ANNUAL REPORT 2015

TNT
THE PEOPLE NETWORK

INTRODUCTION AND FINANCIAL AND CORPORATE RESPONSIBILITY HIGHLIGHTS

This is the Annual Report of TNT Express N.V. for the financial year ended 31 December 2015, prepared in accordance with Dutch regulations. The preceding Annual Report of TNT Express N.V. for the financial year 2014, was issued on 17 February 2015.

Unless otherwise specified or the context so requires, ‘TNT’, the ‘company’, ‘it’ and ‘its’ refer to TNT Express N.V. and all its Group companies as defined in article 24b of Book 2 of the Dutch Civil Code.

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

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

PricewaterhouseCoopers Accountants N.V. has been appointed as the external independent auditor of the financial statements of TNT, and has been engaged to provide reasonable assurance on certain metrics and limited assurance on other metrics of CR.

Enquiries related to this annual report may be addressed to Investor Relations and Corporate Communications to the attention of Mr Gerard Wichers (gerard.wichers@tnt.com).

AT A GLANCE

Financial

Revenue	
2014	6,680
2015	6,914
Operating income	
2014	(86)
2015	38
Adjusted operating income (non-GAAP)[1]	
2014	209
2015	151
Profit/(loss) for the period	
2014	(190)
2015	(56)
Net cash from/(used in) operating activities	
2014	106
2015	(6)
Capital expenditures	
2014	190
2015	309
Net cash	
01 January 2015	449
31 December 2015	231

Corporate responsibility

Lost-time accidents per 100 FTEs	
2014	2.72
2015	2.67
OSHA recordable fatalities[2,4]	
2014	0
2015	0
OSHA non-recordable fatalities[3,4]	
2014	26
2015	36
Absenteeism	
2014	3.6%
2015	3.5%
Orange Experience Score	
2014	40
2015	47
CO_2e emissions (own operations: scope 1 and 2) (ktonnes)	
2014	1,315
2015	1,437
Euro 4, 5 & 6 all PUD and linehaul vehicles in EU countries	
2014	85%
2015	95%

[1]Refer to page 5 for more information on the calculation of the non-GAAP measures.

[2]A fatality as a result of an injury that is work-related, resulting from events or exposures, which occur on TNT's premises.

[3]A fatality as a result of an injury/illness that is not work-related, or a fatality as a result of an incident on a public road.

[4]TNT reports fatalities in accordance with OSHA (Occupational Safety and Health Administration (Form 300)).

(in € millions, except Corporate responsibility data)

Segment information

	International Europe	International AMEA	Domestics	Unallocated	Total
Revenue					
2014	2,743	906	2,547	484	6,680
2015	2,864	1,002	2,581	467	6,914
Adjusted operating income (non-GAAP)					
2014	118	51	66	(26)	209
2015	102	70	23	(44)	151
Employees					
01 January 2015	15,205	9,260	27,864	5,963	58,292
31 December 2015	15,239	8,999	27,210	4,751	56,199

(in €millions, except employees)

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CAUTIONARY NOTE WITH REGARD TO "FORWARD-LOOKING STATEMENTS"

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

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

Except where you are a shareholder, the material in this report is provided for information purposes only and is not, in particular, intended to confer any legal rights on you.

CHAPTER 1 OVERVIEW 2015 AND STRATEGY

I. LETTER TO STAKEHOLDERS

Dear Stakeholders,

2015 has been a very important year in the history of TNT. A transitional year, in which we took action to effect structural change, and secure a profitable and sustainable future for our company.

Yet, the biggest event of the year was the announcement of the intended acquisition of TNT by FedEx Corporation (FedEx). Although not initiated by TNT, the Executive Board fully supports this transaction, as TNT and FedEx share a commitment to serve customers and deliver value for stakeholders. Together, TNT and FedEx will create a leading global company providing logistics, transportation and express delivery services. Customers will enjoy access to an enhanced, integrated global network, combining TNT's strong European capabilities with FedEx's strength in other regions globally. Substantial progress has been made towards finalising the intended acquisition and we continue to expect the transaction to close in the first half of 2016.

2015 was also the year that we presented the *Outlook* strategy to the capital markets. *Outlook* is a comprehensive turnaround and transformation programme that was developed in 2014 and is now in full execution mode. We made progress on all three pillars of the strategy. After years of decline, we have returned to sound and robust revenue growth. This growth was realised by an increase in revenues from small and medium-sized enterprise (SME) customers as well as growth with large local customers. Revenue management and strict pricing discipline were implemented and resulted in good revenue growth by customer. We strongly improved our service quality measured by on-time performance which resulted in a significant improvement in our customer experience scores (Orange Experience Score).

In line with our four-year investment programme we made significant steps to improve operational excellence and drive productivity. We opened new hubs and modernised our infrastructure. We made good progress in the automation of our hubs and depots, and took steps to simplify and standardise our core processes. We opened new destinations and improved connections to further optimise our unique European Road Network.

With our third *Outlook* pillar, *Organise to Win*, we are building a new organisation that will help us serve our customers even better, whilst realising global competencies and efficiencies in our support functions. We outsourced our existing shared-service centres by signing a business process outsourcing (BPO) contract and started the total overhaul of our IT infrastructure. We further strengthened our leadership team and were able to attract strong talent in many of our core markets. We were able to lower our overheads and invested in industry leading e-commerce capabilities.

We are progressing remarkably well with the wide-ranging transformation of TNT, and even though the full benefits of *Outlook* will only be unlocked from 2018 onwards, we are increasingly confident that we will turn the corner and succeed in achieving year-on-year improvements in 2016.

Thanks to the Orange spirit of our employees and our loyal customers, we enter 2016 with positive momentum and celebrate 70 years of TNT and a bright future with FedEx.

Thank you for your confidence now and in the future.

T. Gunning

Tex Gunning

Chief Executive Officer

II. REPORT OF THE EXECUTIVE BOARD

- Revenue growth: 3.5%
- Reported loss for the period attributable to the equity holders of the parent: €50 million
- Net cash: €231 million
- No dividend will be paid over 2015
- Reported operating income: €38 million
- Adjusted operating income[1]: €151 million
- Net cash used in operating activities: €6 million

FINANCIAL HIGHLIGHTS[2]

Financial highlights	Reported			Adjusted (non-GAAP)		
Year ended at 31 December	2015	variance %	2014	2015	variance %	2014
Total revenues	6,914	3.5	6,680			
Other income	4	(76.5)	17			
Operating income/(loss)	38		(86)	151	(27.8)	209
Net financial expense	(34)	(417)	(24)			
Income taxes	(67)	23.0	(87)			
Results from investments in associates and joint ventures	7		7			
Profit/(loss) for the period	(56)	70.5	(190)			
Attributable to:						
Non-controlling interests	(6)		5			
Equity holders of the parent	(50)	74.4	(195)			
Cash generated from operations	109	(55.7)	246			
Net cash from/(used in) operating activities	(6)		106			
Net cash from/(used in) investing activities	(159)	(35.9)	(117)			
Net debt/(cash)	(231)	48.6	(449)			

(in € millions, except percentages)

2015 PERFORMANCE HIGHLIGHTS

2015 was a challenging year of transition for TNT, marked by the progressive ramp-up of new and upgraded facilities and other wide-ranging projects, such as the outsourcing of IT. These transformations triggered restructuring and other one-off charges, which reduced operating income by €113 million. 2015 was also a year of progress on many fronts, demonstrated by the return to a revenue growth position, despite economic volatility in some markets, including Brazil and China. Revenues from small and medium-sized enterprise (SME) customers, in particular, rose 5.1%.

As part of *Outlook*, TNT invested €309 million in its transport and IT infrastructure, launched new road and air connections, expanded network coverage and improved on-time delivery performance globally. As a result, TNT's customer satisfaction score increased significantly.

Overall, revenues increased by 3.5% to €6,914 million. Adjusted operating income declined by 27.8% to €151 million. In International Europe, adjusted operating income decreased by 13.6%, due to *Outlook*-related transition and project costs, the costs of introducing or upgrading services, higher volume-related costs and larger dollar-denominated air network costs. International AMEA recorded a 37.3% increase in adjusted operating income, supported by improved cost management. In Domestics, adjusted operating income decreased by 65.2%, attributable to price pressure and negative mix effects, notably in France and Australia, *Outlook*-related transition and project costs, and costs related to the ramp up of the new hubs in Brisbane, Melbourne and Sydney.

At the end of 2015, net cash was €231 million, 48.6% lower than in 2014, which reflects the investments made as part of *Outlook*. With available cash and cash equivalents of €464 million and an undrawn committed facility of €600 million, TNT's financial position is sound, as reflected in its credit ratings of BBB (Stable) by S&P and Baa2 (Stable) by Moody's.

[1,2] Adjusted operating income is calculated as operating income after adjusting for one-offs and is prepared by management to analyse the results, excluding non-recurring items for a better understanding of the business performance. The calculation of adjusted operating income has been updated to reflect respective foreign exchange rates. The presentation and disclosure of adjusted operating income does not conform to IFRS.

REVIEW OVER THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The following analyses provide more detail on TNT's financial results and should be read in conjunction with the rest of the annual report.

Total operating revenues

In 2015, overall revenues increased by 3.5%, supported by an increase in revenues from SMEs (5.1%). Underlying revenue growth, at a comparable scope and constant foreign exchange rates, adjusted for the negative impact of lower fuel surcharges was 3.4%.

Revenues in International Europe increased 4.4% to €2,864 million, as a result of higher revenues from SMEs and faster revenue growth in parts of Europe. In International AMEA, revenues increased 10.6% to €1,002 million, largely due to favourable currency effects, despite lower revenues in China. In Domestics, revenues increased 1.3% to €2,581 million, as revenue growth in European markets more than offset the recession-induced drop in demand in Brazil and Australia.

Other income

Other income in 2015 included the profit on the sale of TNT Business Solutions Ltd. of €1 million (related to the outsourcing of the shared-service centres as part of the BPO contract), and other assets held for disposal of €3 million.

Operating expenses

Total reported operating expenses increased to €6,880 million (2014: 6,783). When adjusted for one-offs (€113 million), the adjusted operating expenses were €6,767 million (2014: 6,481).

Operating expenses

Year ended at 31 December	2015	variance %	2014
Cost of materials	347	(14.7)	407
Work contracted out and other external expenses	3,897	7.6	3,623
Salaries and social security contributions	2,095	(1.5)	2,126
Other operating expenses	340	(18.5)	417
Operating expenses excluding depreciation, amortisation and impairments	6,679	1.6	6,573
Depreciation, amortisation and impairments	201	(4.3)	210
Total operating expenses	6,880	1.4	6,783

(in € millions, except percentages)

Cost of materials

Cost of materials decreased by €60 million, mainly due to lower fuel expenses.

Work contracted out and other external expenses

Work contracted out and other external expenses include fees paid for subcontractors, external temporary staff, rent and leases. These costs increased by €274 million (7.6%) compared to 2014, due to a number of factors including a weaker euro and the cost of handling increased volumes.

Salaries and social security contributions

Salaries and social security contributions decreased by €31 million to €2,095 million (1.5%) in 2015 compared to 2014. Average FTEs decreased from 57,485 in 2014 to 56,095 in 2015.

In 2015, salary costs included €56 million in restructuring costs related to *Outlook*. Pension costs in 2015 of €77 million were higher than in 2014 (€50 million), mainly due to a lower discount rate.

Other operating expenses

Other operating expenses consisted of government legal fees, marketing, consulting, shared-service costs and auditors' fees.

Other operating expenses decreased by €77 million in 2015 compared to 2014, due to the reduction in consulting fees related to the transformation of TNT and marketing costs.

Total operating expenses excluding depreciation, amortisation and impairments increased by €106 million (1.6%) to €6,679 million (2014: 6,573), mainly due to the weakening of the euro.

Total depreciation, amortisation and impairment costs

Total depreciation, amortisation and impairment costs decreased by €9 million, due to lower impairment charges.

Adjusted operating income for the financial years ended 31 December 2015 and 2014

In 2015, total reported operating income was €38 million. TNT calculates an adjusted operating income by adjusting for one-offs. These figures were prepared by management to analyse the results excluding non-recurring items for a better understanding of the business performance. The presentation and disclosure of adjusted operating income is not in conformity with IFRS and is unaudited.

The adjusted operating income should not be considered in isolation or as a substitute for analysis of TNT's operating results, including its income statement and consolidated statement of cash flows, as reported under IFRS.

The following table sets out the unaudited adjusted operating income per segment for the financial years ended 31 December 2015 and 2014.

Adjusted operating income

Year ended at 31 December	Reported 2015	One-offs	Adjusted 2015	Adjusted 2014	One-offs	Reported 2014
International Europe	69	33	102	118	88	30
International AMEA	64	6	70	51	1	50
Domestics	(14)	37	23	66	74	(8)
Unallocated	(81)	37	(44)	(26)	132	(158)
Operating income/(loss)	38	113	151	209	295	(86)

(in € millions)

Significant contributors to TNT's 2015 and 2014 performance include miscellaneous one-offs, which are discussed below.

In 2015, one-offs included:
- In International Europe: restructuring and related charges of €22 million, property, plant and equipment impairment of €8 million, software impairment of €1 million, and €2 million FedEx related costs.
- In International AMEA: restructuring and related charges of €3 million, €2 million related to a claim, and €1 million FedEx related costs.
- In Domestics: restructuring and related charges of €34 million, a fair value adjustment of €2 million in relation to the fleet in Brazil, €2 million FedEx related costs, and profit related to the sale of TNT Business Solutions Ltd. of €-1 million.
- In Unallocated: €24 million FedEx related costs, €8 million related to the French competition case, restructuring and related charges of €3 million, property, plant and equipment impairment of €1 million, and software impairment of €1 million.

In 2014, one-offs included:
- In International Europe: restructuring and related charges of €56 million, and goodwill impairment of €32 million in CGU Spain.
- In International AMEA: restructuring and related charges of €1 million.
- In Domestics: restructuring and related charges of €65 million, and impairment and depreciation of €9 million in Brazil.
- In Unallocated: €50 million implementation costs related to *Deliver!*, €50 million provision related to the French competition case, restructuring and related charges of €37 million, profit related to the sale of TNT Fashion of €-7 million, and software impairment of €2 million.

Net financial expense

Net financial expense

Year ended at 31 December	2015	variance %	2014
Interest and similar income	15	25.0	12
Interest and similar expenses	(49)	(36.1)	(36)
Net financial expense	(34)	(41.7)	(24)

(in € millions, except percentages)

Net financial expense results mainly from long-term borrowings (primarily finance leases) and net interest expense on foreign currency hedges. The expenses are only partially offset by interest income on cash positions. While centralised cash is significant, it only generated marginal interest due to the current low interest rates in the market.

Net financial expense increased by €10 million, due to an increase in net foreign exchange losses of €4 million, an increase of €3 million in interest expense on bank overdrafts and bank loans, and an increase in interest on taxes of €3 million.

Income taxes

Income taxes			
Year ended at 31 December	2015	variance %	2014
Current tax expense/(income)	49	(2.0)	50
Deferred tax expense/(income)	18	(514)	37
Total income taxes	67	(23.0)	87
(in € millions, except percentages)			

In 2015, the tax expense amounted to €67 million (2014: 87) on income before taxes of €11 million (2014: -103), and resulted in an effective tax rate of 609.1% (2014: -84.5%).

The current tax expense was €49 million compared to €50 million in 2014. The difference between the total income taxes in the income statement and the current tax expense is due to movements in deferred tax assets and deferred tax liabilities. Refer to chapter 5 for more information.

Condensed consolidated cash flow statement

Condensed consolidated cash flow statement			
Year ended at 31 December	2015	variance %	2014
Cash generated from operations	109	(55.7)	246
Interest paid	(39)	(25.8)	(31)
Income taxes received/(paid)	(76)	30.3	(109)
Net cash from/(used in) operating activities	(6)		106
Net cash from other investing activities	109		19
Net cash from acquisitions and disposals	2	(94.7)	38
Net cash used in capital investments and disposals	(270)	(55.2)	(174)
Net cash from/(used in) investing activities	(159)	(35.9)	(117)
Net cash used in dividends and other changes in equity	(12)	42.9	(21)
Net cash used in debt financing activities	(10)	16.7	(12)
Net cash from/(used in) financing activities	(22)	33.3	(33)
Changes in cash and cash equivalents	(187)		(44)
(in € millions, except percentages)			

Net cash from operating activities

In 2015, cash generated from operations decreased by €137 million to €109 million.

Net cash used in investing activities

Net cash used in investing activities increased to €159 million.

Capital expenditure on property, plant and equipment and intangible assets

Net capital expenditure			
Year ended at 31 December	2015	variance %	2014
Property, plant and equipment	245	67	147
Intangible assets	64	49	43
Cash out	309	63	190
Proceeds from sale of property, plant and equipment	38		14
Disposals of intangible assets	1	(50)	2
Cash in	39		16
Total net capital expenditure	270	55	174
(in € millions, except percentages)			

Capital expenditure on property, plant and equipment and intangible assets (excluding finance leases) totalled €309 million (2014: 190). Capital expenditure on property, plant and equipment is mainly related to construction-related activities at a number of depots, and investments in vehicles, IT equipment and depot equipment. The capital expenditure on intangible assets is primarily related to purchased software and software development projects.

Net capital expenditure by segment

Year ended at 31 December	2015	variance %	2014
International Europe	44		20
International AMEA	17	13	15
Domestics	126	94	65
Unallocated	83	12	74
Total net capital expenditure	270	55	174

(in € millions, except percentages)

Net capital expenditure amounted to 3.9% of revenues (2014: 2.6%).

Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2015 (mainly related to the sale of land and buildings, vehicles and other depot equipment) amounted to €38 million (2014: 14).

Net cash used in financing activities

In 2015, net cash used in financing activities of €22 million, decreased by €11 million compared with 2014. No interim cash dividend was paid in 2015.

Net cash

The net cash position at 31 December 2015 was €231 million compared to €449 million in 2014. The decrease reflects the investments made as part of the *Outlook* strategy.

Borrowings

In November 2015, TNT successfully extended the €600 million multi-currency revolving credit facility with one year till November 2020 without incurring any costs. This facility was entered into in November 2014 for a period of five years plus two one-year extension options, of which one is now exercised. The facility secures access to committed future financing capacity and can be used for general funding purposes and includes a €300 million liquidity back-up for TNT's euro commercial paper programme.

The facility bears interest at the applicable interbank rate plus a margin depending on TNT's credit rating. The facility does not contain financial covenants and cannot be accelerated in case of a rating downgrade, but does contain a change of control clause and other common market practice clauses.

On 6 December 2006, TNT Airways N.V./S.A. (TNT Airways), an indirectly wholly-owned subsidiary of TNT, entered into agreements for the lease of two Boeing 747 freighters, which are guaranteed by TNT. The outstanding debts at 31 December 2015 under these finance leases with maturities of December 2016 and May 2017 were US$81 million and US$87 million, respectively.

The annual amortisation included in the lease term is approximately US$15 million per year. The leases bear interest at the six-month interbank dollar-rate plus a credit charge, which depends on TNT's credit rating. The finance leases do not include financial covenants and cannot be accelerated in case of a rating downgrade, but do contain a change of control clause and other common market practice clauses. The floating interest payments in the lease are fixed via interest rate swaps for the remaining life of the leases.

Dividend

In consideration of FedEx's all-cash public offer to acquire all the issued and outstanding shares of TNT, the Executive Board of TNT decided with the approval of the Supervisory Board, not to pay a dividend over 2015. If TNT were to pay a dividend, the dividend amount would be subtracted from the offer price upon the purchase by FedEx of the shares from TNT's shareholders.

III. EXECUTIVE BOARD COMPLIANCE STATEMENT

The 2015 annual report of TNT Express N.V. has been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union and additional Dutch disclosure requirements for annual reports.

The Executive Board is responsible for establishing and maintaining adequate internal control over TNT's financial reporting. Consequently, the Executive Board has implemented a wide range of complementary processes and procedures designed to provide control over the company's operations. TNT has embedded the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004) as the foundation of its risk management, internal control, business ethics and compliance framework. TNT's policies and key controls that direct business and reporting processes are built upon this framework. A dedicated organisation supports the development and implementation of these policies and controls. These processes and procedures facilitate the discharge of statutory and fiduciary obligations.

The Supervisory Board, the Audit Committee and other designated committees perform an oversight role. TNT's internal audit, risk management, internal control and business ethics functions, together with the findings from TNT's independent external auditors, support the Executive Board and the Supervisory Board in monitoring the effectiveness and efficiency of the risk management, internal control, business ethics and compliance framework.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH CORPORATE GOVERNANCE CODE

The Executive Board confirms that in addition to adequately functioning internal controls, it is responsible for TNT's risk management, business ethics and compliance systems, and has reviewed the operational effectiveness of all these systems for the year ended 31 December 2015. The outcome of this review and analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with TNT's external auditors.

TNT's risk management, internal control, business ethics and compliance framework is aimed at providing a reasonable level of assurance over the identification and management of those significant risks facing TNT, and ensuring that the Executive Board meets its operational and financial objectives in compliance with applicable laws and regulations. Refer to chapter 4 for a detailed description of the risk management, internal control over finance reporting and other compliance processes.

The Executive Board believes to the best of its knowledge, based on the outcome of TNT's specific approach to risk management, internal control, business ethics and compliance, that TNT's risk management and internal control over financial reporting have worked effectively over the year ended 31 December 2015 and provide a reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

The above does not imply that TNT can provide certainty as to the realisation of business and financial strategic objectives, nor can TNT's approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of law or regulations. In view of the above, the Executive Board believes that it is in compliance with best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH FINANCIAL MARKETS SUPERVISION ACT

The Executive Board confirms to the best of its knowledge that:

- the 2015 financial statements for the year ended 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT Express N.V. and its consolidated companies;
- the additional management information disclosed in the 2015 annual report gives a true and fair view of TNT Express N.V. and its related companies at 31 December 2015 and the state of affairs during the financial year to which the report relates; and
- the 2015 annual report describes the main risks facing TNT Express N.V. These are described in detail in chapter 4.

Hoofddorp, 16 February 2016

Tex Gunning — Chief Executive Officer

Maarten de Vries — Chief Financial Officer

IV. STRATEGY

TNT is in a unique position to provide combined parcel and pallet deliveries, express and economy express services to the business-to-business (B2B) markets. TNT's customers range from multinationals to small and medium-sized enterprises (SME). TNT excels in serving the industry-specific needs of large global customers in the industrial, automotive, high-tech and healthcare industries. TNT's specialised Industry Service Propositions (ISP) address specific requirements and are of great value to the supply chains of these customers. SMEs are an important part of the global economy and are particularly interested in TNT's product/service proposition, as it provides a one-stop solution to their customer service needs.

In 2014, TNT introduced the *Outlook* strategy, a comprehensive turnaround and transformation programme. A new management team, comprising of experienced industry leaders and corporate turnaround professionals was appointed, with a clear mandate to create a sustainable future for the company.

OUTLOOK

The *Outlook* strategy builds on TNT's strengths, particularly its European Road Network and European Air Network with excellent connections to the rest of the world, its large base of loyal customers and its people who are always willing to go the 'Extra Mile'.

Outlook targets substantial improvements in performance to meet TNT's stakeholders' needs:
- Competitive products and services, delivered perfectly at competitive prices for customers
- A secure and meaningful future for employees
- Improving results and a solid return on investment for shareholders

To realise these objectives, *Outlook* has three priorities: focus on profitable growth; invest in operational excellence; and organise to win.

- Focus on profitable growth
  To realise profitable growth, TNT focuses on the services and priority industries, where it can truly be competitive and deliver the most value. Comprehensive service, productivity and efficiency plans have been developed and are in full execution mode. Strengthening the European Road Network to 'move more by road' and deliver both Express as well as Economy Express services to even more destinations is a key priority. In addition, particular attention is given to improving profitability in TNT's domestic operations in France, Italy, the United Kingdom, Brazil, Australia and New Zealand.

- Invest in operational excellence
  Realising the 'Perfect Transaction' is at the core of the company's drive to improve end-to-end processes and to realise a step-change in service and reliability. The aim is to be the 'fastest and most reliable' and to provide an easy, hassle-free customer experience. Increased service reliability will also reduce avoidable costs. Alongside the 'Perfect Transaction', the company is working to optimise operational efficiency and productivity through process improvements and investments in automation and infrastructure. Transforming the IT function and expanding the scope of global business service centres will help drive productivity. A disciplined revenue management function will be developed, to optimise pricing and capacity usage. Finally, regarding corporate responsibility, priority will be given to employees and subcontractor health and safety, with the accelerated roll-out of recognised industry best practices.

- Organise to win
  TNT has integrated its multi-local international express organisation in Europe into one European express organisation with one Profit and Loss account. This will enable improved service to international customers and unified performance management. TNT will create a customer-centric organisation in all its operating units supported by Global Business Services (GBS), Global Networks and Operations (GNO) and a Global Strategic Accounts Organisation (GSO). This new organisation will allow TNT to focus on improving service to its customers, whilst realising global competencies and efficiencies in support functions.

The transformation of TNT will be based upon the Orange spirit of its people, the loyalty of its customers and the unique European network with good connections to the rest of the world. Since 2014, comprehensive productivity and efficiency plans have been developed and are in full execution mode. TNT expects to achieve year-on-year improvements from 2016. The full benefits of *Outlook* will be unlocked from 2018 onwards with the ambition to double TNT's 2014 adjusted operating income margin percentage per segment by 2018/19.

FINANCIAL STRATEGY

TNT's financial strategy targets optimal and sustainable performance of the following aspects:
- Asset efficiency
- Capital structure
- Dividend policy
- Risk management

Asset efficiency

TNT secures asset efficiency through stringent investment and working capital policies. A rigorous process is in place to maintain capital expenditure at approximately 3% to 5% of turnover, during the 2015 to 2017 period, with higher outlays linked to major investments. Cash and liquidity are centrally managed (centralised funding and surplus cash concentration) and supported by working capital initiatives to ensure that trade working capital is optimised.

Capital structure

TNT aims to optimise the cost of capital while preserving the company's financial stability and flexibility. Internal and external funding is structured to optimise the cost of capital, within long-term sustainable targets. The strength of TNT's capital structure is also relevant to customers who rely on a long-term strategic service. TNT has set an investment grade target rating of BBB+ by S&P and Baa1 by Moody's. These credit ratings account for off-balance sheet liabilities, not just net debt, to give a more representative view of the company's level of leverage. The company is currently rated BBB (Stable) by S&P and Baa2 (Stable) by Moody's. Liquidity is ensured through the availability of a €600 million committed facility of which it is intended to use a maximum amount of €200 million for operational purposes.

Dividend policy

TNT aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividend distribution of around 40% of normalised income.

Pending the intended acquisition by FedEx, TNT refrained from distributing a 2015 interim (pro forma) dividend, and will not pay a final dividend over 2015.

Risk management

TNT is exposed to market risks (interest, currency and commodity risks), which are partly hedged through a combination of primary and derivative financial instruments (swaps, forward transactions and cross-currency swaps) and contractual terms (fuel surcharge). Operational risks are covered through business continuity planning and a comprehensive insurance policy, which includes a mix of self insurance, reinsurance and direct external insurance.

TNT operates integrated risk management systems of which the scope includes:
- internal control and compliance (refer to chapter 4);
- financial risk management and risk insurance structures (refer to chapter 5); and
- an aligned legal and funding structure.

CORPORATE RESPONSIBILITY STRATEGY

Corporate responsibility (CR) is an integral part of TNT's business strategy. The CR strategy is reviewed on an ongoing basis and includes dialogues with stakeholders. It is embedded within TNT's business and operational activities.

As part of its strategic agenda, TNT aims to create sustainable value for customers by:
- ensuring a healthy and safe working environment for employees, subcontractors and business partners to guarantee the delivery of improved quality of service;
- minimising environmental impact on the supply chain of the customer and of TNT's activities in the world; and
- continuous development and engagement of employees to ensure that customers are dealing with knowledgeable and dedicated employees.

2016 GUIDANCE

- TNT reiterates its *Outlook* agenda and guidance for 2018/19, as presented during the capital markets day on 18 February 2015. The company expects to achieve structural improvements from 2016 onwards and to see the full benefit of the *Outlook* strategy from 2018/2019.
- TNT expects continued economic volatility in some markets outside Europe, especially in Brazil.
- Closing of the FedEx Offer to acquire TNT is anticipated in the first half of 2016.

ASSUMPTIONS UNDERLYING THE EXECUTION OF *OUTLOOK*

- Revenue growth at a minimum in line with GDP growth from 2016 onwards.
- The plans assume no major adverse economic developments going forward.

OUTLOOK AGENDA AND GUIDANCE FOR THE PERIOD 2018 – 2019

- The adjusted operating income margin percentage guidance per segment for 2018/19:
  - International Europe: 8% to 10%
  - International AMEA: 8% to 10%
  - Domestics: 4% to 5%
  - Unallocated: approximately -0.5 % (of Group revenue)

- €800 million to €900 million of capital expenditure investments during the period 2015 to 2017.
- €250 million of cost reductions to be realised by 2018 (versus baseline 2014), achieving a net cost reduction of €125 million by 2018.
- €250 million to €300 million planned restructuring charges for 2015 to 2017.
- Manage a positive net cash position.

V. FEDEX

On 25 February 2015, TNT received a non-binding offer from FedEx, to jointly explore the possibility of a transaction in which FedEx would acquire all the issued and outstanding shares of TNT.

In April, FedEx and TNT reached a conditional agreement on the recommended all-cash public offer of €8.00 per share, which was approved by the board of directors of FedEx and TNT's Executive Board and Supervisory Board.

The all-cash public offer for all the issued and outstanding shares of TNT (the 'FedEx Offer') was announced by FedEx on 21 August 2015. By combining their businesses, TNT and FedEx have the intention to create a leading global player providing logistics, transportation, express delivery and related business services, drawing on the considerable strengths of both TNT and FedEx. The key elements of the strategic rationale for the combination are included in the Offer Memorandum.

