce - Parcel	8.8	8.3	0.5	0.5
Express	9.5	9.3	2.0	2.0

On the basis of these assumptions and the impairment tests carried out for the individual CGUs to which goodwill was allocated, it was established that the recoverable amounts for all CGUs exceed their carrying amounts. No impairment losses were recognised on goodwill in any of the CGUs as at 31 December 2014.

When performing the impairment test, Deutsche Post DHL Group conducted sensitivity analyses as required by IAS 36.134. These analyses did not reveal any risk of impairment to goodwill.

25 Property, plant and equipment

25.1 Overview

€m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Aircraft	Vehicle fleet and transport equipment	Advance payments and assets under development	Total
Cost							
Balance at 1 January 2013 adjusted[1]	4,532	4,004	2,517	2,054	2,114	262	15,483
Additions from business combinations	1	13	3	0	4	0	21
Additions	214	150	189	27	283	640	1,503
Reclassifications	73	177	44	228	25	–548	–1
Disposals	–155	–197	–180	–150	–238	–10	–930
Currency translation differences	–96	–88	–86	–16	–30	–6	–322
Balance at 31 December 2013/1 January 2014	4,569	4,059	2,487	2,143	2,158	338	15,754
Additions from business combinations	0	1	1	0	0	0	2
Additions	138	100	155	35	358	790	1,576
Reclassifications	51	361	–30	116	52	–589	–39
Disposals	–172	–206	–200	–465	–261	–17	–1,321
Currency translation differences	90	88	61	24	19	11	293
Balance at 31 December 2014	4,676	4,403	2,474	1,853	2,326	533	16,265
Depreciation and impairment losses							
Balance at 1 January 2013 adjusted[1]	2,172	2,730	1,945	885	1,097	1	8,830
Additions from business combinations	1	12	2	0	4	0	19
Depreciation	173	249	206	193	203	0	1,024
Impairment losses	0	3	0	19	0	0	22
Reclassifications	0	–1	1	0	0	0	0
Reversals of impairment losses	0	0	0	–1	0	0	–1
Disposals	–93	–151	–166	–125	–206	0	–741
Currency translation differences	–55	–53	–66	–7	–18	0	–199
Balance at 31 December 2013/1 January 2014	2,198	2,789	1,922	964	1,080	1	8,954
Additions from business combinations	0	0	0	0	0	0	0
Depreciation	171	235	203	175	216	0	1,000
Impairment losses	3	0	1	106	0	0	110
Reclassifications	1	49	–50	0	0	0	0
Reversals of impairment losses	0	0	0	0	0	0	0
Disposals	–106	–190	–192	–446	–229	0	–1,163
Currency translation differences	58	59	48	10	12	0	187
Balance at 31 December 2014	2,325	2,942	1,932	809	1,079	1	9,088
Carrying amount at 31 December 2014	2,351	1,461	542	1,044	1,247	532	7,177
Carrying amount at 31 December 2013	2,371	1,270	565	1,179	1,078	337	6,800

[1] Note 4.

Advance payments relate only to advance payments on items of property, plant and equipment for which the Group has paid advances in connection with uncompleted transactions. Assets under development relate to items of property, plant and equipment in progress at the balance sheet date for whose production internal or third-party costs have already been incurred.

25.2 Finance leases

The following assets are carried as non-current assets resulting from finance leases:

€m	2013	2014
Land and buildings	155	142
Technical equipment and machinery	3	2
Other equipment, operating and office equipment	10	12
Aircraft	160	84
Vehicle fleet and transport equipment	2	2
Finance leases	**330**	**242**

The reduction in aircraft is attributable to impairment losses, as part of the aircraft fleet was taken out of service earlier than expected. Information on the corresponding liabilities can be found under financial liabilities; Note 46.4.

26 Investment property

26.1 Overview

€m	2013	2014
Cost		
At 1 January	53	43
Additions	2	7
Reclassifications	–8	–1
Disposals	–4	–8
Currency translation differences	0	1
At 31 December	**43**	**42**
Depreciation		
At 1 January	10	10
Additions	1	0
Impairment losses	1	0
Disposals	–2	0
Reclassifications	0	0
At 31 December	**10**	**10**
Carrying amount at 31 December	**33**	**32**

The investment property largely comprises leased property encumbered by heritable building rights, and developed and undeveloped land in Germany, the USA, Iran and Angola. The term property also covers undeveloped land.

The additions mainly relate to a new property in Angola. The disposals are attributable to the sale of a property in the USA and the reclassification of a property as held for sale.

Rental income for investment property amounted to €3 million (previous year: €1 million), whilst the related expenses were €1 million (previous year: less than €1 million). The fair value amounted to €65 million (previous year: €74 million).

26.2 Fair value measurement under IFRS 13

The following table shows the fair value of the investment property measured by valuation technique.

Investment property

€m	Carrying amount	Fair value	Level 1[1]	Level 2[2]	Level 3[3]
31 December 2014					
Property – Germany	18	51	–	13	38
Property – Angola	7	7	–	4	3
Property – USA	6	6	–	6	–
Property – Iran	1	1	–	1	–
Total	**32**	**65**	**–**	**24**	**41**
31 December 2013					
Property – Germany	21	58	–	14	44
Property – Angola	2	2	–	–	2
Property – USA	10	14	–	14	–
Total	**33**	**74**	**–**	**28**	**46**

[1] Quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Quoted market prices that are observable directly (as a price) or indirectly (derived from the price).
[3] Inputs that are not based on observable market data.

Fair value is determined using the comparison, investment and discounted cash flow (DCF) methods. Valuations are based on external and/or internal expert opinions as well as offered quotes. In some cases, inputs are based on criteria such as the size, age and condition of the land and buildings, the local economy and comparable prices, and are adjusted accordingly. Important inputs include the price per square metre or acre, or the expected rental income.

There were no transfers between levels in financial years 2013 and 2014.

27 Investments accounted for using the equity method

Investments accounted for using the equity method changed as follows:

€m	Associates		Joint ventures		Total	
	2013 adjusted[1]	2014	2013 adjusted[1]	2014	2013 adjusted[1]	2014
Balance at 1 January	60	62	6	6	66	68
Disposals	0	–2	0	0	0	–2
Changes in Group's share of equity						
Changes recognised in profit or loss	5	5	0	0	5	5
Profit distributions	–2	0	0	0	–2	0
Changes recognised in other comprehensive income	–1	4	0	0	–1	4
Balance at 31 December	**62**	**69**	**6**	**6**	**68**	**75**

[1] Note 4.

The complete list of investments in associates and joint ventures can be found in the list of the Group's shareholdings in accordance with section 313 (2) nos. 1 to 4 and section 313 (3) of the HGB at www.dpdhl.com/en/investors.html.

27.1 Investments in associates

The following table gives an aggregated overview of the carrying amount in the consolidated financial statements and selected financial data (adjusted for the interest held) for those associates which, both individually and in the aggregate, are not of material significance for the Group.

Aggregate financial data for associates

€m	2013	2014
Carrying amount in the consolidated financial statements	62	69
Profit/loss before income taxes	5	4
Profit/loss after income taxes	5	3
Other comprehensive income	–1	4
Total comprehensive income	4	7

27.2 Joint ventures

The carrying amounts of the companies that were previously proportionately consolidated and are now accounted for using the equity method are lower than €1 million.

The following table presents in aggregated form the carrying amount and selected financial data of all interests in all joint ventures which, both individually and in the aggregate, are immaterial. The figures represent the Group's interests.

Aggregate financial data for joint ventures

€m	2013	2014
Carrying amount in the consolidated financial statements	6	6
Profit/loss before income taxes	0	0
Profit/loss after income taxes	0	0
Other comprehensive income	0	0
Total comprehensive income	0	0

28 Non-current financial assets

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Available-for-sale financial assets	162	256	288
Loans and receivables	736	728	834
Assets at fair value through profit or loss	115	107	192
Lease receivables	25	32	49
Non-current financial assets	**1,038**	**1,123**	**1,363**

[1] Note 4.

Write-downs of non-current financial assets amounting to €8 million (previous year: €4 million) were recognised in the income statement as the value of the assets had decreased. As in the previous year, the entire amount is attributable to assets at fair value through profit or loss.

Compared with the market rates of interest prevailing at 31 December 2014 for comparable non-current financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognised in the balance sheet at a present value of €12 million (previous year: €20 million). The principal amount of these loans totals €13 million (previous year: €22 million).

Details on restraints on disposal are contained in Note 50.2.

29 Other non-current assets

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Pension assets	198	120	88
Miscellaneous	103	67	63
Other non-current assets	**301**	**187**	**151**

[1] Note 4.

Information on pension assets can be found in Note 44.

30 Deferred taxes

30.1 Overview

€m	2013	2014
Deferred tax assets	1,327	1,752
Deferred tax liabilities	124	84

30.2 Breakdown by balance sheet item

€m	2013		2014	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	33	171	62	156
Property, plant and equipment	110	47	117	52
Non-current financial assets	8	55	0	70
Other non-current assets	42	38	36	42
Other current assets	71	63	39	26
Provisions	358	27	649	36
Financial liabilities	28	18	4	51
Other liabilities	150	17	154	8
Tax loss carryforwards	839	–	1,048	–
Gross amount	**1,639**	**436**	**2,109**	**441**
Netting	–312	–312	–357	–357
Carrying amount	**1,327**	**124**	**1,752**	**84**

€948 million (previous year: €738 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €100 million (previous year: €101 million) to foreign tax loss carryforwards.

No deferred tax assets were recognised for tax loss carryforwards of around €10.2 billion (previous year: €11.2 billion) and for temporary differences of around €5,082 million (previous year: €4,113 million), as it can be assumed that the Group will probably not be able to use these tax loss carryforwards and temporary differences in its tax planning.

Most of the tax loss carryforwards are attributable to Deutsche Post AG. It will be possible to utilise them for an indefinite period of time. In the case of the foreign companies, the significant tax loss carryforwards will not lapse before 2023.

Deferred taxes have not been recognised for temporary differences of €726 million (previous year: €631 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

30.3 Maturity structure

€m	Short-term	Long-term	Netting	Total
2014				
Deferred tax assets	308	1,801	−357	1,752
Deferred tax liabilities	106	335	−357	84
2013				
Deferred tax assets	486	1,153	−312	1,327
Deferred tax liabilities	169	267	−312	124

31 Inventories

Standard costs for inventories of postage stamps and spare parts in freight centres amounted to €15 million (previous year: €15 million). There was no requirement to charge significant valuation allowances on these inventories.

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Raw materials, consumables and supplies	208	203	233
Finished goods and goods purchased and held for resale	52	69	69
Work in progress	60	126	28
Advance payments	1	4	2
Inventories	**321**	**402**	**332**

[1] Note 4.

32 Current financial assets

€m	2013	2014
Available-for-sale financial assets	611	208
Financial assets at fair value through profit or loss	140	75
Loans and receivables	63	61
Lease receivables	7	7
Current financial assets	**821**	**351**

The change in current financial assets is primarily attributable to the liquidation of short-term investments in money market funds.

Of the available-for-sale financial assets, €208 million (previous year: €611 million) was measured at fair value. Details on restraints on disposal are contained in Note 50.2.

33 Trade receivables

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Trade receivables	6,400	6,490	7,227
Deferred revenue	534	528	596
Receivables from Group companies	6	4	2
Trade receivables	**6,940**	**7,022**	**7,825**

[1] Note 4.

34 Other current assets

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Prepaid expenses	680	636	687
Current tax receivables	491	490	541
Receivables from private postal agencies	148	157	147
Income from cost absorption	61	71	87
Creditors with debit balances	43	33	48
Receivables from loss compensation (recourse claims)	25	25	36
Receivables from employees	23	25	27
Receivables from insurance business	20	20	40
Receivables from sale of assets	0	6	6
Receivables from cash-on-delivery	7	5	4
Miscellaneous other assets	657	755	792
Other current assets	**2,155**	**2,223**	**2,415**

[1] Note 4.

Of the tax receivables, €396 million (previous year: €366 million) relates to VAT, €101 million (previous year: €83 million) to customs and duties, and €44 million (previous year: €41 million) to other tax receivables. Miscellaneous other assets include a large number of individual items.

35 Income tax assets and liabilities

€m	1 Jan. 2013	2013 adjusted[1]	2014
Income tax assets	127	167	172
Income tax liabilities	−534	−429	−446

[1] Note 4.

All income tax assets and liabilities are current and have maturities of less than one year.

36 Cash and cash equivalents

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Cash equivalents	883	2,077	1,686
Bank balances/cash in transit	1,395	1,199	1,226
Cash	14	22	22
Other cash and cash equivalents	103	116	44
Cash and cash equivalents	**2,395**	**3,414**	**2,978**

[1] Note 4.

Of the €2,978 million in cash and cash equivalents, €770 million was not available for general use by the Group as at the balance sheet date. Of this amount, €680 million was attributable to countries where exchange controls or other legal restrictions apply (mostly China, India and Pakistan) and €90 million to companies with non-controlling interest holders as well as to cash funds administered on a trust basis.

37 Assets held for sale and liabilities associated with assets held for sale

37.1 Overview

The amounts reported under this item mainly relate to the following items:

€m	Assets		Liabilities	
	2013	2014	2013	2014
Exel Inc., USA – property (Supply Chain segment)	2	4	0	0
Deutsche Post DHL Corporate Real Estate Management GmbH Co. Logistikzentren KG, Germany – property (Corporate Center/Other)	20	0	0	0
Deutsche Post AG – property (Corporate Center/Other)	20	0	0	0
DHL Aviation (Netherlands) B.V., the Netherlands – aircraft (Express segment)	0	0	0	0
Assets held for sale and liabilities associated with assets held for sale	**42**	**4**	**0**	**0**

The term property also covers undeveloped land.

EXEL INC.

Of the properties held for sale in the previous year, one was sold in the course of the financial year and one was reclassified as investment property, as it is no longer intended to be sold. Another property was reclassified from investment property to assets held for sale as it is planned to be sold. The most recent appraisal of the assets prior to reclassification did not indicate any impairment.

DEUTSCHE POST DHL CORPORATE REAL ESTATE MANAGEMENT GMBH & CO. LOGISTIKZENTREN KG

The planned sale of a property announced in financial year 2013 was completed in the fourth quarter of 2014. The most recent appraisal of the assets prior to reclassification as assets held for sale and liabilities associated with assets held for sale did not result in any impairment.

DEUTSCHE POST AG

The planned sale of two properties by Deutsche Post AG, which was announced in financial year 2013, has been completed. The most recent appraisal of the assets prior to reclassification did not indicate any impairment.

DHL AVIATION (NETHERLANDS) B.V.

As part of early fleet renewal activities, DHL Aviation (Netherlands) B.V. plans to reduce its legacy aircraft fleet by 11 aircraft. The most recent measurement prior to reclassification led to an impairment loss of €102 million.

37.2 Fair value measurement under IFRS 13

In accordance with IFRS 5, assets held for sale and liabilities associated with assets held for sale are no longer depreciated or amortised, but are recognised at the lower of their fair value less costs to sell and their carrying amount.

The following table shows how the fair values were measured on a non-recurring basis using different inputs.

Non-recurring fair value measurements

€m

	Level 1[1]	Level 2[2]	Level 3[3]
31 December 2014			
USA – property	–	4	–
Netherlands – aircraft	–	–	0
31 December 2013			
Germany – property	–	–	40
USA – property	–	2	–

[1] Quoted prices (unadjusted) in active markets for identical assets or liabilities.
[2] Quoted market prices that are observable directly (as a price) or indirectly (derived from the price).
[3] Inputs that are not based on observable market data.

As in the previous year, external expert appraisals are used to determine the fair value of the property held for sale in the USA. The comparison method is used to determine fair value. The inputs that are assigned to level 2 are partly based on criteria such as the size, age and condition of the land and buildings, the local economic situation and comparable prices, and are adjusted accordingly. The principal input is the price per acre.

The fair value of the aircraft held for sale is determined based on an analysis of the market and the purchase offer by a potential buyer.

The fair values of the properties held for sale by Deutsche Post AG and Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG classified under level 3 in the previous year were determined based on the purchase offers by potential buyers.

There were no transfers between levels in financial year 2014.

38 Issued capital and purchase of treasury shares

38.1 Share capital

As in the previous year, KfW Bankengruppe (KfW) held a 21% interest in the share capital of Deutsche Post AG as at 31 December 2014. The remaining 79% of the shares were in free float. KfW holds the shares in trust for the Federal Republic of Germany.

38.2 Issued capital and purchase of treasury shares

The issued capital amounts to €1,211 million. It is composed of 1,211,180,262 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share and is fully paid up.

Changes in issued capital

€

	2013	2014
Balance at 1 January	1,209,015,874	1,209,015,874
Addition due to 1st capital increase	0	656,915
Addition due to 2nd capital increase	0	1,507,473
Issued capital pursuant to the commercial register	1,209,015,874	1,211,180,262
Treasury shares acquired	–1,313,727	–3,158,717
Treasury shares issued	1,313,727	1,651,244
Balance at 31 December	**1,209,015,874**	**1,209,672,789**

As at 31 December 2014, Deutsche Post AG held 1,507,473 treasury shares (previous year: no treasury shares). Changes in treasury shares are presented in the statement of changes in equity.