The FedEx Offer was discussed during the Extraordinary Meeting of Shareholders on 5 October 2015. The Executive Board and the Supervisory Board of TNT fully support and unanimously recommend the FedEx Offer to all shareholders for acceptance. On 30 October 2015, FedEx and TNT extended the Acceptance Period for the FedEx Offer until 8 January 2016. Subsequent to that, on 8 January 2016, FedEx and TNT jointly announced that the Acceptance Period was further extended until two weeks following the satisfaction of the receipt of all competition clearances, but no later than 6 June 2016. Based on the required steps and subject to the necessary approvals, FedEx and TNT continue to anticipate that the FedEx Offer will close in the first half of 2016.

CHAPTER 2 BUSINESS PERFORMANCE

I. GENERAL MARKET AND BUSINESS PROFILE

MARKET OVERVIEW

TNT operates in the Courier, Express and Parcel (CEP) market and collects, transports and delivers documents, parcels and palletised freight on a day-definite or time-definite basis. Its services are primarily classified by the speed, distance, weight and size of consignments. Whereas the majority of its shipments are between businesses (B2B), TNT also offers business-to-consumer (B2C) services to select key customers.

Within the CEP market, TNT provides Express and Economy Express services. The Express services are day-definite and delivered next-day or fastest-by-air for distances for which next-day is not possible. The Economy Express services are also day-definite and are delivered fastest-by-road, except for intercontinental deliveries which depend on air. For both Express and Economy Express services TNT has time-definite options for customers requiring delivery before a certain time (e.g. 12:00 pm). TNT also provides specialised or extremely urgent deliveries which include products such as same-day, value-added and non-standard freight services. Geographically, TNT differentiates between domestic, intra-regional and intercontinental shipments. It also differentiates between parcels and freight, with a cut-off point at 30 kilogrammes per consignment.

There are two types of express players: global integrators – so called due to their worldwide integrated networks and door-to-door delivery capability – and local/regional express operators. Four global integrators – DHL Express, FedEx, UPS and TNT – have the largest share of the intra-regional and intercontinental segments. Local/regional operators are often well positioned in their respective domestic or regional markets. As for the European economy parcels market, which is mainly domestic, larger competitors are DPD, a subsidiary of France's La Poste's GeoPost, and General Logistics Systems, a Royal Mail-owned parcel delivery group.

Competition in the express market focuses on network coverage, speed, reliability, quality of customer service and price. New entrants into the express market may come from the parcel and freight sectors, where companies might improve their range of services by including day-definite products.

MARKET DYNAMICS

The CEP market, in particular the express business, is highly cyclical. An important development over the last two decades has been the emergence of end-to-end global supply chains, which is strengthening the relationship between express delivery and trade flows. Due to the close relationship between trade flows and economic development, a strong correlation exists between the development of the express delivery industry and real GDP (Gross Domestic Product) development. The growth of the global economy was uneven in 2015.

Other key factors that affect TNT's performance are:
- Demand for Express and Economy Express
- Customer mix
- E-commerce
- Base price and surcharges
- Wage and input-cost inflation
- Fuel prices
- Operational efficiency and productivity
- Foreign currency volatility

BUSINESS PROFILE

Originally founded in 1946 and headquartered in Hoofddorp, the Netherlands, TNT employs over 56,000 people worldwide. With own operations in 61 countries, TNT picks up and delivers documents, parcels and palletised freight through its operations, subcontractors and agents which are connected by road and air networks. The road networks are operated in Europe, the Middle East, Asia, Australia and South America. TNT's unique European Road Network connects more than 40 countries through 19 road hubs and over 540 depots. Its international air network has a central air hub in Liège, Belgium, and a fleet of 56 aircraft connecting 78 airports globally. In addition, TNT utilises acquired capacity on commercial airlines to destinations worldwide, allowing for service to more than 200 countries.

TNT's customers range from multinationals to small enterprises and are concentrated in the industrial, automotive, high-tech and healthcare industries. SMEs are an important part of TNT's customer base. These customers have broadly distributed geographic (domestic, intra-Europe and intercontinental) service demand. TNT's sector-specific value propositions and products, born from meeting the needs of larger customers, are also marketed to SMEs alongside more standardised products.

With more than two-thirds of its revenues generated in Europe, TNT has a robust position in the domestic and intra-European express market.

EXTERNAL RECOGNITION

In 2015, TNT received a number of awards, including the following:

- TNT Brazil received the '2014 Pinnacle Award' from Delphi Automotive Plc., during the Global Supplier Conference & Pinnacle Awards event in April, held in Shanghai, China. The award recognised TNT Brazil for its contribution to Delphi Automotive Plc.'s excellence culture and commitment to quality, value and cost performance.

- Two TNT drivers were named as the winner and runner-up in the prestigious 2015 Scania Driver Competition held in Bangkok, Thailand in June. TNT, like Scania recognises that drivers are the single most important asset for promoting safety, protecting the environment and maximising the efficiency of the transport business.

- For the fourth consecutive year, TNT Germany received the 'Audit Berufundfamilie' certificate in June, for its family-oriented employee policy.

- TNT Airways won the 'Air Cargo Carrier of the Year Award' at the Global Freight Awards 2015, co-hosted by Lloyds Loading List in November. The award recognised TNT Airways for its high performance, drive for innovation, customer centricity and demonstrable expertise.

II. OVERVIEW

In 2014, as part of *Outlook*, and its *Organise to Win* initiative, TNT announced that the management structure would be updated to create focused and accountable units. This led to a change in operating units and subsequently reportable segments changed to: International Europe, International AMEA, Domestics and Unallocated, effective 1 October 2014.

- The International Europe reportable segment is centrally led with integrated responsibility across Europe.
- The International AMEA reportable segment is managed separately but operates in close co-operation with International Europe.
- The Domestics reportable segment includes the domestic operations in France, Italy and the United Kingdom, as well as Brazil, Chile, Argentina, Australia and New Zealand. The domestic entity creates a dedicated focus on domestic operations, whilst keeping the synergies with the international activities.
- The Unallocated reportable segment consists of Other Networks (TNT Innight), Central Networks (European Road Network and European Air Network), IT and the TNT Head Office.

SEGMENT OVERVIEW

Adjusted operating income is calculated as operating income after adjusting for one-offs and is prepared by management to analyse the results excluding non-recurring items for a better understanding of the business performance. The presentation and disclosure of adjusted operating income does not conform to IFRS.

The following table presents revenue and (adjusted) operating income per reportable segment for the financial years ended 31 December 2015 and 2014.

Revenue and operating income by segment, reported and adjusted

	Reported				Adjusted (non-GAAP)		
Revenues	2015	variance %	2014	One-offs	2015	variance %	2014
International Europe	2,864	4.4	2,743				
International AMEA	1,002	10.6	906				
Domestics	2,581	1.3	2,547				
Unallocated	477	(3.8)	496				
Elimination	(10)	16.7	(12)				
Total	6,914	3.5	6,680				
Operating income (€m)							
International Europe[1]	69		30	33	102	(13.6)	118
International AMEA[2]	64	28.0	50	6	70	37.3	51
Domestics[3]	(14)	(75.0)	(8)	37	23	(65.2)	66
Unallocated[4]	(81)	48.7	(158)	37	(44)	(69.2)	(26)
Total	38		(86)	113	151	(27.8)	209
Operating income margin (%)							
International Europe	2.4		1.1		3.6		4.3
International AMEA	6.4		5.5		7.0		5.6
Domestics	(0.5)		(0.3)		0.9		2.6
Total	0.5		(1.3)		2.2		3.1

Notes: Non-GAAP adjustments

[1]FY15: €22m restructuring and related charges, €8m PP&E impairment, €1m software impairment and €2m FedEx related cost.
[1]FY14: €56m restructuring and related charges and €32m goodwill impairment.
[2]FY15: €3m restructuring and related charges, €2m claims and €1m FedEx related cost.
[2]FY14: €1m restructuring and related charges.
[3]FY15: €34m restructuring and related charges, €2m fair value adjustment of the fleet in Brazil, €(1)m profit on sale of TNT Business Solutions Ltd. and €2m FedEx related cost.
[3]FY14: €65m restructuring and related charges and €9m impairment and depreciation of Brazil.
[4]FY15: €3m restructuring and related charges, €8m French competition case, €1m software impairment, €1m PP&E impairment and €24m FedEx related cost.
[4]FY14: €37m restructuring and related charges, €50m implementation cost, €2m software impairment, €50m provision related to the French competition case and €(7)m profit on sale of TNT Fashion Group B.V.
(in € millions, except percentages)

In 2015, overall revenues increased by 3.5%. Underlying revenue growth, at a comparable scope and constant foreign exchange rates, adjusted for the negative impact of lower fuel surcharges was 3.4%, reflecting higher revenues from SMEs, particularly in the International Europe segment. TNT returned to revenue growth despite economic volatility in some of its markets notably, Brazil and China.

TNT recorded an operating income of €38 million in 2015 compared to an operating loss of €86 million in 2014. Operating income included net one-off charges of €113 million, which mainly consists of restructuring and related charges of €62 million, and impairments of €11 million, of which €9 million is related to property, plant and equipment.

At the end of 2015, an additional €8 million was recognised due to the decision by the French Competition Authority to fine TNT €58 million related to alleged anti-competitive behaviour in the French parcels delivery sector.

TNT's adjusted operating income was €151 million, compared with €209 million in 2014. Operating results were affected by price pressures, *Outlook*-related transition and project costs (€45 million), and costs to enhance service capabilities. Lower margins were experienced most notably, in France and Australia.

Commentary on the performance in each of TNT's reportable segments is provided below.

III. INTERNATIONAL EUROPE

GENERAL

The International Europe segment comprises of all TNT operations in Europe with the exception of the domestic businesses in France, Italy and the United Kingdom. These operations provide TNT with a strong position in the European international express market. The segment also includes TNT's operations in North America and Israel.

2015 PERFORMANCE

International Europe Year ended at 31 December	2015	variance %	2014
Revenues	2,864	4.4	2,743
Comparable revenue growth (%)[1]	3.7		1.5
Operating income/(loss)	69		30
One-offs	33	(62.5)	88
Adjusted operating income/(loss)	102	(13.6)	118
Adjusted operating income margin (%)	3.6		4.3
Average consignments per day ('000)	249	4.2	239
Revenue per consignment (€)[1]	44.7	(0.7)	45.0
Average kilogrammes per day ('000)	8,691	6.2	8,184
Revenue per kilogramme (€)[1]	1.28	(2.3)	1.31

[1]Based on reported revenues @ constant foreign exchange rate.
(in € millions, except percentages)

International Europe's revenues increased by 4.4% or 3.7% at constant foreign exchange rates. Growth accelerated across the quarters in 2015, with particularly strong growth in the SME customer segment. Revenue per consignment declined by 0.7%, as a result of price pressure and the significant decline in fuel prices, partly compensated by an increased average consignment weight.

Adjusted operating income was impacted by increased dollar-denominated air network costs, investments in road and air network connections, as well as *Outlook*-related transition and project costs.

While many operating units experienced healthy profit developments, the performance of the segment was negatively impacted by the revenue developments in certain parts of Western Europe.

Investments made in the European Road Network and the European Air Network to drive growth and productivity, positively impacted International Europe's service coverage and capacity. Service levels improved significantly in 2015, as evidenced by the results of customer satisfaction surveys.

IV. INTERNATIONAL AMEA

GENERAL

The International AMEA segment constitutes the businesses in Asia, the Middle East and Africa with fully owned subsidiaries in 21 countries. It operates express services within the AMEA region and provides intercontinental services mainly to and from Europe and the United States. Its dedicated intercontinental air fleet serves Shanghai, Hong Kong, Singapore and Dubai. In Asia, it operates domestic and international regional road networks connecting more than 126 cities and provides an attractive alternative to air and sea transport.

2015 PERFORMANCE

International AMEA			
Year ended at 31 December	2015	variance %	2014
Revenues	1,002	10.6	906
Comparable revenue growth (%)[1]	(2.8)		(13.5)
Operating income/(loss)	64	28.0	50
One-offs	6		1
Adjusted operating income/(loss)	70	37.3	51
Adjusted operating income margin (%)	7.0		5.6
Average consignments per day ('000)	56	(6.7)	60
Revenue per consignment (€)[1]	61.2	4.1	58.8
Average kilogrammes per day ('000)	1,257	7.7	1,167
Revenue per kilogramme (€)[1]	2.74	(10.2)	3.05

[1]Based on reported revenues @avg14 rates.
(in € millions, except percentages)

In 2015, International AMEA experienced revenue growth of 10.6% driven by the strengthening of local currencies against the euro. At constant foreign exchange rates, revenue growth within the segment was dampened, negatively impacted by the dilution of fuel surcharge revenue and a slowdown in the Chinese economy, where exports declined year-on-year, particularly to Europe.

Average kilogrammes shipped per day increased year-on-year by 7.7%, while average consignments shipped per day decreased by 6.7%. This was a reflection of the increase in average weight per shipment, due to the growth in the demand for Economy Express products, which was at a faster rate than for the lighter Express products. Revenue decrease in China and Hong Kong was partly offset by growth in India, Middle East and Africa.

Adjusted operating income margin improved to 7.0% in 2015 from 5.6% in 2014. This was the result of growth in higher margin import products and the SME customer segment, which are key *Outlook* strategic focus areas for International AMEA. Contributing to the improvement were the indirect cost reduction actions, which included the consolidation of activities and de-layering of management. Indirect costs remained well controlled despite high levels of salary inflation in many markets, which often run at multiples of local CPI indices.

V. DOMESTICS

GENERAL

The Domestics segment comprises of the domestic businesses in France, Italy and the United Kingdom, as well as Brazil, Chile, Argentina, Australia and New Zealand. These businesses provide TNT with a strong position in the domestic express markets in the respective countries.

2015 PERFORMANCE

Domestics			
Year ended at 31 December	2015	variance %	2014
Revenues	2,581	13	2,547
Comparable revenue growth (%)[1]	0.4		0.4
Operating income/(loss)	(14)	(75.0)	(8)
One-offs	37	(50.0)	74
Adjusted operating income/(loss)	23	(65.2)	66
Adjusted operating income margin (%)	0.9		2.6
Average consignments per day ('000)	654	3.2	634
Revenue per consignment (€)[1]	15.3	(3.2)	15.8
Average kilogrammes per day ('000)	13,154	(14)	13,343
Revenue per kilogramme (€)[1]	0.76	13	0.75

[1]Based on reported revenues @avg14 rates.
(in € millions, except percentages)

Revenues for the segment increased by 1.3%, of which 0.9% was due to favourable currency effects. Revenues in the SME customer segment improved year-on-year in all markets.

Revenue per consignment declined due to the general price pressure in the European domestic markets, coupled with a material change in customer mix in Brazil, driven by declining markets in key verticals.

Growth in a number of European domestic markets was offset by declines in Australia and Brazil. Adjusted operating income decreased, due to lower sales in Australia and Brazil, lower yields most notably in France and Australia, and *Outlook*-related transition and project costs. Performance in France was negatively affected by competitive pressures and higher B2C delivery costs, while the performance in Australia was weaker due to competitive pressures, compounded by the drop in commodity markets and the ongoing cost of modernising the company's Australian infrastructure. The lower revenues in Brazil could not be fully offset by structural cost saving actions, in response to the economic environment, and resulted in a decline in performance.

Service levels continued to improve, with a retained focus on compliance, further investments (equipment, fleet and infrastructure), and the roll-out of various operational excellence programmes, such as Perfect Depot and Perfect PUD.

VI. UNALLOCATED

GENERAL

The Unallocated segment consists of Other Networks (TNT Innight), Central Networks (European Road Network and European Air Network), IT and the TNT Head Office.

Revenues in the Unallocated segment are mainly generated by TNT Innight, and the air cargo sales made by Central Networks to optimise air capacity utilisation.

The Unallocated segment costs are shown net of recovery charges allocated to individual geographic and business segments. The segment also includes specific one-offs and expenses.

2015 PERFORMANCE

Unallocated

Year ended at 31 December	2015	variance %	2014
Other Networks	261	(14.4)	305
Non-allocated	206	15.1	179
Total reported revenues	467	(3.5)	484
Other Networks	(2)	87.5	(16)
Non-allocated	(79)	44.4	(142)
Total reported operating income/(loss)	(81)	48.7	(158)
Software impairment	1		2
PP&E impairment	1		
Restructuring and related charges	3		37
Implementation cost			50
FedEx related cost	24		
Profit on the sale of TNT Fashion Group B.V.			(7)
French competition case	8		50
Adjusted operating income/(loss)	(44)	(69.2)	(26)

(in € millions, except percentages)

On 15 December 2015, TNT announced that it had been ordered to pay a €58 million fine in relation to alleged anti-competitive behaviour in the French parcel delivery sector by the French Competition Authority. The case relates to activities that took place before 2010. TNT has co-operated with the investigation since it started. During the third quarter of 2014, TNT entered into a settlement agreement with the French Competition Authority and booked a provision of €50 million in relation to this matter. At the end of 2015, an additional liability of €8 million was recorded.

CHAPTER 3 CORPORATE RESPONSIBILITY PERFORMANCE

I. CORPORATE RESPONSIBILITY FRAMEWORK

STRATEGY

Corporate responsibility (CR) is an integral part of TNT's business strategy. The CR strategy is reviewed on an ongoing basis and includes dialogues with stakeholders. It is embedded within TNT's business and operational activities.

As part of its strategic agenda, TNT aims to create sustainable value for customers by:

- ensuring a healthy and safe working environment for employees, subcontractors and business partners, to guarantee the delivery of improved quality of service;
- minimising environmental impact on the supply chain of the customer and of TNT's activities in the world; and
- continuous development and engagement of employees to ensure that customers are dealing with knowledgeable and dedicated employees.

GOVERNANCE

The Executive Board is the owner of the CR agenda. CR is incorporated in the Management Board who develop, execute, and monitor the performance of TNT's CR strategy and its associated policies and procedures. The functional departments responsible for health & safety, environment and social engagement provide input to the Management Board. Annually, the Supervisory Board evaluates the company's CR approach and performance.

MATERIALITY ASSESSMENT

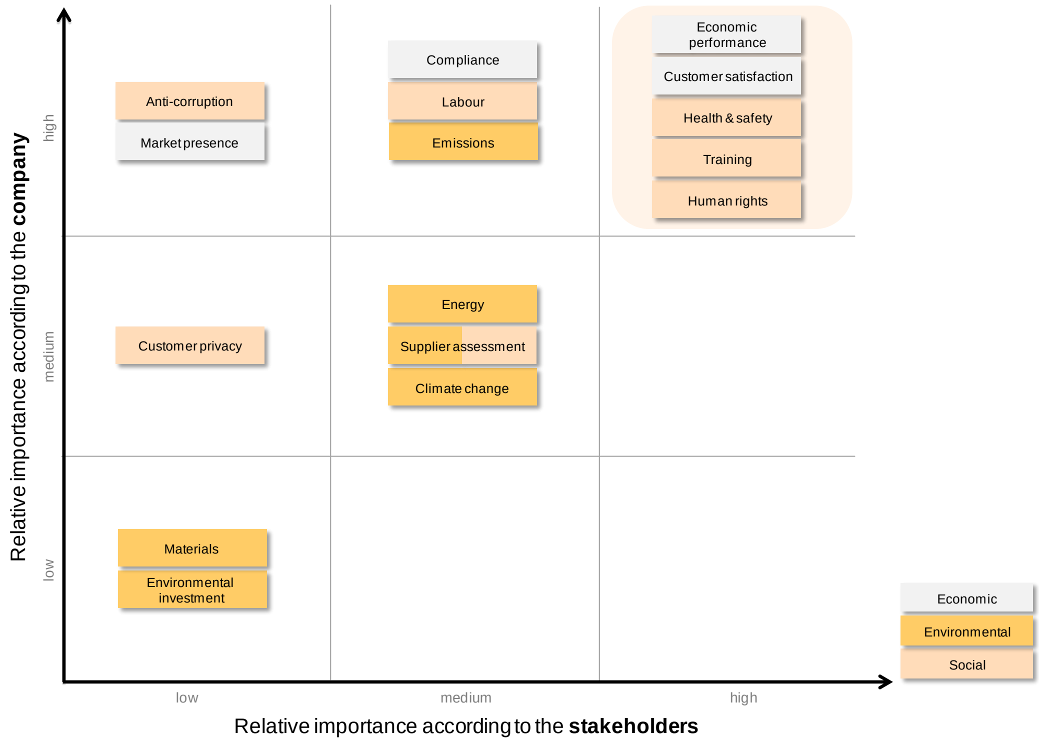
TNT reports on CR data and information in accordance with the Global Reporting Initiative (GRI) G4 reporting criteria and guidelines. TNT has prepared the 2015 annual report in accordance with G4's core option. Core reports include the majority of the General Standard Disclosures, generic Disclosures on Management Approach (DMA) for only material aspects and at least one indicator related to each identified material aspect. In compliance with G4, TNT provides an explanation on how it manages each material aspect and reports relevant indicators over time.

To identify the CR-related aspects that are most relevant for TNT, an online survey was conducted in November 2014 with the six main stakeholder groups as defined by TNT: customers, employees, subcontractors, suppliers, investors and civil society organisations. Civil society organisations are selected based on apparent interest in TNT, while all other stakeholder groups are selected to ensure diverse geographical coverage.

In addition, TNT evaluates the identified material aspects, against the Sustainability Accounting Standard of the transportation sector as defined by Sustainability Accounting Standard Board (SASB), and systematically engages with (individual) stakeholders to obtain their perspectives, input and feedback on its business and operational activities.

The survey outcome, SASB evaluation, and continuous stakeholder feedback provide guidance for developing and improving TNT's CR strategy and activities. Coupled with the prioritisation of the Management Board, this is reflected in the Materiality Matrix. The aspects shown in the top-right hand area are important and material to both stakeholders and the company, and are covered in this annual report.

TNT's 2015 CR Materiality Matrix



CORPORATE RESPONSIBILITY RISK MANAGEMENT AND MONITORING

TNT applies continuous, formal and structured CR risk management, and a CR reporting system. It identifies CR-related risks, linked to business and operational activities, and works to reduce these through the implementation of risk management controls. Where possible, global best practices are implemented to monitor, reduce and mitigate these risks. The main CR-related risks are linked to: health and safety, CO_2 emission rights, regulations related to environment and climate change, and restrictions on the use of vehicles. Refer to section V of chapter 4 for more information.

The principal monitoring and control processes for CR are:

- a global reporting and consolidation system that tracks CR data, supported by a dedicated CR reporting function under the responsibility of the CFO;
- a non-financial letter of representation with CR-related questions, with sign-off by senior management to confirm the reliability of provided data and the compliance with policies; and
- a review of control processes based on the Internal Control for CR (ICCR) framework.

On a monthly basis, TNT uses a monitoring and reporting system to measure progress on relevant key performance indicators (KPI). CR targets and KPIs are integral to TNT's performance management framework.

II. HEALTH AND SAFETY

MANAGEMENT AND PERFORMANCE

At TNT, a key part of the *Outlook* strategy is to prioritise health and safety practices. To continuously improve health and safety performance and wellbeing of employees it is essential to have ongoing efforts to maintain and enhance a healthy and safe workplace for and with colleagues to sustainably reduce injuries as a consequence of incidents and accidents.

In 2015, health and safety was a top priority for TNT. TNT embedded a culture of safety leadership, where management systematically addresses behavioural issues to reduce incidents. In 2015, TNT changed its framework to fully align with OSHA (Occupational Safety and Health Administration (Form 300)) requirements. Refer to chapter 5 for more information.

TNT manages health and safety via a systems-based approach. The health and safety policies and management framework are based on international standards, such as OHSAS 18001. All operating units are required to achieve and maintain external certification to standards like these at a minimum, in addition to national and local regulatory standards.

Health and safety risks associated with operational activities are identified and assessed, and subsequently managed and controlled to acceptable levels by implementing effective risk controls within operational processes. Each operating unit has a documented risk assessment process in place to control this particular risk at a local level.

Preventive measures

To ensure prevention of injuries, TNT revamped the management safety performance review process for risk and incident reduction in 2015. The process was tested in November and December, and is planned for further roll-out in 2016 for all TNT operating units globally.

Health and safety risk reduction performance target levels will trigger immediate corrective action by responsible line management for safety at TNT premises and its operations on the public roads, and will be followed up through factual checks of implementation at all levels.

Road safety

At TNT, road safety has a high priority in its ongoing business operations. TNT uses the ‘safe vehicle, safe driver, safe journey’ approach to identify and implement effective risk mitigation measures for road safety. TNT pursues continuous improvement in each of these areas, in addition to subcontractor management. The main challenge in reducing road accidents is to ensure consistent application of this approach, particularly in less-developed countries, and to ensure that subcontractors adopt corresponding standards in practice. TNT promotes the improvement of the quality of public infrastructure proactively by being involved in non-governmental organisation initiatives, where possible.

Health and safety performance

In 2015, TNT implemented a work-related incident management system (IMS) globally to improve the accuracy of injury and causation registration. The IMS enables TNT’s management to monitor the effectiveness of improvement actions to prevent injuries in its operations.

Health and safety performance KPIs

Year ended at 31December		2015	variance %	2014
OHSAS 18001 certification (% of total FTE)		81%		81%
OSHA recordable fatalities	♦	0		0
Workplace fatalities (OSHA non-recordable)	♦	5		1
Public road fatalities (OSHA non-recordable)	♦	31	24.0	25
Lost-time accidents per 100 FTE	♦	2.67	(1.8)	2.72
Lost-time injury rate (LTIR) (per 200,000 working hours)[1]	♦	2.73	(2.2)	2.79
Road traffic incidents/collisions per 100,000 kilometres		1.05	(2.8)	1.08
Absenteeism (% of total standard working hours)	♦	3.5	(2.8)	3.6

[1] Global LTIR data is based on definitions from the United States Occupational Safety and Health Administration (OSHA)
Figures with a (♦) fall within the reasonable assurance scope

In 2015, TNT had no fatal injuries within its operations. Five non-recordable OSHA fatalities occurred: four TNT employees/subcontractors passed away due to heart attacks and one as a result of suicide.

On the public road three TNT employees and 22 subcontractors were involved in incidents in which 31 people died (27 third parties and four subcontractor drivers). Most recorded fatal road incidents happened in Brazil, Germany and the United Kingdom, and have a close relation to the road risk conditions in these countries.

Every road incident TNT is involved in has a mandatory independent external and internal investigation process. The investigation is reviewed on status and outcomes, by senior management, with a focus on correct follow up, causation analysis and preventive actions.

Taking factual road safety research into account, combined with TNT's own incident and road safety investigations and expertise, TNT promotes ongoing road safety programmes with an objective to increase awareness and reduce risk factors related to speeding, distracted driving, seatbelts, personal protection equipment, fatigue and use of (medical) drugs.

Based on the recorded lost-time incident IMS data of the last six months of 2015, 80% of the lost-time incidents occurred at TNT premises, 6% occurred on the public road, and 14% occurred on other non-TNT locations.

The largest part (60%) of the lost-time incidents occurred during loading and unloading activities, as this process is the most labour intensive, and has a direct relationship to the use of human muscles and moving (heavy) equipment. Only 4% of the lost-time incidents are related to driving on the public road, and 5% are related to forklift driving and onsite driving. Collection, delivery and visits to customers represent 7% of the lost-time incidents and the remaining 24% is related to other less significant activities or is not specified.

TNT investigates causations of injuries with the objective to develop and implement injury reduction programmes on an ongoing basis. The main causes of lost-time incidents in TNT are related to manual handling (29%), falls/slips in the work floor (19%), being hit by a moving object at a site (13%), being hit by a moving vehicle (8%), and due to equipment, tools or chemicals used (8%). The remaining 23% is related to other less significant causes or is not specified.

KEY INITIATIVES

The lost-time injury rate (LTIR), a more stringent health and safety KPI introduced on 1 January 2016 for lost-time injuries, will be reviewed during the monthly review process. The aim for this health and safety KPI is: *Zero Harm, Zero Blame*, with a maximum LTIR tolerance of 1.0 (1.0 = 1 lost-time injury per 200,000 working hours). Performance above the maximum LTIR tolerance level will trigger immediate corrective action by line management, in line with TNT's incident reduction programme to reduce injuries within a foreseeable timeframe to meet the health and safety target communicated.

Health and safety is prioritised in TNT's *Outlook* strategy and is primarily measured on its effectiveness to reduce injuries within its operations worldwide. In order to ensure health and safety is fully embedded in TNT's culture, processes and operations, the following actions will be taken:

Focus on profitable growth

A *Zero Harm, Zero Blame* company health and safety culture in which TNT:
- knows its current health and safety performance;
- prevents impact to people, business and financials; and
- establishes a performance based health and safety mentality.

Zero is the norm TNT aims for.

Invest in operational excellence

Ensure that health and safety is managed at all levels in the organisation:
- Integration is done in the total quality management (TQM) culture
- Preventive change management focus to improve behaviour and aid injury prevention
- Clear and simple health and safety performance management processes
- The health and safety management loop is closed between operations with material impact

Organise to win

Maintain a customer and people centric organisation in which TNT management has the fundamental belief that high customer and employee satisfaction can only be achieved by good performance on health and safety management. This means in practice:

- Employees and management value '*The People Network*' and are aware of their personal leadership behaviour values
- Health and safety performance culture and leadership capability at all management levels
- One health and safety performance process measured on operational effectiveness

III. ENVIRONMENT

MANAGEMENT AND PERFORMANCE

TNT considers energy and carbon efficiency to be a priority. Therefore, TNT is committed to mitigating its environmental impact, with a focus on three areas:

- Operations: improve CO_2e efficiency and air quality of activities, including subcontractors
- Customers: provide CO_2e information to customers and help them reduce their emissions
- People: encourage awareness and train employees and subcontractors in environmental management

TNT manages its environmental footprint via a systems-based approach. Its environmental policies and management framework are based on the international ISO 14001 standard. All operating units are required to achieve and maintain external certification to this standard as a minimum, in addition to national and local regulatory standards. In 2015, TNT complied with the local legislation to perform regulatory energy audits, in accordance with the Directive 2012/27/EU on energy efficiency.

TNT's environmental management system is used to plan, implement, monitor, manage and improve the environmental impact of its activities. Environmental performance is measured through a set of KPIs related to energy: absolute CO_2 emission and CO_2 efficiency. TNT includes environmental requirements in its capital expenditure and procurement review process. The environmental impact of TNT's fleet and infrastructure at each important juncture (planning, acquisition and operation) are managed. In addition, general terms and conditions for transport subcontractors include environmental requirements.