Authorised/contingent capital at 31 December 2014

	Amount €m	Purpose
Authorised Capital 2009	0	Increase in share capital against cash/non-cash contributions (until 20 April 2014)
Authorised Capital 2013	240	Increase in share capital against cash/non-cash contributions (until 28 May 2018)
Contingent Capital 2011	75	Issue of options/conversion rights (24 May 2016)
Contingent Capital 2013	75	Issue of options/conversion rights (28 May 2018)
Contingent Capital 2014	40	Issue of subscription rights to executives (26 May 2019)

Authorised Capital 2009

As resolved by the Annual General Meeting on 21 April 2009, the Board of Management was authorised, subject to the consent of the Supervisory Board, to issue up to 240 million new, no-par value registered shares until 20 April 2014 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. Shareholders generally have subscription rights. The Board of Management has not made use of such authorisation. Since this authorisation lapsed on 20 April 2014, the Annual General Meeting on 29 May 2013 resolved to replace it with a new authorisation for the same amount (Authorised Capital 2013).

Authorised Capital 2013

As resolved by the Annual General Meeting on 29 May 2013, the Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 240 million new, no-par value registered shares until 28 May 2018 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. Shareholders generally have subscription rights. However, subject to the approval of the Supervisory Board, the Board of Management may disapply the shareholders' subscription rights to the shares covered by the authorisation.

Deutsche Post AG's Board of Management resolved, with the consent of the Supervisory Board, to make partial use of the authorisation granted to it by the Annual General Meeting on 29 May 2013 in accordance with article 5 (2) of the Articles of Association of Deutsche Post AG (Authorised Capital 2013), to increase Deutsche Post AG's share capital by €656,915.00 by issuing 656,915 new no-par value registered shares with a notional interest in the share capital of €1.00 per share in exchange for cash contributions. The capital increase was entered in the commercial register of the Bonn Local Court on 12 March 2014. The shares participated in the consolidated net profit for 2013.

The Board of Management resolved, with the consent of the Supervisory Board, to make further partial use of the authorisation granted to it by the Annual General Meeting on 29 May 2013 in accordance with article 5 (2) of the Articles of Association of Deutsche Post AG (Authorised Capital 2013), to increase Deutsche Post AG's share capital by €1,507,473.00 by issuing 1,507,473 new no-par value registered shares with a notional interest in the share capital of €1.00 per share in exchange for cash contributions. The capital increase was entered in the commercial register of the Bonn Local Court on 11 December 2014. The shares participate in the consolidated net profit for 2014.

Implementation of the capital increases entailed transaction costs of €0.7 million.

Contingent Capital 2011

In its resolution dated 25 May 2011, the Annual General Meeting authorised the Board of Management, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1 billion, on one or more occasions until 24 May 2016, thereby granting options or conversion rights for up to 75 million shares with a proportionate interest in the share capital not to exceed €75 million.

Based on this authorisation, Deutsche Post AG issued a €1 billion convertible bond on 6 December 2012, allowing holders to convert the bond into up to 48 million Deutsche Post AG shares. Full use was made of the authorisation by issuing the bond. The share capital is increased on a contingent basis by up to €75 million.

Contingent Capital 2013

In its resolution dated 29 May 2013, the Annual General Meeting authorised the Board of Management, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1.5 billion, on one or more occasions until 28 May 2018, thereby granting options or conversion rights for up to 75 million shares with a proportionate interest in the share capital not to exceed €75 million. The share capital is increased on a contingent basis by up to €75 million. No use was made of the authorisation in the reporting year.

Contingent Capital 2014

On 27 May 2014, the Annual General Meeting of Deutsche Post AG resolved to authorise the Board of Management to contingently increase the share capital by up to €40 million through the issue of up to 40 million new no-par value registered shares. The contingent capital increase serves to grant subscription rights to selected Group executives. The subscription rights may only be issued based on the aforementioned Annual General Meeting resolution of 27 May 2014. The contingent capital increase will only be implemented to the extent that shares are issued based on the subscription rights granted and the company does not settle the subscription rights by cash payment or delivery of treasury shares. The new shares participate in profit from the beginning of the financial year in which they are issued. The share capital is increased on a contingent basis by up to €40 million.

38.3 Authorisation to acquire treasury shares

In financial year 2014, use was made of the authorisation to acquire treasury shares granted until 27 April 2015 by the Annual General Meeting on 28 April 2010 and extended on 9 May 2012. The Annual General Meeting on 27 May 2014 resolved to revoke the authorisation as of the effective date of the new authorisation. By way of a resolution adopted by the Annual General Meeting on 27 May 2014, the company continues to be authorised to acquire treasury shares in the period to 26 May 2019 of up to 10% of the share capital existing when the resolution was adopted. The authorisation permits the Board of Management to exercise it for every purpose permitted by law, and in particular to pursue the goals mentioned in the resolution by the Annual General Meeting.

Treasury shares acquired on the basis of the authorisation, with shareholders' subscription rights disapplied, may continue to be used for the purposes of listing on a stock exchange outside Germany. In addition, the Board of Management remains authorised to acquire treasury shares using derivatives.

As part of the Share Matching Scheme, Deutsche Post AG issued a total of 1,651,244 shares to executives in the current financial year. To this end, 656,915 shares were acquired on the market for a total of €17 million in the first quarter of 2014. The average purchase price per share was €25.83. A further 990,269 shares were acquired for a total of €28 million and an average purchase price per share of €28.10 in the second and third quarter. Furthermore, 4,060 shares that were required in addition, were bought for a purchase price per share of €25.08 in the fourth quarter.

The treasury shares acquired to settle the 2010 tranche of the Share Matching Scheme for executives due in 2015 (shares allocated to participating executives) were purchased for a total price of €40 million. The average purchase price per share was €26.59.

As at 31 December 2014, Deutsche Post AG held 1,507,473 treasury shares.

38.4 Disclosures on corporate capital

The equity ratio was 25.9% in financial year 2014 (previous year: 28.3%). The company's capital is monitored using the net gearing ratio, which is defined as net debt divided by the total of equity and net debt.

Corporate capital

€m	2013	2014
Total financial liabilities	5,896	5,080
Less cash and cash equivalents	−3,414	−2,978
Less current financial assets	−821	−351
Less long-term deposits	−55	−60
Less non-current derivative financial instruments	−107	−192
Net debt	**1,499**	**1,499**
Plus total equity	10,034	9,580
Total capital	**11,533**	**11,079**
Net gearing ratio (%)	13.0	13.5

39 Capital reserves

An amount of €101 million was transferred to the capital reserves in the period up to 31 December 2014. Of this amount, €44 million was attributable to the Share Matching Scheme (31 December 2013: €35 million), €3 million to the Performance Share Plan and €16 million and €38 million to the capital increases; Note 38.

Capital reserves

€m	2013	2014
At 1 January	2,254	2,269
Addition/issue of rights under Share Matching Scheme		
2009 tranche	1	1
2010 tranche	3	4
2011 tranche	4	4
2012 tranche	17	4
2013 tranche	10	21
2014 tranche	0	10
Total additions	35	44
Exercise of rights under Share Matching Scheme		
2009 tranche – matching shares	0	−8
2012 tranche – investment and incentive shares	−20	0
2013 tranche – investment and incentive shares	0	−23
Total exercised	−20	−31
Total for Share Matching Scheme	**15**	**13**
Addition/issue of rights under Performance Share Plan		
2014 tranche	0	3
Capital increases	0	54
Capital reserves at 31 December	**2,269**	**2,339**

The exercise of the rights to shares under the 2009 and 2013 tranches reduced the capital reserves by €31 million (previous year: €20 million for the 2012 tranche) due to the issuance of treasury shares in this amount to the executives.

On issue of the convertible bond on Deutsche Post AG shares, the conversion right in the amount of €74 million was recognised in capital reserves; Note 46.

40 Other reserves

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
IFRS 3 revaluation reserve	3	2	0
IAS 39 revaluation reserve	−1	68	170
IAS 39 hedging reserve	−7	37	−28
Currency translation reserve	−469	−924	−483
Other reserves	**−474**	**−817**	**−341**

[1] Note 4.

40.1 IFRS 3 revaluation reserve

€m	2013	2014
At 1 January	3	2
Changes recognised in other comprehensive income	–1	–2
IFRS 3 revaluation reserve at 31 December	**2**	**0**

The IFRS 3 revaluation reserve includes the hidden reserves of DHL Logistics Co. Ltd., China, from purchase price allocation. These are attributable to the customer relationships contained in the 50% interest held previously and to adjustments to deferred taxes.

40.2 IAS 39 revaluation reserve

€m	2013	2014
At 1 January	0	77
Currency translation differences	1	6
Comprehensive income		
Changes from unrealised gains and losses	76	107
Changes from realised gains and losses	0	0
IAS 39 revaluation reserve at 31 December before tax	**77**	**190**
Deferred taxes	–9	–20
IAS 39 revaluation reserve at 31 December after tax	**68**	**170**

The revaluation reserve comprises gains and losses from changes in the fair value of available-for-sale financial assets that have been recognised in other comprehensive income. This reserve is reversed to profit or loss either when the assets are sold or otherwise disposed of, or if their value is significantly or permanently impaired.

40.3 IAS 39 hedging reserve

The hedging reserve is adjusted by the effective portion of a cash flow hedge. The hedging reserve is reversed to profit or loss when the hedged item is settled.

€m	2013	2014
At 1 January	–3	59
Comprehensive income		
Changes from unrealised gains and losses	111	–73
Changes from realised gains and losses	–49	–19
IAS 39 hedging reserve at 31 December before tax	**59**	**–33**
Deferred taxes	–22	5
IAS 39 hedging reserve at 31 December after tax	**37**	**–28**

The change in the hedging reserve is mainly the result of the recognition of previously unrealised gains and losses from hedging future operating currency transactions. In the financial year, realised gains of €70 million and realised losses of €51 million were recognised in other comprehensive income (previous year: realised losses of €26 million and realised gains of €75 million). Deferred taxes have been recognised in respect of the hedging reserve.

40.4 Currency translation reserve

€m	2013 adjusted[1]	2014
At 1 January	–469	–924
Transactions with non-controlling interests	–5	0
Comprehensive income		
Changes from unrealised gains and losses	–451	441
Changes from realised gains and losses	1	0
Currency translation reserve at 31 December	**–924**	**–483**

[1] Note 4.

41 Retained earnings

As well as the undistributed consolidated profits generated in prior periods, retained earnings also contain the effects from transactions with non-controlling interests.

€m	2013 adjusted[1]	2014
At 1 January	6,017	7,183
Dividend payment	–846	–968
Consolidated net profit for the period	2,091	2,071
Change due to remeasurements of net pension provisions	–15	–2,061
Transactions with non-controlling interests	–62	–6
Miscellaneous other changes	–2	–51
Retained earnings at 31 December	**7,183**	**6,168**

[1] Note 4.

The dividend payment to Deutsche Post AG shareholders of €968 million was made in May 2014. This corresponds to a dividend of €0.80 per share.

For information on the change due to remeasurements of net pension provisions, see Note 44.6.

Changes in treasury shares are presented in the statement of changes in equity.

42 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2014 amounted to €9,376 million (1 January 2013, adjusted: €9,006 million; 31 December 2013, adjusted: €9,844 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €1,645 million reported in Deutsche Post AG's annual financial statements in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code). The amount of €615 million remaining after deduction of the planned total dividend of €1,030 million (which corresponds to €0.85 per share) will be carried forward.

	Total dividend €m	Dividend per share €
Dividend distributed in financial year 2014 for the year 2013	968	0.80
Dividend distributed in financial year 2013 for the year 2012	846	0.70

As the dividend is paid in full from the tax-specific capital contribution account (*steuerliches Einlagekonto* as defined by section 27 of the *Körperschaftssteuergesetz* (KStG – German Corporation Tax Act)) (contributions not made to subscribed capital), payment will be made without the deduction of capital gains tax or the solidarity surcharge. The dividend is tax exempt for shareholders resident in Germany. It does not entitle recipients to a tax refund or a tax credit. In terms of taxation, the dividend distribution is considered as a repayment of contributions from the capital contribution account and – in the opinion of the tax authorities – serves to reduce the cost of acquiring the shares.

43 Non-controlling interests

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Non-controlling interests	207	190	204

[1] Note 4.

This balance sheet item includes adjustments for the interests of non-Group shareholders in the consolidated equity from acquisition accounting, as well as their interests in profit or loss.

The following table shows the companies to which the material non-controlling interests relate:

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
DHL Sinotrans International Air Courier Ltd., China	107	115	143
Blue Dart Express Limited, India	29	23	8
Exel Saudia LLC, Saudi Arabia	6	8	6
Tradeteam Limited, UK	13	0	0
Other companies	52	44	47
Non-controlling interests	**207**	**190**	**204**

[1] Note 4.

The following two companies hold material non-controlling interests:

DHL Sinotrans International Air Courier Ltd., China, which has been assigned to the Express segment, provides domestic and international express delivery and transport services. Deutsche Post DHL Group holds a 50% share in the company. Blue Dart Express Limited (Blue Dart), India, is a courier service provider which has been assigned to the PeP segment. Deutsche Post AG holds a share of 75% in Blue Dart.

The following table gives an overview of aggregated financial data for material non-controlling interests:

Financial data for material non-controlling interests

€m	Sinotrans		Blue Dart	
	2013	2014	2013	2014
Balance sheet				
ASSETS				
Non-current assets	139	124	65	76
Current assets	310	365	67	69
Total ASSETS	**449**	**489**	**132**	**145**
EQUITY AND LIABILITIES				
Non-current provisions and liabilities	1	8	4	47
Current provisions and liabilities	218	194	35	49
Total EQUITY AND LIABILITIES	**219**	**202**	**39**	**96**
Net assets	**230**	**287**	**93**	**49**
Non-controlling interests	115	143	23	8
Income statement				
Revenue	978	1,163	239	272
Profit before income taxes	218	260	25	23
Income taxes	55	66	11	19
Profit/loss after income taxes	**163**	**194**	**14**	**4**
Other comprehensive income	–1	19	–18	9
Total comprehensive income	**162**	**213**	**–4**	**13**
attributable to non-controlling interests	79	106	–1	3
Dividend distributed to non-controlling interests	82	78	5	14
Consolidated net profit attributable to non-controlling interests	79	97	3	1
Cash flow statement				
Net cash from operating activities	156	109	16	2
Net cash used in/from investing activities	–19	–15	5	14
Net cash used in financing activities	–163	–156	–21	–14
Net change in cash and cash equivalents	–26	–62	0	2
Cash and cash equivalents at 1 January	196	173	5	4
Effect of changes in exchange rates on cash and cash equivalents	3	34	–1	0
Cash and cash equivalents at 31 December	**173**	**145**	**4**	**6**

The portion of other comprehensive income attributable to non-controlling interests largely relates to the currency translation reserve. The changes are shown in the following table:

€m	2013	2014
Balance at 1 January	–5	–11
Transactions with non-controlling interests	5	0
Comprehensive income		
Changes from unrealised gains and losses	–11	17
Changes from realised gains and losses	0	0
Currency translation reserve at 31 December	**–11**	**6**

The changes in transactions with non-controlling interests without change of control are presented in the following table:

Transactions with non-controlling interests

€m	2013			2014		
	Currency translation reserve	Retained earnings	Total	Currency translation reserve	Retained earnings	Total
Giorgio Gori Group, Italy	0	–62	–62	0	16	16
Tradeteam Limited, UK	–4	10	6	0	0	0
Blue Dart Express Limited, India	0	0	0	0	–10	–10
Other	–1	–10	–11	0	–12	–12
Total	**–5**	**–62**	**–67**	**0**	**–6**	**–6**

44 Provisions for pensions and similar obligations

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Provisions for pensions and similar obligations	5,216	5,016	7,226

[1] Note 4.

The Group's substantial defined benefit retirement plans are in Germany and the UK.

In Germany, Deutsche Post AG has occupational retirement arrangements dating back to 1997 based on a collective agreement, which are open to new hourly workers and salaried employees. These arrangements are based on fixed benefit amounts and provide for monthly payments as from the statutory retirement age, depending on length of service and the wage/salary level achieved. Annual increases in the fixed amounts during the service period and in the pension payments are linked to agreed percentages, i.e., 1.45% for active hourly workers and salaried employees and 1.00% for retirees. The plan also provides for invalidity benefits and surviving dependents' benefits. Negative past service cost was recognised in the previous year due to an internal change in the conditions for access to certain invalidity benefits. Retirement arrangements with a similar structure are available to executives below the management board level and to specific employee groups who can make use of deferred compensation.

The large majority of Deutsche Post AG's obligations relates to the vested entitlements of hourly workers and salaried employees on the transition date in 1997 and to legacy pension commitments towards former hourly workers and salaried employees who had left or retired from the company by the transition date. The amounts individually determined for the vested entitlements of the active hourly workers and salaried employees are subject to an annual rate of increase of 1.45%.

Deutsche Post AG's overall pension plan is based on the *Betriebsrentengesetz* (BetrAVG – German Occupational Pension Act), in addition to collective agreements and other relevant documents. The prime source of external funding is a captive trust that also services a support fund and a pension fund. The trust is funded on a case-by-case basis in line with the Group's finance strategy and, in the case of the support fund, on an ongoing basis in line with tax law options. In the case of the pension fund the supervisory funding requirements can, in principle, be met without additional employer contributions. The support fund's governing bodies include both Deutsche Post AG employees and former employees. Part of the plan assets is invested in real estate that is leased out to the Group on a long-term basis. In addition, some of the legacy pension commitments use *Versorgungsanstalt der Deutschen Bundespost* (VAP), a joint pension fund operated by the Deutsche Bundespost successor companies.

Individual subsidiaries in Germany have retirement plans that were acquired in the context of acquisitions and transfers of operations and that are closed to new entrants.

In the UK, the Group's defined benefit pension arrangements have largely been closed to new entrants for a number of years. In addition, Deutsche Post DHL Group committed itself to a change in its pension strategy in the UK on 26 November 2013, and these arrangements are now also largely closed for further service accrual, with effect from 1 April 2014. As a result, negative past service cost was recognised in the prior year (shown in the tables below before closure costs and transitional payments). Since 1 April 2014, the employees affected have been able to participate in a defined contribution arrangement.

Currently, one single defined benefit pension arrangement of the Group in the UK remains open to existing employees, who have not yet chosen to join, or to new employees as a result of a business transfer from the UK government. It provides for monthly payments from retirement, depending on length of service and final salary. In addition, a pension commencement lump sum is payable. Indexation of pension payments is linked to inflation. This arrangement also includes invalidity benefits and surviving dependents' benefits.

The majority of the Group's (defined benefit) arrangements in the UK have been consolidated into a group plan with different sections for the participating divisions. These are largely funded via a group trust. The amount of the employer contributions must be negotiated with the trustee in the course of funding valuations. The trustee's directors are Group employees, former employees and non-Group third parties, all of whom are required to be independent. Employee beneficiaries make their own funding contributions in the case of the remaining open defined benefit arrangement. The group plan is mainly governed by the corresponding trust deed and rules and the UK Pensions Acts.

A wide variety of other defined benefit retirement plans in the Group are to be found in the Netherlands, Switzerland, the USA and a large number of other countries.

In the Netherlands, collective agreements require that those employees who are not covered by a sector-specific plan participate in a dedicated defined benefit retirement plan. Following a change in the plan in the year under review, the benefit plan is no longer based on final salary, but exclusively provides for annual accruals from 1 January 2015. In addition, a new pensionable salary cap is applied in accordance with the relevant Dutch laws. Consequently, negative past service cost had to be recognised in the year under review. The dedicated defined benefit retirement plan provides for monthly benefit payments that increase in line with the agreed wage and salary increases on the one hand and the funds available for such increases on the other.

In Switzerland, employees receive an occupational pension in line with statutory requirements, depending on the contributions paid, an interest rate that is fixed each year, certain annuity factors and any pension increases specified. On 9 December 2014, a change in the plan was resolved which will lead to a change, from 1 January 2015, in the annuity factors in particular. Consequently, negative past service cost was recognised in the year under review.

In the USA, the companies' defined benefit plans have been closed to new entrants and accrued entitlements have been frozen.

The Group companies in these three countries primarily use joint funding institutions within the Group. In the Netherlands and in Switzerland, both employers and employees contribute to plan funding. In the USA no contributions are currently made to the companies' defined benefit plans. In the year under review, there were no material amendments, curtailments or settlements affecting the Group's defined benefit plans in the Other area, beyond the two plan changes in the Netherlands and Switzerland mentioned above.

Various risks arise in the context of defined benefit plans. Of these risks, the interest rate risk and investment risk in particular are still deemed to be significant.

The information below on pension obligations is broken down into the following areas: Germany, UK and Other.

44.1 Calculation of the balance sheet items

The balance sheet items were calculated as follows:

€m	Germany	UK	Other	Total
31 December 2014				
Present value of defined benefit obligations at 31 December	10,453	5,247	2,399	**18,099**
Fair value of plan assets at 31 December	–4,228	–4,750	–1,986	**–10,964**
Surplus (–)/deficit (+) at 31 December	**6,225**	**497**	**413**	**7,135**
Effect of asset ceilings at 31 December	0	1	2	**3**
Net pension provisions at 31 December	**6,225**	**498**	**415**	**7,138**
Reported separately				
Pension assets at 31 December	0	3	85	**88**
Provisions for pensions and similar obligations at 31 December	6,225	501	500	**7,226**
31 December 2013				
Present value of defined benefit obligations at 31 December	8,438	4,395	1,963	**14,796**
Fair value of plan assets at 31 December	–4,119	–4,034	–1,752	**–9,905**
Surplus (–)/deficit (+) at 31 December	**4,319**	**361**	**211**	**4,891**
Effect of asset ceilings at 31 December	0	1	4	**5**
Net pension provisions at 31 December	**4,319**	**362**	**215**	**4,896**
Reported separately				
Pension assets at 31 December	0	18	102	**120**
Provisions for pensions and similar obligations at 31 December	4,319	380	317	**5,016**

In the Other area, the Netherlands, Switzerland and the USA account for a share in the corresponding present value of the defined benefit obligations of 43%, 22% and 13%, respectively (31 December 2013: 42%, 24% and 11%).

Additionally, rights to reimbursement from former Group companies existed in the Group in Germany in the amount of around €17 million (31 December 2013: €14 million) which are reported separately. Consequently, benefit payments are being made directly by the former Group companies.

44.2 Present value of defined benefit obligations

The present value of defined benefit obligations changed as follows:

€m	Germany	UK	Other	Total
2014				
Present value of defined benefit obligations at 1 January	8,438	4,395	1,963	**14,796**
Current service cost, excluding employee contributions	110	14	39	**163**
Interest cost on defined benefit obligations	312	202	69	**583**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	0	–88	15	**–73**
Actuarial gains (–)/losses (+) – changes in financial assumptions	2,057	627	375	**3,059**
Actuarial gains (–)/losses (+) – experience adjustments	–12	–26	–5	**–43**
Past service cost	6	0	–20	**–14**
Settlement gains (–)/losses (+)	0	0	0	**0**
Employee contributions	11	4	15	**30**
Benefit payments	–469	–189	–94	**–752**
Settlement payments	0	0	0	**0**
Transfers	0	0	1	**1**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	308	41	**349**
Present value of defined benefit obligations at 31 December	**10,453**	**5,247**	**2,399**	**18,099**
2013				
Present value of defined benefit obligations at 1 January	8,608	4,116	2,051	**14,775**
Current service cost, excluding employee contributions	111	34	41	**186**
Interest cost on defined benefit obligations	314	176	66	**556**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	–33	237	5	**209**
Actuarial gains (–)/losses (+) – changes in financial assumptions	–68	156	–103	**–15**
Actuarial gains (–)/losses (+) – experience adjustments	25	0	3	**28**
Past service cost	–58	–75	–3	**–136**
Settlement gains (–)/losses (+)	0	0	0	**0**
Employee contributions	10	11	15	**36**
Benefit payments	–471	–173	–77	**–721**
Settlement payments	0	0	–2	**–2**
Transfers	3	0	1	**4**
Acquisitions/divestitures	–3	0	–1	**–4**
Currency translation effects	0	–87	–33	**–120**
Present value of defined benefit obligations at 31 December	**8,438**	**4,395**	**1,963**	**14,796**

The significant financial assumptions are as follows:

%	Germany	UK	Other	Total
31 December 2014				
Discount rate	2.25	3.50	2.33	**2.62**
Expected annual rate of future salary increase	2.50	3.00	2.05	**2.43**
Expected annual rate of future pension increase	2.00	2.59	0.92	**2.07**
31 December 2013				
Discount rate	3.75	4.50	3.48	**3.94**
Expected annual rate of future salary increase	2.50	4.50	2.12	**3.06**
Expected annual rate of future pension increase	2.00	2.96	1.06	**2.20**

The discount rates for defined benefit obligations in the euro zone and the UK were each derived from an individual yield curve comprising the yields of AA-rated corporate bonds. Membership-related factors were taken into account. For other countries, the discount rate was determined in a similar way, provided there was a deep market for AA-rated (or, to some extent, AA and AAA-rated) corporate bonds. By contrast, government bond yields were used for countries without a deep market for such corporate bonds.

For the annual pension increase in Germany, agreed rates in particular must be taken into account in addition to the assumptions shown. The effective weighted average therefore amounts to 1.00% (2013: 1.00%).

The significant demographic assumptions made relate to life expectancy and mortality. For the German Group companies, they were calculated using the Richttafeln 2005 G mortality tables published by Klaus Heubeck. Life expectancy for the British retirement plans was based on the S1PMA/S1PFA tables of the Continuous Mortality Investigation of the Institute and Faculty of Actuaries adjusted to reflect plan-specific mortality. Other countries used their own, current standard mortality tables.

If one of the significant financial assumptions were to change, the present value of the defined benefit obligations would change as follows:

%	Change in assumption	Change in present value of defined benefit obligations			
		Germany	UK	Other	Total
31 December 2014					
Discount rate	+1.00	−13.57	−16.06	−14.43	**−14.40**
	−1.00	17.85	19.78	18.75	**18.53**
Expected annual rate of future salary increase	+0.50	0.18	0.11	1.17	**0.29**
	−0.50	−0.17	−0.10	−1.10	**−0.27**
Expected annual rate of future pension increase	+0.50	0.41	5.07	6.13	**2.51**
	−0.50	−0.37	−3.18	−4.37	**−1.71**
31 December 2013					
Discount rate	+1.00	−12.31	−16.14	−13.41	**−13.59**
	−1.00	15.63	19.58	17.20	**17.01**
Expected annual rate of future salary increase	+0.50	0.17	1.06	1.44	**0.60**
	−0.50	−0.15	−1.21	−1.30	**−0.62**
Expected annual rate of future pension increase	+0.50	0.30	4.09	5.81	**2.15**
	−0.50	−0.27	−4.08	−4.14	**−1.91**

These are effective weighted changes in the present value of the various defined benefit obligations, e.g., taking into account the largely fixed nature of the pension increase for Germany.

A one-year increase in life expectancy for a 65-year-old beneficiary would increase the present value of the defined benefit obligations by 4.64% in Germany (previous year: 4.63%) and by 3.80% in the UK (previous year: 3.53%). The corresponding increase for other countries would be 2.08% (previous year: 2.40%), for a total increase of 4.06% (previous year: 4.01%).

When determining the sensitivity disclosures, the present values were calculated using the same methodology used to calculate the present values at the reporting date. The presentation does not take into account interdependencies between the assumptions; rather, it supposes that the assumptions change in isolation. This would be unusual in practice, since assumptions are often correlated.

The weighted average duration of the Group's defined benefit obligations at 31 December 2014 was 15.9 years in Germany (31 December 2013: 14.3 years) and 18.2 years in the UK (31 December 2013: 18.5 years). In the other countries it was 16.8 years (31 December 2013: 15.5 years), and in total it was 16.7 years (31 December 2013: 15.7 years).

A total of 30.8% (31 December 2013: 27.6%) of the present value of the defined benefit obligations was attributable to active beneficiaries, 16.8% (31 December 2013: 16.2%) to terminated beneficiaries and 52.4% (31 December 2013: 56.2%) to retirees.

44.3 Fair value of plan assets

The fair value of the plan assets changed as follows:

€m	Germany	UK	Other	Total
2014				
Fair value of plan assets at 1 January	4,119	4,034	1,752	**9,905**
Interest income on plan assets	153	186	60	**399**
Return on plan assets excluding interest income	45	369	177	**591**
Other administration costs in accordance with IAS 19.130	0	–6	–3	**–9**
Employer contributions	194	69	27	**290**
Employee contributions	0	4	15	**19**
Benefit payments	–278	–189	–84	**–551**
Settlement payments	0	0	0	**0**
Transfers	–5	0	1	**–4**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	283	41	**324**
Fair value of plan assets at 31 December	**4,228**	**4,750**	**1,986**	**10,964**
2013				
Fair value of plan assets at 1 January	4,129	3,936	1,693	**9,758**
Interest income on plan assets	153	168	54	**375**
Return on plan assets excluding interest income	30	96	50	**176**
Other administration costs in accordance with IAS 19.130	0	–6	–3	**–9**
Employer contributions	143	83	37	**263**
Employee contributions	0	11	15	**26**
Benefit payments	–337	–173	–66	**–576**
Settlement payments	0	0	–2	**–2**
Transfers	1	0	0	**1**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	–81	–26	**–107**
Fair value of plan assets at 31 December	**4,119**	**4,034**	**1,752**	**9,905**

The fair value of the plan assets can be broken down as follows:

€m	Germany	UK	Other	Total
31 December 2014				
Equities	785	1,000	694	**2,479**
Fixed income securities	1,402	3,072	845	**5,319**
Real estate	1,121	175	203	**1,499**
Alternatives	299	449	39	**787**
Insurances	576	0	108	**684**
Cash	42	40	19	**101**
Other	3	14	78	**95**
Fair value of plan assets	**4,228**	**4,750**	**1,986**	**10,964**
31 December 2013				
Equities	622	872	632	**2,126**
Fixed income securities	1,227	2,488	658	**4,373**
Real estate	1,030	150	193	**1,373**
Alternatives	314	469	53	**836**
Insurances	582	0	92	**674**
Cash	205	14	33	**252**
Other	139	41	91	**271**
Fair value of plan assets	**4,119**	**4,034**	**1,752**	**9,905**

Quoted prices in an active market exist for around 81% (previous year: 80%) of the total fair values of plan assets. Most of the remaining assets for which no such quoted market prices exist are attributable as follows: 12% (previous year: 12%) to real estate, 6% (previous year: 6%) to insurances, 1% (previous year: 1%) to alternatives and 0% (previous year: 1%) to other. The majority of the investments on the active markets are globally diversified, with country-specific focus areas.

Real estate with a fair value of €1,106 million (previous year: €1,016 million) is used by Deutsche Post AG itself. Otherwise, as in the previous year, no plan assets were used by the Group and no transferable own financial instruments were held as plan assets.

Asset-liability studies are performed at regular intervals in Germany, the UK and, amongst other places, the Netherlands, Switzerland and the USA to examine the match between assets and liabilities; the strategic allocation of plan assets is adjusted in line with this.

44.4 Effect of asset ceilings

In the UK and Switzerland, the plan rules for one retirement plan in each case required a surplus to be capped to a certain extent to reach the level of the present value of the benefits (asset ceiling). Apart from this, asset ceilings had no effect as at 31 December 2014, as in the previous year. See the table under Note 44.1 for amounts and changes compared with the previous year.

44.5 Net pension provisions

Net pension provisions changed as follows:

€m	Germany	UK	Other	Total
2014				
Net pension provisions at 1 January	4,319	362	215	**4,896**
Service cost[1]	116	20	22	**158**
Net interest cost	159	16	9	**184**
Remeasurements	2,000	144	206	**2,350**
Employer contributions	–194	–69	–27	**–290**
Employee contributions	11	0	0	**11**
Benefit payments	–191	0	–10	**–201**
Settlement payments	0	0	0	**0**
Transfers	5	0	0	**5**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	25	0	**25**
Net pension provisions at 31 December	**6,225**	**498**	**415**	**7,138**
2013				
Net pension provisions at 1 January	4,479	181	358	**5,018**
Service cost[1]	53	–35	41	**59**
Net interest cost	161	8	12	**181**
Remeasurements	–106	297	–141	**50**
Employer contributions	–143	–83	–37	**–263**
Employee contributions	10	0	0	**10**
Benefit payments	–134	0	–11	**–145**
Settlement payments	0	0	0	**0**
Transfers	2	0	1	**3**
Acquisitions/divestitures	–3	0	–1	**–4**
Currency translation effects	0	–6	–7	**–13**
Net pension provisions at 31 December	**4,319**	**362**	**215**	**4,896**

[1] Including administration costs in accordance with IAS 19.130 from plan assets.

Payments amounting to €453 million are expected with regard to net pension provisions in 2015. Of this amount, €199 million is attributable to the Group's expected direct benefit payments and €254 million to expected employer contributions to pension funds.