TNT benchmarks its energy and carbon approach and performance against its peers via the Carbon Disclosure Project. In 2015, TNT scored 94 out of a possible 100 in the Carbon Disclosure Project (2014: 89).

In 2015, TNT continued to focus on medium-term targets for global initiatives related to its own fleet, with the objective to improve CO_2 efficiency. The following table highlights TNT's progress in attaining these targets. Where possible, subcontractors are involved in initiatives to reduce TNT's overall CO_2 footprint.

Global initiatives Year ended at 31December	2015	2014	medium-term targets
Own drivers trained in safe and eco-driving (% of total own drivers)	25%	26%	100%
Own vehicles in the European Union ≥ Euro 4 standard (% of total vehicles)	95%	85%	90%
Own vehicles applied with telematics (% of total vehicles)	13%	12%	50%
Own linehaul vehicles/trailers equipped with aerodynamics (% of total vehicles/trailers)	57%	59%	100%
BAe 146 aircraft replaced	44%	19%	100%

Progress has been made in attaining these medium-term targets, and at the end of 2015, TNT had achieved the target set for own vehicles in the European Union to possess at least the Euro 4 standard, mainly driven by the large fleet renewal initiative in the United Kingdom. The reported percentage of own drivers trained in safe and eco-driving is only based on the number of drivers that were trained in 2015. Drivers are trained regularly, however not as a standard on an annual basis.

In 2014, TNT initiated a project in operational excellence to increase efficiency and productivity in its operations, and to develop a new CO_2e efficiency KPI to:

- gain additional insight for operational management into strategic purposes and day-to-day operations;
- comply with new industry standards on reporting TNT's footprint;
- embed environmental considerations in all operational and network optimisation initiatives; and

– serve all customers, investors and management information needs, through a unified disclosure system.

The new KPI tracks the number of grammes of CO_2e that are emitted to transport one metric tonne (1,000 kg) of cargo over a distance of one kilometre (g CO_2e/tonnes.km), to incorporate load factors. This KPI reflects the adoption of EN 16258 by disclosing the energy and greenhouse gas (GHG) emissions using the EN 16258 default emissions factors. Overall in 2015, TNT's environmental transport performance, as measured in CO_2e efficiency was 490 g CO_2e/tonnes.km.

In addition, TNT launched programmes to educate operational management on the process of effectively managing and reducing environmental emissions.

The 2015 annual report shows a combination of KPIs measured in previous years and discloses TNT's annual CO_2e footprint and CO_2e efficiency. The CO_2e efficiency indicator is not comparable with the CO_2e efficiency figures of air transport.

Environmental performance KPIs

Year ended at 31December		2015	variance %	2014
ISO 14001 certification (% of total FTE)		82%		82%
CO_2e emissions of own operations (Scope 1 and 2) (ktonnes)	♦	1,437	9.3	1,315
CO_2e emissions of subcontractor operations (Scope 3) (ktonnes)		1,637	3.2	1,587
CO_2e efficiency network flights (European Air Network + domestic) (g CO_2e/tonnes.km)	♦	1,733	(5.2)	1,828
CO_2e efficiency long haul air (g CO_2e/tonnes.km)	♦	550	7.4	512
CO_2e efficiency PUD vehicles (g CO_2e/km)	♦	564	2.7	549
CO_2e efficiency linehaul vehicles (g CO_2e/km)	♦	917	(2.8)	943
CO_2e efficiency buildings (kg CO_2e/m^2)	♦	23.0	0.7	22.8

Figures with a (♦) fall within the reasonable assurance scope

In 2015, the total CO_2e emissions of TNT's own and subcontractor operations (Scope 1, 2 and 3 of the GHG Protocol) increased by 5.9% to 3,074 ktonnes. The CO_2e emissions of TNT's own operations (Scope 1 and 2) increased in absolute terms by 9.3% to 1,437 ktonnes, as a result of higher air and road linehaul operation activity levels to support increased competitiveness in the European market. CO_2e emissions of subcontractor operations (Scope 3) increased by 3.2% to 1,637 ktonnes. In 2015, 53% of total CO_2e emissions were related to subcontractor operations.

The CO_2e efficiency of TNT's air operations in Europe, measured in g CO_2e/tonnes.km, improved by 5.2% in 2015, due to the transition to more fuel-efficient aircraft and improved load factors. The long haul air operations efficiency deteriorated, mainly due to lower volumes shipped through this network. The CO_2e efficiency of linehaul vehicles, measured in g CO_2e/km, improved, due to the transition to newer fuel-efficient vehicles and increased focus on driver behaviour. The CO_2e efficiency of TNT's buildings deteriorated despite the relatively warm winter in Europe in the beginning of 2015.

KEY INITIATIVES

Operations

Road

In all major operating units, electric and low-carbon emitting vehicles and electric-assisted tricycles continue to be tested and deployed, particularly for city deliveries (Amsterdam, Rotterdam, Milan and Turin). Fuel-efficient innovations such as telematics, double-deck trailers, alternative fuel vehicles, multi-modal shipments and aerodynamic vehicle equipment have been further deployed. To ensure maximum impact and scalability, best practices are shared, and, where possible, replicated on a larger scale, including subcontractors.

TNT is constantly optimising the configuration of its network, which has an impact on its CO_2e efficiency. A number of projects have been rolled out, including:
– the Road Operations Supply Chain Optimisation (ROSCO) project, which aims to re-design the network, as well as implement different loading techniques, such as loose loading, in order to optimise full capacity utilisation of its trucks; and
– the Infrastructure project, which aims to identify the optimal local configuration of depots leading to the lowest overall costs and minimal CO_2e impact of the total supply chain, in accordance with the

BREEAM standard. In 2015, updated depot configurations were rolled out in Brisbane, Melbourne, Sydney, Eindhoven, Madrid, Swindon and Warsaw.

Air

TNT aims to constantly improve the fuel efficiency of its air operations by applying best practices in network and flight planning, take-off, in-flight procedures and ground processes.

In 2015, TNT increased its capacity utilisation on its European Air Network, resulting in a significant reduction in g CO_2e/tonnes.km, through better planning, load quality and daily monitoring of load factors.

A key initiative focused on positioning stand-by aircraft in key European locations, rather than the central air hub in Liège, to alter efficiency performance. Whilst stand-by aircraft provide capacity to improve service recovery in case of network issues, they usually fly at lower cargo load factor. By locating them in the field, however, the distance flown at lower cargo loads has been reduced. Another initiative focused on increasing the second-sector load factor by selling available capacity of European Air Network aircraft.

In 2016, TNT will continue to replace short haul aircraft by younger, more fuel-efficient aircraft types.

Air subcontractors and commercial linehaul contributed substantially to TNT's 2015 CO_2e footprint. To improve competitiveness and increase regional growth in Asia, additional commercial connections were introduced in 2015, which led to an expected reduction in efficiency. At the same time, as a result of several European capability improvements, an improvement occurred in the load factor for air subcontractors.

Supply chain and innovation platforms

At the industry level, TNT participates in some of the European Union's Horizon 2020 programmes (FREVUE, CITYLAB), which aim to generate 'zero-emission' solutions for deliveries to city centres. In the FREVUE programme, TNT deployed 10 electric PUD vehicles in the cities of Amsterdam, Madrid and Rotterdam, in order to test their technical, operational and financial viability.

TNT is also co-founder of the Green Freight Europe (GFE) sector initiative which aims, amongst others, to reduce carbon emissions of the transportation sector by supporting its members through a standard methodology for monitoring and reporting on carbon emissions.

Customers

TNT's CO_2 Services enable customers to pro-actively address the environmental impact of their business. TNT's portfolio of CO_2 Services includes:
- CO_2 Report: tracks and analyses CO_2 footprint
- CO_2 Neutral: mitigates the CO_2 impact of consignments
- CO_2 Quote: predicts future CO_2 emissions
- CO_2 Scenario: models and optimises CO_2 emissions in the transport supply chain

In 2015, TNT rolled out its CO_2 Services in key European countries and as part of its extended offering, launched CO_2 Neutral domestic express delivery in Germany and in the Benelux at no additional charge.

People

Driver behaviour has a major impact on fuel efficiency, road safety and customer experience. In 2015, 25% of TNT's drivers were trained in safe and eco-driving, including both classroom and on-road coaching. Eco-driving is included as a standard requirement in driving courses in various locations and is also required for subcontractors. In 2015, the 9th 'Drive Me Challenge' edition was held at Balocco Proving Ground in Turin, Italy. TNT's drivers and subcontractors from operating units worldwide competed in three different categories including PUD, forklift truck and linehaul vehicles. The winners obtained the best combined score in fuel efficiency, safety and customer experience.

In addition, in June, two TNT drivers were named as the winner and runner-up in the finals of the 2015 Scania Driver Competition, held in Bangkok.

OUTLOOK AND COMMITMENTS

In 2016, TNT will continue to embed carbon management into its business. TNT will manage effectively its CO_2e efficiency performance through one main KPI – g CO_2e/tonnes.km.
TNT targets a year-on-year improvement and puts all its efforts to improve efficiency in its operations through company-wide optimisation programmes.

For 2016, TNT sets an ambitious target of 5% improvement in g CO_2e/tonnes.km compared to the 2015 efficiency level (490 g CO_2e/tonnes.km). This ambition is based on planned fleet replacement, load factor improvements, and overall performance management. Every operating unit will be challenged during the business performance review cycles.

CO_2e efficiency is managed with a global scope for own and subcontracted operations, incorporating all products. Customer and operational reporting are aligned and validated by SGS (a leading inspection, verification, testing and certification company), providing a reasonable level of assurance against the requirements of the norm.

In 2016, the model will be enhanced to account for additional initiatives which will have a positive impact on efficiency such as vehicle type, driver behaviour and reducing emissions related to buildings. In addition to this, carbon disclosure and management requirements will be included in the development of a new Transport Management System as part of *Outlook*.

TNT will continue to roll-out its extended CO_2 Services to customers and work towards positive behavioural changes of its people to decrease the environmental footprint.

IV. SOCIAL AND ENGAGEMENT

THE PEOPLE NETWORK

TNT has hard-working people in every corner of the world, who take pride in what they do; helping customers and each other succeed. This resilient, reliable network is the heart of the company, and is valued by customers. TNT employees rely on and support each other, to continuously strengthen each touch point in the TNT global network, and to realise the Perfect Transaction for its customers. During 2015, *TNT - The People Network* became an even stronger part of TNT's identity.

Within *The People Network* framework, TNT aims to continue to nurture the Orange spirit and cultivate a strong sense of engagement with employees and customers. TNT continues to sustain a network where communities of practice are stimulated, knowledge is shared abundantly and people enjoy growth whilst fulfilling their personal need to be in community with other TNT employees across the globe.

HUMAN RESOURCES

TNT uses the Investors in People (IiP) standard to provide a consistent and structured approach to people management. In 2015, IiP rolled out a new standard. The IiP standard focuses on three performance headings: leading, supporting and improving. The standard requires, amongst others, that TNT identifies and communicates clear business objectives to all employees, and provides performance feedback, development plans and adequate training. Partly as a result of the updates and changes in the IiP standard, TNT did not re-certify every operating unit automatically, resulting in 53% of employees currently working at IiP-certified operating units (2014: 81%).

Learning and development activities are undertaken at all levels within the organisation. All global learning and development activities are centrally managed to ensure alignment with the company's values and strategic *Outlook* priorities. Implementation, coordination and deployment takes place at local level to ensure local cultures and languages are taken into account and to minimise cost of travel.

TNT places particular focus on identifying, recognising and developing employees with the potential to become future leaders. Employees are encouraged to join local talent pools to develop their leadership capabilities. Annual performance calibration, and succession and talent reviews are conducted to discuss and assess employee performance results, and to guarantee succession planning for critical positions.

CUSTOMERS

TNT has an increased focus on service improvement as part of the *Outlook* strategy and customers benefit from that. TNT measures customer satisfaction and obtains a deeper insight into the needs of customers through the Orange Experience Score survey. In 2015, the Orange Experience Score increased to 47 in 2015 (2014: 40). Refer to chapter 5 for more information.

HUMAN RIGHTS

The TNT Business Principles provide clarity and detail on specific TNT human rights aspects related to labour and employment. The TNT Business Principles, which were renewed in 2014, are aligned with the UN Guiding Principles for Business and Human Rights.

TNT is committed to sound business conduct and therefore manages its business according to the TNT Business Principles, which require an ethical and transparent way of doing business. TNT encourages all employees and third parties to promptly report any breach, suspected breach or irregularity in any law, regulation, the TNT Business Principles or any other TNT policy in good faith. Reported breaches will be acted upon promptly and with strict confidentiality, and TNT will not retaliate, or undertake action against employees and third parties for filing a report or assisting another person in doing so in good faith. In 2015, 26 human rights-related whistleblower cases were received (2014: 47), and by the end of 2015 a total of 10 cases were still pending.

SOCIAL RESPONSIBILITY

TNT provides expertise and capacity to a number of charitable initiatives, often at local level with a close link to the company's expertise, culture, employees and customers. TNT uses its supply chain knowledge and management skills to support non-profit organisations in their logistical operations. For example, after the earthquake in Nepal in April, TNT deployed resources to help, which included co-operation with local aid organisations to provide victims with food, water, medicines and relief supplies.

These activities serve to engage and develop employees, while delivering safe and efficient supply chain solutions for people in need.

CHAPTER 4 GOVERNANCE

I. MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

2015 has been a very significant year for the Supervisory Board, with two main items determining the agenda: the implementation of *Outlook* and the FedEx Offer.

The Supervisory Board is pleased to report that good progress has been made with *Outlook*. The Orange Experience Score, our measure for customer satisfaction, increased significantly in 2015. We continued working on a more efficient organisation with the transformation on the outsourcing of our IT services and certain business processes. We opened several new hubs in Australia, Spain and the United Kingdom, emphasising the growth and strengthening of our network and capabilities. We have accomplished all of this, despite difficult market circumstances and the changes that are happening within the organisation.

On 7 April 2015, we announced the intended acquisition by FedEx, which we are very excited about. We believe that a combination of the two companies can give our customers great productivity and service gains and create exciting opportunities for our employees. The combined strength of the individual companies will be beneficial for all stakeholders. At this very moment, the acquisition process is going according to plan, and we received the unconditional clearance decision from the European Commission, which was a major milestone. We are confident that the transaction will be completed in the first half of 2016.

With all these developments, the Supervisory Board is extremely proud in the way management and employees have handled these processes, showing once more the commitment to ensure an organisation poised for growth.

Therefore, on behalf of the Supervisory Board, I would like to thank management and employees for their hard work in 2015. Their contribution is a testimony to the challenging circumstances and it is those efforts that make TNT once more *The People Network*.

Kind regards,

Antony Burgmans
Chairman of the Supervisory Board of TNT Express N.V.

II. REPORT OF THE SUPERVISORY BOARD

INTRODUCTION

In 2015, the Supervisory Board advised the Executive Board on strategic and operational processes, governance, corporate responsibility and developments. This report provides an overview of the events and challenges the Supervisory Board dealt with throughout the year.

SUPERVISION BY THE SUPERVISORY BOARD

Achievement of company goals

In 2015, TNT continued to operate under challenging trading conditions, which resulted in significant provisions and one-off charges. These challenges testified to the scale of transformation required, which the Supervisory Board acknowledged would not occur overnight. The Supervisory Board played a significant role in the supervision of the implementation of *Outlook* and remains confident that *Outlook* will continue to be relevant, subsequent to the intended acquisition by FedEx.

Strategy and risks

During the year, the Supervisory Board together with the Executive Board discussed initiatives to reinforce the company's performance, synthesising the strategic features and processes. TNT's strategic agenda continued to evolve around the strength of the European Road Network, the large base of SMEs and its dedication to customer service.

Risk management

In 2015, the Supervisory Board was informed regularly, promptly and comprehensively on risks and risk management. The outcome of TNT's risk management process, the risks identified and the mitigation plans were discussed in detail with the Audit Committee, and between the Supervisory Board and the Executive Board. The Supervisory Board strongly supports the allocation of risk ownership at Management Board level, to facilitate the monitoring process and execution of action plans throughout the company. Refer to section V for more information on the risk management process and the strategic, operational, financial and compliance risks facing TNT.

Financial reporting

In 2015, members of the Supervisory Board received comprehensive financial reporting updates on a regular basis. This included the 2014 annual report with the consolidated financial statements, drawn up in accordance with IFRS; the proposal for an interim (pro forma) dividend from the distributable part of the shareholders' equity; the quarterly consolidated financial statements; the report on TNT's half-yearly statements reviewed by the external auditor, PricewaterhouseCoopers Accountants N.V. (PwC); PwC's hard close report; and PwC's year-end audit findings. The Audit Committee and Supervisory Board dealt extensively with these reports. PwC attended all meetings of the Audit Committee.

Compliance

The Supervisory Board believes in a strong compliance framework. It advocates a corporate culture that values integrity and commitment to external and internal rules and regulations as well as fair treatment of business partners, employees and other stakeholders. In 2015, the Supervisory Board was informed on compliance-related topics and ascertained the legality and proper conduct of management activities.

Investor relations

The Supervisory Board was updated on investor relations activities and investor sentiment at least every quarter. Following the publication of the (quarterly) results, the Supervisory Board was informed in writing on trading updates, share price developments, market reactions and enquiries by investors and analysts. Refer to chapter 6 for more information on TNT's investor relations activities.

Corporate responsibility

The Supervisory Board acknowledged the continued integration of corporate responsibility into TNT's overall business strategy and operations. The Supervisory Board considers corporate responsibility to be an essential condition for long-term success. In 2015, the Supervisory Board paid particular attention to safety. A global director of health and safety was retained to roll-out a new health and safety programme, which would reinforce and further strengthen the health and safety culture in the company. The Supervisory Board is confident that this will have a positive effect on TNT's health and safety performance in 2016.

In 2015, TNT had no fatal injuries in its operations. Five non-recordable OSHA fatalities occurred: Five TNT employees/subcontractors passed away due to heart attacks and one as a result of suicide. On the public road three TNT employees and 22 subcontractors were involved in incidents in which 31 people died (27 third parties and four subcontractor drivers).

Together with management the Supervisory Board encourages the reduction in the number of incidents and accidents, and strives to gain more insight in the root cause of the accidents, to be able to take specific mitigating actions. Refer to chapter 3 for more information.

MEETINGS OF THE SUPERVISORY BOARD

In 2015, the Supervisory Board held six regular meetings and 10 ad hoc meetings. The Executive Board attended most of the meetings as did several members of the Management Board and Functional Directors. The General Counsel acted as new Corporate Secretary during the meetings of the Supervisory Board as of April 2015. Agenda items included: business performance and market developments; strategic, governance and regulatory updates; the intended acquisition by FedEx; and corporate responsibility items. The ad hoc meetings took place in January, February, March, April and June, to discuss, inter alia, the FedEx Offer and the outsourcing decision of certain business processes.

All members of the Supervisory Board attended nearly all Supervisory Board meetings (refer to page 35 for an attendance overview). Between meetings, the chairman of the Supervisory Board held frequent discussions with the CEO, both in person and by phone. The Executive Board kept the entire Supervisory Board informed of important developments on a regular basis.

In February, the main topics of discussion were the 2014 annual results, including the fourth-quarter and full-year results, the year-end report by PwC, the risk environment report and a quarterly update on health and safety. The Supervisory Board approved the 2014 annual report, the final 2014 dividend proposal, the agenda for the Annual General Meeting of Shareholders on 8 April 2015, and a proposal for capital expenditure related to aircraft replacement.

In April, the Supervisory Board held two regular meetings: the first to prepare for the Annual General Meeting of Shareholders; and the second to discuss the first-quarter financial update and the draft press release for the first-quarter.

In July, the Supervisory Board discussed the half-year and second-quarter results as well as the outlook for the remainder of 2015. It also reviewed the progress of *Outlook* and security related topics. The Supervisory Board approved capital expenditure proposals for Barcelona and Warsaw and the agenda for the Extraordinary General Meeting of Shareholders on 5 October 2015, where the FedEx Offer was discussed. Also, bearing in mind the FedEx Offer, the Supervisory Board agreed on the proposal to refrain from distributing a 2015 interim (pro forma) dividend.

In October, the third-quarter results as well as updates on the main parts of the business and service improvement were discussed.

In December, the Supervisory Board discussed and approved the budget for 2016. Other topics discussed included: general business updates, the progress of *Outlook,* and an update on health and safety.

Transactions of particular significance or requiring Supervisory Board approval were discussed with the Executive Board in Supervisory Board committee meetings prior to decisions being taken. In between regular meetings, members of the Supervisory Board were informed on an ad hoc basis of urgent plans and projects arising.

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has three committees: the Audit Committee, the Remuneration Committee, and the Chairman's & Nominations Committee. These committees help prepare the Supervisory Board for its decision-making responsibility and provide advisory input. During 2015, each committee reported its findings and conclusions to the entire Supervisory Board on a regular basis, both verbally and in writing.

Audit Committee

The Audit Committee comprises three members and is chaired by Mr Levy. In 2015, the Audit Committee met five times, with all committee members present. All meetings were attended by the CFO, the director of internal audit, risk and control services, the director of financial reporting, consolidation & accounting, the General Counsel and PwC.

The Audit Committee dedicated significant attention to the periodic financial reports, PwC's reports, TNT's control framework and internal audit reports. The committee reviewed press releases, developments on pensions and internal control over financial reporting on a regular basis.

In February, the Audit Committee discussed the 2014 annual results, the year-end report by PwC, the risk management process and the 2014 final dividend. Furthermore, it discussed the internal audit and internal control reports, business ethics and investigations report, and the letter of representation. The Audit Committee requested for an action plan to improve internal audits and financial control, executed in close consultation with PwC. Other topics discussed were the full-year claims and litigation report, updates on tax developments, export controls, the Procurement Excellence Programme - a programme established to improve the value creation of the procurement function, the restructuring in France, and IT transformation.

In April, the Audit Committee discussed the first-quarter results. Further updates were on internal audit, internal control, business ethics and investigations, denied parties, pensions and IT transformation. Discussions also included lessons learned on the restructuring in France and the action plan to improve internal audits and financial control. PwC presented their 2015 audit plan.

In July, the half-year and second-quarter results were discussed as well as updates on business ethics and investigations, export control, internal control, internal audit and risk management. PwC presented a half-year report on their interim review. Furthermore, updates on claims and litigation, pensions, IT transformation, and the data privacy programme were presented.

In October, the third-quarter results and the quarterly internal audit and internal control reports were reviewed, as well as the audit actions drafted for the second half of 2015, which was presented by PwC. Further updates were on pensions, IT transformation, and an update on Global Business Services.

In December, the Audit Committee discussed the budget for 2016, the 2016 internal audit plan, the 2016 internal controls over financial reporting and risk plan, and the findings from PwC's hard close report. In addition, updates on risk management, internal control, pensions, IT transformation, Global Business Services, and the 2015 annual report process were discussed.

The chairman of the Audit Committee met with PwC in a private session prior to every Audit Committee meeting. In February 2015 and 2016, the other Audit Committee members convened with PwC in the annual private session.

Remuneration Committee

Chaired by Ms Harris, the Remuneration Committee has four members. The committee held four meetings throughout the year. External advisors as well as internal advisors from the Human Resources department advised the committee on several topics.

The committee reviewed the remuneration policy and its implementation throughout the year. In addition, given the FedEx Offer, the committee reviewed and addressed a number of issues arising from the proposed change of control. Specifically, the committee prepared a proposal for a conditional amendment to the Executive Board remuneration policy in connection with the FedEx Offer, which was adopted during the Extraordinary Meeting of Shareholders on 5 October 2015. Refer to section IV for the 2015 remuneration report and the remuneration policy.

Chairman's & Nominations Committee

The Chairman's & Nominations Committee comprises all the members of the Supervisory Board, and is chaired by Mr Burgmans. The committee held meetings in February, April, July, October and December. Agenda items at each meeting included the composition and performance of the Supervisory Board, the Executive Board and the Management Board. Other issues discussed included the corporate governance developments and the selection of company visits.

INTERNAL ORGANISATION

Evaluation

The Supervisory Board intends to use an external facilitator for the evaluation process at least once every three years. As the Supervisory Board conducted a self-assessment with the support of an external consultant in 2014, this was not repeated in 2015. Instead an internal self-assessment was conducted. The outcome of the self-assessment was that the Supervisory Board and its sub-committees were positive about its effectiveness in 2015. A considerable amount of time was invested by the members of the Supervisory Board in light of the FedEx Offer.

Composition

In 2015, the Supervisory Board consisted of six members. Refer to page 37 for the names and biographies of the members of the Supervisory Board. A detailed overview of their competencies and diversity is provided below. During the Annual General Meeting of Shareholders on 8 April 2015, Mr Burgmans and Ms Harris were re-appointed as members of the Supervisory Board for four years.

Conflict of interest

No transaction involving a conflict of interest between TNT and a member of the Supervisory Board or the Executive Board was reported in 2015.

Induction and training

In February, the members of the Supervisory Board visited TNT's operations in the United Kingdom, where they were briefed by senior local management on the operational processes, plans and projects.

External advice

In 2015, the Supervisory Board obtained independent professional advice to assess the fairness of the FedEx Offer. Opinions were obtained confirming that the FedEx Offer of €8.00 per share was fair from a financial point of view.

Competencies and Diversity

During 2015, each member of the Supervisory Board was capable of assessing the broad outline of the tasks and responsibilities of the Supervisory Board. In their designated roles, each member had specific expertise to fulfil the duties assigned to him/her. Collectively, the Supervisory Board covered all required expertise, skills and competencies to fulfil its duties. The competencies and diversity overview below provides more detailed information.

Supervisory Board competencies and diversity overview

General competencies

	Executive skills/ experience	International experience	Knowledge/ experience in logistics
Mr Burgmans	3	3	2
Ms Harris	1	3	2
Mr King	3	3	3
Mr Levy	3	3	2
Ms Scheltema	3	3	1
Mr Vollebregt	3	2	3

1 - Working knowledge 2 - Solid experience and knowledge 3 - Professional/expert level

Functional competencies

	Marketing & Sales	IT	Operational Business Processes	Finance	Legal & Tax	Corporate Governance	Social/ CR	M&A/ Investor Relations
Mr Burgmans	3	1	2	2	2	3	3	2
Ms Harris	3	1	3	2	1	2	3	3
Mr King	2	2	2	3	1	3	1	3
Mr Levy	3	2	3	3	2	3	2	3
Ms Scheltema	2	2	2	3	3	3	3	1
Mr Vollebregt	3	1	3	2	1	2	1	3

1 - Working knowledge 2 - Solid experience and knowledge 3 - Professional/expert level

Diversity

	Age	Gender	Nationality
Mr Burgmans	69	Male	Dutch
Ms Harris	49	Female	British
Mr King	75	Male	American
Mr Levy	68	Male	French
Ms Scheltema	61	Female	Dutch
Mr Vollebregt	61	Male	Dutch

Supervisory Board attendance overview

Overview

	Supervisory Board meetings	Audit Committee meetings	Remuneration Committee meetings	Chairman's and Nominations Committee meetings	Additional ad hoc Supervisory Board meetings	EGM[1]	AGM[2]
Mr Burgmans	6/6	-	4/4	5/5	9/10	1/1	1/1
Ms Harris	6/6	5/5	4/4	5/5	10/10	1/1	1/1
Mr King	6/6	-	4/4	5/5	6/10	0/1	1/1
Mr Levy	5/6	5/5	4/4	4/5	9/10	0/1	1/1
Ms Scheltema	6/6	5/5	-	5/5	9/10	1/1	1/1
Mr Vollebregt	6/6	-	-	5/5	9/10	1/1	1/1
Total % Attendance	93%	100%	100%	97%	89%	67%	100%

[1]EGM: Extraordinary General Meeting of Shareholders.

[2]AGM: Annual General meeting of shareholders.

Throughout 2015, each member of the Supervisory Board was able to secure sufficient time for the proper performance of his/her duties. This was confirmed by the very high attendance rate, as shown in the table above.

All members were independent in accordance with principle III.2 of the Dutch Corporate Governance Code. With four male (67%) and two female (33%) members, the composition of the Supervisory Board complied with the gender diversity rules of the Dutch Management and Supervision Act (‘*Wet Bestuur en Toezicht*’).

The members represented four different nationalities. Their average age at the end of 2015 was 64, with ages ranging from 49 to 75. Most of the members possess a university degree or equivalent. Functional expertise covers finance and general management, and business experience ranges geographically from Europe and North America to Asia.

In 2015, TNT complied with the requirement of the Dutch Corporate Governance Code stipulating that a Supervisory Board member may not hold more than five memberships in supervisory boards of Dutch listed companies (including TNT), a chairmanship counting twice.

FINANCIAL STATEMENTS AND PROFIT APPROPRIATION

The 2015 (consolidated) financial statements as included in the annual report has been audited by PricewaterhouseCoopers Accountants N.V. (PwC) and presented to the Supervisory Board in the presence of the Executive Board and the external auditor. Refer to pages 126 to 134 of chapter 5 for PwC's report.

Members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code ('*Burgerlijk Wetboek*'). Members of the Executive Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*'). Refer to page 8 of chapter 1.

The Supervisory Board recommended that the Annual General Meeting of Shareholders, to be held on 6 April 2016, adopts the 2015 consolidated financial statements of TNT. The Annual General Meeting of Shareholders will be asked to release the members of the Executive Board and of the Supervisory Board from liability in the exercise of their duties. Refer to page 136 of chapter 5 for the appropriation of results as approved by the Supervisory Board.

In consideration of FedEx's all-cash public offer to acquire all the issued and outstanding shares of TNT, the Executive Board of TNT decided with the approval of the Supervisory Board, not to pay a dividend over 2015. If TNT were to pay a dividend, the dividend amount would be subtracted from the offer price upon the purchase by FedEx of the shares from TNT's shareholders.

COMPLIANCE WITH BY-LAWS

In 2015, no decision was taken by the Supervisory Board that did not comply with its by-laws.

A WORD OF THANKS

The Supervisory Board wishes to thank the Executive Board and all employees of TNT for their contributions in 2015. The combination of protecting the base business of the company in challenging market circumstances, the execution of *Outlook* and preparations for the situation post-closing of the intended FedEx acquisition of TNT, has proven to be an intense combination of activities to address, for which the Supervisory Board is grateful and appreciative.