44.6 Components of defined benefit cost

The components of defined benefit cost are as follows:

€m	Germany	UK	Other	Total
2014				
Current service cost, excluding employee contributions	110	14	39	**163**
Past service cost	6	0	–20	**–14**
Settlement gains (–)/losses (+)	0	0	0	**0**
Other administration costs in accordance with IAS 19.130	0	6	3	**9**
Service cost[1]	**116**	**20**	**22**	**158**
Interest cost on defined benefit obligations	312	202	69	**583**
Interest income on plan assets	–153	–186	–60	**–399**
Interest on the effect of asset ceilings	0	0	0	**0**
Net interest cost	**159**	**16**	**9**	**184**
Actuarial gains (–)/losses (+) – total	2,045	513	385	**2,943**
Return on plan assets excluding interest income	–45	–369	–177	**–591**
Change in effect of asset ceilings excluding interest	0	0	–2	**–2**
Remeasurements	**2,000**	**144**	**206**	**2,350**
Cost of defined benefit plans	**2,275**	**180**	**237**	**2,692**
2013				
Current service cost, excluding employee contributions	111	34	41	**186**
Past service cost	–58	–75	–3	**–136**
Settlement gains (–)/losses (+)	0	0	0	**0**
Other administration costs in accordance with IAS 19.130	0	6	3	**9**
Service cost[1]	**53**	**–35**	**41**	**59**
Interest cost on defined benefit obligations	314	176	66	**556**
Interest income on plan assets	–153	–168	–54	**–375**
Interest on the effect of asset ceilings	0	0	0	**0**
Net interest cost	**161**	**8**	**12**	**181**
Actuarial gains (–)/losses (+) – total	–76	393	–95	**222**
Return on plan assets excluding interest income	–30	–96	–50	**–176**
Change in effect of asset ceilings excluding interest	0	0	4	**4**
Remeasurements	**–106**	**297**	**–141**	**50**
Cost of defined benefit plans	**108**	**270**	**–88**	**290**

[1] Including administration costs in accordance with IAS 19.130 from plan assets.

€158 million of the cost of defined benefit plans (previous year: €59 million) related to staff costs, €184 million (previous year: €181 million) to net other finance costs and €2,350 million (previous year: €50 million) to other comprehensive income.

44.7 Risk

A number of risks that are material to the company and the plans exist in relation to the defined benefit plans. Opportunities for risk mitigation are used in line with the specifics of the plans concerned.

INTEREST RATE RISK

A decrease (increase) in the discount rate would lead to an increase (decrease) in the present value of the total obligation and would in principle be accompanied by an increase (decrease) in the fair value of the fixed income securities contained in the plan assets. Other hedges are made, in some cases using derivatives.

INFLATION RISK

Pension obligations – especially final salary schemes or schemes involving increases during the pension payment phase – can be linked directly or indirectly to inflation. The risk of rates of inflation increasing to the present value of the defined benefit obligations has been mitigated in the case of Germany, for example, by switching to an arrangement involving fixed benefit amounts. In the case of the UK, the risk has been mitigated by largely closing the defined benefit arrangements and setting a fixed rate of increase or, to some extent, by capping increases or providing for lump sum payments in some cases. Additionally, there is a positive correlation with interest.

INVESTMENT RISK

The investment is in principle subject to a large number of risks; in particular, it is exposed to the risk that market prices may change. This is managed primarily by ensuring broad diversification and using risk overlays.

LONGEVITY RISK

Longevity risk may arise in connection with the benefits payable in the future due to a future increase in life expectancy. This is mitigated in particular by using current standard mortality tables when calculating the present value of the defined benefit obligations. The mortality tables used in Germany and the UK, for example, include an allowance for expected future increases in life expectancy.

45 Other provisions

45.1 Overview

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Other non-current provisions	1,954	1,589	1,556
Other current provisions	1,667	1,752	1,545
Other provisions	**3,621**	**3,341**	**3,101**

[1] Note 4.

Other provisions break down into the following main types of provision:

€m	Non-current		Current		Total	
	2013 adjusted[1]	2014	2013 adjusted[1]	2014	2013 adjusted[1]	2014
Other employee benefits	745	705	311	278	1,056	983
Restructuring provisions	109	93	425	209	534	302
Technical reserves (insurance)	402	435	203	211	605	646
Postage stamps	0	0	400	350	400	350
Tax provisions	0	0	116	98	116	98
Miscellaneous provisions	333	323	297	399	630	722
Other provisions	**1,589**	**1,556**	**1,752**	**1,545**	**3,341**	**3,101**

[1] Note 4.

45.2 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Postage stamps	Tax provisions	Miscellaneous provisions	Total
At 1 January 2014	1,056	534	605	400	116	630	**3,341**
Changes in consolidated group	0	0	0	0	0	0	**0**
Utilisation	–476	–157	–55	–400	–55	–251	**–1,394**
Currency translation differences	44	40	16	0	2	11	**113**
Reversal	–22	–174	–24	0	–20	–67	**–307**
Unwinding of discount/changes in discount rate	15	1	11	0	0	9	**36**
Reclassification	5	–5	0	0	0	0	**0**
Additions	361	63	93	350	55	390	**1,312**
At 31 December 2014	**983**	**302**	**646**	**350**	**98**	**722**	**3,101**

The provision for other employee benefits primarily covers workforce reduction expenses (severance payments, transitional benefits, partial retirement, etc.), stock appreciation rights (SARS) and jubilee payments.

The restructuring provisions comprise all expenses resulting from the restructuring measures within the US express business as well as in other areas of the Group. These measures relate primarily to settlement payment obligations assumed in the USA, rentals for idle plant, termination benefits for employees (partial retirement programmes, transitional benefits), litigation risks and expenses from the closure of terminals, for example.

Technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR reserves; further details can be found in Note 7.

The provision for postage stamps covers outstanding obligations to customers for letter and parcel deliveries from postage stamps sold but still unused by customers, and is based on studies by market research companies and internal calculations. It is measured at the nominal value of the stamps issued.

Of the tax provisions, €31 million (previous year: €35 million) relates to VAT, €4 million (previous year: €5 million) to customs and duties, and €63 million (previous year: €76 million) to other tax provisions.

45.3 Miscellaneous provisions

The miscellaneous provisions break down as follows:

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Litigation costs	115	97	177
Risks from business activities	105	91	45
Aircraft maintenance	58	73	96
Miscellaneous other provisions	414	369	404
Miscellaneous provisions	**692**	**630**	**722**

[1] Note 4.

Miscellaneous other provisions include a large number of individual items.

45.4 Maturity structure

The maturity structure of the provisions recognised in financial year 2014 is as follows:

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years	Total
2014							
Other employee benefits	278	212	130	72	57	234	**983**
Restructuring provisions	209	18	8	10	11	46	**302**
Technical reserves (insurance)	211	180	90	56	36	73	**646**
Postage stamps	350	0	0	0	0	0	**350**
Tax provisions	98	0	0	0	0	0	**98**
Miscellaneous provisions	399	114	44	25	23	117	**722**
Total	**1,545**	**524**	**272**	**163**	**127**	**470**	**3,101**

46 Financial liabilities

46.1 Overview

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Non-current financial liabilities	4,421	4,619	4,683
Current financial liabilities	410	1,335	486
Financial liabilities	**4,831**	**5,954**	**5,169**

[1] Note 4.

The decline in financial liabilities is largely attributable to the repayment of a bond in the amount of €0.9 billion in January 2014.

€m	Non-current		Current		Total	
	2013 adjusted[1]	2014	2013 adjusted[1]	2014	2013 adjusted[1]	2014
Bonds	4,164	4,290	924	0	5,088	4,290
Amounts due to banks	0	1	198	183	198	184
Finance lease liabilities	194	191	19	19	213	210
Liabilities to Group companies	58	0	32	23	90	23
Financial liabilities at fair value through profit or loss	11	12	29	133	40	145
Other financial liabilities	192	189	133	128	325	317
Financial liabilities	**4,619**	**4,683**	**1,335**	**486**	**5,954**	**5,169**

[1] Note 4.

46.2 Bonds

The following table contains further details on the company's most significant bonds. The bonds issued by Deutsche Post Finance B.V. are fully guaranteed by Deutsche Post AG.

Significant bonds

				2013		2014	
	Nominal coupon %	Issue volume	Issuer	Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2003/2014	4.875	€926 million	Deutsche Post Finance B.V.	924	929	0	0
Bond 2012/2017	1.875	€750 million	Deutsche Post Finance B.V.	745	767	747	780
Bond 2012/2022	2.950	€500 million	Deutsche Post Finance B.V.	496	516	496	575
Bond 2012/2020	1.875	€300 million	Deutsche Post AG	295	296	297	323
Bond 2012/2024	2.875	€700 million	Deutsche Post AG	696	706	697	806
Bond 2013/2018	1.5	€500 million	Deutsche Post AG	491	499	496	522
Bond 2013/2023	2.75	€500 million	Deutsche Post AG	495	501	495	570
Convertible bond 2012/2019[1]	0.600	€1 billion	Deutsche Post AG	931	928	942	1,006

[1] This relates to the debt component of the convertible bond; the equity component is recognised in the capital reserves. The fair value of the listed convertible bond as at the balance sheet date was €1,384 million (previous year: €1,353 million).

The €1 billion convertible bond issued on 6 December 2012 has a conversion right, which allows holders to convert the bond into a predetermined number of Deutsche Post AG shares if Deutsche Post AG's share price more than temporarily exceeds 130% of the conversion price applicable at that time. The conversion right may be exercised between 16 January 2013 and 21 November 2019. On issue, the conversion price was set at €20.74. It was required to be adjusted to €20.69 due to the dividend payment of €0.80 per share for financial year 2013. In addition, Deutsche Post AG was granted a call option allowing it to repay the bond early at face value plus accrued interest if Deutsche Post AG's share price more than temporarily exceeds 130% of the conversion price applicable at that time. The option can be exercised between 6 December 2017 and 16 November 2019. For contractual reasons, the convertible bond was split into a debt component and an equity component. The equity instrument in the amount of €74 million is reported under capital reserves. The value of the debt component on the issue date calculated in accordance with IFRS 32.31 amounted to €920 million, including transaction costs and the call option granted. Transaction costs of €0.5 million and €5.8 million are included in the aforementioned amounts. In subsequent years, interest will be added to the carrying amount of the bond, up to the issue amount, using the effective interest method (unwinding of discount) and recognised in profit or loss.

46.3 Amounts due to banks

The liabilities mainly comprise current overdraft facilities due to various banks.

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Amounts due to banks	136	198	184

[1] Note 4.

46.4 Finance lease liabilities

Finance lease liabilities mainly relate to the following items:

	Leasing partner	Interest rate %	End of term	Asset	2013 €m	2014 €m
Deutsche Post Immobilien GmbH, Germany	Various leasing partners	4.75	2023/2028	Real estate	114	109
DHL Express (Austria) GmbH, Austria	Raiffeisen Impuls Immobilien GmbH	3.62	2019	Real estate	11	10
DHL Logistics GmbH, Germany	Fittila GmbH	4.2	2016	Real estate	8	7
Deutsche Post AG, Germany	T-Systems International GmbH	6.5	2015	IT equipment	3	5
Deutsche Post Immobilien GmbH, Germany	Lorac Investment Management Sarl	6.0	2016	Real estate	4	2

The leased assets are recognised in property, plant and equipment at carrying amounts of €242 million (previous year: €330 million). The difference between the carrying amounts of the assets and the liabilities results from longer useful lives of the assets compared with a shorter repayment period for the lease instalments and unscheduled repayments of lease obligations. The notional amount of the minimum lease payments totals €256 million (previous year: €255 million).

Maturity structure

€m	Present value (finance lease liabilities)		Minimum lease payments (notional amount)	
	2013	2014	2013	2014
Less than 1 year	19	19	24	26
More than 1 year to 5 years	101	109	116	131
More than 5 years	93	82	115	99
Total	**213**	**210**	**255**	**256**

46.5 Financial liabilities at fair value through profit or loss

The amounts reported under this item relate to the negative fair values of derivative financial instruments.

€m	2013	2014
Financial liabilities at fair value through profit or loss	40	145

46.6 Other financial liabilities

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Put option related to the acquisition of the remaining interest in Giorgio Gori Group	0	62	27
Loan notes related to the acquisition of TAG Group	57	55	60
Loan notes related to the early termination of a finance lease	0	18	16
Miscellaneous financial liabilities	163	190	214
Other financial liabilities	**220**	**325**	**317**

[1] Note 4.

The other financial liabilities relate to a large number of individual items.

47 Other liabilities

47.1 Overview

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Other non-current liabilities	276	227	255
Other current liabilities	4,003	3,978	4,196
Other liabilities	**4,279**	**4,205**	**4,451**

[1] Note 4.

47.2 Breakdown of other liabilities

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Tax liabilities	885	967	1,073
Incentive bonuses	576	560	580
Deferred income, of which non-current: 89 (previous year: 61)	353	296	385
Wages, salaries, severance payments	286	334	354
Compensated absences	374	298	312
Payables to employees and members of executive bodies	177	172	175
Social security liabilities	143	162	168
Debtors with credit balances	149	147	163
Liabilities from the sale of residential building loans, of which non-current: 160 (previous year: 140)	153	144	162
Overtime claims	110	105	88
COD liabilities	70	51	53
Liabilities from cheques issued	35	37	49
Insurance liabilities	36	26	41
Accrued rentals	34	32	39
Other compensated absences	49	39	33
Accrued insurance premiums for damages and similar liabilities	13	16	13
Liabilities from loss compensation	14	11	10
Miscellaneous other liabilities, of which non-current: 6 (previous year: 26)	822	808	753
Other liabilities	**4,279**	**4,205**	**4,451**

[1] Note 4.

Of the tax liabilities, €573 million (previous year: €544 million) relates to VAT, €340 million (previous year: €269 million) to customs and duties, and €160 million (previous year: €154 million) to other tax liabilities.

The liabilities from the sale of residential building loans relate to obligations of Deutsche Post AG to pay interest subsidies to borrowers to offset the deterioration in borrowing terms in conjunction with the assignment of receivables in previous years, as well as pass-through obligations from repayments of principal and interest for residential building loans sold.

Miscellaneous other liabilities include a large number of individual items.

47.3 Maturity structure

€m	2013 adjusted[1]	2014
Less than 1 year	3,978	4,196
More than 1 year to 2 years	41	28
More than 2 years to 3 years	7	7
More than 3 years to 4 years	7	34
More than 4 years to 5 years	28	6
More than 5 years	144	180
Other liabilities	**4,205**	**4,451**

[1] Note 4.

There is no significant difference between the carrying amounts and the fair values of the other liabilities due to their short maturities or market interest rates. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

48 Trade payables

Most of the trade payables have a maturity of less than one year. The reported carrying amount of trade payables corresponds to their fair value.

€m	1 Jan. 2013 adjusted[1]	2013 adjusted[1]	2014
Trade payables	5,960	6,358	6,922

[1] Note 4.

CASH FLOW DISCLOSURES

49 Cash flow disclosures

The cash flow statement is prepared in accordance with IAS 7 (Statement of Cash Flows) and discloses the cash flows in order to present the source and application of cash and cash equivalents. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents are composed of cash, cheques and bank balances with a maturity of not more than three months, and correspond to the cash and cash equivalents reported on the balance sheet. The effects of currency translation and changes in the consolidated group are adjusted when calculating cash and cash equivalents.

49.1 Net cash from operating activities

Cash flows from operating activities are calculated by adjusting consolidated net profit/loss for tax expenses, net financial income/net finance costs and non-cash factors, as well as taxes paid, changes in provisions and in other non-current assets and liabilities (net cash from operating activities before changes in working capital). Adjustments for changes in working capital (excluding financial liabilities) result in net cash from or used in operating activities.

Net cash from operating activities amounted to €3,040 million in financial year 2014 compared with €2,989 million in the previous year. The improved EBIT made a contribution of €100 million to this increase.

The depreciation, amortisation and impairment losses contained in EBIT are non-cash effects and are therefore eliminated. They increased from €1,337 million to €1,381 million in the reporting period due to the impairment losses of €106 million recognised on aircraft and spare parts for aircraft, amongst other things. Also adjusted were non-cash income and expenses, which increased EBIT by €4 million, but did not lead to a cash outflow. They mainly relate to income from the remeasurement of liabilities.

The gains on the disposal of non-current assets of €11 million are not included in net cash from operating activities in the cash flow statement. They have therefore been adjusted in the net income from the disposal of non-current assets and are presented instead in the cash flows from investing activities. At €–698 million, the change in provisions rose by €–198 million year-on-year, particularly due to the reversal of restructuring provisions in the Express division.

The change in current assets and liabilities led to a net cash outflow of €21 million. In the previous year, the change in this item resulted in an outflow of €89 million. The reduction in inventories in 2014 in particular made a significant contribution to this development.

Non-cash income and expense

€m	2013 adjusted[1]	2014
Expense from remeasurement of assets	122	127
Income from remeasurement of liabilities	–113	–161
Income from disposal of assets	–11	0
Staff costs relating to equity-settled share-based payments	20	30
Miscellaneous	–6	0
Non-cash income and expense	**12**	**–4**

[1] Note 4.

49.2 Net cash used in investing activities

Cash flows from investing activities mainly result from cash received from disposals of non-current assets (divestitures) and cash paid for investments in non-current assets.

Interest received from investing activities as well as cash inflows from changes in current financial assets are also included.