Supervisory Board
Antony Burgmans (Chairman)
Mary Harris
Roger King
Shemaya Levy
Margot Scheltema
Sjoerd Vollebregt

Hoofddorp, 16 February 2016

III. CORPORATE GOVERNANCE

The Supervisory Board of TNT currently consists of six members.

A. (Antony) Burgmans
(1947, Dutch) Chairman
Initial appointment 2011
Current term of office 2015-2019

Non-executive board member of BP plc. (UK); chairman of the supervisory board of AkzoNobel N.V.; member of the supervisory board of Jumbo Supermarkten B.V.; and former chairman and CEO of Unilever N.V. and plc.

- Chairman of the Chairman's & Nominations Committee
- Member of the Remuneration Committee

M. E. (Mary) Harris
(1966, British)
Initial appointment 2011
Current term of office 2015-2019

Non-executive director at Reckitt Benckiser Group plc, J. Sainsbury plc. and ITV plc.; member of the supervisory board of Unibail-Rodamco; and former member of the supervisory board of TNT N.V.

- Chairman of the Remuneration Committee
- Member of the Audit Committee and Chairman's & Nominations Committee

R. (Roger) King
(1940, American)
Initial appointment 2011
Current term of office 2014-2018

Non-executive director of Orient Overseas International Ltd.; former member of the Supervisory Board of TNT N.V.; former president and CEO of Sa Sa International Holdings Ltd.; former chairman and CEO of ODS System-Pro Holdings Ltd.; former MD and COO of Orient Overseas International Ltd.; former non-executive director of Arrow Electronics, Inc.; Honorary Consul for the Republic of Latvia for HKSAR; and Adjunct Professor of Finance at Hong Kong University of Science and Technology.

- Member of the Remuneration Committee and Chairman's & Nominations Committee

S. (Shemaya) Levy
(1947, French) Vice-Chairman
Initial appointment 2011
Current term of office 2013-2017

Member of the supervisory boards of AEGON N.V. and the PKC Group (Finland); former member and vice-chairman of the supervisory board of TNT N.V.; former member of the supervisory boards of Nissan and Renault Finance, Renault Spain and Safran; and former CEO of Renault Industrial Vehicles Division and executive vice-president and CFO of Renault Group.

- Chairman of the Audit Committee
- Member of the Remuneration Committee and Chairman's & Nominations Committee

M. (Margot) Scheltema
(1954, Dutch)
Initial appointment 2011
Current term of office 2013-2017

Non-executive director of Lonza plc. (Switzerland); member of the supervisory boards of De Nederlandsche Bank N.V., Schiphol Group and Warmtebedrijf Rotterdam N.V.; chairman of the Monitoring Committee of the Code of Pension Funds; member of the board of World Press Photo; treasurer of Onze Taal Association; and council at the Enterprise Chamber of the Court of Appeal.

- Member of the Audit Committee and Chairman's & Nominations Committee

Sj. S. (Sjoerd) Vollebregt
(1954, Dutch)
Initial appointment 2013
Current term of office 2013-2017

Member of the supervisory board of Heijmans N.V.; chairman of the advisory board of Airbus Defence and Space Netherlands B.V.; former chairman and CEO of Fokker Technologies B.V. Previously he held positions as chairman of the board of management and CEO of Stork B.V.; executive board member and deputy chief executive Freight Forwarding & Technology Division Americas-Europe of Exel plc. (London); and as regional chief executive Central & Eastern Europe and member of the logistics board of Ocean plc. (London).

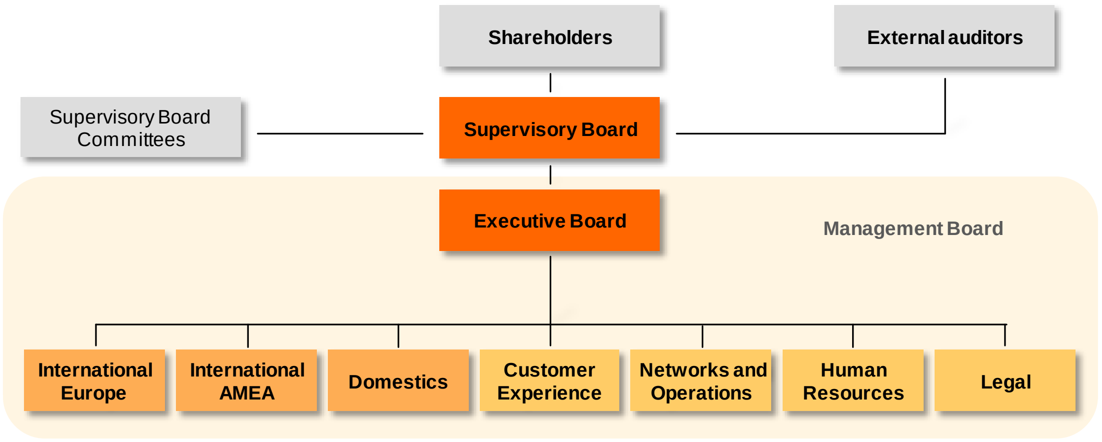
- Member of the Chairman's & Nominations Committee

INTRODUCTION

TNT aspires to high standards of corporate governance. Over the last years, it has sought to continuously enhance and improve its corporate governance standards and framework, emphasising transparency, in accordance with applicable laws and regulations.

This section contains an overview of the corporate governance of TNT, including the information and statements that must be provided according to the Dutch governmental decree of 20 March 2009 (Stb. 2009, 154). The overview provides a selection of the relevant rules and regulations. Refer to the corporate website of TNT (www.tnt.com/corporate) to view the full text of the internal regulations of TNT, including the Articles of Association.

Corporate governance changes, compared to 2014, did not occur.



Internal regulations, policies and processes, including:

- Articles of Association
- Business Principles
- By-laws Supervisory Board
- By-laws Executive Board
- COSO – ERM[3]
- Key controls/CWC[4]
- Company policies
- Corporate responsibility standards

External regulations, including:

- Dutch Corporate Governance Code
- Dutch Civil Code
- Dutch Financial Markets Supervision Act
- NYSE Euronext listing rules

Reportable segments

Key functions

General

TNT Express N.V. is a public limited liability company incorporated in the Netherlands, with its registered seat in Amsterdam, and governed by Dutch law. TNT is organised in a two-tier system, comprising an Executive Board and a Supervisory Board. The Executive Board has ultimate responsibility for establishing the mission, vision and strategy for TNT and is charged with overall management and performance. The Supervisory Board supervises and advises the Executive Board. Certain important resolutions made by the Executive Board are subject to approval by the Supervisory Board. The two boards are independent of each other and are accountable to the Annual General Meeting of Shareholders.

As illustrated in the diagram above, the Executive Board is supported by a Management Board. Refer to page 44 for a description of the composition of the Management Board.

TNT's corporate governance structure and processes are based on external regulations (including the Dutch Corporate Governance Code, Dutch Civil Code, Dutch Financial Markets Supervision Act, and NYSE Euronext listing rules) complemented by its Articles of Association, Business Principles, by-laws,

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[3]COSO – ERM: Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM).
[4]Company Wide Controls.

controls and policies based on external legal and regulatory obligations, and internationally recognised corporate responsibility standards.

SUPERVISORY BOARD

General

The Supervisory Board supervises the policies and performance of the Executive Board and the general course of affairs of TNT. The Supervisory Board also advises the Executive Board. At least once a year, the Executive Board must inform the Supervisory Board of the main aspects of the strategic policy, general and financial risks, corporate responsibility policy and the management and auditing systems of TNT. A number of important resolutions of the Executive Board are subject to approval by the Supervisory Board pursuant to the Articles of Association of TNT.

In fulfilling its role, the Supervisory Board is required to act in the interest of TNT and the enterprise connected therewith. The Supervisory Board shall take into account the relevant interests of the company's stakeholders and, to that end, consider all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and are independent of any particular interest in the business of the company. The Supervisory Board is responsible for the quality of its own performance and therefore annually reviews its performance. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole. The members of the Supervisory Board are not authorised to represent TNT in dealings with third parties, except if determined otherwise by the Supervisory Board in events where one or more members of the Executive Board have a conflict of interest.

Each member of the Supervisory Board must be capable of assessing the broad outline of the tasks and responsibilities of the Supervisory Board. Collectively, the Supervisory Board needs to cover all required expertise, skills and competencies to fulfil its duties with each member having the specific expertise required to fulfil the duties assigned to his/her designated roles. Each member should secure sufficient time available for the proper performance of their duties and ensure independence in accordance with principle III.2 of the Dutch Corporate Governance Code.

Composition of the Supervisory Board

TNT's Articles of Association stipulate that the Supervisory Board consists of a minimum of three members. The Supervisory Board has discretion on the number of its members. The Supervisory Board has prepared a profile, which is evaluated annually, of its size and composition, taking into account the nature of TNT's business and activities and the desired expertise and background of the members of the Supervisory Board. The profile is attached to the by-laws of the Supervisory Board which can be viewed on TNT's corporate website (www.tnt.com/corporate).

The Dutch Management and Supervision Act ('*Wet Bestuur en Toezicht*'), which came into effect as of 2013, requires that large legal entities should strive to have a balanced distribution on its Executive Board and Supervisory Board, with at least 30% of the seats occupied by women, and at least 30% by men.

Conflict of interest

If a member of the Supervisory Board becomes aware of any significant (potential) conflict of interest, the member must report this immediately to the chairman, providing all relevant information. If the (potential) conflict concerns the chairman, he must report to the vice-chairman. A decision to enter into a transaction involving such a conflict of interest requires the approval of the Supervisory Board.

External advice

Members of the Supervisory Board are permitted to obtain independent professional advice at the expense of TNT.

Appointment and removal

The members of the Supervisory Board are appointed by the general meeting of shareholders. The Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the general meeting of shareholders to appoint a member of the Supervisory Board in accordance with a nomination by the Supervisory Board can be adopted with an absolute majority of the votes cast. If the nomination by the Supervisory Board with respect to a vacant seat consists of a list of two or more candidates, this list is binding. The vacant seat must be filled by electing a person from this list. A resolution of the general meeting of shareholders to appoint a member of the Supervisory Board other than in accordance with a nomination by the Supervisory Board, or to deprive a binding list of candidates from its binding character, requires an absolute majority of votes representing at least one-third of the issued share capital.

A member of the Supervisory Board must resign no later than at the end of the general meeting of shareholders held four years after his/her last appointment. The members of the Supervisory Board must resign periodically in accordance with a rotation plan drawn up by the Supervisory Board. The rotation plan is attached to the by-laws of the Supervisory Board which can be viewed on TNT's corporate website (www.tnt.com/corporate). A resigning member of the Supervisory Board may be re-appointed. A member of the Supervisory Board may be appointed for a maximum of three four-year terms. The general meeting of shareholders may suspend or remove any member of the Supervisory Board at any time. A resolution of the general meeting of shareholders to suspend or remove a member of the Supervisory Board other than in accordance with a proposal of the Supervisory Board requires an absolute majority of votes representing at least one-third of the issued share capital.

Chairman and Corporate Secretary

The chairman of the Supervisory Board determines the agenda and presides over meetings of the Supervisory Board. The chairman is responsible for the proper functioning of the Supervisory Board and its committees. The Supervisory Board is assisted by TNT's corporate secretary. The corporate secretary is appointed as secretary to both the Executive Board and the Supervisory Board.

Committees of the Supervisory Board

To facilitate its functioning, the Supervisory Board may appoint standing and/or ad hoc committees from among its members. The responsibilities and composition of any committee are determined by the Supervisory Board. The Supervisory Board must, in any event, appoint an Audit Committee, a Remuneration Committee, and a Nominations Committee. The powers of the committees are based on a mandate from the Supervisory Board and do not include the right to decision making. The Supervisory Board shall remain collectively responsible for decisions prepared by its committees. The Supervisory Board has currently formed an Audit Committee, a Remuneration Committee, and a Chairman's & Nominations Committee. The terms of reference of these committees can be viewed on TNT's corporate website (www.tnt.com/corporate).

Audit Committee

The Audit Committee is charged with assisting the Supervisory Board in monitoring and advising on: the integrity of TNT's financial and corporate responsibility reporting and reporting processes; its financing and finance-related strategies; its system of internal control and financial reporting; and its system of risk management. The Audit Committee reviews the independence of the external auditor and the functioning of internal audit, tax planning and compliance with relevant primary and secondary legislation and codes of conduct. The Audit Committee has the authority to retain independent advisors as it deems appropriate. The Audit Committee consists of at least three members of which each must be financially literate. At least one member must have an accounting background or related financial management expertise.

Remuneration Committee

The Remuneration Committee is tasked with the preparation of the remuneration policy of the Executive Board and Supervisory Board, which are submitted by the Supervisory Board to the general meeting of shareholders for adoption. The committee also makes proposals to the Supervisory Board for the remuneration of the individual members of the Executive Board. In addition, the committee prepares the allocation of rights to shares in TNT's share capital to other senior management within TNT. This allocation is effectuated by the CEO and is subject to approval by the Supervisory Board.

Chairman's & Nominations Committee

The Chairman's & Nominations committee develops selection criteria and appointment procedures for members of the Executive Board and the Supervisory Board. It establishes procedures to secure adequate succession of members of the Executive Board and to assess such candidates as well as the size and composition of the Executive Board and the Supervisory Board. It also creates proposals for the profile of the Supervisory Board, reviews the functioning of individual members of the Executive Board and the Supervisory Board. It reports its findings to the Supervisory Board. The committee also makes proposals for nominations, appointments and re-appointments. At least on an annual basis, the size and composition of the Executive Board and the Supervisory Board and the functioning of their individual members are assessed by the committee and discussed by the Supervisory Board. In addition to the above, the Chairman's & Nominations Committee provides a platform for members of the Supervisory Board to give an opinion on any relevant matter or to bring any appropriate issue to the attention of the chairman.

EXECUTIVE BOARD AND MANAGEMENT BOARD

Top row, from left to right: Ian Clough, Tex Gunning, Tjeerd Wassenaar. Bottom row, from left to right: Joost Otterloo, Marco van Kalleveen, Chris Goossens, Martin Södergård, Maarten de Vries and Michael Drake.

Executive Board

Tex Gunning (1950, Dutch)
Chief Executive Officer (CEO) and Chairman of the Executive Board and Management Board

Mr Gunning was appointed and designated as member of the Executive Board and CEO as per 1 June 2013. He was a member of the Supervisory Board of TNT from 31 May 2011 until 25 February 2013. Mr Gunning is a member of the supervisory board of Koninklijke FrieslandCampina N.V.

Prior to joining TNT, Mr Gunning was a member of the Board of Management and the Executive Committee of Akzo Nobel N.V. Prior to this, he was Chairman and CEO of Vedior N.V. His career also includes more than 25 years with Unilever N.V. and plc.

Mr Gunning brings a wealth of international business experience in executive management positions to TNT. He has a strong track record in successfully turning around businesses and delivering results. In addition to his restructuring experience, he has managed to grow businesses successfully in many markets. Throughout his career, Mr Gunning has been a strong advocate of bringing together the interests of business, society and the environment.

Maarten de Vries (1962, Dutch)
Chief Financial Officer (CFO) and member of the Executive Board and Management Board

Mr De Vries was appointed and designated as member of the Executive Board and CFO as per 18 September 2014. Responsibilities include IT, Purchasing and GBS.

Prior to joining TNT, Mr De Vries was CEO of TP Vision Holding B.V., a joint venture between TPV Technology Limited and Koninklijke Philips N.V. Prior to this, he held various CFO roles as well as Chief Information Officer and Chief Supply Officer at Group Management Committee level in Koninklijke Philips N.V.

Mr De Vries has broad international business experience and a strong background in finance. He has significant business experience in Asia where he worked for ten years in Taiwan, both for Koninklijke Philips N.V. and on the board of directors of TPV Technology Limited. With extensive experience in leading organisational change and transformation programmes, Mr De Vries is results oriented and takes personal interest in developing people and building diverse teams.

Additional members of the Management Board

Ian Clough (1967, British)
Member of the Management Board and Managing Director of International Europe

Mr Clough joined TNT as Managing Director of International Europe in April 2014. Prior to joining TNT, Mr Clough worked for DHL for 20 years, most recently as CEO of DHL Express USA.

Mr Clough has successfully led major business turnarounds and brings broad general management and industry experience to his role in TNT.

Michael Drake (1963, British)
Member of the Management Board and Managing Director of International AMEA

Mr Drake was nominated Managing Director of International AMEA in February 2014. Mr Drake has worked for TNT throughout Asia since 1993, occupying numerous senior roles.

At TNT, Mr Drake has engaged and federated employees across borders to work successfully together by building a strong, cohesive leadership organisation. He has managed key transitions in complex areas of TNT's core business and has hands-on experience in all aspects of TNT's industry.

Marco van Kalleveen (1969, Dutch)
Member of the Management Board and Managing Director of Domestics

Mr van Kalleveen joined TNT as Managing Director of Domestics and Chief Transformation Officer in February 2014. Prior to joining TNT, Mr van Kalleveen was a Partner at McKinsey & Company, and Senior Vice President at Bain Capital, LLC.

Mr van Kalleveen has extensive experience in developing and delivering the transformation of organisations ranging from Silicon Valley start-ups to Fortune 500 companies.

Chris Goossens (1962, Belgian)
Member of the Management Board and Managing Director of Customer Experience

Ms Goossens was nominated Managing Director of Customer Experience in October 2013. Ms Goossens has worked for TNT since 1988 and has held global management positions in Sales, Customer Experience, Communications and Network Operations.

At TNT, Ms Goossens has championed meeting the expectations of customers in all activities. She brings a wealth of operational and commercial experience to her current role, where she leads a dedicated Customer Experience team responsible for perfecting the service TNT offers to customers from order to delivery.

Martin Södergård (1959, Swedish)
Member of the Management Board and Managing Director of Global Network Operations

Mr Södergård joined TNT as Group Director of Global Networks in November 2013. He was named Managing Director of Global Network Operations in March 2014. Prior to joining TNT, he was Senior Vice President at Swissport Cargo Services and had enjoyed a successful career with DHL where he held a variety of key network-related roles such as Director Hubs & Gateways Europe, Managing Director DHL Network Operations Europe and Managing Director Express Nordics.

Mr Södergård has extensive experience in international management in the aviation and logistics industries.

Joost Otterloo (1968, Dutch)
Member of the Management Board and Chief People Officer

Mr Otterloo joined TNT as Chief People Officer in August 2014. Prior to joining TNT, Mr Otterloo was CEO of the Dutch lottery organisation, De Lotto and held several senior roles at CSM and Unilever.

Mr Otterloo has a financial background and extensive international experience in human resources.

Tjeerd Wassenaar (1969, Dutch)
Member of the Management Board and General Counsel

Mr Wassenaar joined TNT as General Counsel in December 2014. Prior to joining TNT, Mr Wassenaar was Global Director Legal Affairs & Corporate Secretary at Vopak, and had been legal director at Koninklijke Ahold N.V. He started his career at the law firm Loeff Claeys Verbeke and later at De Brauw (London).

Mr Wassenaar has gained experience in large and complex projects and merger and acquisition activity internationally as well as a wide variety of legal topics including legal risk management, compliance, regulatory and competition matters.

EXECUTIVE BOARD

General

The Executive Board is entrusted with the day-to-day management of TNT, which includes: deploying its strategy; managing its operations, risk profile and financing; achieving its objectives; and addressing compliance and corporate responsibility issues. The Executive Board may perform all acts it deems necessary or useful for achieving the corporate purposes of TNT, except for those expressly attributed to the general meeting of shareholders or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association. The members of the Executive Board have joint powers and responsibilities, and share responsibility for all decisions and acts of the Executive Board and for the acts of each individual member of the Executive Board. The Executive Board may only adopt resolutions with an absolute voting majority.

The Executive Board has formed several bodies to ensure compliance with applicable internal and external regulations. The Disclosure Committee advises and assists the Executive Board in ensuring that the disclosures of TNT in all reports are full, fair, accurate, timely and understandable, and that they fairly present the condition of TNT in all material respects. The Ethics Committee advises and assists the Executive Board in developing and implementing policies and procedures aimed at enhancing integrity and ethical behaviour and preventing fraud throughout TNT worldwide, in monitoring compliance with integrity and ethical behaviour standards, and in deciding upon remedial actions in case of violations.

Appointment and removal

The Executive Board consists of two or more members. In the event a seat is becoming vacant, the Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the general meeting of shareholders to appoint a member of the Executive Board in accordance with a Supervisory Board nomination can be adopted with an absolute majority of the votes cast. If the Supervisory Board nomination, with respect to a vacant seat, consists of a list of two or more candidates, then this list is binding and the vacant seat must be filled by electing a person from this list. A resolution of the general meeting of shareholders to appoint a member of the Executive Board other than in accordance with a Supervisory Board nomination, or to deprive a binding list of candidates from its binding character, requires an absolute majority of votes representing at least one-third of the issued share capital of TNT.

The general meeting of shareholders may suspend or remove any member of the Executive Board. A resolution of the general meeting of shareholders to suspend or remove a member of the Executive Board other than pursuant to a proposal by the Supervisory Board requires an absolute majority of votes representing at least one-third of the issued share capital of TNT. The Supervisory Board may also suspend any member of the Executive Board. The general meeting of shareholders may terminate a suspension by the Supervisory Board at any time.

Conflict of interest

If a member of the Executive Board becomes aware of any significant (potential) conflict of interest, he must report this immediately to the chairman of the Supervisory Board and to the other members of the Executive Board, providing all relevant information. If a conflict of interest is established, TNT will be represented by another member of the Executive Board or by a member of the Supervisory Board appointed by the Supervisory Board for this purpose. A decision to enter into a transaction involving a conflict of interest with a member of the Executive Board that is of (material) significance to TNT or to the relevant member, requires the approval of the Supervisory Board. No such transactions were entered into in 2015.

Contract

The legal relationship between TNT and the members of the Executive Board is to be classified as an agreement to provide services under civil law, which exists in addition to their relationship under company law. This agreement is a contract for a definite period of four years and may be terminated during its term with due observance of a notice period of three months for the executive and six months for the company. The Executive Board member does not enjoy protection under employment law, such as the right to compensation in case of dissolution or unfair dismissal.

Issuance of shares

At the Annual General Meeting of Shareholders, held on 8 April 2015, the Executive Board was designated as competent body to issue ordinary and preference shares and to grant rights to subscribe for ordinary and preference shares until 8 October 2016. The authority of the Executive Board as regards the issuance of ordinary shares is restricted to a maximum of 10% of the total issued and outstanding share capital at the time of issuance plus a further issuance up to 10% of the total issued and outstanding share capital at the time of issuance in case an issue occurs as part of a merger or acquisition. The authority to issue preference shares and to grant rights to subscribe for preference shares is not limited and concerns all preference shares which are not yet issued from the authorised capital as it will read from time to time.

In addition, at the Annual General Meeting of Shareholders, held on 8 April 2015, the Executive Board was designated as competent body to restrict or exclude pre-emptive rights upon issuance of ordinary shares (including the granting of rights to subscribe for ordinary shares) until 8 October 2016. A resolution of the Executive Board to issue ordinary or preference shares, or to grant rights to subscribe to shares, is subject to the approval of the Supervisory Board.

Acquisition of own shares

At the Annual General Meeting of Shareholders, held on 8 April 2015, the Executive Board was authorised to acquire fully paid-up ordinary shares in the capital of the company through a purchase on the stock exchange or otherwise for a term of 18 months until 8 October 2016, up to 10% of the nominal amount of its total issued and outstanding share capital. The acquisition can take place for a price per share of at least the nominal value and at most the quoted ordinary share price plus 10%. The quoted share price is the average of the closing prices of an ordinary share according to the 'Official Price List of Euronext Amsterdam N.V.' for a period of five trading days prior to the day of repurchase. A resolution of the Executive Board relating to the acquisition of own shares is subject to the approval of the Supervisory Board.

MANAGEMENT BOARD

The Management Board of TNT supports the Executive Board in its oversight of operations and implementation of the company's strategy. The Management Board currently has nine members: the CEO, the CFO, and seven members drawn from the three reportable segments (International Europe, International AMEA, and Domestics), and key functions (customer experience, network operations, human resources, and legal) to ensure that TNT is managed as an integrated global business.

PREVENTION OF INSIDER TRADING

Members of the Executive Board, the Supervisory Board, and other senior management of TNT are subject to the TNT Policy on Prevention of Insider Trading. This policy sets forth rules of conduct to prevent trading in financial instruments of TNT when in possession of inside information. Transactions in TNT shares carried out by members of the Executive Board or Supervisory Board are notified to the Dutch Authority for Financial Markets *('AFM')* in accordance with Dutch law.

The Supervisory Board has adopted a policy concerning the ownership of transactions in securities, other than financial instruments of TNT, by the Executive Board and the Supervisory Board. This policy is incorporated in the by-laws of the Executive Board and the Supervisory Board and requires that each member of the Executive Board and Supervisory Board give periodic notice of any changes in his/her holding of securities in Dutch listed companies. A member of the Executive Board or the Supervisory Board who invests exclusively in listed investment funds or who has transferred the discretionary management of his/her securities portfolio to an independent third party by means of a written mandate, is exempted from compliance with these internal notification requirements.

As for members of the Executive Board, no member holds ordinary shares in TNT as of 31 December 2015. This excludes any granted rights on (phantom) shares allocated to members of the Executive Board under any of TNT's equity plans and/or any participation in the Executive Board's variable compensation scheme.

As for members of the Supervisory Board, only Mr Vollebregt holds shares in TNT. As of 31 December 2015, the total number of shares held was 10,052.

FOUNDATIONS OF THE CORPORATE GOVERNANCE OF TNT

The Executive Board is committed to a high standard of corporate governance, information and disclosure, in line with the Dutch Corporate Governance Code and with regulatory requirements. The Executive Board's compliance statement relative to the Dutch Corporate Governance Code and the Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*') can be found on page 8.

Internal Control

The Executive Board used elements of former obligations under the Sarbanes-Oxley Act in establishing the company's governance and internal controls over financial reporting (ICFR). Furthermore, the ICFR framework established by the Executive Board has a wider scope than would be mandatory according to the Sarbanes-Oxley Act, as it includes a number of smaller entities.

In addition, the approach is based on the principles outlined in Auditing Standards (AS) 2 and takes into account certain elements of AS 5 as promulgated by the Public Companies Accounting Oversight Board (PCAOB). However, TNT's approach to ICFR does not imply an assessment of the adequacy and effectiveness of TNT's internal control and risk management processes over financial reporting under section 404 of the Sarbanes-Oxley Act, nor is there an assessment by TNT's external auditor to that effect.

In 2015, TNT dedicated significant attention to the periodic financial reports, PwC's reports, TNT's control framework and internal audit reports. TNT reviewed press releases, developments on pensions and ICFR on a regular basis. TNT prepared an action plan to improve internal audits and financial control, executed in close consultation with PwC.

In addition, throughout 2015, TNT documented and evaluated the design of its ICFR, and as a consequence, a standardised ICFR framework was implemented across TNT. TNT continued a comprehensive programme of testing the operational effectiveness of its ICFR. Further initiatives on entity-level controls were undertaken, including integrity awareness and training and reinforcement of policies and procedures. The findings identified by each of the entities included in the ICFR programme, including the findings raised by the external auditor, were reported to the Executive Board and the Audit Committee of the Supervisory Board.

Risk Management

TNT has a continuous, formal and structured risk management and reporting system in place. Refer to section V for more information.

Business Ethics

The Business Ethics function manages the policies, procedures and cases related to ethics issues and integrity such as conflicts of interest, gifts and entertainment, fraud, corruption, bribery, whistleblowing and disciplinary actions. Guidance on business ethics is set out in the TNT Business Principles and related policies and procedures. The Business Principles are embedded in the strategic and operational decision-making processes and in customer and supplier contracts. To promote compliance, communication and training are being rolled out in all operating units globally. The procedure on whistleblowing is a crucial complement to this framework. The Business Principles can be viewed on TNT's corporate website (www.tnt.com/corporate).

Internal Audit

The Internal Audit function of TNT operates under the responsibility of the Executive Board and is subject to monitoring by the Supervisory Board, assisted by the Audit Committee. The Internal Audit function provides assurance and advice on the quality of governance, risk management and control processes company-wide. The external auditor and the Audit Committee are aligned in defining the tasks and plans of the Internal Audit function.

EXTERNAL AUDITOR

The external auditor of TNT, PwC, is appointed at the Annual General Meeting of Shareholders. The Audit Committee has the authority, subject to confirmation by the Supervisory Board, to recommend to the Annual General Meeting of Shareholders the appointment or replacement of the external auditor. The Audit Committee is directly responsible for overseeing the work of the external auditor on behalf of the Supervisory Board.

In some instances, TNT may use its external auditor to provide assurance-related services where these services do not conflict with the external auditor's independence. Recent legislation and the TNT Policy on Auditor Independence and Pre-Approval, governs how and when TNT may engage its external auditor. Refer to TNT's corporate website (www.tnt.com/corporate) for more information.

The Audit Committee is required to pre-approve, supported by the director of internal audit, risk and control services, all services to be provided by the external auditor, in order to assure that these do not impair the auditor's independence from TNT.

Once every three years, the Audit Committee and the Executive Board are required to conduct a thorough assessment of the functioning of the external auditor. The last assessment was conducted in 2013. The lead engagement partner is present at the general meeting of shareholders and may be questioned with regard to his issued opinion on the financial statements. Current legislation requires that the lead engagement partner is rotated after a maximum of five years, while the other key audit partners, and the quality (review) partner of the external auditor are rotated after a maximum period of seven years. From 2011, the lead engagement partner of PwC in charge of the TNT account is Mr Dekkers.

DUTCH CORPORATE GOVERNANCE CODE

By applying the best practice provisions and explaining deviations, TNT complies with the Dutch Corporate Governance Code. An explanation is given below for those instances in which TNT does not fully comply with the best practice provisions of the Code. The full text of the Code and TNT's Articles of Association and other relevant internal regulations can be viewed in the Corporate Governance section on TNT's corporate website (www.tnt.com/corporate).

Best practice provision II.2.8

This provision stipulates that the remuneration of a member of the board of management, in the event of dismissal, may not exceed one year's compensation (the 'fixed' remuneration component), or, if the one year's compensation would be manifestly unreasonable in case of a dismissal during the first term of office, a maximum of twice the annual compensation. TNT deviates from this best practice by awarding the current members of the Executive Board a severance payment, in case of a change of control, equalling the sum of the last annual base compensation and pension contribution plus the average bonus received over the last three years, multiplied by a maximum of two. TNT believes that such payment is reasonable taking into account the special position of members of the Executive Board in a change of control situation. Also, in such an event, the Supervisory Board may decide that performance shares vest in whole or in part.

Best practice provision IV.1.1

This provision stipulates that a company's general meeting may pass a resolution to set aside the binding nature of a nomination for the appointment of a member of the board of management or of the supervisory board and/or a resolution to remove a member of the board of management or of the supervisory board by an absolute majority of the votes cast, which majority may be required to represent a proportion of the issued capital which proportion may not exceed one-third; if this proportion of the capital is not represented at the meeting, but an absolute majority is in favour of any such resolution, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast regardless of the proportion of the capital represented at the meeting.

TNT applies this best practice provision, except for a minor deviation: for a resolution to appoint a member of the Executive Board or of the Supervisory Board other than in accordance with a nomination by the Supervisory Board, there is no second meeting allowed in which the requirement of one-third of the capital can be set aside. TNT deviates from this best practice provision for reasons of stability and continuity.

SHAREHOLDERS

General meetings of shareholders

The Annual General Meeting of Shareholders must be held within six months following the end of each financial year. Typical agenda items are: discussion on the annual report with respect to the general state of affairs and the auditor's report; adoption of the annual accounts; approval of the profit allocation; and granting of discharge to members of the Executive Board and the Supervisory Board.

The Annual General Meeting of Shareholders must be convened by the Executive Board or the Supervisory Board. Notice of the meeting must be given no later than the 42nd day prior to the date of the meeting or, if allowed by law, on a shorter period at the discretion of the Executive Board. The meetings must be held in Amsterdam, the Hague, Hoofddorp or the municipality of Haarlemmermeer, all in the Netherlands. The notice of a general meeting of shareholders is given on TNT's corporate website (www.tnt.com/corporate), with the availability of the notice, published via a press release. The notice includes the requirements for admission to the meeting and an agenda indicating the items for discussion.

Other general meetings of shareholders are held as often as the Executive Board or the Supervisory Board deems necessary. In addition, one or more shareholders may be authorised by the court in interlocutory proceedings of the district court to convene a general meeting of shareholders. These shareholders should jointly represent at least one-tenth of TNT's issued share capital.

On 5 October 2015, an Extraordinary General Meeting of Shareholders was held to discuss the FedEx Offer and to adopt all accompanied proposed resolutions. A full detailed overview of the Extraordinary General Meeting of Shareholders including accompanied documents can be viewed on TNT's corporate website (www.tnt.com/corporate).

Agenda

Shareholders representing solely or jointly at least 1% of TNT's issued share capital have a right to request the Executive Board and the Supervisory Board to include items on the agenda of the general meeting of shareholders. The Executive Board and the Supervisory Board must agree to these requests if received at least 60 days prior to the date of the general meeting of shareholders, provided that the reasons for the request are stated and the request – or proposed resolution – is received in writing by the chairman of the Executive Board or the Supervisory Board.

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

Admission to and voting rights at the meeting

Each shareholder and each pledgee or usufructuary of shares is entitled to attend and address the general meeting of shareholders, and, as applicable, to exercise the voting attached to the shares, either in person or by proxy. Recognised as persons entitled to take part in, and vote at a general meeting of shareholders, are those persons who hold those rights on the record date set for that meeting, which pursuant to the law will be the 28th day prior to the date of the meeting. Shareholders and other persons entitled to attend the meeting, and who wish to attend the meeting in person or by proxy, must notify the Executive Board of this in writing by the date set out for that purpose in the notice of the meeting (which will be a date not earlier than the 7th day prior to the date of the meeting).

Each shareholder may cast one vote per share held. The general meeting of shareholders may adopt resolutions by a simple majority of the votes cast, except where a larger majority is prescribed by law or by TNT's Articles of Association. Members of the Executive Board and of the Supervisory Board may attend a general meeting of shareholders in an advisory capacity.

Dissolution and liquidation

A resolution of the general meeting of shareholders to dissolve TNT may only be taken upon proposal by the Executive Board with the approval of the Supervisory Board. The resolution to dissolve TNT may be taken by the general meeting of shareholders with an absolute majority of the votes, irrespective of the part of the issued share capital represented. In the event of the dissolution of TNT, pursuant to such a resolution, the members of the Executive Board will be charged with the liquidation of the business of TNT and the Supervisory Board with the supervision thereof. From the balance of the property of TNT remaining after payment of all debts and the costs of the liquidation, first a distribution is made to the holders of the preference shares, if any. This will be the nominal amount paid up on these preference shares and any amounts still owed by way of dividend, to which these preference shares are entitled, in so far as this has not been distributed in previous years. If the balance is not sufficient to make this distribution, the distribution must be made in proportion to the amounts paid up on those preference shares. The remainder must be distributed to the holders of ordinary shares in proportion to the aggregate nominal value of their ordinary shares.

Change to the rights of shareholders

Rights of shareholders may change pursuant to an amendment of the Articles of Association, a statutory merger or demerger in accordance with Book 2 of the Dutch Civil Code or dissolution of TNT. A resolution of the general meeting of shareholders is required to effect these changes. Under TNT's Articles of Association, such a resolution may only be adopted upon a proposal by the Executive Board that has been approved by the Supervisory Board.

Major shareholders

The Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*') imposes a duty on shareholders to disclose substantial percentage holdings in the capital and/or voting rights in a company when such holdings reach, exceed or fall below: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the AFM without delay. The register of AFM disclosed that as per 31 December 2015: UBS Group AG; Pentwater Capital Management LP; Blackrock Inc.; Tweedy, Browne Company LLC; Artisan Investments LLC; Post NL N.V.; Her Majesty the Queen in right of Alberta; and B. Rosenstein have a substantial percentage holding in TNT Express N.V. exceeding 3%.

FOUNDATION

'Stichting Continuïteit TNT Express' (the 'Foundation') was established to promote the interests of TNT, the enterprise affiliated with TNT and all stakeholders involved. These objects include protecting TNT as much as possible from influences that are contrary to those interests and could jeopardise the continuity, independence or identity of those interests. The Foundation must endeavour to achieve these objects by acquiring and holding preference shares, and by exercising the rights attached to those preference shares. The objects of the Foundation do not entail the sale or encumbrance or other disposal of shares, with the exception of the sale to TNT or to another company assigned by and affiliated in a group with it, as well as the assistance in the repayment or withdrawal of preference shares.

The Foundation is an independent legal entity in the sense of section 5:71 paragraph 1 sub c of the Dutch Financial Markets Supervision Act.

To enable the Foundation to perform its duties, TNT has granted it a call option. When exercising the call option, the Foundation is entitled to subscribe to preference shares, consisting of the right to repeatedly subscribe for preference shares, up to a maximum corresponding with one hundred percent (100%) of the issued share capital in the form of ordinary shares as outstanding immediately prior to the exercise of the subscribed rights, less one preference share and minus any shares already held by the Foundation. The Foundation has the right to exercise the call option at any time either wholly or partly.

The Foundation may exercise the call option for certain reasons, including:
- to prevent, slow down or otherwise complicate an unsolicited takeover bid for, and an unsolicited acquisition of ordinary shares by means of an acquisition at the stock market or otherwise;
- to prevent and countervail concentration of voting rights in the general meeting of stakeholders; and
- to resist unwanted influence by and pressure from shareholders to amend the strategy of TNT;

and with respect to the foregoing, to give TNT the opportunity to consider and to explore possible alternatives and, if required, to work these out and to implement them, in the event an actual or threatening concentration of voting rights arises among the shareholders, which, according to the (provisional) judgment of the Executive Board and the Supervisory Board and the board of the Foundation, is considered to be unsolicited and not in the interest of TNT and its enterprise, and to enable TNT to do so by (temporarily) neutralising such concentration of voting rights.

As from six months after the issuance of the preference shares to the Foundation, the Foundation may require TNT to convene a general meeting of stakeholders to propose cancellation of the preference shares against repayment of the paid amount. If preference shares are issued, TNT must convene a general meeting of stakeholders, to be held no later than 12 months after the date on which the preference shares were issued for the first time or 60 days after the Foundation has demanded the cancellation of its preference shares. The agenda for that meeting of stakeholders must include a proposal for a resolution relating to the repurchase or cancellation of the preference shares.

TNT has granted the Foundation the right to file an application for an inquiry into the policy and the course of events of TNT with the Enterprise Chamber of the Amsterdam Court of Appeal (*'Ondernemingskamer'*). TNT believes that this may be a useful option, amongst others, in the period before the issuance of preference shares as it does not cause a dilution of the rights of other shareholders. To enable the Foundation to function properly, the Executive Board holds meetings with the board of the Foundation on a regular basis.

The members of the board of the Foundation are Mr Bouw (chairman), Mr Tiemstra and Ms Tonkens-Gerkema. All members are independent from TNT. The Foundation has its official seat in Amsterdam, the Netherlands, with its address at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands.

IV. REMUNERATION REPORT

REMUNERATION GOVERNANCE

The Supervisory Board proposes the remuneration policy for adoption by the general meeting of shareholders. The contracts of the members of the Executive Board are drawn up by the Supervisory Board in accordance with this policy. The Remuneration Committee is responsible for assessing and preparing the remuneration policy of the Executive Board. The committee prepares its proposals independently, after careful consideration. The Supervisory Board analyses possible outcomes of the variable income components and the effect on Executive Board remuneration. This analysis is conducted annually.

TNT's remuneration policy complies with all relevant Dutch legal requirements and the Dutch Corporate Governance Code. The single deviation from the best practice provisions of the Code relates to a change of control and is explained on page 46. In preparing the remuneration policy, the Remuneration Committee takes into account the difference between the highest paid and the lowest paid employee; and the remuneration of senior management reporting to the Executive Board, in order to ensure a consistent and aligned remuneration practice within TNT.

2015 REMUNERATION POLICY

The objective of the remuneration policy is to retain, motivate and attract qualified and high calibre members of the Executive Board, with an international mindset and background essential for the successful leadership and effective management of a large international company. The remuneration policy aligns the objectives of all stakeholders, is performance-based and aims to stimulate well-balanced long-term management behaviour. The remuneration policy of other senior management aligns with the remuneration policy of the Executive Board.

At the 2014 Annual General Meeting of Shareholders, the current TNT remuneration policy for members of the Executive Board was approved. The remuneration structure for members of the Executive Board is designed to balance short-term operational performance with the long-term objectives of TNT and value creation for its shareholders. The remuneration package consists of:

- base compensation;
- variable income: direct and deferred compensation (dependent on performance relative to preset company targets); and
- a pension allowance.

In order to provide a consistent review of the total level and structure of remuneration, the components of the remuneration package and the total compensation of the members of the Executive Board are benchmarked every three years against a European reference group (refer to the following table), with an additional assessment against a Dutch peer group, unless the Supervisory Board decides otherwise.

European reference group[1]	
1. Adecco SA	11. Kuehne + Nagel International AG
2. Atlantia SpA	12. Marks and Spencer Plc
3. Belgacom SA	13. National Express Group Plc
4. Bunzl Plc	14. Österreichische Post AG
5. Group Delhaize SA	15. Rentokil Initial Plc
6. DSV A/S	16. SAS AB
7. FirstGroup Plc	17. Securitas AB
8. G4S Plc	18. Serco Group Plc
9. International Airlines Group SA	19. Swisscom AG
10. Kering SA	20. TUI AG

[1]Companies included in the peer group of the 2013 benchmark.

The Dutch peer group consisted of all AEX-listed companies, excluding the two largest and two smallest companies, as well as companies in the financial sector. The last benchmark test was performed in 2013 by an external party.

Base compensation

The base salary component of the remuneration package is set at a median level when compared to the peer group benchmark data. The base salary policy permits the adjustment of salaries annually in line with the average increase in the collective labour agreements applicable to employees of the larger TNT entities in Europe.

Variable income

The variable income policy comprises the following instruments:
- short-term incentive;
- voluntary bonus/matching plan (equity) linked to short-term incentive proceeds; and
- equity-based long-term incentive (the 'TNT performance share plan') to ensure alignment with long-term value creation and the interest of shareholders (through the development of share price and dividend payments).

The 2015 short-term and long-term incentive plans for members of the Executive Board are aligned with the variable income programmes for senior management.

Short-term incentive

The annual short-term incentive opportunity amounts to 100% of the annual base compensation for 'on target' performance. The reward of the short-term incentive will be delivered as follows: 50% in cash and 50% in shares (locked-in for three years).

At the beginning of each year, the Supervisory Board sets the targets for the short-term incentive. The short-term incentive targets could consist of financial and non-financial focus areas. Results relating to the targets lead independently to a short-term incentive payout.

In order to qualify for the short-term incentive scheme, a member of the Executive Board is required to be in service on 31 December of the relevant year.

Bonus/matching plan

A member of the Executive Board may participate on a voluntary basis in the bonus/matching plan by investing a maximum of 50% of the gross payout of the short-term incentive of the previous year in shares. However, the investment in shares cannot be more than the net proceeds of the cash part of the bonus. After a three-year holding period, these shares will be matched on a one-to-one basis.

The matching of bonus shares occurs under the condition of continued employment and if at least 50% of the bonus shares is retained during the holding period.

Long-term incentive

The Supervisory Board can award conditional rights to shares to members of the Executive Board under the TNT performance share plan. The award is based on a value of 50% of the annual base compensation. The actual number of rights to shares granted is determined by dividing the available amount (50% annual base compensation) by the fair value of the right to a share according to IFRS.

The performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:
- 50% financial target: the total shareholder return (TSR) performance of the company will be measured on a three-year basis against the TSR of a peer group of all AEX companies (50% weighting) and of TNT's three main direct competitors (Deutsche Post DHL, FedEx and UPS) (50% weighting). During the three-year vesting period, the TSR data and risk profiles are compiled and reported as an index by an external data provider. After three years, the final performance of the company over the three-year period compared to the final performance of the peer group determines the number of shares to be vested as presented in the following table.

TSR performance vesting table

% difference TNT's performance vs index	% of total allocation of performance shares that vest
-20%	0.00%
-15%	6.25%
-10%	12.50%
-5%	18.75%
0%	25.00%
5%	31.25%
10%	37.50%
15%	43.75%
20%	50.00%

The performance schedule (sliding scale) is designed such that a TSR performance of the company at index level (0% difference) leads to a vesting of half of the maximum of the granted rights to shares.
- 50% non-financial target(s): consisting of target(s) considered most relevant for the company during the three-year vesting period.

The maximum number of shares that can vest under the plan amounts to 100% of the base allocation.

The Remuneration Committee advises the Supervisory Board on the actual number of performance shares that vest, which will be determined by the TSR performance over the three-year vesting period and the performance on the non-financial target(s) over three calendar years preceding the vesting date.

In compliance with the Dutch Corporate Governance Code, members of the Executive Board may not sell their matching shares or performance shares prior to the earlier of five years from the date of grant or the end of employment. However, any sale of shares with the intent of using the proceeds to pay for the tax relating to the allocation of these shares is exempted.

Pension

The remuneration policy provides for a pension allowance for members of the Executive Board in line with local practice.

Severance

The contractual severance payment for members of the Executive Board is summarised as follows:
- The TNT remuneration policy provides that severance payment other than related to a change of control is equal to one year's base compensation or a maximum of two years' base compensation in the first four-year term if one year is considered unreasonable.
- In the contracts of the members of the Executive Board, the severance payment for situations other than a change of control is limited to a maximum of one year's base compensation. For each of them, severance payment in the case of a change of control is equal to the sum of the last annual base compensation and pension contribution, plus the average bonus received over the last three years, multiplied by a maximum of two.

Other

The contracts of the members of the Executive Board include a 'claw-back' clause which will apply in case of an erroneous variable remuneration payout.

The Supervisory Board has the discretionary authority to decide on one-off payments to members of the Executive Board in special circumstances. Any such payments will be disclosed.

The Supervisory Board also has the discretionary authority to adjust the value of variable income components originally awarded, if the outcome proves to be unfair due to exceptional circumstances during the performance period.

TNT does not grant loans or guarantees, including mortgage loans, to members of the Executive Board.

TOTAL REMUNERATION – 2015

In 2015, members of the Executive Board received a base compensation, a variable component (short-term and long-term incentive), other periodic compensation, and contributions to pension allowances. Refer to note 19 in chapter 5 for more information.

Base compensation

The remuneration policy for members of the Executive Board permits the base compensation to be adjusted in line with the average increase in the collective labour agreements adopted by the larger TNT entities in Europe. Although the developments in the collective labour agreements allowed for an increase of the base compensation, the Supervisory Board decided that the annual base compensation for members of the Executive Board remained unchanged. The base compensation of members of the Executive Board has remained unchanged since 2011.

The 2015 annual base compensation for Mr Gunning and Mr De Vries amounted to €750,000 and €500,000, respectively.

Variable income

Short-term incentive

The 2015 short-term incentive focuses entirely on financial targets comprising:
- 70% company results
- 30% net cash flow

The reward for 'on target' performance amounts to 100% of the annual base compensation, which is the maximum entitlement.

The Supervisory Board has assessed and scored the 2015 performance against the set targets and objectives, and determined that the targets were not met. Therefore, no short-term incentive payout will occur.

Bonus/matching plan

In 2015, due to the fact that both Mr Gunning and Mr De Vries did not receive a 2014 short-term incentive, they were not eligible to participate in the bonus/matching plan.

Long-term incentive

On 29 April 2015, the Supervisory Board awarded conditional rights to shares to members of the Executive Board under the TNT performance share plan.

The 2015 performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:
- 50% financial target (for further information, refer to the remuneration policy above) measured on a three-year basis; and
- 50% non-financial target(s), for 2015: a customer satisfaction target measured on an annual basis. For 2015, the Supervisory Board has assessed the performance and determined that performance exceeded the set non-financial target level.

Pension

Members of the Executive Board receive a gross pension allowance. For Mr Gunning and Mr De Vries, a monthly gross pension allowance of 25% of their monthly base compensation is made available.

Mr Gunning and Mr De Vries do not participate in the TNT pension scheme.

Severance

The contractual severance payments for both Mr Gunning and Mr De Vries are in line with the remuneration policy.

Other

For the 2015 remuneration policy, the Supervisory Board had proposed to introduce shareholding guidelines, under which executives would be required to build up a minimum ownership of company shares. Such amendment of the remuneration policy would be submitted for approval to the Annual General Meeting of Shareholders. However, in view of the intended acquisition by FedEx, the proposal to introduce shareholding guidelines was withdrawn from the agenda of the 8 April 2015 meeting.

According to the remuneration policy, the contracts of Mr Gunning and Mr De Vries include a 'claw-back' clause, which will apply in case of an erroneous variable remuneration payout.

TNT has not granted loans or guarantees, including mortgage loans, to members of the Executive Board. There are no loans outstanding.

2016 REMUNERATION POLICY

On 7 April 2015, FedEx and TNT jointly announced the all-cash public offer from FedEx, to purchase all of the shares of TNT to acquire the company, subject to the terms, conditions and restrictions as set forth in the related Offer Memorandum, dated 21 August 2015.

The following has been agreed with regards to the remuneration of the Executive Board members:
- Until settlement the existing remuneration policy will continue to be effective and therefore there will be no changes in the remuneration of the Executive Board members.

- In line with the approved remuneration policy, the Supervisory Board has set challenging performance targets for the 2016 short-term incentive. In view of the FedEx Offer, which is expected to close in the first half of 2016, the Supervisory Board will at Settlement Date determine the achievement of the interim performance against the targets set, and if justified, award a pro rata short-term incentive in cash, to the members of the Executive Board.

- Mr Gunning will resign as Executive Board member upon settlement of the FedEx Offer, notwithstanding his ongoing involvement as a member of the Integration Committee for a period of six months following the Settlement Date. Post settlement, Mr Gunning's base compensation and pension allowance will not change compared to his current entitlements and he will not be entitled to any variable income.

- Mr De Vries will remain on the Executive Board of TNT after settlement for a period of six months, after which his contract will be terminated. In addition, following settlement his compensation will no longer have a variable component and he will therefore, from that moment on, not be entitled to participate in the applicable variable income policy. With regard to Mr De Vries' continued role as member of the Executive Board, transitional CFO, and member of the Integration Committee for a period of six months post settlement, it was approved at the Extraordinary Meeting of Shareholders held on 5 October 2015, to grant Mr De Vries, instead of the variable income components, a one-off retention bonus of €250,000 gross, payable six months following the Settlement Date. This implies a change to the remuneration policy, which is subject to the condition that the FedEx Offer is declared unconditional and settlement has taken place, and will be effective as per the Settlement Date. Post settlement, Mr De Vries' base compensation and pension allowance will not change.

- Following settlement, in line with the remuneration policy as approved by the general meeting of shareholders, Mr Gunning and Mr De Vries qualify for a change in control severance payment equal to the sum of the last annual base compensation and pension contribution, plus the average bonus received over the last three years, multiplied by two. The change in control severance payment will be paid as per the Settlement Date. TNT will fully comply with the act on severance payments (article 32bb Dutch Wage Tax Act 1964 – *'Wet op de loonbelasting 1964'*).

- As published in the Offer Memorandum and in accordance with the applicable plan rules: (i) all share rights held by the Executive Board members will vest on the Settlement Date, provided that for the 2015 share rights, vesting will occur and become payable on a time pro rata parte basis up to the Settlement Date (calculated on a monthly basis); and (ii) the vesting will be settled in cash rather than in shares, based on the offer price.

- It has been decided that TNT will fully apply the Dutch law requirements for listed companies regarding the elimination of personal gain in the case of a change in control under the claw-back and ultimum remedium act ('claw-back act') to the cash-settled vesting of the equity rights held by the Executive Board members.

For completeness sake, no additional bonus entitlement or similar will be paid to the members of the Executive Board in relation to a successful closure of the intended acquisition by FedEx.

REMUNERATION – SUPERVISORY BOARD

According to the TNT remuneration policy, the remuneration of members of the Supervisory Board comprises base pay and meeting fees. For meetings of the committees of the Supervisory Board, members receive a fee per attended meeting. Members of the Supervisory Board do not receive meeting fees for regular Supervisory Board meetings. However, meeting fees are paid for Supervisory Board meetings over and above the usual business calendar in order to compensate for the additional workload. The meeting fee for an additional meeting amounts to €2,500 for the chairman and €1,500 for the other members of the Supervisory Board.

In 2015, the level of the remuneration of the Supervisory Board remained unchanged. The compensation of the members of the Supervisory Board will be benchmarked every three years. The 2015 remuneration for the Supervisory Board is set out in the following table:

Remuneration - Supervisory Board

		Base fee	Additional meeting fee
	Chairman	60,000	2,500
	Member	45,000	1,500

Committees		Regular meeting fees
Audit	Chairman	2,500
Remuneration	Member	1,500
Chairman's and Nomination	Chairman	1,500
	Member	1,000

(in €)

The fixed travel allowance for intercontinental travel by any member of the Supervisory Board domiciled outside Europe is €2,500 for every meeting attended. For members domiciled in Europe, outside the Netherlands, the travel allowance is €1,500 for every meeting attended.

Members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with TNT. Members of the Supervisory Board do not receive any severance payments in the event of termination or removal by the general meeting of shareholders. TNT does not grant loans, including mortgage loans or guarantees, to any member of the Supervisory Board.

Refer to note 19 in chapter 5 for more information on the remuneration of the members of the Supervisory Board.

In view of the intended acquisition by FedEx, subject to the condition that the FedEx Offer is declared unconditional, the following was agreed at the Extraordinary General Meeting of Shareholders on 5 October 2015:

- Mr Burgmans, Ms Harris, Mr King and Mr Vollebregt will voluntarily step down as members of the Supervisory Board effective as per the Settlement Date.
- Mr Levy and Ms Scheltema will both remain on the Supervisory Board and will be regarded as independent within the meaning of the Dutch Corporate Governance Code. The independent members will continue to serve on the Supervisory Board for at least three years as of the commencement of the FedEx Offer. They will be charged particularly with monitoring the compliance with the non-financial covenants in relation to the FedEx Offer and will have certain veto rights with respect to the non-financial covenants and post-offer restructuring that could lead to dilution or unequal treatment of minority shareholders.
- The following three persons, identified by FedEx, have been appointed as Supervisory Board members of TNT post settlement: Mr Cunningham, Ms Richards and Mr Bronczek (chairman).

V. RISK MANAGEMENT

Doing business inherently involves taking risks. By managing these risks, TNT strives to secure a sustainable performance. Therefore, TNT operates a risk management framework that allows management to tolerate risks in a controlled manner, which is an essential element of its corporate governance and strategy development.

The Executive Board, supported by senior management and dedicated risk management employees, is responsible for identifying, prioritising and mitigating risks and for the establishment and maintenance of a robust risk management system. In 2015, risks and uncertainties that had an important impact on TNT have been disclosed in the respective sections within this annual report, particularly in the Report of the Executive Board. Refer to chapter 1 for more information.

RISK MANAGEMENT FRAMEWORK

TNT has embedded the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004) as the foundation of its risk management framework. Through the company's risk management framework and control systems (as described in section III), the Executive Board aims to provide reasonable assurance that strategic and business objectives can be achieved. The Executive Board reviews the risk management framework and the company's main risks on a regular basis. For those risks deemed to be material, comprehensive mitigating action plans are developed and reviewed on a quarterly basis to ensure that these are sufficient. At least annually, the Executive Board discusses its risk management framework and company risks with the Audit Committee and the Supervisory Board as well as with the external auditor.

Risk appetite

The Executive Board formalised the risk appetite of TNT using the COSO-ERM risk categories and determined that the risk appetite varies between zero and moderate depending on the risk category:

Risk appetite table

Risk category	Category description	Risk appetite
Strategic risk	Risk relating to prospective earnings and capital arising from strategic changes in the business environment and from adverse strategic business decisions.	Moderate
Operational risk	Risk relating to current operational and financial performance and capital arising from inadequate or failed internal processes, people and systems or external events.	Low - moderate
Financial risk	Risk relating to financial loss due to the financial structure, cash flows and financial instruments of the business (including capital structure, insurance and fiscal structure) which may impair its ability to provide an adequate return.	Low
Compliance risk	Risk resulting from non-compliance with relevant laws and regulations (including health and safety), internal policies and procedures.	Zero - low tolerance

Throughout 2015, the company reviewed its risk profile on a regular basis. As input, the Executive Board used the outcome of the risk assessments performed with the members of the Management Board, functional areas, entities and the project teams managing key strategic projects.

Risk factors

This section describes the main risks TNT is facing as outlined in section IV of chapter 1. Risks have been classified by the COSO-ERM risk categories and divided into specific and inherent risks. Specific risks are risks that the Executive Board believes could negatively impact short-term to medium-term objectives. Inherent risks are risks that are constantly present in the business environment and are considered sufficiently material to require disclosure and management.

Summary of main risks

	Specific risks	Inherent risks
Strategic risks	– Risks related to execution of strategy, restructuring or other change management programmes – Risks related to closure or disposal of certain businesses	– Deterioration of economic conditions – Changing customer preferences or shipping patterns – Intensifying competition in the CEP market
Operational risks	– Inaccurate forecasting of infrastructure requirements – Loss of/unavailability of suitable key suppliers or subcontractors – Failures in key infrastructures and networks – Potential impact of accidents and incidents	– Increase in security requirements – Volatility in fuel prices and energy costs
Financial risks	– Inadequate insurance coverage	– Volatility in the financial market
Compliance risks		– Negative exposure from (changes in) regulatory, political and other environments – Non-compliance with company policies, and/or external laws and regulations – Negative outcome of various claims and lawsuits

TNT assesses risks according to their impact, net of the related mitigating actions. The resulting impact could comprise a material direct or indirect adverse effect on TNT's business, operations, volumes, financial condition and performance, reputation and/or other interests.

The risks listed are not exhaustive, and additional risks and uncertainties not presently known to TNT or that it currently deems immaterial, may also have or develop a material adverse effect on its business, operations, financial condition or performance, or other interests. Similarly, the mitigating actions mentioned are not exhaustive, may be ineffective and may be adjusted from time to time, and their inclusion in this section does not create any legal obligation for the company. The sequence in which these risks and mitigating actions are presented in no way reflects any order of importance, chance or materiality.