At €1,087 million, net cash used in investing activities was €678 million lower than in the previous year. The most significant item was the cash paid to acquire property, plant and equipment, and intangible assets, which was up €369 million on the previous year, at €1,750 million. The increase was attributable to the DHL divisions, with the Express division in particular significantly expanding its investments in regional and global hubs.

The change in current financial assets, in particular, led to a significant net cash inflow of €405 million. The sale of money market funds resulted in a cash inflow of €600 million at the beginning of the year, whilst towards the end of the year excess liquidity of €200 million was reinvested in short-term capital market instruments. In the previous year, the investment of short-term liquidity led to a cash outflow of €575 million.

The following assets were acquired and liabilities assumed as a result of company acquisitions; Note 2:

€m	2013	2014
Non-current assets	2	3
Current assets (excluding cash and cash equivalents)	8	11
Non-current provisions and liabilities	0	0
Current provisions and liabilities	7	9

The following table shows the calculation of free cash flow:

Calculation of free cash flow

€m	2013 adjusted[1]	2014
Net cash from operating activities	**2,989**	**3,040**
Sale of property, plant and equipment and intangible assets	177	200
Acquisition of property, plant and equipment and intangible assets	–1,381	–1,750
Cash outflow arising from change in property, plant and equipment and intangible assets	**–1,204**	**–1,550**
Disposals of subsidiaries and other business units	32	4
Disposals of investments accounted for using the equity method and other equity investments	0	0
Acquisition of subsidiaries and other business units	–37	–5
Acquisition of investments accounted for using the equity method and other equity investments	0	–1
Cash outflow arising from acquisitions/divestitures	**–5**	**–2**
Interest received	55	45
Interest paid	–166	–188
Net interest paid	**–111**	**–143**
Free cash flow	**1,669**	**1,345**

[1] Note 4.

Free cash flow is considered to be an indicator of how much cash is available to the company for dividend payments or the repayment of debt.

Free cash flow declined from €1,669 million in the previous year to €1,345 million in the reporting period. This is primarily attributable to the increase in cash paid to acquire property, plant and equipment and intangible assets.

49.3 Net cash used in financing activities

Net cash used in financing activities rose by €2,238 million to €2,348 million.

The repayment of a bond in January made a significant contribution of €926 million towards repayments of non-current financial liabilities in the amount of €1,030 million. In the previous year, in contrast, the issue of two bonds with a five-year and ten-year term resulted in a cash inflow of €495 million for each bond. In addition, the change in current financial liabilities led to a cash inflow of €35 million in the previous year compared with a cash outflow of €53 million in 2014.

Another large payment item, the dividend payment to the shareholders of Deutsche Post AG, was up €122 million on the previous year at €968 million. The cash paid to acquire treasury shares also rose, up from €23 million to €85 million, mainly due to the repurchase of shares from the two capital increases to settle our Share Matching Scheme. At €188 million, interest payments were €22 million higher than in the previous year, primarily because interest on the bonds issued in the previous year fell due for the first time in October.

49.4 Cash and cash equivalents

The cash inflows and outflows described above produced cash and cash equivalents of €2,978 million; Note 36. This represents a year-on-year decline of €436 million.

OTHER DISCLOSURES

50 Risks and financial instruments of the Group

50.1 Risk management

As a result of its operating activities, the Group is exposed to financial risks that may arise from changes in exchange rates, commodity prices and interest rates. Deutsche Post DHL Group manages these risks centrally through the use of non-derivative and derivative financial instruments. Derivatives are used exclusively to mitigate non-derivative financial risks, and fluctuations in their fair value should not be assessed separately from the underlying transaction.

The Group's internal risk guidelines govern the universe of actions, responsibilities and necessary controls regarding the use of derivatives. Financial transactions are recorded, assessed and processed using proven risk management software, which also regularly documents the effectiveness of hedging relationships. Portfolios of derivatives are regularly reconciled with the banks concerned.

To limit counterparty risk from financial transactions, the Group may only enter into this type of contract with prime-rated banks. The conditions for the counterparty limits individually assigned to the banks are reviewed on a daily basis. The Group's Board of Management is informed internally at regular intervals about existing financial risks and the hedging instruments deployed to mitigate them. Financial instruments are accounted for and measured in accordance with IAS 39.

Information on risks and risk mitigation in relation to the Group's defined benefit retirement plans can be found in Note 44.7.

Liquidity management

The ultimate objective of liquidity management is to secure the solvency of Deutsche Post DHL Group and all Group companies. Consequently, liquidity in the Group is centralised as much as possible in cash pools and managed in the Corporate Center.

The centrally available liquidity reserves (funding availability), consisting of central short-term financial investments and committed credit lines, are the key control parameter. The target is to have at least €2 billion available in a central credit line.

The Group had central liquidity reserves of €3.8 billion (previous year: €4.6 billion) as at 31 December 2014, consisting of central financial investments amounting to €1.8 billion plus a syndicated credit line of €2 billion.

The maturity structure of non-derivative financial liabilities within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure of financial liabilities

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
At 31 December 2014						
Non-current financial liabilities	82	99	854	580	1,070	2,206
Other non-current liabilities	0	2	2	2	1	154
Non-current liabilities	**82**	**101**	**856**	**582**	**1,071**	**2,360**
Current financial liabilities	353	0	0	0	0	0
Trade payables	6,922	0	0	0	0	0
Other current liabilities	342	0	0	0	0	0
Current liabilities	**7,617**	**0**	**0**	**0**	**0**	**0**
At 31 December 2013[1]						
Non-current financial liabilities	82	156	233	849	662	3,379
Other non-current liabilities	0	11	3	3	2	130
Non-current liabilities	**82**	**167**	**236**	**852**	**664**	**3,509**
Current financial liabilities	1,306	0	0	0	0	0
Trade payables	6,358	0	0	0	0	0
Other current liabilities	346	0	0	0	0	0
Current liabilities	**8,010**	**0**	**0**	**0**	**0**	**0**

[1] Prior-period amounts adjusted, Note 4.

The Group repaid the Deutsche Post Finance B.V. bond amounting to €926 million falling due in January 2014 at the agreed date. Current financial liabilities were reduced accordingly.

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure of derivative financial instruments

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
At 31 December 2014						
Derivative receivables – gross settlement						
Cash outflows	−1,900	−149	−15	−17	−14	−37
Cash inflows	1,982	169	28	28	20	50
Net settlement						
Cash inflows	5	1	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	−2,429	−259	0	0	0	0
Cash inflows	2,321	248	0	0	0	0
Net settlement						
Cash outflows	−30	−6	0	0	0	0
At 31 December 2013						
Derivative receivables – gross settlement						
Cash outflows	−5,345	−389	0	0	0	0
Cash inflows	5,591	403	0	0	0	0
Net settlement						
Cash inflows	23	5	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	−1,821	−411	−46	−33	−41	−37
Cash inflows	1,776	409	48	26	26	23
Net settlement						
Cash outflows	−4	−1	0	0	0	0

Derivative financial instruments entail both rights and obligations. The contractual arrangement defines whether these rights and obligations can be offset against each other and therefore result in a net settlement, or whether both parties to the contract will have to perform their obligations in full (gross settlement).

CURRENCY RISK AND CURRENCY MANAGEMENT

The international business activities of Deutsche Post DHL Group expose it to currency risks from recognised or planned future transactions:

Balance sheet currency risks arise from the measurement and settlement of items in foreign currencies that are recognised if the exchange rate on the measurement or settlement date differs from the rate on recognition. The resulting foreign exchange differences directly impact profit or loss. In order to mitigate this impact as far as possible, all significant balance sheet currency risks within the Group are centralised at Deutsche Post AG through the in-house bank function. The centralised risks are aggregated by Corporate Treasury to calculate a net position per currency and hedged externally based on value-at-risk limits. The currency-related value at risk (95%/one-month holding period) for the portfolio totalled €6 million (previous year: €4 million) at the reporting date; the current limit was a maximum of €7 million.

The notional amount of the currency forwards and currency swaps used to manage balance sheet currency risks amounted to €3,257 million at the reporting date (previous year: €2,409 million); the fair value was €–35 million (previous year: €34 million). For simplification purposes, fair value hedge accounting was not applied to the derivatives used, which are reported as trading derivatives instead.

Currency risks arise from planned foreign currency transactions if the future foreign currency transactions are settled at exchange rates that differ from the rates originally planned or calculated. These currency risks are also captured centrally in Corporate Treasury and managed on a rolling 24-month basis as part of a hedging programme. The goal is to hedge an average of up to 50% of all significant currency risks over a 24-month period. This makes it possible to plan reliably and reduce fluctuations in earnings caused by currency movements. At the reporting date, an average of approximately 39% of the foreign currency risk of

the currencies concerned was hedged for the next 24 months. The relevant hedging transactions are recognised using cash flow hedge accounting; Note 50.3, cash flow hedges.

In total, currency forwards and currency swaps with a notional amount of €5,119 million (previous year: €4,280 million) were outstanding at the balance sheet date. The corresponding fair value was €–53 million (previous year: €98 million). As at the reporting date, there were no currency options or cross-currency swaps. The cross-currency swaps still existing in the previous year (notional amount of €163 million and fair value of €14 million) expired as scheduled in financial year 2014.

Currency risks resulting from translating assets and liabilities of foreign operations into the Group's currency (translation risk) were not hedged as at 31 December 2014.

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2014 in accordance with IAS 39, €20 million (previous year: €69 million) is expected to be recognised in income in the course of 2015.

IFRS 7 requires the disclosure of quantitative risk data showing how profit or loss and equity are affected by changes in exchange rates at the reporting date. The impact of these changes in exchange rates on the portfolio of foreign currency financial instruments is assessed by means of a value-at-risk calculation (95% confidence/one-month holding period). It is assumed that the portfolio as at the reporting date is representative for the full year. Effects of hypothetical changes in exchange rates on translation risk do not fall within the scope of IFRS 7. The following assumptions are used as a basis for the sensitivity analysis:

Primary financial instruments in foreign currencies used by Group companies were hedged by Deutsche Post AG's in-house bank, with Deutsche Post AG setting and guaranteeing monthly exchange rates. Exchange rate-related changes therefore have no effect on the profit or loss and equity of the Group companies. Where, in individual cases, Group companies are not permitted to participate in in-house banking for legal reasons, their currency risks from primary financial instruments are fully hedged locally through the use of derivatives. They therefore have no impact on the Group's risk position.

Hypothetical changes in exchange rates have an effect on the fair values of Deutsche Post AG's external derivatives that is reported in profit or loss; they also affect the foreign currency gains and losses from remeasurement at the closing date of the in-house bank balances, balances from external bank accounts as well as internal and external loans extended by Deutsche Post AG. The foreign currency value at risk of the foreign currency items concerned was €6 million at the reporting date (previous year: €4 million). In addition, hypothetical changes in exchange rates affect equity and the fair values of those derivatives used to hedge unrecognised firm commitments and highly probable forecast currency transactions, which are designated as cash flow hedges. The foreign currency value at risk of this risk position was €57 million as at 31 December 2014 (previous year: €30 million). The total foreign currency value at risk was €56 million at the reporting date (previous year: €29 million). The total amount is lower than the sum of the individual amounts given above, owing to interdependencies.

INTEREST RATE RISK AND INTEREST RATE MANAGEMENT

The fair value of interest rate hedging instruments was calculated on the basis of discounted expected future cash flows using Corporate Treasury's risk management system.

As at 31 December 2014, the Group had entered into interest rate swaps with a notional volume of €1,300 million (previous year: €1,126 million). The fair value of this interest rate swap position was €68 million (previous year: €6 million). As in the previous year, there were no interest rate options at the reporting date.

In January, the Group repaid the bond amounting to €926 million, which fell due for payment. Some of the original fixed-coupon bonds were swapped for variable short-term interest rates. As a result, there was an insignificant change in the share of instruments with short-term interest lock-ins compared with the previous year. Taking into account existing interest rate hedging instruments, the proportion of financial liabilities with short-term interest lock-ins, Note 46, amounts to around 35% (previous year: 36%) as at the reporting date. The effect of potential interest rate changes on the Group's financial position remains insignificant.

The quantitative risk data relating to interest rate risk required by IFRS 7 is presented in the form of a sensitivity analysis. This method determines the effects of hypothetical changes in market interest rates on interest income, interest expense and equity as at the reporting date. The following assumptions are used as a basis for the sensitivity analysis:

Primary variable-rate financial instruments are subject to interest rate risk and must therefore be included in the sensitivity analysis. Primary variable-rate financial instruments that were transformed into fixed-income financial instruments using cash flow hedges are not included. Changes in market interest rates for derivative financial instruments used as a cash flow hedge affect equity by changing fair values and must therefore be included in the sensitivity analysis. Fixed-income financial instruments measured at amortised cost are not subject to interest rate risk.

Designated fair value hedges of interest rate risk are not included in the analysis because the interest-related changes in fair value of the hedged item and the hedging transaction almost fully offset each other in profit or loss for the period. Only the variable portion of the hedging instrument affects net financial income/net finance costs and must be included in the sensitivity analysis.

If the market interest rate level as at 31 December 2014 had been 100 basis points higher, net finance costs would have increased by €9 million (previous year: increased by €6 million). A market interest rate level 100 basis points lower would have had the opposite effect. A change in the market interest rate level by 100 basis points would affect the fair values of the interest rate derivatives recognised in equity. As in the previous year, a rise in interest rates in this financial year would not have increased equity, nor would a reduction have reduced equity.

MARKET RISK

As in the previous year, most of the risks arising from commodity price fluctuations, in particular fluctuating prices for kerosene and marine diesel fuels, were passed on to customers via operating measures. However, the impact of the related fuel surcharges is delayed by one to two months, so that earnings may be affected temporarily if there are significant short-term fuel price variations.

In addition, a small number of commodity swaps for diesel and marine diesel fuel were used to control residual risks. The notional amount of these commodity swaps was €53 million (previous year: €56 million) with a fair value of €–7 million (previous year: €0 million).

IFRS 7 requires the disclosure of a sensitivity analysis, presenting the effects of hypothetical commodity price changes on profit or loss and equity.

Changes in commodity prices would affect the fair value of the derivatives used to hedge highly probable forecast commodity purchases (cash flow hedges) and the hedging reserve in equity. A 10% increase in the commodity prices underlying the derivatives as at the balance sheet date would have increased fair values and equity by €3 million (previous year: €5 million). A corresponding decline in commodity prices would have had the opposite effect.

In the interests of simplicity, some of the commodity price hedges were not recognised using cash flow hedge accounting. For the derivatives in question, commodity price changes would affect both the fair values of the derivatives and the income statement. As in the previous year, if the underlying commodity prices had been 10% higher at the reporting date, this would have increased the fair values in question and, consequently, operating profit by less than €1 million. A corresponding decline in the commodity prices would have also reduced the fair values and operating profit by less than €1 million.

CREDIT RISK

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. To minimise credit risk from financial transactions, the Group only enters into transactions with prime-rated counterparties. The Group's heterogeneous customer structure means that there is no risk concentration. Each counterparty is assigned an individual limit, the utilisation of which is regularly monitored. A test is performed at the balance sheet dates to establish whether an impairment loss needs to be charged on the positive fair values due to the individual counterparties' credit quality. This was not the case for any of the counterparties as at 31 December 2014.

Default risks are continuously monitored in the operating business. The aggregate carrying amounts of financial assets represent the maximum default risk. Trade receivables amounting to €7,825 million (previous year: €7,022 million) are due within one year. The following table gives an overview of receivables that are past due:

Receivables that are past due

€m	2013 adjusted[1]	2014
Carrying amount before impairment loss	7,232	8,045
Neither impaired nor due at the reporting date	5,145	5,923
Past due and not impaired at the reporting date		
Up to 30 days	750	750
31 to 60 days	641	591
61 to 90 days	270	270
91 to 120 days	93	109
121 to 150 days	42	43
151 to 180 days	36	24
More than 180 days	17	57

[1] Note 4.

Trade receivables changed as follows:

Receivables

€m	2013 adjusted[1]	2014
Gross receivables		
At 1 January	7,157	7,232
Changes	75	813
At 31 December	**7,232**	**8,045**
Valuation allowances		
At 1 January	–216	–210
Changes	6	–10
At 31 December	**–210**	**–220**
Carrying amount at 31 December	**7,022**	**7,825**

[1] Note 4.

All other financial instruments are neither past due nor impaired. The heterogeneous structure of the counterparties prevents risk concentration.

Impairment losses of €22 million (previous year: €23 million) were recognised for other assets.

50.2 Collateral

€600 million (previous year: €545 million) of collateral is recognised in non-current financial assets as at the balance sheet date. Of this amount, €335 million relates to the restricted cash transferred to a blocked account with Commerzbank AG for any payments that may be required due to the EU state aid proceedings; Note 53. €60 million is attributable to collateral in the context of an M&A transaction and €125 million relates primarily to liabilities in conjunction with the settlement of Deutsche Post AG's residential building loans. €75 million relates to sureties paid.

Collateral of €39 million is recognised in current financial assets (previous year: €41 million). The majority of this concerns collateral deposited for US cross-border leases (QTE leases).