Strategic risks

Risk description	Mitigating action
Risks associated with the execution of strategy, restructuring or other change management programmes could affect TNT's revenue, profitability and financial position Identified risks: – Reduced benefits due to design failures or inaccurate estimates of revenue benefits and/or cost savings – Reduced investments compared to plan, impacting the overall (revenue) benefits and/or cost savings – Unexpected costs (including impairment of intangible or tangible assets), liabilities and cash outflows – Negative staff or supplier reactions (including strikes and work stoppages) – Management distraction due to organisational and other changes – Failure to retain and attract key employees – Inadequate IT capacity and capability – Deficiencies in the control environment	– Involving qualified senior management and personnel in all major projects – Closely monitoring restructuring programmes by a dedicated programme office that tracks progress and plans resources which enables timely adjustments – Proactively involving employee representative bodies at an early stage – Developing employee engagement, maintaining and investing in professional learning and development programmes – Utilising structured succession planning and development of future leaders – Increasing investments in IT and diversification of the IT supply base (including development of alternative providers)
Risks associated with closure or disposal of certain businesses could affect TNT's revenue, profitability and financial position Identified risks: – Unexpected costs (including impairment of intangible or tangible assets), liabilities and cash outflows – Business disruption – Loss of key relationships – Loss of management and staff in affected businesses – Inability to sell business held for sale	– Carefully analysing, planning and executing closure or divestment proposals – Monitoring execution by senior management – Maintaining ongoing communication with key customers and suppliers – Maintaining transparent and frequent communication with management and staff – Paying continued attention to business performance during the disposal process
Deterioration of the economy, either globally or in specific geographies could affect TNT's revenue and profitability Identified risks: – High volatility and/or prolonged downturns in regions in which TNT operates, causing decline in demand for express volumes and/or significant changes in product mix – Customers' or suppliers' solvency problems	– Closely monitoring all market developments – Implementing profit improvement programmes and other cost reducing initiatives – Further expanding TNT's flexible cost base – Diversifying suppliers and subcontractors – Actively monitoring customers' and suppliers' solvency
Changing customer preferences or shipping patterns could affect TNT's revenues and profitability Identified risks: – Further shift in volumes, for example from Express to Economy Express or from B2B to B2C services – Inability to realise the targeted customer mix – Loss of customers if service offering no longer matches their demands – Inadequate cover of changing trade lanes	– Monitoring trends and shipping patterns – Maintaining close contact with customers – Flexibility to adjust network and local operations to meet new service requirements – Operating a company-wide service delivery improvement programme – Enhancing the company's Economy Express service offering – Building a selective service offering for B2C – Developing and maintaining access to third-party suppliers with complementary capabilities

Strategic risks (continued)

Risk description	Mitigating action
Intensifying competition in the CEP market may put downward pressure on volumes and prices Identified risk: – Targeted actions by global or low-cost competitors	– Monitoring markets and competitors – Implementing cost reductions to increase competitiveness – Establishing country level Strategic Pricing Reviews to support a market based approach – Focusing on yield improvement activities

Operational risks

Risk description	Mitigating action
Inaccurate forecasting of infrastructure requirements, such as road and air hubs, aircraft, vehicles, depots and IT, could result in excess or insufficient capacity and affect TNT's profitability Identified risks: – Cost of excess capacity – Opportunity costs of capacity constraints (growth constraints, operational disruptions, inability to meet contractual commitments, contingencies) – Inadequate airport slots, air traffic control slots, and operating flexibility	– Forecasting volumes for short, medium and long term – Developing alternative uses for capacity – Maintaining consistent, cross-functional budgeting and forecasting cycles – Sourcing from multiple suppliers locally and globally – Working with subcontractors and other third-party suppliers that have the ability to adjust their capacity in the short term – Executing network planning as core competency, with designated managers on a global and regional level
Loss of /the unavailability of key suppliers and subcontractors could impact TNT's ability to deliver Identified risks: – Dependency on a key supplier or subcontractor who turns insolvent or bankrupt – Asymmetric negotiations with a key supplier due to dependency	– Sourcing from multiple suppliers – Implementing contingency plans to enable seamless transfer to alternative suppliers – Screening and monitoring suppliers closely – Utilising longer-term contractual arrangements where appropriate
TNT's services are time-critical. Network and IT disruptions in key infrastructure facilities may lead to its inability to deliver according to customer expectations and contractual obligations Identified risks: – Disruption or breakdown of concentrated (hub) infrastructure facilities, owned or third party – Disruption in subcontractor operations – Failure of IT infrastructure and applications	– Actively monitoring and identifying potentially disruptive events – Investing in preventive measures – Implementing business continuity plans – Maintaining a global and local crisis response organisation including back-up facilities and networks
Accidents and incidents resulting in fatalities, injuries or damages could negatively impact TNT's operations, profitability and/or reputation Identified risks: – Road traffic accidents – Aircraft accidents – Incidents from the transport of (hazardous) materials – Loss of consignments	– Investing in fleet, systems, procedures and training relating to operational processes, health and safety – Complying with external and internal health and safety rules and policies – Reporting and analysing all accidents and incidents, ensuring continuous improvement – Executing a company-wide health and safety improvement programme and promoting a safety culture

Operational risks (continued)

Risk description	Mitigating action
A terrorist attack or increased security requirements could negatively affect TNT's profitability and/or reputation Identified risks: – Staff or third-party injuries or fatalities due to terrorist attack – Costs or operating restrictions due to additional or changing rules and regulations for the transportation industry – Criminal acts against TNT which puts staff, property or customer consignments at risk	– Strictly adhering to security policies, processes, procedures and systems (including supporting training, monitoring and auditing) – Investing in security personnel and equipment – Maintaining a continuous dialogue with authorities and participating in industry associations on changes in security rules
Volatility in the price of fuel, energy or CO_2 emission rights may adversely affect TNT's operations and/or profitability Identified risk: – Large dependency on road and air transportation	– Implementing company-wide fuel and energy efficiency measures – Ensuring application of fuel surcharges to mitigate cost impact – Renegotiate and amend supplier contracts to include a fuel index, creating a 'natural hedge'

Financial risks

Risk description	Mitigating action
Inadequate insurance coverage could affect TNT's profitability Identified risk: – Size and scope of insurance policy is inadequate to meet nature or size of damage claims	– Utilising an in-house captive insurance company for additional coverage – Continuous review of possible exposures and insuring 'catastrophe exposures' externally – Retaining several external insurers with a rating of A or higher
Volatility and unfavourable movements of the financial markets may have a negative impact on TNT's ability to fund and cost of funding Identified risks: – Fluctuations in exchange rates and interest rates – Downgrade of TNT's credit ratings – Break-up of/change of eurozone and its currency	– Monitoring of capital investments in context of capital structure – Maintaining hedging arrangements to limit intragroup and external financial currency and interest exposures. Operational foreign currency cash flow exposures are mostly not hedged – Maintaining headroom under committed longer-term revolving credit facilities – Striving for a solid capital structure reflected in a long-term credit rating target of BBB+ by S&P and Baa1 by Moody's – Continuous monitoring of political and capital market developments – Refer to note 29 in chapter 5

Compliance risks

Risk description	Mitigating action
TNT's global presence exposes it to a variety of regulatory, political and other environments which may affect its business and operations Identified risks: – Changes in regulatory requirements, practices and procedures, in areas such as transportation, trade, anti-trust, labour, data protection, business licensing, foreign ownership, health and safety, taxes, limited liability for loss, export controls, sanctions, customs and security – Unfavourable policies and regulations related to environment and climate change – Restrictions on the use of vehicles during parts of the day or week – Underdeveloped judiciary and legal infrastructure in specific emerging markets	– Monitoring and adapting to relevant (changes in) rules and regulations – Maintaining a dialogue with authorities and participating in industry associations – Implementing a company-wide compliance system, including training and reporting procedures
Non-compliance with internal policies and/or external laws and regulations by employees, subcontractors or third-party suppliers could result in financial losses, loss of customers, sanctions or reputational damage Identified risks: – Unwanted involvement in anti-competitive actions – Non-compliance with applicable social security or fiscal regulations – Classification of subcontractors or their employees as employees of TNT	– Maintaining company-wide business principles, control frameworks, compliance policies, guidelines and integrity programmes including representations and training, audits and complaints procedures – Communicating and implementing business principles and related guidelines towards subcontractors and third-party suppliers – Maintaining a global whistleblower procedure
The nature of its business exposes TNT to the potential for claims and litigations in a wide variety of areas, **which could affect TNT's profitability and reputation** Identified risks: – Claims from/litigations by partners or third parties in relation to partnerships or potential partnerships, acquisitions or divestments – Customers claiming contractual obligations have not been met – Claims from public authorities and other third parties in relation to TNT's local operations – TNT may be held liable for PostNL obligations outstanding at the date of the demerger of TNT N.V. in 2011	– Maintaining company-wide business principles, legal and other control frameworks, compliance policies, guidelines and integrity programmes including representations and training, audits and complaints procedures – Investing in operational excellence – Reporting quarterly material contracts and claims and litigations – Centrally involving senior management in claim and litigation resolution

CHAPTER 5 STATEMENTS

I. FINANCIAL STATEMENTS

Consolidated statement of financial position

	Notes	31 December 2015	variance %	31 December 2014
Assets				
Non-current assets				
Intangible assets	(1)			
Goodwill		1,006		1,007
Other intangible assets		136		110
Total		1,142	2.2	1,117
Property, plant and equipment	(2)			
Land and buildings		425		441
Plant and equipment		314		204
Aircraft		119		156
Other		80		87
Construction in progress		57		50
Total		995	6.1	938
Financial fixed assets	(3)			
Investments in associates and joint ventures		18		17
Other loans receivable		2		2
Deferred tax assets	(23)	172		198
Other financial fixed assets		13		14
Total		205	(11.3)	231
Pension assets	(10)	3		4
Total non-current assets		2,345	2.4	2,290
Current assets				
Inventory	(4)	10		11
Trade accounts receivable	(5)	1,050		968
Accounts receivable	(5)	140		127
Income tax receivable	(23)	53		46
Prepayments and accrued income	(6)	149		182
Cash and cash equivalents	(7)	464		652
Total current assets		1,866	(6.0)	1,986
Assets held for disposal	(8)	19		1
Total assets		4,230	(1.1)	4,277
Liabilities and equity				
Equity	(9)			
Equity attributable to the equity holders of the parent		2,196		2,180
Non-controlling interests		5		12
Total equity		2,201	0.4	2,192
Non-current liabilities				
Deferred tax liabilities	(23)	5		10
Provisions for pension liabilities	(10)	206		222
Other provisions	(11)	87		94
Long-term debt	(12)	103		166
Accrued liabilities		6		4
Total non-current liabilities		407	(17.9)	496
Current liabilities				
Trade accounts payable		491		471
Other provisions	(11)	89		218
Other current liabilities	(13)	377		290
Income tax payable	(23)	25		52
Accrued current liabilities	(14)	640		558
Total current liabilities		1,622	2.1	1,589
Liabilities related to assets held for disposal	(8)	0		0
Total liabilities and equity		4,230	(1.1)	4,277

(in € millions, except percentages)

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

Consolidated income statement

Year ended at 31 December	Notes	2015	variance %	2014
Net sales	(15)	6,674		6,472
Other operating revenues	(16)	240		208
Total revenues		6,914	3.5	6,680
Other income/(loss)	(17)	4		17
Cost of materials		(347)		(407)
Work contracted out and other external expenses		(3,897)		(3,623)
Salaries and social security contributions	(18)	(2,095)		(2,126)
Depreciation, amortisation and impairments	(20)	(201)		(210)
Other operating expenses	(21)	(340)		(417)
Total operating expenses		(6,880)	(1.4)	(6,783)
Operating income/(loss)		38		(86)
Interest and similar income		15		12
Interest and similar expenses		(49)		(36)
Net financial (expense)/income	(22)	(34)	(41.7)	(24)
Results from investments in associates and joint ventures	(3)	7		7
Profit/(loss) before income taxes		11		(103)
Income taxes	(23)	(67)		(87)
Profit/(loss) for the period		(56)	70.5	(190)
Attributable to:				
Non-controlling interests		(6)		5
Equity holders of the parent		(50)	74.4	(195)
Earnings per ordinary share (in € cents)[1]		(9.1)		(35.7)

[1]Based on an average of 548,649,122 outstanding ordinary shares (2014: 546,396,949). Refer to note 31.

(in € millions, except percentages and per share data)

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

Consolidated statement of comprehensive income

Year ended at 31 December	2015	variance %	2014
Profit/(loss) for the period	(56)	70.5	(190)
Other comprehensive income that will not be reclassified to the income statement			
Pensions: Actuarial gains/(losses), before income tax	25		(146)
Income tax on pensions	(6)		37
Other comprehensive income items that are or may be reclassified to the income statement			
Gains/(losses) on cash flow hedges, before income tax	8		7
Income tax on gains/(losses) on cash flow hedges	(3)		(2)
Currency translation adjustment, before income tax	57		84
Income tax on currency translation adjustment	0		0
Other comprehensive income for the period net of tax	81		(20)
Total comprehensive income for the period	25		(210)
Attributable to:			
Non-controlling interests	(6)		5
Equity holders of the parent	31		(215)

(in € millions, except percentages)

Consolidated statement of cash flows

Year ended at 31 December	Notes	2015	variance %	2014
Profit/(loss) before income taxes		11		(103)
Adjustments for:				
Depreciation, amortisation and impairments		201		210
Amortisation of financial instruments/derivatives		2		2
Share-based compensation		(3)		5
Investment income:				
(Profit)/loss of assets held for disposal	(17)	(3)		(7)
(Profit)/loss on sale of Group companies		(1)		(7)
Interest and similar income		(15)		(12)
Foreign exchange (gains) and losses		9		5
Interest and similar expenses		40		31
Results from investments in associates and joint ventures		(7)		(7)
Changes in provisions:				
Pension liabilities		2		(10)
Other provisions		(86)		89
Changes in working capital:				
Inventory		1		0
Trade accounts receivable		(79)		(2)
Accounts receivable		(13)		(16)
Other current assets		(2)		(28)
Trade accounts payable		16		29
Other current liabilities excluding short-term financing and taxes		36		67
Cash generated from operations		109	(55.7)	246
Interest paid		(39)		(31)
Income taxes received/(paid)		(76)		(109)
Net cash from/(used in) operating activities	(24)	(6)		106
Interest received		15		12
Acquisition of subsidiaries and joint ventures		0		(1)
Disposal of subsidiaries and joint ventures		2		39
Capital expenditure on intangible assets		(64)		(43)
Disposal of intangible assets		1		2
Capital expenditure on property, plant and equipment		(245)		(147)
Proceeds from sale of property, plant and equipment		38		14
Cash from financial instruments/derivatives		68		19
Other changes in (financial) fixed assets		19		(17)
Dividends received		7		5
Net cash from/(used in) investing activities	(25)	(159)	(35.9)	(117)
Proceeds from long-term borrowings		2		12
Proceeds from short-term borrowings		52		40
Repayments of short-term borrowings		(42)		(44)
Repayments of finance leases		(22)		(20)
Dividends paid		(12)		(21)
Net cash from/(used in) financing activities	(26)	(22)	33.3	(33)
Total changes in cash	(27)	(187)		(44)

(in € millions, except percentages)

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

Consolidated statement of changes in equity

	Issued share capital	Additional paid-in capital	Legal reserves	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2013	44	2,647	(84)	(69)	(125)	2,413	7	2,420
Profit/(loss) for the period					(195)	(195)	5	(190)
Other comprehensive income/(loss)			89	(109)		(20)		(20)
Total comprehensive income/(loss)			89	(109)	(195)	(215)	5	(210)
Final dividend previous year		(7)				(7)		(7)
Interim dividend		(15)				(15)		(15)
Compensation retained earnings		(125)			125			
Legal reserves reclassifications			7	(7)				
Share-based payments				5		5		5
Stock dividend	0	(0)						
Other				(1)		(1)		(1)
Total direct changes in equity	0	(147)	7	(3)	125	(18)		(18)
Balance at 31 December 2014	44	2,500	12	(181)	(195)	2,180	12	2,192
Profit/(loss) for the period					(50)	(50)	(6)	(56)
Other comprehensive income/(loss)			62	19		81		81
Total comprehensive income/(loss)			62	19	(50)	31	(6)	25
Final dividend previous year		(12)				(12)		(12)
Compensation retained earnings		(195)			195			
Legal reserves reclassifications			12	(12)				
Share-based payments				(5)		(5)		(5)
Stock dividend	0	(0)						
Other				2		2	(1)	1
Total direct changes in equity	0	(207)	12	(15)	195	(15)	(1)	(16)
Balance at 31 December 2015	44	2,293	86	(177)	(50)	2,196	5	2,201

(in € millions)

Refer to the accompanying notes 9 and 38 for further details on equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION AND DESCRIPTION OF THE BUSINESS

TNT Express N.V. is a public limited liability company domiciled in Amsterdam, the Netherlands. The consolidated financial statements include the financial statements of TNT Express N.V. and its consolidated subsidiaries (hereafter referred to as ‘TNT’, ‘Group’ or ‘the company’). The company was incorporated under the laws of the Netherlands and is listed on Euronext Amsterdam.

For purposes of these consolidated financial statements, ‘TNT’ refers to the company and its subsidiaries.

TNT operates in the Courier, Express and Parcel (CEP) market and collects, transports and delivers documents, parcels and palletised freight on a day-definite or time-definite basis. Its services are primarily classified by the speed, distance, weight and size of consignments. Whereas the majority of its shipments are between businesses (B2B), TNT also offers business-to-consumer (B2C) services to select key customers.

The consolidated financial statements have been authorised for issue by TNT’s Executive Board and Supervisory Board on 16 February 2016 and are subject to adoption by the Annual General Meeting of Shareholders on 6 April 2016.

Segment information

In February 2014, as part of *Outlook*, and its *Organise to Win* initiative, TNT announced that its management structure would be further updated to create focused and accountable units, as such this led to a change in operating segments and subsequently to a change in reportable segments to: International Europe, International AMEA, Domestics and Unallocated, effective 1 October 2014.

- The International Europe reportable segment is centrally led with integrated responsibility across Europe.
- The International Asia, Middle East, Africa reportable segment is managed separately but operates in close co-operation with International Europe.
- The Domestics reportable segment includes the domestic operations in France, Italy and the United Kingdom, as well as Brazil, Chile, Argentina, Australia and New Zealand. The domestic entity creates a dedicated focus on domestic operations, whilst keeping the synergies with the international activities.
- The Unallocated segment consists of Other Networks (TNT Innight), Central Networks (European Road Network and European Air Network), IT and the TNT Head Office.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements of TNT have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union. IFRS includes the application of International Financial Reporting Standards and International Accounting Standards (IAS), related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). The consolidated financial statements have been prepared under the historical cost convention except for financial instruments and assets held for disposal.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying TNT’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the ‘Critical accounting estimates and judgments in applying TNT’s accounting policies’ section.

The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments thereon and the IFRIC has issued certain interpretations. The impact of changes, when adopted by the European Union, on TNT’s consolidated financial statements has been assessed.

Changes in accounting policies and disclosures

a) New and amended standards and interpretations adopted by TNT

- IFRIC 21, *'Levies'*, provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' and those where the timing and amount of the levy is certain. As of 1 January 2015, TNT has adopted IFRIC 21. This did not have a material impact on the consolidated financial statements.

- IAS 19, *'Employee Benefits'* has been amended regarding treatment of employee contributions in defined benefit plans. The amendment aims to simplify the calculation of employee contributions. As of 1 January 2015, TNT has adopted the amendment. This did not have a material impact on the consolidated financial statements.

b) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2015 and are not early adopted by TNT. The items applicable are presented below:

- IFRS 9, *'Financial Instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018, with early adoption permitted. TNT is yet to assess the impact of IFRS 9.

- IFRS 15, '*Revenue from Contracts with Customers'*, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 was issued in May 2014 and an amendment on the effective date was issued in September 2015. The standard replaces existing revenue recognition guidance, including IAS 18 '*Revenue'*, IAS 11 '*Construction Contracts'* and IFRIC 13 '*Customer Loyalty Programmes'*. The standard is effective for accounting periods beginning on or after 1 January 2018, with early adoption permitted. TNT is yet to assess the impact of IFRS 15.

- IFRS 16, '*Leases*', replaces the existing guidance in IAS 17 '*Leases'*. IFRS 16 was issued in January 2016, and eliminates the dual accounting model for lessees, bringing most leases on-balance in the financial statements of the lessee. The standard is effective for accounting periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 '*Revenue from Contracts with Customers'* is also adopted. TNT is yet to assess the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Consolidation

The consolidated financial statements include the financial numbers of TNT Express N.V. and its subsidiaries, associates and joint ventures and have been prepared using uniform accounting policies for similar transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. A complete list of subsidiaries, associates and joint ventures included in TNT's consolidated financial statements is filed for public review at the Chamber of Commerce in Amsterdam. This list has been prepared in accordance with the provisions of article 379 (1) and article 414 of Book 2 of the Dutch Civil Code.

As the financial statements of TNT Express N.V. are included in the consolidated financial statements, the corporate income statement is presented in an abridged form (article 402 of Book 2 of the Dutch Civil Code).

Subsidiaries, associates and joint ventures

Subsidiaries are all entities (including structured entities) over which TNT has control. TNT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to TNT. They are deconsolidated from the date that control ceases.

An associate is an entity that is neither a subsidiary nor an interest in a joint venture, over which commercial and financial policy decisions TNT has significant influence. Significant influence is the power to participate in financial and operating policy decisions of an entity but is not control or joint control over those policies. TNT's share of results of all significant associates is included in the income statement using the equity method. The carrying value of TNT's share in associates includes goodwill on acquisition and changes to reflect TNT's share in net earnings of the respective companies, reduced by dividends received. TNT's share in non-distributed earnings of associates is included in net investment. When TNT's share of any accumulated losses exceeds the acquisition value of the shares in the associates, the book value is reduced to zero and the reporting of losses ceases, unless TNT is bound by guarantees or other undertakings in relation to the associate.

A joint venture is a contractual arrangement whereby TNT and one or more other parties undertake an economic activity subject to joint control. Joint ventures in which TNT participates with other parties are accounted for in the same manner as associates, using the equity method.

Business combinations

TNT applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred over the fair value of TNT's share of the identifiable net assets of the subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of TNT's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

TNT treats transactions with non-controlling interests as transactions with equity owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When TNT ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in income statement. The fair value of the investment at the date on which it ceases to be an associate or a joint venture is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if TNT had directly disposed of the related assets or liabilities. This could lead to a reclassification of amounts previously recognised in other comprehensive income to the income statement.

Losses applicable to the non-controlling interest in excess of its share of the subsidiary's equity are allocated against TNT's interests except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with TNT's accounting policies.

Functional currency and presentation currency

Items included in the financial statements of all TNT's entities are measured using the currency of the primary environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the functional and presentation currency of TNT.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using year-end exchange rates.

Foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement, except for qualifying cash flow hedges and qualifying net investment hedges that are directly recognised in equity.

Foreign operations

The results and financial position of all TNT entities (none of which has the currency of a hyperinflationary economy) with a functional currency different from the presentation currency are translated into the presentation currency as follows:
- assets and liabilities are translated at the closing exchange rate;
- income and expenses are translated at average exchange rates; and
- the resulting exchange differences based on the different ways of translation between the statement of financial position and the income statement are recognised as a separate component of equity (translation reserve).

Foreign currency exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by TNT. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

Goodwill is recognised as an asset and, although it is not amortised, it is reviewed for impairment annually and whenever there is a possible indicator of impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill is carried at cost less accumulated impairment losses. On disposal of an entity any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous historical values, as no adjustment was required on transition. These have also been subject to impairment tests at that date and will continue to be, at least, annually.

Other intangible assets

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

Software under construction is reclassified when it is ready for use and is subsequently amortised using the straight-line method over its estimated useful life. Other intangible assets are valued at historical cost less amortisation and impairment.

Property, plant and equipment

Property, plant and equipment are valued at historical cost using a component approach, less depreciation and impairment losses. In addition to the costs of acquisition, the company also includes costs of bringing the asset to its working condition, handling and installation costs, dismantling costs and non-refundable purchase taxes. Under the component approach, each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life is reviewed and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Land is not depreciated. System software is capitalised and amortised as a part of the tangible asset for which it was acquired to operate, because the estimated useful life is inextricably linked to the estimated useful life of the associated asset.

Leases of property, plant and equipment are classified as finance leases if the company bears substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long-term debt. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Impairment of goodwill, intangible assets and property, plant and equipment

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset might be impaired.

For the purposes of assessing impairment, assets are grouped by cash-generating unit (CGU), the lowest level at which there are separately identifiable cash flows. For impairment testing of goodwill, the group of CGUs is defined as the lowest level where goodwill is monitored for internal purposes. This level may be higher than the level used for testing other assets, but is not at a higher level than an operating segment.

If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the fair value less cost of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific CGUs before impairment testing. The allocation of corporate assets is based on the contribution of those assets to the future cash flows of the CGU under review. Goodwill following the acquisition of associates and joint ventures is not separately recognised or tested for impairment.

Impairment losses recognised for goodwill are not reversed in a subsequent period.

Finite-lived intangible assets and property, plant and equipment

At each balance sheet date, TNT reviews the carrying amount of its finite-lived intangible assets and property, plant and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the assets is estimated in order to determine the extent, if any, of the impairment loss. An asset is impaired if the recoverable amount is lower than the carrying amount. The recoverable amount is defined as the higher of an asset's fair value less costs of disposal and its value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in the income statement. Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Financial assets and liabilities

TNT classifies financial assets and liabilities into the following categories:
- financial assets and liabilities at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets; and
- financial liabilities measured at amortised cost.

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

Financial assets and liabilities at fair value through profit or loss

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

Measurement at fair value requires disclosure of measurement methods based on the following fair value measurement hierarchy:
- Level 1: Quoted prices (unadjusted) in active markets
- Level 2: Inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from prices)
- Level 3: Inputs not based on observable market data

Financial assets and financial liabilities at fair value through profit or loss are initially recorded at fair value and subsequently remeasured at fair value in the statement of financial position. TNT designates certain derivatives as: hedges of the fair value of recognised assets and liabilities of a firm commitment (fair value hedge); hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge); or hedges of a net investment in a foreign operation (net investment hedge).

If a derivative is designated as a cash flow or net investment hedge, changes in its fair value are considered to be effective and recorded in a separate component of equity (hedge reserve) until the hedged item is recorded in income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

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

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

Unrealised gains and losses arising from changes in the fair value of financial assets and liabilities classified at fair value through profit or loss are directly recorded in the income statement.

Amounts accumulated in equity are recycled into the income statement in the periods when the hedged item will affect the income statement (for example, when the forecasted sale that is hedged takes place). However, when the forecasted transaction that is hedged, results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time, remain in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

Loans and receivables

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which TNT has no intention of trading. Loans and receivables are included in trade and other receivables in the statement of financial position, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are initially measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where TNT has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available for sale are recognised in other comprehensive income. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as a gain or a loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), TNT establishes fair value by using valuation techniques. These include the use of recent arm’s-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer’s specific circumstances.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are recognised initially at fair value net of transaction costs incurred and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

Impairment of financial assets

TNT assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity instruments recognised in the income statement are not reversed through equity.

Inventory

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

Accounts receivable

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

The risk of uncollectibility of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectibility risk, which is taken into account when assessing the overall risk of uncollectibility. The assumptions and estimates applied for determining the valuation allowance are reviewed periodically.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal value. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents. Bank overdrafts are not netted off from cash and cash equivalents.

Assets (or disposal groups) held for disposal and discontinued operations

Assets (or disposal groups) held for disposal are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally by means of disposal rather than through continuing use. Assets held for disposal are no longer amortised or depreciated from the time they are classified as such.

Assets held for disposal are available for immediate disposal in its present condition, and the sale is considered as highly probable.

Operations that represent a separate major line of business or geographical area of operations, or that are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale and either have been disposed of or have been classified as held for disposal, are presented as discontinued operations in TNT's financial statements.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases TNT's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity.

Provisions for pension liabilities

The obligation for all pension and other post-employment benefit plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. TNT uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover, mortality and disability) and financial variables. The discount rate is determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs, if any, are recognised immediately in the income statement.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised at the date of the curtailment or settlement.

Pension costs for defined contribution plans are expensed in the income statement when incurred or due.

Other provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The gross up of the provision following the discounting of the provision is recorded in the income statement as interest expense.

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

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

Provisions recorded for restructuring largely relate to termination benefits. Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. TNT recognises termination benefits when the company has committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of tangible assets first.

The provision for other obligations relates to legal and contractual obligations and received claims.

Trade accounts payable

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

Income taxes

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

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

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

Revenue

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

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

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

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

Net sales

Net sales represent the revenue from the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales. Accumulated experience is used to estimate and provide for the discounts and returns.

Other operating revenue

Other operating revenue relates to the sale of goods and rendering of services not related to the normal trading activities of TNT and mainly includes sale of unutilised air cargo space to third parties, operation of aircraft for third parties (including charters and wet leases), custom clearance services and administration services.

Other income

Other income includes net gains or losses from fair value adjustments relating to assets held for disposal, the sale of property, plant and equipment and other gains and losses. Costs are recognised on the historical cost convention and are allocated to the reporting year to which they relate.

Operating expenses

Operating expenses represent the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted out and other external expenses, personnel expenses directly related to operations, and depreciation, amortisation and impairment charges.

Salaries

Salaries, wages and social security costs are charged to the income statement when due, in accordance with employment contracts and obligations.

Profit-sharing and bonus plans

TNT recognises a liability and an expense for cash-settled bonuses and profit-sharing when the company has a legal or constructive obligation to make such payments as a result of past performance and when a reliable estimate of the obligation can be made.

Share-based payments

Share-based payment transactions are transactions in which TNT receives benefits from its employees in consideration for equity instruments or for amounts of cash that are based on the price of equity instruments of the company. The fair value of the equity-settled share-based transactions is recognised as an expense (part of the employee costs) and a corresponding increase in equity over the vesting period. Cash-settled share-based payments are initially recognised at the fair value of the liability and are expensed over the vesting period. The liability is remeasured at each balance sheet date, with all changes recognised in the income statement.

The fair value of payments of share-based payment plans, based on market conditions is calculated using the Monte Carlo model. The fair value of payments of share-based payment plans based on non-market conditions are based on the share price on the date the grant is made, corrected for a dividend yield. The equity instruments granted do not vest until the employee completes a specific period of service.

Interest income and expense

Interest income and expense are recognised on a time proportion basis using the effective interest method. Interest income comprises interest income on loans, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedged items. Interest expense comprises interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, foreign currency losses, impairment losses recognised on financial assets and losses on hedged items.

All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as part of the cost of the qualifying asset.

Grants

Grants are recognised initially as income when there is reasonable assurance that they will be received and TNT has complied with the conditions associated with the grant. Grants that compensate TNT for expenses incurred are recognised in the income statement on a systematic basis in the same period in which the expenses are recognised. Grants that compensate TNT for the cost of an asset are deducted from the historical value of the asset and recognised in the income statement on a systematic basis over the useful life of the asset.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

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

Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the consolidated statement of cash flows. Receipts and payments with respect to taxation on profits are included in cash flows from operating activities. Interest payments are included in cash flows from operating activities, while interest receipts are included in cash flows from investing activities. The cost of acquisition of subsidiaries, associates and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the consolidated statement of cash flows in the same category as those of the hedged item.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING TNT'S ACCOUNTING POLICIES

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. The critical accounting estimates, judgments and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Business combinations

TNT accounts for all its business combinations applying the acquisition method. The assets acquired and the liabilities assumed are recognised and measured on the basis of their fair values at the date of acquisition. To determine fair values of assets acquired and liabilities assumed, TNT must make estimates and use valuation techniques when a market value is not readily available. Any excess of the cost of an acquisition over the fair value of the net identifiable assets acquired represents goodwill.

For purposes of preparation of the consolidated financial statements, internal reorganisations or transfer of businesses between TNT companies are accounted for at predecessor carrying amounts. These transactions do not give rise to goodwill.

Segment reporting

TNT reports separate information about each operating segment or results from aggregating two or more operating segments that meet the criteria of similar economic characteristics consistent with the core principle of IFRS when operating segments are similar in respect of:
- the nature of products and services;
- the nature of the production process;
- the type or class of customers for their products and services;
- the method used to distribute their products or provide their services; and
- if applicable, the nature of the regulatory environment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker function (CODM). The CODM function is performed by the Management Board whom receives operational and financial information on a monthly basis for the operating segments. Operating segments have been aggregated into reportable segments by a process that involves managements' judgment in respect of the aggregation criteria. Operating segments where the majority of activities relate to the international business activities are allocated to either the International Europe or International AMEA reportable segment. Furthermore the domestic businesses are allocated to the Domestics reportable segment.

In 2015, the operating segments of International AMEA were re-arranged. A re-assessment was performed after the update of the operating segments and did not result in adjustments of the reportable segments.

The reportable segments consist of the following operating segments:
- International Europe: Benelux, Eastern Europe, Germany, Nordics, South East Europe & Turkey, France International, Spain, Portugal, Italy International, Austria, UK International & Ireland and North America
- International AMEA: Mainland China & Hong Kong, ASEAN, North East Asia, India, Middle East and Africa
- Domestics: France Domestic, Italy Domestic, UK Domestic, Brazil, Chile & Argentina, Australia and New Zealand
- Unallocated: Other Networks, Central Networks, IT and TNT Head Office

Impairment of assets

In determining impairments of intangible assets including goodwill, property, plant and equipment and financial fixed assets, management must make significant judgments and estimates to determine whether the fair value of the cash flows generated by those assets is less than their carrying amount. Determining cash flows requires the use of judgments and estimates that have been included in the strategic plans and long-range forecasts of TNT. The data necessary for executing the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. Refer to note 1 for applied sensitivities on intangible assets.

Depreciation and amortisation of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets, except for goodwill, are depreciated or amortised at historical cost using a straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life are based on TNT's best estimates and are reviewed, and adjusted if required, at each balance sheet date.

Impairment of receivables

The risk of uncollectibility of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are individually assessed based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectibility risk, which is taken into account when assessing the overall risk of uncollectibility. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

Restructuring

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

Income taxes

The company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. TNT recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

TNT recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the company operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that the company may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact TNT's financial position and net profit.

Accounting for assets held for disposal

Accounting for assets held for disposal requires the use of significant assumptions and estimates, such as the assumptions used in fair value calculations as well as the estimated costs to dispose.

Pension benefits

The present value of the pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of pension obligations. The assumptions used in determining the net pension expense/(income) include the discount rate, which is based on the long-term yield of high-quality corporate bonds. Other key assumptions for pension obligations are based in part on current market conditions. TNT reviews the assumptions at the end of each year. Refer to note 10 for more information.

Contingent liabilities

Legal proceedings covering a range of matters are pending against the company in various jurisdictions. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. Cases and claims against the company often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, TNT consults with legal counsel and certain other experts on matters related to litigations.

TNT accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed as a contingent liability.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 Intangible assets: 1,142 million (2014: 1,117)

Statement of changes

	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%-35%	0%-35%	
Historical cost	1,676	434	37	2,147
Accumulated amortisation and impairments	(637)	(353)	(20)	(1,010)
Balance at 31 December 2013	1,039	81	17	1,137
Changes in 2014				
Additions		11	32	43
Disposals		(1)	1	
Internal transfers/reclassifications		17	(17)	
Amortisation		(34)	(1)	(35)
Impairments	(32)	(2)		(34)
Transfers (to)/from assets held for disposal		2		2
Exchange rate differences		3	1	4
Total changes	(32)	(4)	16	(20)
Historical cost	1,833	473	117	2,423
Accumulated amortisation and impairments	(826)	(396)	(84)	(1,306)
Balance at 31 December 2014	1,007	77	33	1,117
Changes in 2015				
Additions		20	44	64
Disposals				
Internal transfers/reclassifications		50	(50)	
Amortisation		(38)	(1)	(39)
Impairments		(2)		(2)
Transfers (to)/from assets held for disposal				
Exchange rate differences	(1)	3		2
Total changes	(1)	33	(7)	25
Historical cost	1,762	524	65	2,351
Accumulated amortisation and impairments	(756)	(414)	(39)	(1,209)
Balance at 31 December 2015	1,006	110	26	1,142

(in € millions)

Goodwill

Goodwill is allocated to TNT's CGUs and tested for impairment. The total goodwill balance at 31 December 2015, which amounted to €1,006 million (2014: 1,007), was allocated to: Middle East and Africa (€246 million), Eastern Europe (€224 million), Germany (€161 million), France Domestic (€125 million), South East Europe & Turkey (€120 million), Nordics (€53 million), Chile (€24 million), Austria (€21 million), the Pacific (€20 million), Portugal (€10 million), North East Asia (€1 million), and ASEAN (€1 million).

The annual goodwill impairment test did not result in additional impairment charges. More information is disclosed in the following sections.

Goodwill impairment testing

As part of its goodwill impairment test, TNT performed a detailed review of the recoverable amount of each CGU. The recoverable amount is the higher of the fair value less cost of disposal and the value in use. Fair value less cost of disposal represents the best estimate of the amount TNT would receive if it were to sell the CGU. The value in use is estimated on the basis of the present value of future cash flows. The subsequent impairment test is based on the value in use.

For mature markets, the estimated future net cash flows are based on a five-year forecast and business plan. For emerging markets where no steady state has been achieved to date, a ten-year forecast has been applied to estimate the future net cash flows. The cash flow projections were based on management's latest estimates.

Projected gross margins are based on past performance and expectations of market development. The applied growth rates do not exceed the long-term average growth rate of the related operations and markets and are consistent with forecasts included in industry reports. The discount rates used vary from 8.4% to 16.5% pre-tax to reflect specific risks relating to each CGU.

Key assumptions used to determine the recoverable values of all CGUs are:

– maturity of the underlying market, market share and volume development to determine the revenue mix and comparable compound annual growth percentage between +2% and +10%;

- level of operating income largely impacted by revenue and cost development taking into account the nature of the underlying costs and potential economies of scale;
- discount rate applied follows the nature of the underlying cash flows and foreign currency and inflation-related risks; and
- terminal growth rates used take into account the current low risk free rate which is based on the 20-year German government bonds and ranges between 0% and1.1%. Especially for emerging markets this is very conservative as the risk free rate for these specific CGUs will be substantially higher.

Management has carried out an impairment test and concluded that the recoverable amount, based on value in use of the individual CGUs is higher than the carrying amount. As a result of which, no impairment has been recognised.

A sensitivity analysis has been applied for all CGUs. This sensitivity analysis included the individual impact of the following items which are considered to be the most critical when determining the recoverable value:
- increase of the discount factor by 1% and 2%;
- increase of capital expenditure by 5% per year; and
- decrease of operating income by 5% per year.

Based on the sensitivity analysis, management concluded that for all CGUs with goodwill balances, the recoverable amount based on value in use of the individual CGUs is higher than the carrying amount, as a result of which there are no CGUs with limited headroom to be disclosed.

In 2014, based on the impairment test, management concluded that the recoverable amount, based on value in use of CGU Spain was below the carrying amount. As a result of which, an impairment of €32 million was recognised.

Software and other intangible assets

At 31 December 2015, the software balance of €110 million (2014: 77) included internally generated software with a book value of €80 million (2014: 57). The addition to software of €20 million is related to purchased software of €17 million and self-produced software of €3 million. An amount of €50 million was reclassified to software, related to finalised IT projects.

At 31 December 2015, the other intangible assets balance of €26 million (2014: 33) is related to customer relationships of €3 million (2014: 3) and software under construction of €23 million (2014: 30). The addition to other intangibles of €44 million is mainly related to software development projects.

The estimated amortisation expenses for software and other intangibles for the subsequent five years are as follows: 2016: €37 million; 2017: €38 million; 2018: €28 million; 2019: €20 million; 2020: €11 million; and thereafter: €2 million. Besides software development, TNT does not conduct significant research and development and therefore does not incur research and development costs.

In 2015, €2 million (2014: 2) impairment on self-produced software was recognised relating to software which will no longer be used, of which €1 million is related to International Europe and €1 million to Unallocated.

In 2014, the transfers (to)/from assets held for disposal relate to the reclassification of Brazil from assets held for disposal and discontinued operations to continuing operations.

2 Property, plant and equipment: 995 million (2014: 938)

Statement of changes

	Land and buildings	Plant and equipment	Aircraft	Other	Construction in progress	Total
Depreciation percentage	0%-10%	4%-33%	4%-10%	7%-25%	0%	
Historical cost	698	525	521	459	19	2,222
Accumulated depreciation and impairments	(251)	(364)	(339)	(380)		(1,334)
Balance at 31 December 2013	447	161	182	79	19	888
Changes in 2014						
Capital expenditure in cash	3	27	5	20	92	147
Capital expenditure in financial leases/other					9	9
Disposals	(5)	(21)		(3)	(1)	(30)
Exchange rate differences	11	6		2	3	22
Depreciation	(25)	(47)	(28)	(37)		(137)
Impairments		(4)				(4)
Transfers (to)/from assets held for disposal		40		3		43
Internal transfers/reclassifications	10	42	(3)	23	(72)	
Total changes	(6)	43	(26)	8	31	50
Historical cost	715	620	454	480	50	2,319
Accumulated depreciation and impairments	(274)	(416)	(298)	(393)		(1,381)
Balance at 31 December 2014	441	204	156	87	50	938
Changes in 2015						
Capital expenditure in cash	7	37	1	15	185	245
Capital expenditure in financial leases/other					24	24
Disposals	(11)	(4)	(1)	(15)		(31)
Exchange rate differences	9	(9)		1	1	2
Depreciation	(24)	(52)	(37)	(38)		(151)
Impairments	(9)					(9)
Transfers (to)/from assets held for disposal	(18)	(5)				(23)
Internal transfers/reclassifications	30	143		30	(203)	
Total changes	(16)	110	(37)	(7)	7	57
Historical cost	682	724	405	433	57	2,301
Accumulated depreciation and impairments	(257)	(410)	(286)	(353)		(1,306)
Balance at 31 December 2015	425	314	119	80	57	995

(in € millions)

Land and buildings mainly relate to depots, hubs and other production facilities. TNT does not hold freehold office buildings for long-term investments or for long-term rental income purposes. Land and buildings of €8 million (2014: 8) are pledged as security to third parties.

Plant and equipment primarily relate to investments in vehicles, sorting machinery and other depot equipments. Plant and equipment of €0 million (2014: 5) are pledged as security to third parties. Other property, plant and equipment mainly relate to furniture, fittings, IT equipment and other office equipment. Capital expenditure in cash includes a €18 million prepayment from 2014.

In 2015, TNT conducted a review of the future residual values of the Boeing 747 freighters utilising valuations from third parties, which resulted in a decrease in the estimated residual value. The effect of this change on the annual depreciation charge is an increase of €8 million as of 2016.

Aircraft and (spare) engines are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term to estimated residual values. Spare parts are depreciated to their estimated residual value on a straight-line basis over the remaining estimated useful life of the associated aircraft or engine type.

In 2015, the transfers (to)/from assets held for disposal relate to buildings and vehicles. Refer to note 8 for more information.

In 2014, the transfers (to)/from assets held for disposal relate to the reclassification of Brazil from assets held for disposal and discontinued operations to continuing operations.

Finance leases included in the property, plant and equipment balance at 31 December 2015 are:

Finance leases

At 31 December	Land and buildings	Plant and equipment	Aircraft	Total 2015	Total 2014
Total	5	18	101	124	143
International Europe	5			5	5
International AMEA					
Domestics		18		18	3
Unallocated			101	101	135

(in € millions)

Included in land and buildings under finance leases are leasehold rights and ground rent. The book value of the leasehold rights and ground rent is €5 million (2014: 5), comprising a historical cost of €15 million (2014: 15), with accumulated depreciation of €10 million (2014: 10).

Leasehold rights and ground rents expiring:
- within one year amount to €3 million (2014: 1);
- between one and five years amount to €2 million (2014: 3); and
- between five and 20 years amount to €0 million (2014: 1).

There are no leasehold rights and ground rents contracts with indefinite terms. Leasehold rights and ground rent for land and buildings located in Belgium amounted to €5 million (2014: 5).

There was no material temporarily idle property, plant and equipment at 31 December 2015 (2014: 0).

3 Financial fixed assets: 205 million (2014: 231)

Statement of changes

				Other financial fixed assets		
	Investments in associates and joint ventures	Other loans receivable	Deferred tax assets	Financial fixed assets at fair value	Other prepayments and accrued income	Total
Balance at 31 December 2013	16	3	198	1	11	229
Changes in 2014						
Acquisitions/additions			123		2	125
Disposals/decreases			(123)			(123)
Result from investments in associates and joint ventures	7					7
Impairments and other value adjustments	(1)			1		
Withdrawals/repayments		(1)			(1)	(2)
Dividend received	(5)					(5)
Total changes	1	(1)		1	1	2
Balance at 31 December 2014	17	2	198	2	12	231
Changes in 2015						
Acquisitions/additions			37		1	38
Disposals/decreases			(63)			(63)
Result from investments in associates and joint ventures	7					7
Impairments and other value adjustments	1					1
Withdrawals/repayments					(2)	(2)
Dividend received	(7)					(7)
Total changes	1		(26)		(1)	(26)
Balance at 31 December 2015	18	2	172	2	11	205

(in € millions)

Investments in associates and joint ventures

At 31 December 2015, investments in associates and joint ventures are valued at €18 million (2014: 17) and relate mainly to TNT Swiss Post AG. The investments in associates and joint ventures balance does not include goodwill (2014: 0).

Deferred tax assets

Deferred tax assets are further explained in note 23.

4 Inventory: 10 million (2014: 11)

Specification of inventory

At 31 December	2015	2014
Raw materials and supplies	9	10
Finished goods	1	1
Total	10	11

(in € millions)

Total inventory of €10 million (2014: 11) was valued at historical cost for an amount of €15 million (2014: 15) and was stated net of provisions for obsolete items amounting to €5 million (2014: 4). There were no inventories pledged as security for liabilities at 31 December 2015 (2014: 0). In 2015 and 2014, no material write-offs relating to inventories occurred. The balance of inventories that were expected to be recovered after 12 months is nil (2014: 0).

5 (Trade) accounts receivable: 1,190 million (2014: 1,095)

Specification of (trade) accounts receivable

At 31 December	2015	2014
Trade accounts receivable - total	1,122	1,041
Allowance for doubtful debt	(72)	(73)
Trade accounts receivable	1,050	968
VAT receivable	18	19
Accounts receivable from associates	1	1
Other accounts receivable	121	107
Accounts receivable	140	127

(in € millions)

At 31 December 2015, the total trade accounts receivable amounted to €1,122 million (2014: 1,041), of which €381 million (2014: 395) were past due but not individually impaired. Refer to the following table. The balance of trade accounts receivable that is expected to be recovered after 12 months is nil (2014: 0). The standard payment term for customers of TNT is around seven days.

Ageing analyses of trade accounts receivable

At 31 December	2015	2014
Up to 1 month	250	262
1-3 months	80	83
3-6 months	33	32
Over 6 months	18	18
Total	381	395

(in € millions)

The total allowance for doubtful debt amounted to €72 million (2014: 73) of which €46 million (2014: 38) is related to trade accounts receivable that were individually impaired for the notional amount. The remainder of the allowance is related to a collective loss component in respect to losses that have been incurred but not yet identified as such. This collective loss component is largely based on the ageing of the trade receivables and is reviewed periodically.

The movements in the allowance for doubtful debt of trade accounts receivables are as follows:

Allowance for doubtful debt

	2015	2014
Balance at 1 January	73	69
Transfers (to)/from assets held for disposal		4
Provided for during financial year	19	23
Receivables written off during year as uncollectible	(20)	(23)
Balance at 31 December	72	73

(in € millions)

The fair value of accounts receivable approximates its carrying amount. Other accounts receivable mainly includes receivables from insurance companies, deposits and various other items. The balance of other accounts receivable that is expected to be recovered after 12 months is nil (2014: 0). The maximum exposure to credit risk at the balance sheet date is the carrying amount of each class of receivables mentioned above. TNT does not hold collateral as security for the outstanding balances. The concentration of the accounts receivable per customer is limited. The top ten trade receivables of TNT accounted for 3% of the outstanding trade receivables at 31 December 2015 (2014: 5%). The concentration of the trade accounts receivable portfolio over the different segments can be summarised as follows: International Europe: €374 million (2014: 411); International AMEA: €173 million (2014: 162); Domestics: €458 million (2014: 354) and Unallocated: €45 million (2014: 41). For the non-trade accounts receivables no allowance for doubtful debt was required.

6 Prepayments and accrued income: 149 million (2014: 182)

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. At 31 December 2015, total prepayments amounted to €93 million (2014: 82). The balance of prepayments and accrued income that is expected to be recovered after 12 months is €2 million (2014: 1).

Prepayments and accrued income include a balance of unbilled trade receivables of €45 million (2014: 48).

Prepayments and accrued income also include outstanding short-term foreign exchange forward contracts that amounted to €1 million (2014: 4). In 2014, short-term cross-currency swaps were recorded in prepayments and accrued income and amounted to €15 million, these matured in 2015. The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2015. Refer to note 30 for the notional principal amount of the outstanding foreign exchange forward contracts and the outstanding cross-currency swaps.

7 Cash and cash equivalents: 464 million (2014: 652)

Cash and cash equivalents comprise of cash at bank and cash in hand of €139 million (2014: 99) and short-term bank deposits of €325 million (2014: 553). The effective interest rate during 2015 on short-term bank deposits was 0.26% (2014: -0.01%) and the average outstanding amount was €569 million (2014: 455). The individual deposits had an average maturity of 4.9 days (2014: 1.7). Included in cash and cash equivalents is €0 million (2014: 0) of restricted cash. The fair value of cash and cash equivalents approximates the carrying amount.

8 Assets held for disposal: 19 million (2014: 1) and Liabilities related to assets held for disposal: 0 million (2014: 0)

The assets classified as held for disposal amounted to €19 million (2014: 1), of which €0 million (2014: 1) is related to aircraft, €18 million (2014:0) to buildings and €1 million (2014: 0) to vehicles. For segment asset allocation purposes €7 million is related to International Europe and €12 million to Domestics.

All assets classified as held for disposal are expected to be disposed of within one year. During the year an impairment loss of €9 million on buildings and a negative fair value adjustment of €2 million on vehicles were recognised in the income statement.

As a consequence of the intended acquisition of TNT by FedEx, TNT Airways and Pan Air Líneas Aéreas are required to be sold in order for FedEx to be able to comply with European airline regulations as per the Settlement Date. As the scope and timing of the sale transaction could not be determined at 31 December 2015, and it was probable that significant changes to the plan prior to disposal would occur, TNT Airways and Pan Air Líneas Aéreas are not classified as assets held for disposal.

9 Equity: 2,201 million (2014: 2,192)

At 31 December 2015, equity consisted of equity attributable to equity holders of TNT Express N.V. of €2,196 million (2014: 2,180) and non-controlling interests of €5 million (2014: 12). Equity attributable to the equity holders of TNT Express N.V. consists of the following items:

Issued share capital

At 31 December 2015, issued share capital amounted to €44 million (2014: 44). The number of authorised, issued and outstanding shares by class of share is presented in the following table:

Authorised, issued and outstanding shares

Before proposed appropriation of profit	2015	2014
Authorised by class		
Ordinary shares	750,000,000	750,000,000
Preference shares	750,000,000	750,000,000
Total authorised	1,500,000,000	1,500,000,000
Issued and outstanding		
Per 1 January of the reported year	548,208,226	544,957,426
Issued for stock dividend	690,674	3,250,800
Per 31 December of the reported year	548,898,900	548,208,226
Issued and outstanding per 31 December by class		
Ordinary shares	548,898,900	548,208,226

Authorised share capital

On 30 May 2011, the Articles of Association were amended by deed. As of that date, the company's authorised share capital amounted to €120 million, divided into 750,000,000 ordinary shares with a nominal value of €0.08 each and 750,000,000 preference shares with a nominal value of €0.08 each.

Form of shares

The ordinary shares are in bearer or in registered form. Ordinary shares in bearer form are represented by a global note held by the Dutch clearing system Euroclear Netherlands (formerly known as NECIGEF) and are transferable through Euroclear Netherlands' book entry system. ADRs represent ordinary shares in bearer form, held by the depositary, which are represented by the note held by Euroclear Netherlands. Ordinary shares in registered form are transferred by means of a deed of transfer and TNT's written acknowledgement of the transfer. TNT does not have share certificates for ordinary shares represented by the global note.

'Stichting Continuïteit TNT Express' (the 'Foundation') was established to promote the interests of TNT, the enterprise affiliated with TNT and all stakeholders involved. To enable the Foundation to perform its duties, TNT has granted it a call option. When exercising the call option, the Foundation is entitled to subscribe to preference shares, consisting of the right to repeatedly subscribe for preference shares, up to a maximum corresponding with one hundred percent (100%) of the issued share capital in the form of ordinary shares as outstanding immediately prior to the exercise of the subscribed rights, less one preference share and minus any shares already held by the Foundation. The Foundation has the right to exercise the call option at any time either wholly or partly.

Incentive scheme

For administration and compliance purposes, a foundation *('Stichting Bewaarneming Aandelen TNT')* legally holds shares under (former) incentive schemes which are beneficially owned by the employees. At 31 December 2015, the number of TNT shares held by the foundation amounted to 613,488 with a nominal value of €0.08 per share.

Additional paid-in capital

Additional paid-in capital amounted to €2,293 million on 31 December 2015 (2014: 2,500) as the final dividend for 2014 of €12 million was distributed in May 2015. In 2015, a stock dividend of nominal €55,000 was distributed relating to the final dividend for 2014. The amount of paid-in capital recognised for Dutch dividend withholding tax purposes was €762 million. In 2015, the Executive Board decided, with the approval of the Supervisory Board, to compensate the losses out of the distributable part of the shareholders' equity. Refer to appropriation of profit as per the 2015 annual report. Consequently, retained earnings at 31 December 2014 of €195 million were compensated out of additional paid-in capital.

Legal reserve

Legal reserves include translation, hedge and other legal reserves. At 31 December 2015, the legal reserves amounted to €86 million (2014: 12).

At 31 December 2015, the translation reserve amounted to €13 million (2014: -44). The translation reserves reflect the movement in exchange rate differences on converting foreign subsidiaries of TNT Express N.V. into euro. These differences are charged or credited to the translation reserve, net of taxation. In 2015, a €6 million loss (2014: 0) was realised and recycled through the income statement. Refer to note 22 for more information.

At 31 December 2015, the hedge reserve amounted to €-15 million (2014: -20) and mainly contained the fair value timing differences of US$168 million (2014: US$184) of interest rate swaps and US$412 million (2014: US$412) of forward starting interest rate swaps that were unwound in 2011. The outstanding US dollar interest rate swaps have been entered into to mitigate the cash flow interest rate risk relating to the Boeing 747 freighters financial lease contracts which have variable interest conditions. The unwound forward starting swaps were entered into to hedge the interest rate risk on three Boeing 777 freighter operational lease contracts with a 12-year lease term up to the period until delivery of the aircraft when the interest component in the lease was fixed.

Movements in the cash flow hedge reserve, net of tax, amounted to €-5 million (2014: -5) of which €-5 million (2014: -5) is related to the outstanding and unwound interest rate swaps and the remainder to foreign exchange cash flow hedges.

The net cash payments relating to the unwinding of these swaps will be recycled from equity to the income statement or to investments based on the duration of the underlying hedged items. In 2015, an amount of €-2 million (2014: -2) was recycled from the hedge reserve to the income statement. Refer to note 30 for more information.

Other legal reserves mainly relate to self-produced software, revaluation reserves and reserves required by local legislation, reclassified from other reserves in 2011.

Legal reserves cannot be distributed to the equity holders of the company.

Other reserves

At 31 December 2015, the other reserves amounted to €-177 million (2014: -181), an increase of €4 million. Main movements are related to actuarial gain on pensions (net of tax) of €19 million, a reclassification of €-12 million to the legal reserves, following the development of the book value of self-produced software, and share-based payments of €-5 million.

Retained earnings

At 31 December 2015, retained earnings amounted to €-50 million (2014: -195), relating to the result for the period. Refer to additional paid-in capital.

10 Pension assets: 3 million (2014: 4) and provisions for pension liabilities: 206 million (2014: 222)

TNT operates a number of post-employment benefit plans around the world. Most of TNT's post-employment benefit plans are defined contribution plans. The most relevant defined benefit plans are in place in the Netherlands, the United Kingdom, Germany, Australia, Italy and Belgium.

Defined benefit plans in the Netherlands

In the Netherlands, TNT employees participated in one of two different defined benefit pension plans. In 2015, based on the sobering of the Dutch pension schemes, the pension plan funded in '*Stichting Ondernemingspensioenfonds TNT'* was split and merged into '*Stichting Pensioenfonds TNT Express'* for those participants (active or inactive) that had/have a labour arrangement with TNT. The pension plan, a career average plan, covers the employees who are subject to the collective labour agreement and employees with a personal labour agreement. The expected future adjustment level of the accrued entitlements to inflation has an ambition level of 80%. The plan is externally funded in '*Stichting Pensioenfonds TNT Express*'. Refer to note 28 for more information.

Some of the employees covered by the pension plans also participate in defined benefit transitional plans. These defined benefit transitional plans consist of an early retirement scheme and additional arrangements that have been agreed between the company and the employees following the revised fiscal regulations applying to Dutch pension plans in 2006.

Defined benefit plans in the United Kingdom

In the United Kingdom, TNT contributes to a closed defined benefit plan, externally funded in a pension fund governed by a trustee. The pension entitlements are based on years of service within the plan until 1 July 2006 and final (average) salary at that time, with the pensions being revalued from then to retirement in accordance with legislation.

Defined benefit plans in Germany

In Germany, TNT employees participate in one of two pension plans. The first plan is a defined benefit plan closed for new entries as of 1 January 2005. The defined benefit plan provides lump sum benefits based on years of service and final salary. The defined benefit plan is funded via direct insurance with an external insurance company. The second plan, applicable to new hires as from 1 January 2005, is a defined contribution plan with a minimum return guarantee. The contributions of the defined contribution plan are invested in public investment funds administered by an external party. The risk for death and disability benefits within the defined contribution plan is directly insured with an external insurance company.

Defined benefit plans in Australia

In Australia, TNT contributes to several superannuation funds. With the exception of the TNT Group Superannuation Plan (TNT GSP), a fund with both defined benefit and defined contribution sections, all other payments are made to defined contribution plans. The TNT GSP was established under a master trust as a sub-plan of the Mercer Superannuation Trust. The defined benefit section of TNT GSP provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's obligation is limited to these contributions.

Defined benefit plans in Italy

In Italy, in accordance with Italian law, employers have to pay to employees, upon the termination of employment, a lump sum indemnity ('*Trattamento di Fine Rapporto', 'TFR*'), equivalent to the total (annually revalued) benefits accrued over the years of service. Until 31 December 2006, this was an unfunded defined benefit plan whereby employers were obliged to accrue for this termination benefit. Starting from 1 January 2007, due to legislation change, TFR is no longer accrued by the employer but by external providers, mainly the National Social Security Institute. Employers contribute to the fund the equivalent of the accrued TFR. Therefore, the TFR liability for TNT consists of the unfunded benefits accrued up to 31 December 2006 and of the obligation reflecting the annual revaluation of these accrued benefits.

Defined benefit plans in Belgium

In Belgium, in accordance with Belgium law, employers have to guarantee a minimal return on pension contributions paid to external insurance companies, which qualifies the plan as a defined benefit plan. The contributions to the plan are held and administered with the external insurance companies.

At 31 December 2015, the defined benefit plans described above covered approximately 97% of the TNT Group obligation for post-employment benefits and approximately 98% of the TNT Group plan assets.

Defined benefit pension costs recognised in the income statement

The valuation of the pension obligation of TNT and the determination of its pension cost are based on key assumptions that include employee turnover, mortality rates and retirement ages, discount rates, pension increases and future wage increases, which are updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions giving rise to a different pension liability at year-end. The difference between the projected pension liability based on the assumptions and the actual pension liability at year-end are reflected in the statement of financial position as part of actuarial gains and losses.

In 2015, TNT's expense for post-employment benefit plans was €43 million (2014: 16), and benefited from a past service cost gain of €0 million (2014: 12). Total cash contribution for post-employment benefit plans in 2015 amounted to €33 million (2014: 34), of which €0 million (2014: 0) is related to recovery payment for the defined benefit plan in the Netherlands. Total cash contribution for 2016 is estimated to be around €39 million.

Specification of changes in net pension asset/(liability)

	Balance at 31 December 2014	Employer pension expense	Contributions / Other	Net actuarial gains/losses	Balance at 31 December 2015
Provision for pension liabilities	(218)	(43)	33	25	(203)
of which pension and transitional plans in the Netherlands	(162)	(36)	28	12	(158)
of which other pension plans in Europe	(52)	(6)	3	12	(43)
of which pension plans outside Europe	(4)	(1)	2	1	(2)
Total post-employment benefit plans	(218)	(43)	33	25	(203)

(in € millions)

The total net pension liability of €203 million at 31 December 2015 (2014: 218) consisted of a pension asset of €3 million (2014: 4) and a pension liability of €206 million (2014: 222).