50.3 Derivative financial instruments

The following table gives an overview of the recognised derivative financial instruments used in the Group and their fair values. Derivatives with amortising notional volumes are reported in the full amount at maturity.

Derivative financial instruments

€m

							Fair values in 2014, by maturity											
	2013		2014				Assets						Liabilities					
	Notional amount	Fair value	Notional amount	Fair value of assets	Fair value of liabilities	Total fair value	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	> 5 years	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	> 5 years
Interest rate products																		
Interest rate swaps	1,126	6	1,300	68	0	**68**	0	0	0	15	0	53	0	0	0	0	0	0
of which cash flow hedges	163	7	0	0	0	**0**	0	0	0	0	0	0	0	0	0	0	0	0
of which fair value hedges	963	–1	1,300	68	0	**68**	0	0	0	15	0	53	0	0	0	0	0	0
Currency transactions																		
Currency forwards	2,206	68	2,413	66	–74	**–8**	56	10	0	0	0	0	–62	–12	0	0	0	0
of which cash flow hedges	1,825	64	1,840	48	–66	**–18**	38	10	0	0	0	0	–54	–12	0	0	0	0
of which held for trading	381	4	573	18	–8	**10**	18	0	0	0	0	0	–8	0	0	0	0	0
Currency swaps	2,074	30	2,706	19	–64	**–45**	19	0	0	0	0	0	–64	0	0	0	0	0
of which cash flow hedges	46	0	22	0	0	**0**	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	2,028	30	2,684	19	–64	**–45**	19	0	0	0	0	0	–64	0	0	0	0	0
Cross-currency swaps	163	14	0	0	0	**0**	0	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	163	14	0	0	0	**0**	0	0	0	0	0	0	0	0	0	0	0	0
	4,443	112	5,119	85	–138	**–53**	75	10	0	0	0	0	–126	–12	0	0	0	0
Commodity price transactions																		
Commodity price swaps	56	0	53	0	–7	**–7**	0	0	0	0	0	0	–7	0	0	0	0	0
of which cash flow hedges	52	0	40	0	–4	**–4**	0	0	0	0	0	0	–4	0	0	0	0	0
of which held for trading	4	0	13	0	–3	**–3**	0	0	0	0	0	0	–3	0	0	0	0	0

Apart from those shown in the table, there were no significant derivatives resulting from M&A transactions (previous year: €–2 million).

FAIR VALUE HEDGES

New interest rate swaps with a volume of €500 million were entered into and designated as fair value hedges in 2014 to hedge the fair value risk of the fixed-interest euro-denominated bond falling due in 2022. As at 31 December 2014, the interest rate swaps designated as fair value hedges amounted to a total volume of €1.3 billion. The fair value of these hedging instruments was €68 million as at the reporting date (previous year: €–1 million). The following table gives an overview of the gains and losses arising from the hedged items and the respective hedging transactions:

Ineffective portion of fair value hedges

€m

	2013	2014
Gains (+) on hedged items	11	0
Losses (–) on hedging transactions	–11	–1
Balance (ineffective portion)	**0**	**–1**

CASH FLOW HEDGES

The Group uses currency forwards and currency swaps to hedge the cash flow risk from future foreign currency operating revenue and expenses. The fair values of currency forwards and currency swaps amounted to €–18 million at the reporting date (previous year: €64 million). The hedged items will have an impact on cash flow by 2016.

The synthetic cross-currency swaps existing at the 2013 reporting date (previous year: €21 million) expired as planned in 2014.

The risks from the purchase of diesel and marine diesel fuels, which cannot be passed on to customers, were hedged using commodity swaps that will affect cash flow in 2014. The fair value of these cash flow hedges amounted to €–4 million (previous year: €0 million).

50.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments in line with the respective balance sheet items. Since the Group did not classify any financial instruments as held to maturity in the reporting period or in the previous financial year, this measurement category is omitted in the overview. The following table reconciles the classes to the categories given in IAS 39 and their respective fair values as at the reporting date:

Reconciliation of carrying amounts in the balance sheet at 31 December 2014

€m

	Carrying amount	Carrying amount by IAS 39 measurement category		
		Financial assets and liabilities at fair value through profit or loss		Available-for-sale financial assets
		Trading	Fair value option	
ASSETS				
Non-current financial assets	1,363			
at cost	907	0	0	24
at fair value	456	53	114	264
Trade receivables	7,825			
at cost	7,825	0	0	0
Other current assets	2,415			
at cost	1,048	0	0	0
outside IFRS 7	1,367	0	0	0
Current financial assets	351			
at cost	68	0	0	0
at fair value	283	37	0	208
Cash and cash equivalents	2,978	0	0	0
Total ASSETS	**14,932**	**90**	**114**	**496**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	4,683			
at cost	4,671	0	0	0
at fair value	12	0	0	0
Other non-current liabilities	255			
at cost	160	0	0	0
outside IFRS 7	95	0	0	0
Current financial liabilities	486			
at cost	353	0	0	0
at fair value	133	75	0	0
Trade payables	6,922			
at cost	6,922	0	0	0
Other current liabilities	4,196			
at cost	390	0	0	0
outside IFRS 7	3,806	0	0	0
Total EQUITY AND LIABILITIES	**16,542**	**75**	**0**	**0**

[1] The Deutsche Post AG and Deutsche Post Finance B.V. bonds included in current and non-current financial liabilities were partly designated as hedged items in a fair value hedge and are thus subject to a basis adjustment. The bonds are therefore recognised neither at full fair value nor at amortised cost. Non-current financial liabilities also include the convertible bond issued by Deutsche Post AG in December 2012. The listed bond had a fair value of €1,384 million at the balance sheet date. A fair value of €1,006 million was reported for the debt component at the balance sheet date.

		Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
Loans and receivables/ other financial liabilities	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
834	0	49	906
0	25	0	456
7,825	0	0	7,825
1,048	0	0	1,048
0	0	0	0
61	0	7	68
0	38	0	283
2,978	0	0	0
12,746	**63**	**56**	**–**
4,480	0	191	5,461
0	12	0	12
160	0	0	160
0	0	0	0
334	0	19	353
0	58	0	133
6,922	0	0	6,922
390	0	0	390
0	0	0	0
12,286	**70**	**210**	**–**

Reconciliation of carrying amounts in the balance sheet at 31 December 2013[1]

€m

	Carrying amount	Carrying amount by IAS 39 measurement category		
		Financial assets and liabilities at fair value through profit or loss		Available-for-sale financial assets
		Trading	Fair value option	
ASSETS				
Non-current financial assets	1,123			
at cost	857	0	0	97
at fair value	266	0	90	160
Trade receivables	7,022			
at cost	7,022	0	0	0
Other current assets	2,223			
at cost	956	0	0	0
outside IFRS 7	1,267	0	0	0
Current financial assets	821			
at cost	70	0	0	0
at fair value	751	40	0	611
Cash and cash equivalents	3,414	0	0	0
Total ASSETS	**14,603**	**40**	**90**	**868**
EQUITY AND LIABILITIES				
Non-current financial liabilities[2]	4,619			
at cost	4,608	0	0	0
at fair value	11	0	0	0
Other non-current liabilities	227			
at cost	147	0	0	0
outside IFRS 7	80	0	0	0
Current financial liabilities	1,335			
at cost	1,306	0	0	0
at fair value	29	8	0	0
Trade payables	6,358			
at cost	6,358	0	0	0
Other current liabilities	3,978			
at cost	346	0	0	0
outside IFRS 7	3,632	0	0	0
Total EQUITY AND LIABILITIES	**16,517**	**8**	**0**	**0**

[1] Prior-period amounts adjusted, Note 4.

[2] The Deutsche Post AG and Deutsche Post Finance B.V. bonds included in current and non-current financial liabilities were partly designated as hedged items in a fair value hedge and are thus subject to a basis adjustment. The bonds are therefore recognised neither at full fair value nor at amortised cost. Non-current financial liabilities also include the convertible bond issued by Deutsche Post AG in December 2012. The listed bond had a fair value of €1,353 million at the balance sheet date. A fair value of €928 million was reported for the debt component at the balance sheet date.

		Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
Loans and receivables/ other financial liabilities	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
728	0	32	846
0	16	0	266
7,022	0	0	7,022
956	0	0	956
0	0	0	0
63	0	7	70
0	100	0	751
3,414	0	0	3,414
12,183	**116**	**39**	**–**
4,414	0	194	4,664
0	11	0	11
147	0	0	147
0	0	0	0
1,287	0	19	1,306
0	21	0	29
6,358	0	0	6,358
346	0	0	346
0	0	0	0
12,552	**32**	**213**	**–**

If there is an active market for a financial instrument (e.g., stock exchange), the fair value is determined by reference to the market or quoted exchange price at the balance sheet date. If no fair value is available in an active market, the quoted prices in an active market for similar instruments or recognised valuation techniques are used to determine fair value. The valuation techniques used incorporate the key factors determining the fair value of the financial instruments using valuation parameters that are derived from the market conditions as at the balance sheet date. Counterparty risk is analysed on the basis of the current credit default swaps signed by the counterparties. The fair values of other non-current receivables and held-to-maturity financial investments with remaining maturities of more than one year correspond to the present values of the payments related to the assets, taking into account current interest rate parameters.

Cash and cash equivalents, trade receivables and other receivables have predominantly short remaining maturities. As a result, their carrying amounts as at the reporting date are approximately equivalent to their fair values. Trade payables and other liabilities generally have short remaining maturities; the recognised amounts approximately represent their fair values.

The available-for-sale financial assets measured at fair value relate to equity and debt instruments. They include shares in partnerships and corporations in the amount of €24 million (previous year: €97 million) for which there is no active market.

As no future cash flows can be reliably determined, the fair values cannot be determined using valuation techniques. The equity of partnerships and corporations that are measured at cost was reduced by €75 million in the financial year. There are no plans to sell or derecognise significant shares of the available-for-sale financial assets recognised as at 31 December 2014 in the near future.

Available-for-sale financial assets measured at fair value relate to equity and debt instruments.

Financial assets at fair value through profit or loss include securities to which the fair value option was applied, in order to avoid accounting inconsistencies. There is an active market for these assets, which are recognised at fair value.

The following table presents the financial instruments recognised at fair value and those financial instruments whose fair value is required to be disclosed; the financial instruments are presented by the level in the fair value hierarchy to which they are assigned.

The simplification option under IFRS 7.29a was exercised for cash and cash equivalents, trade receivables, other assets, trade payables and other liabilities with predominantly short maturities. Their carrying amounts as at the reporting date are approximately equivalent to their fair values. Not included are financial investments in equity instruments for which there is no quoted price in an active market and which therefore have to be measured at cost.

Financial assets and liabilities

€m

Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
31 December 2014				
Financial assets				
Non-current financial assets	246	961	132	**1,339**
Current financial assets	208	75	0	**283**
Total	**454**	**1,036**	**132**	**1,622**
Financial liabilities				
Non-current liabilities	5,004	409	0	**5,413**
Current liabilities	0	132	1	**133**
Total	**5,004**	**541**	**1**	**5,546**
31 December 2013[4]				
Financial assets				
Non-current financial assets	157	765	93	**1,015**
Current financial assets	611	140	0	**751**
Total	**768**	**905**	**93**	**1,766**
Financial liabilities				
Non-current liabilities	4,221	454	0	**4,675**
Current liabilities	927	34	2	**963**
Total	**5,148**	**488**	**2**	**5,638**

1 Quoted prices for identical instruments in active markets.
2 Inputs other than quoted prices that are directly or indirectly observable for instruments.
3 Inputs not based on observable market data.
4 Prior-period amounts adjusted, Note 4.

Level 1 mainly comprises equity instruments measured at fair value and debt instruments measured at amortised cost.

In addition to financial assets and financial liabilities measured at amortised cost, commodity, interest rate and currency derivatives are reported under Level 2. The fair values of the derivatives are measured on the basis of discounted expected future cash flows, taking into account forward rates for currencies, interest rates and commodities (market approach). For this purpose, price quotations observable on the market (exchange rates, interest rates and commodity prices) are imported from information platforms customary in the market into the treasury management system. The price quotations reflect actual transactions involving similar instruments on an active market. Any currency options used are measured using the Black-Scholes option pricing model. All significant inputs used to measure the derivatives are observable on the market.

Level 3 mainly comprises the fair values of equity investments and options associated with M&A transactions. These options are measured using recognised valuation models, taking plausible assumptions into account. The fair values of the derivatives depend largely on financial ratios. Financial ratios strongly influence the fair values of assets and liabilities. Increasing financial ratios lead to higher fair values, whilst decreasing financial ratios result in lower fair values.

No financial instruments were transferred between levels in financial year 2014. The following table shows the effect on net gains and losses of the financial instruments categorised within level 3 as at the reporting date:

Unobservable inputs (Level 3)

€m	1 Jan. 2014	Gains and losses (recognised in profit and loss)[1]	Gains and losses (recognised in OCI)[2]	Additions	Disposals	31 Dec. 2014
Assets						
Equity instruments	93	0	53	0	–14	**132**
Liabilities						
Debt instruments	0	0	0	0	0	**0**
Derivatives						
Equity derivatives	2	–1	0	0	0	**1**

	1 Jan. 2013	Gains and losses (recognised in profit and loss)[1]	Gains and losses (recognised in OCI)[2]	Additions	Disposals	31 Dec. 2013
Assets						
Equity instruments	28	0	41	24	0	**93**
Liabilities						
Debt instruments	1	–1	0	0	0	**0**
Derivatives						
Equity derivatives	48	–43	0	0	–3	**2**

[1] Fair value losses were recognised in other finance costs.
[2] Unrealised gains were recognised in the IAS 39 revaluation reserve.

The net gains and losses on financial instruments classified in accordance with the individual IAS 39 measurement categories are as follows:

Net gains and losses by measurement category

€m	2013	2014
Loans and receivables	–107	–114
Financial assets and liabilities at fair value through profit or loss		
Trading	41	0
Fair value option	0	0
Other financial liabilities	3	1

The net gains and losses mainly include the effects of the fair value measurement, impairment and disposals (disposal gains/losses) of financial instruments. Dividends and interest are not taken into account for the financial instruments measured at fair value through profit or loss. Disclosures on net gains or losses on available-for-sale financial assets can be found in Note 40.2. Income and expenses from interest and commission agreements of the financial instruments not measured at fair value through profit or loss are explained in the income statement disclosures.

The following tables show the impact of netting agreements based on master netting arrangements or similar agreements on financial assets and financial liabilities as at the reporting date:

Offsetting – assets

€m				Financial assets and liabilities not set off in the balance sheet		
	Gross amount of financial assets recognised at the reporting date	Gross amount of financial liabilities set off	Net amount of financial assets set off in the balance sheet	Financial liabilities subject to a legally enforceable netting agreement that do not meet offsetting criteria	Collateral received	Total
Assets at 31 December 2014						
Derivative financial assets[1]	153	0	153	145	0	8
Trade receivables	7,954	129	7,825	0	0	7,825
Assets at 31 December 2013[2]						
Derivative financial assets[1]	156	0	156	38	0	118
Trade receivables	7,189	167	7,022	0	0	7,022

[1] Excluding derivatives from M & A transactions.
[2] Prior-period amounts adjusted, Note 4.

Offsetting – liabilities

€m				Financial assets and liabilities not set off in the balance sheet		
	Gross amount of financial liabilities recognised at the reporting date	Gross amount of financial assets set off	Net amount of financial liabilities set off in the balance sheet	Financial assets subject to a legally enforceable netting agreement that do not meet offsetting criteria	Collateral provided	Total
Liabilities at 31 December 2014						
Derivative financial liabilities[1]	145	0	145	145	0	0
Trade payables	7,051	129	6,922	0	0	6,922
Liabilities at 31 December 2013[2]						
Derivative financial liabilities[1]	38	0	38	38	0	0
Trade payables	6,525	167	6,358	0	0	6,358

[1] Excluding derivatives from M & A transactions.
[2] Prior-period amounts adjusted, Note 4.

Financial assets and liabilities are set off on the basis of netting agreements (master netting arrangements) only if an enforceable right of set-off exists and settlement on a net basis is intended as at the reporting date.

If the right of set-off is not enforceable in the normal course of business, the financial assets and liabilities are recognised in the balance sheet at their gross amounts as at the reporting date. The master netting arrangement creates a conditional right of set-off that can only be enforced by taking legal action.

To hedge cash flow and fair value risks, Deutsche Post AG enters into financial derivative transactions with a large number of financial services institutions. These contracts are subject to a standardised master agreement for financial derivative transactions. This agreement provides for a conditional right of set-off, resulting in the recognition of the gross amount of the financial derivative transactions at the reporting date. The conditional right of set-off is presented in the table.

Settlement processes arising from services related to postal deliveries are subject to the Universal Postal Convention and the REIMS Agreement. These agreements, particularly the settlement conditions, are binding on all public postal operators for the specified contractual arrangements. Imports and exports between the parties to the agreement during a calendar year are summarised in an annual statement of account and presented on a net basis in the final annual statement. Receivables and payables covered by the Universal Postal Convention and the REIMS Agreement are presented on a net basis at the reporting date. The tables show the receivables and payables before and after offsetting.

51 Contingent liabilities

The Group's contingent liabilities break down as follows:

Contingent liabilities

€m

	2013	2014
Guarantee obligations	21	89
Warranties	84	80
Liabilities from litigation risks	124	183
Other contingent liabilities	848	1,428
Total	**1,077**	**1,780**

The other contingent liabilities comprise an obligation from a formal state aid investigation (Note 53) and tax-related obligations. They also include a potential obligation to make settlement payments in the USA; Note 12.

52 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €7,155 million (previous year: €6,129 million) from non-cancellable operating leases as defined by IAS 17.

The Group's future non-cancellable payment obligations under leases are attributable to the following asset classes:

Lease obligations

€m

	2013	2014
Land and buildings	4,966	5,375
Aircraft	524	1,083
Transport equipment	512	576
Technical equipment and machinery	67	67
Other equipment, operating and office equipment	47	43
IT equipment	13	11
Total	**6,129**	**7,155**

The increase in lease obligations by €1,026 million to €7,155 million is partly due to the expanded and extended contract with US airline Southern Air at the start of 2014, which led to an increase in aircraft lease obligations. Furthermore, new leases were concluded for mechanised delivery bases.

Maturity structure of minimum lease payments

€m

	2013	2014
Less than 1 year	1,465	1,626
More than 1 year to 2 years	1,109	1,223
More than 2 years to 3 years	853	975
More than 3 years to 4 years	651	751
More than 4 years to 5 years	475	501
More than 5 years	1,576	2,079
Total	**6,129**	**7,155**

The present value of discounted minimum lease payments is €5,827 million (previous year: €5,019 million), based on a discount factor of 4.75% which was unchanged from the previous year. Overall, rental and lease payments amounted to €2,588 million (previous year, adjusted: €2,518 million), of which €1,845 million (previous year, adjusted: €1,708 million) relates to non-cancellable leases. €2,426 million (previous year: €2,092 million) of future lease obligations from non-cancellable leases is primarily attributable to Deutsche Post Immobilien GmbH.

The purchase obligation for investments in non-current assets amounts to €137 million (previous year: €134 million).

53 Litigation

A large number of the postal services rendered by Deutsche Post AG and its subsidiaries are subject to sector-specific regulation by the *Bundesnetzagentur* (German federal network agency) pursuant to the *Postgesetz* (German Postal Act). As the regulatory authority, the *Bundesnetzagentur* approves or reviews such prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

Legal risks arise, amongst other things, from pending administrative court appeals by an association against the price approvals under the price cap procedure for 2003, 2004 and 2005 and, in addition, against the relevant decisions for 2008 and 2013. Although the appeals against price approvals for the years 2003 to 2005 were dismissed by the Münster Higher Administrative Court, as the court of appeal, an appeal has been filed with the Federal Administrative Court. The Cologne Administrative Court has not yet decided on the appeals against the price approvals for 2008 and 2013.

In its decision dated 14 June 2011, the *Bundesnetzagentur* concluded that First Mail Düsseldorf GmbH, a subsidiary of Deutsche Post AG, and Deutsche Post AG had contravened the discounting and discrimination prohibitions under the *Postgesetz*. The companies were instructed to remedy the breaches that had been identified. Both companies appealed against the ruling. Furthermore, First Mail Düsseldorf GmbH filed an application to suspend the execution of the ruling until a decision was reached in the principal

proceedings. The Cologne Administrative Court and the Münster Higher Administrative Court both dismissed this application. First Mail Düsseldorf GmbH discontinued its mail delivery operations at the end of 2011 and retracted its appeal on 19 December 2011. Deutsche Post AG continues to pursue its appeal against the *Bundesnetzagentur* ruling.

In its ruling of 30 April 2012, the *Bundesnetzagentur* determined that Deutsche Post AG had contravened the discrimination provisions under the *Postgesetz* by charging different fees for the transport of identical invoices and invoices containing different amounts. Deutsche Post AG was requested to discontinue the discrimination determined immediately, but no later than 31 December 2012. The ruling was implemented on 1 January 2013. Deutsche Post does not share the legal opinion of the *Bundesnetzagentur* and appealed the ruling.

On 25 January 2012, the European Commission issued a ruling on the formal investigation regarding state aid that it had initiated on 12 September 2007. The Commission determined that Deutsche Post AG was not overcompensated, using state resources, for the cost of providing universal services between 1989 and 2007. It also did not find fault with the guarantees issued by the German state for legacy liabilities. By contrast, it did find that some of the funding arrangements for civil servants' pensions represented illegal state aid. It said that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the price approval process led to Deutsche Post AG receiving a benefit in relation to its services that are not rate-regulated. According to the Commission, this must be claimed back by the German government, which must also ensure that the granting of state aid does not in future confer benefits with respect to non-rate-regulated services (illegal state aid). The European Commission has left the calculation of the precise amount to be repaid to the Federal Republic. However, in a press release, the European Commission had referred to an amount of between €500 million and €1 billion.

Deutsche Post AG and the federal government are of the opinion that the European Commission's state aid decision of 25 January 2012 cannot withstand legal review and have each submitted an appeal to the European Court of Justice in Luxembourg.

To implement the state aid ruling, the federal government called upon Deutsche Post AG on 29 May 2012 to make a payment of €298 million including interest. Deutsche Post AG paid this amount to a trustee on 1 June 2012 and appealed the recovery order to the Administrative Court. However, this appeal has been suspended pending a ruling from the European Court of Justice. The company made additional payments of €19.4 million and €15.6 million to the trustee on 2 January 2013 and 2 January 2014, respectively, and €20.2 million on 2 January 2015. All payments made until the reporting date were reported in the balance sheet under non-current assets; the earnings position remained unaffected.

The European Commission has not expressed its final acceptance of the calculation of the state aid to be repaid. On 17 December 2013, it initiated proceedings against the Federal Republic of Germany with the European Court of Justice to effect a higher repayment amount. Although Deutsche Post AG and the federal government are of the opinion that the European Commission's state aid decision of 25 January 2012 cannot withstand legal review, it cannot be ruled out that Deutsche Post AG will ultimately be required to make a (potentially higher) payment, which could have an adverse effect on earnings; Note 51.

On 5 November 2012, the *Bundeskartellamt* (German federal cartel office) initiated proceedings against Deutsche Post AG on suspicion of abusive behaviour with respect to agreements on mail transport with major customers. Based on information from Deutsche Post AG's competitors and customer surveys, the authorities suspect that the company had violated the provisions of German and European antitrust law. Deutsche Post AG does not share this opinion. However, should the authorities find their suspicions confirmed, they may require Deutsche Post AG to refrain from certain acts or impose fines.

Since 1 July 2010, as a result of the revision of the relevant tax exemption provisions, the VAT exemption has only applied to those specific universal services in Germany that are not subject to individually negotiated agreements or provided on special terms (discounts etc.). Deutsche Post AG does not believe that the legislative amendment fully complies with the applicable provisions of European Community law. Due to the legal uncertainty resulting from the new legislation, Deutsche Post AG is endeavouring to clarify certain key issues with the tax authorities. Although Deutsche Post AG is implementing the required measures to a large extent, the differing legal opinions on the part of Deutsche Post AG and the tax authorities will be judicially clarified; Note 51.

On 30 June 2014, DHL Express France received a statement of objections from the French Competition Authority alleging anticompetitive conduct in the domestic express business, which had been divested in June 2010. The company is currently co-operating with the French authorities regarding the issues raised in the statement of objections.

In view of the ongoing or announced legal proceedings mentioned above, no details are given on their presentation in the financial statements.

54 Share-based payment

Assumptions regarding the price of Deutsche Post AG's shares and assumptions regarding employee fluctuation are taken into account when measuring the value of share-based payments for executives. All assumptions are reviewed on a quarterly basis. The staff costs are recognised pro rata in profit or loss to reflect the services rendered as consideration during the vesting period (lock-up period).

54.1 Share-based payment for executives (Share Matching Scheme)

Under the share-based payment system for executives (Share Matching Scheme), certain executives receive part of their variable remuneration for the financial year in the form of shares of Deutsche Post AG in the following year (deferred incentive shares). All Group executives can specify an increased equity component individually by converting a further portion of their variable remuneration for the financial year (investment shares). After a four-year lock-up period during which the executive must be employed by the Group, they again receive the same number of Deutsche Post AG shares (matching shares). Assumptions are made regarding the conversion behaviour of executives with respect to their relevant bonus portion. Share-based payment arrangements are entered into each year, with 1 January of the respective year and 1 April of the following year being the grant dates for each year's tranche. Whereas incentive shares and matching shares are classified as equity-settled share-based payments, investment shares are compound financial instruments and the debt and equity components must be measured separately. However, in accordance with IFRS 2.37, only the debt component is measured due to the provisions of the Share Matching Scheme. The investment shares are therefore treated as cash-settled share-based payments.

Share Matching Scheme

		2009 tranche	2010 tranche	2011 tranche	2012 tranche	2013 tranche	2014 tranche
Grant date of incentive shares and associated matching shares		1 Nov. 2009	1 Jan. 2010	1 Jan. 2011	1 Jan. 2012	1 Jan. 2013	1 Jan. 2014
Grant date of matching shares awarded for investment shares		1 Apr. 2010	1 Apr. 2011	1 Apr. 2012	1 Apr. 2013	1 Apr. 2014	1 Apr. 2015
Term	months	53	63	63	63	63	63
End of term		March 2014	March 2015	March 2016	March 2017	March 2018	March 2019
Share price at grant date (fair value)							
Incentive shares and associated matching shares	€	11.48	13.98	12.90	12.13	17.02	25.91
Matching shares awarded for investment shares	€	13.03	12.91	14.83	18.22	27.18	27.00[1]
Number of deferred incentive shares	thousands	430	638	660	479	337	268[2]
Number of matching shares expected							
Deferred incentive shares	thousands	336	574	594	431	303	241
Investment shares	thousands	259	932	940	709	567	439
Matching shares issued	thousands	654	–	–	–	–	–

[1] Estimated provisional amount, will be determined on 1 April 2015.
[2] Expected number.

The rights to the matching shares under the 2009 tranche and to the investment and deferred incentive shares under the 2013 tranche were settled in April 2014. To settle the tranches shares were repurchased on the market; Note 38.

In the consolidated financial statements as at 31 December 2014, €65 million (previous year: €52 million) was recognised in capital reserves for the granting of variable remuneration components under this system; Note 39.

54.2 Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management

Since 1 July 2006, the members of the Board of Management receive stock appreciation rights (SARs) under the 2006 LTIP. Each SAR under the 2006 LTIP entitles the holder to receive a cash settlement equal to the difference between the average closing price of Deutsche Post shares during the last five trading days before the exercise date and the issue price of the SAR.

The members of the Board of Management each invest 10% of their fixed annual remuneration (annual base salary) as a personal financial investment every year. The number of SARs issued to the members of the Board of Management is determined by the Supervisory Board. Following a four-year waiting period that begins on the issue date, the SARs granted can be fully or partly exercised within a period of two years provided an absolute or relative performance target is achieved at the end of the waiting period. Any SARs not exercised during this two-year period will expire. To determine how many – if any – of the granted SARs can be exercised, the average share price or the average index is compared for the reference period and the performance period. The reference period comprises the last 20 consecutive trading days before the issue date. The performance period is the last 60 trading days before the end of the waiting period. The average (closing) price is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra trading system.

The absolute performance target is met if the closing price of Deutsche Post shares is at least 10, 15, 20, or 25% above the issue price. The relative performance target is tied to the performance of the shares in relation to the STOXX Europe 600 Index (SXXP, ISIN EU0009658202). It is met if the share price equals the index performance or if it outperforms the index by at least 10%.

A maximum of four out of every six SARs can be "earned" via the absolute performance target, and a maximum of two via the relative performance target. If neither an absolute nor a relative performance target is met by the end of the waiting period, the SARs attributable to the related tranche will expire without replacement or compensation.

2006 LTIP

SARS	2009 tranche	2010 tranche	2011 tranche	2012 tranche	2013 tranche	2014 tranche
Issue date	1 July 2009	1 July 2010	1 July 2011	1 July 2012	1 Aug. 2013	1 Sept. 2014
Issue price (€)	9.52	12.27	12.67	13.26	20.49	24.14
Waiting period expires	30 June 2013	30 June 2014	30 June 2015	30 June 2016	31 July 2017	31 Aug. 2018

See Note 55.2 for further disclosures on share-based payment for members of the Board of Management.

54.3 SAR Plan for executives

From July 2006 to August 2013, selected executives received annual tranches of SARS under the SAR Plan. This allowed them to receive a cash payment within a defined period in the amount of the difference between the respective price of Deutsche Post shares and the fixed issue price if demanding performance targets are met (see disclosures on the 2006 LTIP for members of the Board of Management). All SARS granted under the 2006 and 2007 tranches expired at the end of the respective waiting periods, since the related performance targets were not met. On expiry of the waiting period for the 2008 tranche on 30 June 2011, two-sixths of the SARS granted became exercisable. These SARS were eligible to be exercised shortly before the end of the exercise period, as the share price performed well and exceeded the issue price of €18.40. The exercise period for these SARS terminated on 30 June 2013. The waiting period for the 2009 tranche also ended on 30 June 2013. Due to the strong share price performance since the SARS were issued in 2009, most of these SARS were exercised in 2013. The related performance targets were also met on expiry of the waiting period for the 2010 tranche on 30 June 2014. All SARS granted in 2010 were able to be exercised. Most executives exercised the SARS under this tranche as early as 2014.

Starting in 2014, SARS were no longer issued to executives under the SAR Plan. The Performance Share Plan (PSP) for executives replaces the SAR Plan. All earlier SAR tranches issued under the old SAR Plan remain valid.

More details on the SAR Plan tranches are shown in the following table:

SAR Plan

SARS	2009 tranche	2010 tranche	2011 tranche	2012 tranche	2013 tranche
Issue date	1 July 2009	1 July 2010	1 July 2011	1 July 2012	1 Aug. 2013
Issue price (€)	9.52	12.27	12.67	13.26	20.49
Waiting period expires	30 June 2013	30 June 2014	30 June 2015	30 June 2016	31 July 2017

The fair value of the SAR Plan and the 2006 LTIP was determined using a stochastic simulation model. As a result, an expense of €105 million was recognised for financial year 2014 (previous year: €202 million).

A provision for the 2006 LTIP and the SAR Plan was recognised as at the balance sheet date in the amount of €271 million (previous year: €278 million), of which €67 million (previous year: €64 million) was attributable to the Board of Management. €6 million of the total provision (previous year: €4 million) related to rights exercisable at the reporting date.

54.4 Performance Share Plan for executives

The Annual General Meeting on 27 May 2014 resolved to introduce the Performance Share Plan (PSP) for executives. This plan replaces the former share-based payment system (SAR Plan) for executives. Whereas the SAR Plan involved cash-settled share-based payments, under the PSP shares are issued to participants at the end of the waiting period. Under the PSP, the granting of the shares at the end of the waiting period is linked to the achievement of demanding performance targets. The performance targets under the PSP are identical to the performance targets under the LTIP for members of the Board of Management.

Performance Share Units (PSUS) were issued to selected executives under the PSP for the first time on 1 September 2014. It is not planned that members of the Board of Management will participate in the PSP. The Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management remains unchanged.

In the consolidated financial statements as at 31 December 2014, a total of €3 million (previous year: €0 million) has been added to capital reserves for the purposes of the plan; Note 39.

The value of the PSP is measured using actuarial methods based on option pricing models (fair value measurement). The expense for financial year 2014 amounted to €3 million and was recognised in staff costs.

Performance Share Plan

	2014 tranche
Grant date	1 Sept. 2014
Exercise price	€24.14
Waiting period expires	31 Aug. 2018
Risk-free interest rate	0.11%
Initial dividend yield of Deutsche Post shares	3.50%
Yield volatility of Deutsche Post shares	23.46%
Yield volatility of Dow Jones EURO STOXX 600 Index	10.81%
Covariance of Deutsche Post shares to Dow Jones EURO STOXX 600 Index	1.74%
Quantity	
Rights outstanding as at 1 January 2014	0
Rights granted	4,479,948
Rights lapsed	3,000
Rights outstanding as at 31 December 2014	4,476,948

Future dividends were taken into account, based on a moderate increase in dividend distributions over the respective measurement period.

The average remaining maturity of the outstanding options as at 31 December 2014 was 44 months.

55 Related party disclosures

55.1 Related party disclosures (companies and Federal Republic of Germany)

All companies classified as related parties that are controlled by the Group or on which the Group can exercise significant influence are recorded in the list of shareholdings, which can be accessed on the website, www.dpdhl.com/en/investors.html, together with information on the equity interest held, their equity and their net profit or loss for the period, broken down by geographical areas.

Deutsche Post AG maintains a variety of relationships with the Federal Republic of Germany and other companies controlled by the Federal Republic of Germany.

The Federal Republic is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG has direct business relationships with the individual public authorities and other government agencies as independent individual customers. The services provided for these customers are insignificant in respect of Deutsche Post AG's overall revenue.

RELATIONSHIPS WITH KFW

KfW supports the Federal Republic in continuing to privatise companies such as Deutsche Post AG or Deutsche Telekom AG. In 1997, KfW, together with the federal government, developed a "placeholder model" as a tool to privatise government-owned companies. Under this model, the federal government sells all or part of its investments to KfW with the aim of fully privatising these state-owned companies. On this basis, KfW has purchased shares of Deutsche Post AG from the federal government in several stages since 1997 and executed various capital market transactions using these shares. KfW's current interest in Deutsche Post AG's share capital is 21%. Deutsche Post AG is thus considered to be an associate of the federal government.

RELATIONSHIPS WITH BUNDESANSTALT FÜR POST UND TELEKOMMUNIKATION

Bundesanstalt für Post und Telekommunikation (BAnstPT) is a government agency and falls under the technical and legal supervision of the German Federal Ministry of Finance. Under the *Bundesanstalt-Reorganisationsgesetz* (German Federal Agency Reorganisation Act), which entered into force on 1 December 2005, the federal government directly undertakes the tasks relating to holdings in Deutsche Bundespost successor companies through the Federal Ministry of Finance. It is therefore no longer necessary for BAnstPT to perform the "tasks associated with ownership". BAnstPT manages the social facilities such as the Postal Civil Service Health Insurance Fund, the recreation programme, *Versorgungsanstalt der Deutschen Bundespost* (VAP) and the welfare service for Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG, as well as setting the objectives for social housing. Since 1 January 2013, BAnstPT has undertaken the tasks of the special pension fund for postal civil servants. The fund makes pension and assistance payments to the beneficiaries and their surviving dependents allocated to the Deutsche Bundespost successor companies. Further disclosures on the special pension fund for postal civil servants and on VAP can be found in Notes 7 and 44. The tasks are performed on the basis of agency agreements. In 2014, Deutsche Post AG was invoiced for €71 million (previous year: €65 million) in instalment payments relating to services provided by BAnstPT.

RELATIONSHIPS WITH THE GERMAN FEDERAL MINISTRY OF FINANCE

In financial year 2001, the German Federal Ministry of Finance and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German Acts on the Reduction of Misdirected Housing Subsidies) relating to housing benefits granted by Deutsche Post AG. Deutsche Post AG transfers the amounts to the federal government on a monthly basis.

Deutsche Post AG also entered into an agreement with the Federal Ministry of Finance dated 30 January 2004 relating to the transfer of civil servants to German federal authorities. Under this agreement, civil servants are seconded with the aim of transferring them initially for six months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the federal government by paying a flat fee. In 2014, this initiative resulted in 65 permanent transfers (previous year: 26) and 87 secondments with the aim of a permanent transfer in 2015 (previous year: 33).

RELATIONSHIPS WITH THE GERMAN FEDERAL EMPLOYMENT AGENCY

Deutsche Post AG and the German Federal Employment Agency entered into an agreement dated 12 October 2009 relating to the transfer of Deutsche Post AG civil servants to the Federal Employment Agency. In 2014, as in the previous year, this initiative resulted in no transfers.

RELATIONSHIPS WITH DEUTSCHE TELEKOM AG AND ITS SUBSIDIARIES
The Federal Republic holds around 32% of the shares of Deutsche Telekom AG directly and indirectly (via KfW). A control relationship exists between Deutsche Telekom AG and the Federal Republic because the Federal Republic, despite its non-controlling interest, has a secure majority at the Annual General Meeting due to its average presence there. Deutsche Telekom AG is therefore a related party of Deutsche Post AG. In financial year 2014, Deutsche Post DHL Group provided goods and services (mainly transport services for letters and parcels) for Deutsche Telekom AG and purchased goods and services (such as IT products) from Deutsche Telekom AG.

RELATIONSHIPS WITH DEUTSCHE BAHN AG AND ITS SUBSIDIARIES
Deutsche Bahn AG is wholly owned by the Federal Republic. Owing to this control relationship, Deutsche Bahn AG is a related party to Deutsche Post AG. Deutsche Post DHL Group has various business relationships with the Deutsche Bahn Group. These mainly consist of transport service agreements.

BUNDES-PENSIONS-SERVICE FÜR POST UND TELEKOMMUNIKATION E.V.
Disclosures on the Bundes-Pensions-Service für Post- und Telekommunikation e.V. (BPS-PT) can be found in Note 7.

RELATIONSHIPS WITH PENSION FUNDS
The real estate with a fair value of €1,106 million (previous year: €1,016 million), of which Deutsche Post Betriebsrenten Service e.V. (DPRS) and/or Deutsche Post Pensions-Treuhand GmbH & Co. KG, Deutsche Post Betriebsrenten-Service e.V. & Co. Objekt Gronau KG and Deutsche Post Grundstücks-Vermietungsgesellschaft beta mbH Objekt Leipzig KG are the legal or beneficial owners, is exclusively let to Deutsche Post Immobilien GmbH. Rental expense for Deutsche Post Immobilien GmbH amounted to €69 million in 2014 (previous year: €66 million). The rent was always paid on time. Deutsche Post Pensions-Treuhand GmbH & Co. KG owns 100% of Deutsche Post Pensionsfonds AG. Further disclosures on pension funds can be found in Notes 7 and 44.

RELATIONSHIPS WITH UNCONSOLIDATED COMPANIES, INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND JOINT OPERATIONS
In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with unconsolidated companies, investments accounted for using the equity method and joint operations deemed to be related parties of the Group in the course of its ordinary business activities. As part of these activities, all transactions for the provision of goods and services entered into with unconsolidated companies were conducted on an arm's length basis at standard market terms and conditions.

Transactions were conducted in financial year 2014 with major related parties, resulting in the following items in the consolidated financial statements:

€m	2013 adjusted[1]	2014
Receivables	**4**	**2**
from investments accounted for using the equity method	1	1
from unconsolidated companies	3	1
Loans	**15**	**25**
to investments accounted for using the equity method	0	0
to unconsolidated companies	15	25
Receivables from in-house banking	**4**	**2**
from investments accounted for using the equity method	4	2
from unconsolidated companies	0	0
Financial liabilities	**90**	**23**
to investments accounted for using the equity method	9	12
to unconsolidated companies	81	11
Liabilities	**7**	**10**
to investments accounted for using the equity method	4	4
to unconsolidated companies	3	6
Revenue	**12**	**4**
from investments accounted for using the equity method	11	3
from unconsolidated companies	1	1
Expenses[2]	**41**	**35**
due to investments accounted for using the equity method	19	14
due to unconsolidated companies	22	21

[1] Note 4.
[2] Relate to materials expense and staff costs.

Deutsche Post AG issued letters of commitment in the amount of €79 million (previous year: €81 million) for these companies. Of this amount, €73 million (previous year: €76 million) was attributable to investments accounted for using the equity method, €2 million (previous year: €1 million) to joint operations and €4 million (previous year: €4 million) to unconsolidated companies.

55.2 Related party disclosures (individuals)
In accordance with IAS 24, the Group also reports on transactions between the Group and related parties or members of their families. Related parties are defined as the Board of Management, the Supervisory Board and the members of their families.

There were no reportable transactions or legal transactions involving related parties in financial year 2014.

The remuneration of key management personnel of the Group requiring disclosure under IAS 24 comprises the remuneration of the active members of the Board of Management and the Supervisory Board.

The active members of the Board of Management and the Supervisory Board were remunerated as follows:

€m	2013	2014
Short-term employee benefits (excluding share-based payment)	14	17
Post-employment benefits	3	3
Termination benefits	0	1
Share-based payment	47	30
Total	**64**	**51**

As well as the aforementioned benefits for their work on the Supervisory Board, the employee representatives who are on the Supervisory Board and employed by the Group also receive their normal salaries for their work in the company. These salaries are determined at levels that are commensurate with the salary appropriate for the function or work performed in the company.

Post-employment benefits are recognised as the service cost resulting from the pension provisions for active members of the Board of Management. The corresponding liability amounted to €34 million as at the reporting date (previous year: €23 million).

The share-based payment amount relates to the relevant expense recognised for financial years 2013 and 2014. It is itemised in the following table:

Share-based payment

Thousands of €	2013 SARS	2014 SARS
Dr Frank Appel, Chairman	12,894	6,331
Ken Allen	7,322	3,280
Roger Crook	3,460	2,577
Bruce Edwards[1]	7,610	6,722
Jürgen Gerdes	7,428	3,523
John Gilbert[2]	–	60
Melanie Kreis[3]	–	–
Lawrence Rosen	7,311	3,304
Angela Titzrath[4]	1,183	4,071
Share-based payment	**47,208**	**29,868**

[1] Until 10 March 2014.
[2] Since 11 March 2014.
[3] Since 31 October 2014.
[4] Until 1 July 2014.

55.3 Remuneration disclosures in accordance with the HGB

BOARD OF MANAGEMENT REMUNERATION

The total remuneration paid to the active members of the Board of Management in financial year 2014 including the components with a long-term incentive effect totalled €20.9 million (previous year: €20.5 million). Of this amount, €7.6 million (previous year: €7.8 million) is attributable to non-performance-related components (annual base salary and fringe benefits), €6.0 million (previous year: €5.4 million) to performance-related components (variable components) and €7.3 million (previous year: €7.3 million) to components with a long-term incentive effect (SARS). The number of SARS was 1,591,332 (previous year: 1,984,818).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

The remuneration of former members of the Board of Management or their surviving dependants amounted to €6.0 million in the year under review (previous year: €4.4 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSS was €104 million (previous year: €72 million). The increase was mainly due to a significant reduction in the IAS discount rate compared with the previous year as well as an increase in the number of retirees whose pension benefits fell due; no additional obligations were incurred as a result. Without these extraordinary items in the amount of €33.1 million, the defined benefit obligation would have decreased by around €1 million to around €71 million compared with the previous year.

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in financial year 2014 amounted to around €3.3 million (previous year: €1.4 million, plus a variable amount for 2013 to be paid in 2016); €2.4 million of this amount was attributable to a fixed component (previous year: €1.2 million), €0.3 million to attendance allowances (previous year: €0.2 million), and €0.6 million to the variable remuneration for 2012 (previous year: €0 million as the conditions for payment had not been met). Of the variable remuneration for 2012, €21 thousand was attributable to one Supervisory Board member who has meanwhile left the company, and the remaining €595 thousand to active Supervisory Board members.

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found in the Corporate Governance Report. The remuneration report contained in the Corporate Governance Report also forms part of the Group Management Report.

SHAREHOLDINGS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As at 31 December 2014, shares held by the Board of Management and the Supervisory Board of Deutsche Post AG amounted to less than 1% of the company's share capital.

REPORTABLE TRANSACTIONS

The transactions of Board of Management and Supervisory Board members involving securities of the company and notified to Deutsche Post AG in accordance with section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) can be viewed on the company's website at www.dpdhl.com/en/investors.html.

56 Auditor's fees

The fee for the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, amounted to €10 million in financial year 2014 and was recognised as an expense. Of this amount, €6 million was attributable to the category covering audits of the financial statements which includes in particular the fees for auditing the consolidated financial statements, as well as for auditing the annual financial statements prepared by Deutsche Post AG and its German subsidiaries. A further €3 million relates to the other advisory and valuation services category. It primarily includes the fees for reviewing the interim reports. In addition, it includes fees for voluntary audits extending beyond the statutory audit engagement, such as audits of the internal control system. The fee for other services amounts to €1 million and relates to fees which cannot be allocated to the aforementioned categories.

57 Exemptions under the HGB and local foreign legislation

For financial year 2014, the following subsidiaries have exercised the simplification options under section 264 (3) of the HGB or section 264b of the HGB:

- Adcloud GmbH
- Agheera GmbH
- Albert Scheid GmbH
- CSG GmbH
- CSG.TS GmbH
- Danzas Deutschland Holding GmbH
- Danzas Grundstücksverwaltung Groß-Gerau GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Assekuranz Vermittlungs GmbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Com GmbH
- Deutsche Post Consult GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post DHL Beteiligungen GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG
- Deutsche Post DHL Inhouse Consulting GmbH
- Deutsche Post DHL Research and Innovation GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post E-Post Development GmbH
- Deutsche Post E-POST Solutions GmbH
- Deutsche Post Fleet GmbH
- Deutsche Post Immobilien GmbH
- Deutsche Post InHaus Services GmbH
- Deutsche Post Investments GmbH
- Deutsche Post IT BRIEF GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post Mobility GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Signtrust und DMDA GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL Automotive Offenau GmbH
- DHL Delivery GmbH
- DHL Express Customer Service GmbH
- DHL Express Germany GmbH
- DHL Express Network Management GmbH
- DHL Fashion Retail Operation GmbH
- DHL Foodservices GmbH
- DHL Freight Germany Holding GmbH
- DHL Freight GmbH
- DHL Global Forwarding GmbH
- DHL Global Forwarding Management GmbH
- DHL Global Management GmbH
- DHL Home Delivery GmbH
- DHL Hub Leipzig GmbH
- DHL International GmbH
- DHL Logistics GmbH
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Solutions Großgut GmbH
- DHL Solutions Retail GmbH
- DHL Sorting Center GmbH
- DHL Supply Chain (Leipzig) GmbH
- DHL Supply Chain Management GmbH
- DHL Supply Chain VAS GmbH
- DHL Trade Fairs & Events GmbH
- DHL Vertriebs GmbH
- DHL Verwaltungs GmbH
- Erste End of Runway Development Leipzig GmbH
- Erste Logistik Entwicklungsgesellschaft MG GmbH
- European Air Transport Leipzig GmbH
- FIRST MAIL Düsseldorf GmbH
- Gerlach Zolldienste GmbH
- interServ Gesellschaft für Personal- und Beraterdienstleistungen mbH
- nugg.ad AG predictive behavioral targeting
- Werbeagentur Janssen GmbH
- Williams Lea & TAG GmbH
- Zweite Logistik Entwicklungsgesellschaft MG GmbH

The following companies make use of the audit exemption under section 479A of the UK Companies Act:

- DHL Exel Supply Chain Limited
- DHL Freight & Contract Logistics (UK) Limited
- Exel Investments Limited
- Exel Overseas Limited
- Freight Indemnity & Guarantee Company Limited
- Joint Retail Logistics Limited
- Ocean Group Investments Limited
- Ocean Overseas Holdings Limited
- Power Europe Development Limited
- Power Europe Development No 3 Limited
- Power Europe Operating Limited
- Tibbett & Britten Applied Limited
- Trucks and Child Safety Limited

58 Declaration of Conformity with the German Corporate Governance Code

The Board of Management and the Supervisory Board of Deutsche Post AG jointly submitted the Declaration of Conformity with the German Corporate Governance Code for financial year 2014 required by section 161 of the AktG. This Declaration of Conformity can be accessed online at www.corporate-governance-code.de and at www.dpdhl.com/en/investors.html.

59 Significant events after the reporting date

In order to secure the increased demand for labour as a result of continued sustainable growth in the parcel business, Deutsche Post DHL Group has founded numerous regional companies under the umbrella of DHL Delivery GmbH. The goal is to create up to 10,000 new positions by 2020. Staff working in the new companies shall be employed in line with the regionally applicable collective terms and conditions for the forwarding and logistics sector.

The requirements for classifying an asset as held for sale in accordance with IFRS 5 were met in the period between the balance sheet date and the preparation of the consolidated financial statements by the Board of Management, so that the shares held by the Supply Chain division in King's Cross Central Property Trust, UK, and King's Cross Central General Partner Ltd., UK, can be reduced as planned.

There were no other significant events after the reporting date.

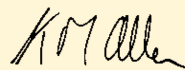
RESPONSIBILITY STATEMENT

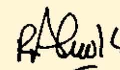
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bonn, 20 February 2015

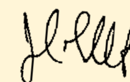
Deutsche Post AG
The Board of Management

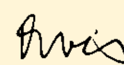
Dr Frank Appel

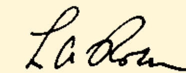

Ken Allen


Roger Crook

Jürgen Gerdes


John Gilbert


Melanie Kreis


Lawrence Rosen

INDEPENDENT AUDITOR'S REPORT

To Deutsche Post AG

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, and its subsidiaries, which comprise the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity, and the notes to the consolidated financial statements, for the business year from 1 January to 31 December 2014.

BOARD OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of Deutsche Post AG, Bonn, is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with the International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Management is also responsible for the internal controls as the Board of Management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

AUDIT OPINION

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2014 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the group management report of Deutsche Post AG, Bonn, for the business year from 1 January to 31 December 2014. The Board of Management of Deutsche Post AG, Bonn, is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 20 February 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann
Wirtschaftsprüfer
(German Public Auditor)

Dietmar Prümm
Wirtschaftsprüfer
(German Public Auditor)