The funded status of TNT's post-employment benefit plans at 31 December 2015 and 2014 and the employer pension expense for 2015 and 2014 are presented in the following table:

Pension disclosures	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	(868)	(641)
Service costs	(36)	(26)
Interest costs	(19)	(24)
Past service cost	0	12
Other movements	(5)	18
Foreign currency effects	(3)	(2)
Actuarial (loss)/gain	39	(222)
Benefits paid	12	14
Curtailment	0	3
Benefit obligation at end of year	(880)	(868)
Change in plan assets		
Fair value of plan assets at beginning of year	650	551
Actual return on plan assets	0	97
Contributions	38	34
Other movement/administration cost	(2)	(1)
Other movements	1	(19)
Foreign currency effects	2	2
Benefits paid	(12)	(14)
Fair value of plan assets at end of year	677	650
Funded status at 31 December		
Funded status	(203)	(218)
Pension assets/liabilities	(203)	(218)
Net pension asset/(liability)	(203)	(218)
Components of employer pension expense		
Service costs	(36)	(26)
Interest costs	(19)	(24)
Expected return on plan assets	14	21
Past service cost	0	12
Curtailment	0	3
Other costs/administration cost	(2)	(2)
Employer pension expense	(43)	(16)
Other post employment benefit plan expenses	0	0
Total post employment benefit expense	(43)	(16)
Weighted average assumptions as at 31 December		
Discount rate	2.0%	2.3%
Expected return on plan assets	2.0%	2.3%
Rate of compensation increase	1.9%	2.0%
Rate of benefit increase	1.1%	1.3%

(in € millions, except percentages)

TNT's pension expense is affected by the discount rate used to measure pension obligations. Management reviews these and other assumptions every year. Measurement date for TNT's post-employment benefits is 31 December. Changes in assumptions may occur as a result of economic and market conditions. If actual results differ from those assumed, this will generate actuarial gains or losses.

IAS 19, *'Employee Benefits'*, requires an entity to determine the rates used to discount employee benefit obligations with reference to market yields on high-quality corporate bonds. The first step of the process is to identify a set of bonds that accurately reflects the relationship between yield and remaining time to maturity for high-quality corporate bonds. For this, TNT uses the iBoxx AA-rated corporate bond universe from Bloomberg. After standardisation by means of the par bond approach, the yields to maturity are then grouped together in clusters and then curved-fitted. From this a yield curve is derived by bootstrapping, following an inclusion of a correction for the duration-mismatch rounded up to the nearest decimal. The Nelson-Siegel model is applied to fit the curve towards TNT's 30-year duration. The resulting discount rate per 31 December 2015 was 2.0% (2014: 2.3%).

The expected return on plan assets equals the used discount rate.

Assumptions regarding future mortality are based on advice, published statistics and experience per country. The average life expectancy of men after retiring at the average age of 67 is 21 years (2014: 22). The equivalent life expectancy for women is 24 years (2014: 25).

Funded status defined benefit plans

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets with the provision for post-employment benefit plans.

Included in the provision for pension liabilities is the unfunded defined benefit TFR plan in Italy of €24 million (2014: 29).

Statement of financial position calculations		
At 31 December	2015	2014
Present value of funded benefit obligations	(815)	(796)
Fair value of plan assets	677	650
(Un)funded status	(138)	(146)
Present value of unfunded benefit obligations	(65)	(72)
Net pension asset/(liability)	(203)	(218)
of which included in pension assets	3	4
of which included in provisions for pension liabilities	(206)	(222)
(in € millions)		

Reasonably possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation of the Dutch plans by the amounts shown below.

Sensitivity of assumptions (Dutch plans)	% Change in assumptions	Change in employer pension obligation
Employer pension obligation 2015		744
Discount rate on net liabilities	+ 0.5%	(84)
Rate of compensation increase	+ 0.5%	4
Rate of benefit increase	+ 0.5%	101
Employer pension obligation 2015		744
Discount rate on net liabilities	- 0.5%	99
Rate of compensation increase	- 0.5%	(4)
Rate of benefit increase	- 0.5%	(86)
(in € millions, except percentages)		

The following table shows the defined benefit obligation, fair value of plan assets and experience adjustments thereon for the current annual period and previous annual period. The experience adjustment is the difference between the expected and actual position at the end of the year.

Status of funding		
At 31 December	2015	2014
Funded and unfunded defined benefit obligation	(880)	(868)
Experience adjustment gain/(loss)	-4.3%	34.4%
Fair value of plan assets	677	650
Experience adjustment gain/(loss)	-2.1%	13.4%
(Un)funded status	(203)	(218)
(in € millions, except percentages)		

The following table shows the expected future benefit payments per year related to TNT's main defined benefit plans for the coming five years. The benefits include all expected payments by these plans to the pensioners.

Expected benefit payments	
Year	Amounts
2016	15
2017	13
2018	12
2019	15
2020	15
(in € millions)	

11 Other provisions: 176 million (2014: 312)

Specification of other provisions

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2014	52	117	81	62	312
of which included in other provisions (non-current)	38	2	17	37	94
of which included in other provisions (current)	14	115	64	25	218
Changes in 2015					
Additions	9	41	4	15	69
Withdrawals	(7)	(106)	(2)	(17)	(132)
Exchange rate differences	1	1	(1)	(5)	(4)
Releases/other	(1)	(9)	(50)	(9)	(69)
Total changes	2	(73)	(49)	(16)	(136)
Balance at 31 December 2015	54	44	32	46	176
of which included in other provisions (non-current)	40		17	30	87
of which included in other provisions (current)	14	44	15	16	89

(in € millions)

At 31 December 2015, other employee benefit obligations consisted of provisions relating to jubilee payments of €16 million (2014: 16), long-service benefits of €14 million (2014: 8) and other employee benefits of €24 million (2014: 28). Short-term employee benefits, such as salaries, profit-sharing and bonuses are discussed in note 18.

At 31 December 2015, the restructuring provision amounted to €44 million (2014: 117), of which €20 million (2014: 46) is related to restructuring in International Europe, €21 million (2014: 44) is related to restructuring in Domestics, and €3 million (2014: 27) is related to restructuring in Unallocated.

The total additions to restructuring provisions for 2015 amounted to €41 million (2014: 131), of which €14 million (2014: 46) is related to restructuring in International Europe, €19 million (2014: 55) is related to restructuring in Domestics, and €8 million (2014: 30) is related to restructuring in Unallocated.

The withdrawals from the restructuring provision of €106 million (2014: 69) were related to settlement payments following restructuring programmes of which €36 million (2014: 46) is related to restructuring in International Europe, €41 million (2014: 19) is related to restructuring in Domestics, and €29 million (2014: 4) is related to restructuring in Unallocated.

Included in the provision for claims and indemnities are provisions for claims from third parties, mainly customers, with respect to the ordinary business activities of TNT. At 31 December 2015, provision for claims and indemnities was €3 million (2014: 4) in International Europe, €1 million (2014: 0) in International AMEA, €27 million (2014: 25) in Domestics, and €1 million (2014: 52) in Unallocated. In 2015, €50 million was transferred out of provision for claims and indemnities to short-term liabilities related to the case with the French Competition Authority.

Other provisions consist of provision for legal obligations, dilapidation, onerous contracts and other risks incurred in the course of normal business operations.

The estimated utilisation is €89 million in 2016, €23 million in 2017, €10 million in 2018 and in 2019 and beyond €54 million.

12 Long-term debt: 103 million (2014: 166)

Specification of long-term debt

	2015		2014	
At 31 December	Carrying amount	Fair value	Carrying amount	Fair value
Finance leases	92	93	142	143
Other loans	7	6	12	12
Derivatives	4	4	12	12
Total long-term debt	103	103	166	167

(in € millions)

In the table above, the fair value of long-term interest-bearing debt, net of its current portion, has been determined by calculating the discounted value of the future cash flows (redemption and interest) using the interbank zero coupon curve. The carrying amounts of the current portion of long-term debt approximate their fair value.

The following table sets forth the carrying amounts of interest-bearing long-term liabilities (including the current portion) during each of the following five years and thereafter:

Total borrowings	Finance leases	Other loans	Derivatives	Short-term bank debt	Total
2016	87	3		34	124
2017	76	3	4		83
2018	3	2			5
2019	3	2			5
2020	3				3
Thereafter	7				7
Total borrowings	179	10	4	34	227
of which included in long-term debt	92	7	4		103
of which included in other current liabilities	87	3		34	124

(in € millions)

Refer to notes 29 and 30 for underlying details of the financial instruments.

13 Other current liabilities: 377 million (2014: 290)

Specification of other current liabilities At 31 December	2015	2014
Short-term bank debt	34	28
Other short-term debt	90	22
Total current borrowings	124	50
Taxes and social security contributions	120	110
Expenses to be paid	31	22
Other	102	108
Total	377	290

(in € millions)

Total current borrowings

Other short-term debt includes short-term bank facilities of €3 million (2014: 2) and the current portion of outstanding finance lease liabilities of €87 million (2014: 20). There were no balances as of 31 December 2015 expected to be settled after 12 months (2014: 0).

Other includes outstanding short-term foreign exchange forward contracts amounting to €4 million (2014: 6), outstanding short-term interest rate swap amounting to €3 million (2014:0), liabilities related to salaries and wages of €21 million (2014: 13), agent and supplier refundable deposits of €12 million (2014: 7), liability for import duties of €23 million (2014: 15), cash on delivery collections on behalf of customers of €9 million (2014:10), liabilities for employee redundancies of €1 million (2014: 1), and other miscellaneous items of €29 million (2014: 56).

The fair value of outstanding short-term foreign exchange forward contracts has been calculated at the relevant (forward) market rates at 31 December 2015. Refer to note 30 for the notional principal amount of outstanding foreign exchange forward contracts.

14 Accrued current liabilities: 640 million (2014: 558)

Specification of accrued liabilities At 31 December	2015	2014
Amounts received in advance	17	16
Expenses to be paid	479	363
Vacation days/vacation payments	69	77
Other accrued current liabilities	75	102
Total	640	558

(in € millions)

At 31 December 2015, accrued current liabilities amounted to €640 million (2014: 558). The increase is mainly due to a liability related to the fine of €58 million ordered by the French Competition Authority (of which €50 million was transferred out of provision for claims and indemnities), and a liability of €19 million related to the cash-settlement of share-based payments.

Of the total, an amount of €3 million is expected to be settled after 12 months (2014: 6).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

15 Net sales: 6,674 million (2014: 6,472)

The net sales of TNT relate to the trading activities of the reportable segments, arising from rendering of services. Net sales allocated by geographical area in the country or region in which the entity records sales is detailed in note 34.

16 Other operating revenue: 240 million (2014: 208)

Other operating revenue is related to the tendering of services not related to TNT's normal trading activities, and includes the sale of unutilised air cargo space to third parties of €80 million (2014: 105), operation of aircraft for third parties (including charters and wet leases) of €121 million (2014: 74), and other services including customs clearance, maintenance and ground handling of €39 million (2014: 29).

17 Other income: 4 million (2014: 17)

In 2015, other income related to a profit on the sale of TNT Business Solutions Ltd. of €1 million (related to the outsourcing of the shared-service centres as part of the BPO contract) and other assets held for disposal of €3 million.

In 2014, other income related to a profit on the sale of TNT Fashion Group B.V. (TNT Fashion) of €7 million, other assets held for disposal of €2 million, and miscellaneous items of €8 million.

18 Salaries and social security contributions: 2,095 million (2014: 2,126)

Specification of salaries and social security contributions

Year ended at 31 December	2015	2014
Salaries	1,689	1,771
Share-based compensation	16	5
Pension charges:		
Defined benefit plans	43	16
Defined contribution plans	34	34
Social security charges	313	300
Total	2,095	2,126

(in € millions)

Refer to note 10 for more information on the defined benefit plans expense of €43 million. The share-based compensation expense of €16 million comprises of €15 million related to senior management (refer to senior management section below for more information), and €1 million related to the Executive Board (refer to note 19 for more information).

Labour force	2015	2014
Employees[1]		
International Europe	15,239	15,205
International AMEA	8,999	9,260
Domestics	27,210	27,864
Unallocated[2]	4,751	5,963
Total at year-end	56,199	58,292
External agency staff at year-end	5,204	6,760
Average full-time equivalents (FTEs)[1]		
International Europe	13,795	13,708
International AMEA	9,430	9,514
Domestics	27,838	28,649
Unallocated[2]	5,032	5,614
Total year average	56,095	57,485

[1] Including temporary employees on TNT payroll.
[2] Including employees and FTEs in Head Office and Global IT Support Centre.

The average number of FTEs working in TNT during 2015 was 56,095, which decreased by 1,390 compared to 2014, year-to-date. This was mainly due to the transfer of employees of the shared-service centres as part of the BPO contract, the sale of TNT Fashion in 2014, and restructuring in various countries. The presented figures exclude joint ventures.

Hereafter relevant incentive schemes and costs recognised for senior management are further disclosed.

Share-based compensation for senior management

A selected group of senior managers may participate in variable share-based schemes. Participation and application of the variable share-based schemes for senior management is dependent on the decision of the Executive Board.

The figures disclosed in the following tables exclude the amounts related to the members of the Executive Board which are disclosed in note 19.

As published in the Offer Memorandum and in accordance with the applicable plan rules: (i) all share rights held by senior management will vest on the Settlement Date, provided that for the 2015 share rights vesting will occur and become payable on a time pro rata parte basis up to the Settlement Date (calculated on a monthly basis); and (ii) the vesting will be settled in cash rather than in shares, based on the offer price.

In case the Settlement Date occurs after the regular vesting date of the 2013 performance share plan award, this 2013 grant will become subject to regular vesting, based on the achieved applicable performance scores. The 2013 performance shares will in such event, however, still be settled in cash rather than in TNT shares. Based on the required steps and subject to the necessary approvals, FedEx and TNT continue to anticipate that the FedEx Offer will close in the first half of 2016.

Given the likelihood of the acquisition by FedEx and the cash settlement of the share-based schemes, the plans have been accounted for using a fair value of €8.00 (offer price) as per the balance sheet date. The full plan costs have been proportionally allocated to the reporting period.

The total of the expense related to the variable share-based schemes (senior management excluding the Executive Board) recognised in the income statement for 2015 amounted to €15 million (2014: 5). The total carrying amount of the share-based payment liability (senior management excluding the Executive Board) as of 31 December 2015 amounts to €18 million.

Bonus/matching plan

In 2014, appointed members of a selected group of managers could on a voluntary basis participate in the bonus/matching plan by investing a maximum of 50% of the gross payout of the short-term incentive of the previous year. However, the investment in TNT shares could not be more than the net proceeds of the bonus. After a three-year holding period, these bonus shares will be matched on a one-to-one basis and settled in shares, provided continued service. For each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within the three-year vesting period, the entire right to matching shares lapses with immediate effect.

In both 2015 and 2013, the Executive Board decided not to provide for a bonus/matching share grant for senior management.

The following table shows the number of shares comprising the matching rights of the 2014 bonus/matching plan:

2014 Bonus/matching plan

	Bonus/matching plan: Number of matching rights to shares			
	Outstanding 31December 2014	Granted during 2015	Vested or forfeited during 2015	Outstanding 31 December 2015
Senior management	170,308		36,705	133,603
Total	170,308		36,705	133,603

The costs incurred for the plan in 2015 amounted in total to €644,590 (2014: 222,001).

Performance share plan

Outstanding grants

On 29 April 2015, the annual grant under the TNT performance share plan occurred for a selected group of senior managers (2014 grant date: 29 April 2014; 2013 grant date: 30 April 2013). The maximum number of shares comprised in the share award reflects the position that the participant holds and management's assessment of his/her future contribution to the company.

The grant was originally made under terms and conditions described below.

The performance shares vest after a three-year period, upon continued employment.

For the 2015 and 2014 grants, the actual number of shares that vest depends on the performance of the following performance measures:

- 50% financial target: the total shareholder return (TSR) performance of the company measured on a three-year basis against the TSR of a peer group of all AEX companies (50% weighting) and of TNT's three main direct competitors (Deutsche Post DHL, FedEx and UPS) (50% weighting); and
- 50% non-financial target: customer satisfaction measured on an annual basis.

For the 2013 grant, the actual number of shares that vest depends on the performance of the following performance measures:

- 50% financial target: the TSR performance of the company measured on a three-year basis against the TSR of a peer group of companies (full AEX); and
- 50% non-financial targets: (customers, employees and sustainability) measured on an annual basis.

The actual number of 2015 performance shares that will vest at the vesting date will be determined by the TSR performance over the period 2015 to 2018 (2014 grant: 2014 to 2017; 2013 grant: 2013 to 2016), and the performance on the non-financial target over the three calendar years preceding the vesting date.

The maximum number of shares that can vest under the plan amounts to 100% of the base allocation.

The 2015 grant was initially intended as an equity-settled scheme with a fair value of €6.38, which is the average of the fair values of €5.42 for the 50% TSR portion and €7.34 for the 50% non-financial portion. In line with previous years, the fair value of the TSR portion has been measured using the Monte Carlo fair value measurement method, whereas that of the non-financial portion is derived from the share price on Euronext Amsterdam at grant date (29 April 2015: €7.61), corrected for the dividend yield for the three-year vesting period.

Significant assumptions used in the calculations to determine the fair value of the equity-settled 2015 grant were as follows:

Assumptions	2015
Share price (in €)	7.61
Volatility (%)	29.66
Vesting period (in years)	3
Risk free rate (%)	0.11
Dividend yield (%)	1.21

The costs incurred in 2015 for the 2015 grant amounted to €3,276,073.

The costs incurred in 2015 for the 2014 and 2013 grants, amounted in total to €7,123,203 and €3,680,213, respectively.

Vesting of the 2012 compensation grant

Due to the intended merger with UPS in 2012, the 2012 grant of performance shares did not occur.

In 2013, the Supervisory Board decided to provide for a limited 2012 compensation grant. The grant date was 30 April 2013 and vesting occurred after a two-year period, based on continued employment. The 2012 compensation grant vested on 30 April 2015, and was settled in shares.

The total costs incurred in 2015 for the 2012 compensation grant, amounted in total to €580,051 and were based on a fair value of €5.78 per share. The fair value is based on the share price on Euronext Amsterdam at the grant date (30 April 2013: €5.83), corrected for the dividend yield for the two-year vesting period.

The following table shows the number of rights to performance shares related to the 2015, 2014 and 2013 grants and to the 2012 compensation grant for senior management:

Maximum number of rights to performance shares

	Year	Outstanding 31December 2014	Granted during 2015	Vested during 2015	Forfeited during 2015	Outstanding 31December 2015	Remaining years in contractual life[1]
Senior management	2015		1,972,250	4,342	115,648	1,852,260	2.3
	2014	2,114,334		33,952	666,767	1,413,615	1.3
	2013[2]	1,435,569		369,477	371,513	694,579	0.3
Total		3,549,903	1,972,250	407,771	1,153,928	3,960,454	

[1]This column shows the remaining years per grant, based on the regular three-year vesting period. For the 2013 grant 0.3 years remain, the 2012 compensation grant vested on 30 April 2015.
[2]The 2013 grant of performance shares includes both the regular 2013 grant and the 2012 compensation grant.

Settlement of obligations under the equity-settled schemes

TNT manages the obligations the company has under the existing share plans by purchasing shares on the market the moment such obligation arises. At 31 December 2015, the company held no shares for the purpose of covering any obligations under the existing plans (2014: 0 shares).

19 Remuneration of members of the Supervisory Board and Executive Board

Remuneration of members of the Supervisory Board

For the year 2015, the remuneration of the members of the Supervisory Board amounted to €497,500.

The remuneration of individual members of the Supervisory Board is set out in the following table:

Remuneration of the Supervisory Board

	Base fee[1]	Additional meetings fee[2]	Other payments[3]	Total remuneration 2015	Total remuneration 2014
Mr Burgmans	60,000	25,000	13,500	98,500	80,000
Ms Harris	45,000	16,500	22,500	84,000	83,000
Mr King	45,000	9,000	26,000	80,000	74,000
Mr Levy	45,000	13,500	30,000	88,500	79,000
Ms Scheltema	45,000	15,000	12,500	72,500	66,500
Mr Vollebregt	45,000	15,000	14,000	74,000	69,500
Total	285,000	94,000	118,500	497,500	452,000

[1]Base fees include payments for membership of the Supervisory Board.
[2]Payments relating to attended Supervisory Board meetings over and above the usual business calendar.
[3]Payments relating to the number of attended committee meetings, including travel allowance for foreign members.
(in €)

No equity was granted to members of the Supervisory Board and none of the members of the Supervisory Board accrued any pension rights with the company. Moreover, the members of the Supervisory Board do not receive any severance payments in the event of termination nor will they be entitled to a contractual severance payment in the event of removal by the general meeting of shareholders.

TNT does not grant loans, including mortgage loans, or provide guarantees to any member of the Supervisory Board.

Remuneration of members of the Executive Board

In 2015, the remuneration of the Executive Board consisted of:
- base compensation;
- other periodic paid compensation;
- pension allowance; and
- variable compensation (accrued short-term and long-term incentive).

For the members of the Executive Board, the actual remuneration paid in 2015 was €1,615,300. In addition, the accruals for the long-term incentive schemes and the recognition in full as per 31 December 2015 of the expected severance payments payable in 2016 amounted to €548,753 and €3,205,209, respectively.

The 2015 remuneration of the individual members of the Executive Board is set out in the following table. In this table the costs are specified per remuneration component.

2015 Remuneration of the Executive Board and FedEx acquisition-related[1] accruals

2015 Remuneration

	Base compensation	Other periodic paid compensation	Pension costs	Accrued for short-term incentive	Total
Tex Gunning	750,000	37,099	187,500		974,599
Maarten de Vries[4]	500,000	15,701	125,000		640,701
Total	1,250,000	52,800	312,500	0	1,615,300

2015 FedEx acquisition-related accruals

	Accrued for long-term incentive[2]	Expected severance payments[3]	Total
Tex Gunning	317,862	1,955,209	2,273,071
Maarten de Vries[4]	230,891	1,250,000	1,480,891
Total	548,753	3,205,209	3,753,962

2015 Remuneration and FedEx acquisition-related accruals

	Profit and loss impact 2015	2014
Tex Gunning	3,247,670	1,083,176
Maarten de Vries[4]	2,121,592	358,357
Total	5,369,262	1,441,533

[1]No additional bonus entitlement or similar will be paid to the members of the Executive Board in relation to a successful closure of the intended acquisition by FedEx.
[2]Calculations are based on the vesting of the 2014 and 2015 equity series as determined in the Offer Memorandum, thereby taking into account the statutory claw-back regulations *('de afroomregeling')*.
[3]The expected severance payments become payable in 2016 and exclude the provision for additional employer wage tax (art. 32bb Dutch Wage Tax Act 1964), currently estimated at €2.4m.
[4]As of 1 July 2014, Mr De Vries was assigned as CFO.
(in €)

TNT does not grant loans, including mortgage loans, or provide guarantees to any member of the Executive Board.

Base compensation

The 2015 annual base compensation for Mr Gunning and Mr De Vries amounted to €750,000 and €500,000, respectively.

Other periodic paid compensation

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

Pension

Mr Gunning and Mr De Vries receive a monthly gross pension allowance of 25% of their monthly base compensation.

Variable compensation

Accrued short-term incentive

The 2015 accrued short-term incentive amounts for the Executive Board are nil (2014: nil for the current members of the Executive Board).

Accrued long-term incentive (based on the intended acquisition by FedEx)

2015 and 2014 grants

On 29 April 2015, the grant under the TNT performance share plan occurred. Refer to note 18 for details of the performance share plan including assumptions used for the valuation, and for the impact of the intended acquisition by FedEx to the outstanding share rights. The statutory claw-back regulations (‘*de afroomregeling*’) will be applied to the members of the Executive Board and they will therefore not receive the offer price of €8.00 for their shares, but instead €5.56 (which was the TNT share price four weeks before the FedEx Offer was publicly announced).

The 2015 and 2014 grants of performance shares for the members of the Executive Board are based on a value of 50% of their annual base compensation. The actual maximum number of rights to shares granted is determined by dividing the available amount (50% of the annual base compensation) by the fair value of the right to a share according to IFRS, as calculated at grant date.

The 2014 grant to Mr Gunning was made on 29 April 2014. Mr De Vries joined the company on 1 July 2014, therefore his 2014 award of performance shares has been prorated (94%) for his time in service during the three-year vesting period (29 April 2014 - 1 May 2017). This grant took place on 28 October 2014.

The following table summarises the status of the rights awarded in 2015 and 2014 under the performance share plan to the members of the Executive Board:

Maximum number of rights to performance shares

	Outstanding 31 December 2014[1]	Granted during 2015[2]	Vested during 2015	Forfeited during 2015	Outstanding 31December 2015[3]
Tex Gunning	77,946	58,777			136,723
Maarten de Vries	49,024	39,185			88,209
Total	126,970	97,962			224,932

[1]The remaining years in contractual life of the 2014 grant as per the balance sheet date is 1.3 years, based on the regular three-year vesting period.

[2]The remaining years in contractual life of the 2015 grant as per the balance sheet date is 2.3 years, based on the regular three-year vesting period.

[3]The numbers shown in this column represent the maximum numbers of shares comprising the rights to performance shares. In view of the FedEx Offer, the actual numbers of shares subject to accelerated vesting on the Settlement Date will be reduced in accordance with the applicable terms and conditions of the Offer Memorandum, thereby taking into account the statutory claw-back regulations *('de afroomregeling')*.

The following table shows the costs of the rights to performance shares related to the 2015 and 2014 grants.

Performance share plan costs

	Costs in 2015 from performance shares granted in 2015	Costs in 2015 from performance shares granted in 2014	Accrued for long-term incentive (based on the intended acquisition by FedEx)
Tex Gunning	72,619	245,243	317,862
Maarten de Vries	48,413	182,478	230,891
Total	121,032	427,721	548,753

(in €)

The costs incurred in 2015 for the 2015 grant, amounted in total to €121,032. The costs incurred in 2015 for the 2014 grant, amounted in total to €427,721 (2014: 134,901).

Severance

Following the Settlement Date, Mr Gunning will resign as Executive Board member. Mr De Vries will remain on the Executive Board of TNT after settlement for a period of six months, after which his contract will be terminated. Consequently, in accordance with the 2015 remuneration policy as approved by the Annual General Meeting of Shareholders, and as disclosed in the Offer Memorandum, both Mr Gunning and Mr De Vries qualify for a change in control severance payment equal to the sum of the last annual base compensation and pension contribution, plus the average bonus received over the last three years, multiplied by two. The total expected severance payments amount to €3.2 million.

TNT will fully comply with the act on severance payments (article 32bb Dutch Wage Tax Act 1964 – *'Wet op de loonbelasting 1964')*. The provision for such additional employer wage tax amounts to €2.4 million.

As the closing of the intended acquisition by FedEx is considered to be probable as of 31 December 2015, the expected change in control severance payments and the additional employer wage tax have been recognised in full as of 31 December 2015.

For completeness sake, no additional bonus entitlement or similar will be paid to the members of the Executive Board in relation to a successful closure of the intended acquisition by FedEx.

20 Depreciation, amortisation and impairments: 201 million (2014: 210)

Specification of depreciation, amortisation and impairments		
Year ended at 31 December	2015	2014
Amortisation of intangible assets	39	35
Depreciation of property, plant and equipment	151	137
Impairment of intangible assets	2	34
Impairment of property, plant and equipment	9	4
Total	201	210
(in € millions)		

The amortisation of intangible assets of €39 million (2014: 35) was related to software for €38 million (2014: 34) and other intangibles for €1 million (2014: 1).

The impairment of intangible assets was related to goodwill impairment of €0 million (2014: 32) and software impairments of €2 million (2014: 2). Refer to note 1 for more information.

21 Other operating expenses: 340 million (2014: 417)

The other operating expenses consisted of government legal fees, marketing, consulting, shared-service costs, and auditors' fees.

Other operating expenses decreased by €77 million in 2015 compared to 2014, due to the reduction in consulting fees related to the transformation of TNT and marketing costs.

In 2015, fees for audit services included the audit of TNT's annual financial statements, procedures on interim financial statements, statutory audits, employee benefit plan audits, audits of corporate sustainability reports and internal control reviews.

The fees can be divided into the following categories:

Fees		
Year ended at 31 December	2015	2014
Audit fees	5	4
Tax advisory fees	0	0
Other fees	0	0
Total	5	4
(in € millions)		

In accordance with Dutch legislation, article 382 (a) of Book 2 of the Dutch Civil Code, the total audit and audit-related fees paid to PricewaterhouseCoopers Accountants N.V. seated in the Netherlands, amounted to €3 million.

22 Net financial (expense)/income: -34 million (2014: -24)

Specification of net financial (expense)/income		
Year ended at 31 December	2015	2014
Interest and similar income	15	12
Changes in fair value hedges	0	0
Total interest and similar income	15	12
Interest and similar expenses	(39)	(30)
Fair value change cash flow hedge recycled to profit and loss	(1)	(1)
Changes in fair value hedges	0	0
Net foreign exchange losses	(9)	(5)
Total interest and similar expenses	(49)	(36)
Net financial expenses	(34)	(24)
(in € millions)		

Total interest and similar income: 15 million (2014: 12)

The external interest and similar income of €15 million (2014: 12) is mainly related to interest income from banks, loans and deposits of €7 million (2014: 6) (of which €5 million (2014: 6) is related to interest on (notional) cash pools), and interest on foreign currency hedges of €6 million (2014: 3).

Total interest and similar expenses: 49 million (2014: 36)

The external interest and similar expense of €39 million (2014: 30) is mainly related to interest on foreign currency hedges of €13 million (2014: 12), interest expense on long-term borrowings of €10 million (2014: 9), interest expense on bank overdrafts and bank loans of €8 million (2014: 5) (of which €3 million (2014: 3) is related to interest on (notional) cash pools), interest on taxes of €4 million (2014:

1), and interest on provisions of €2 million (2014: -1). The increase in interest on foreign currency hedges was caused by higher interest rate differentials between currencies in foreign exchange forward contracts.

The net foreign exchange losses of €9 million (2014: 5) is mainly related to realised currency translation adjustments on liquidated foreign investments of €6 million (2014: 0), that were recycled from the translation reserve to the income statement.

In accordance with IFRS, interest income and expense on (notional) cash pools are reported on a gross basis. From an economic and legal perspective, the €3 million (2014: 3) interest expense nets off against the €5 million (2014: 6) of interest income. The amounts are not netted in the income statement because under IFRS such offset needs in practice to be irreversibly exercised from time to time.

The interest and similar income and expense on various foreign exchange derivatives have been aggregated on a gross basis while economically the €6 million of interest income on hedges and €0 million change in fair value hedges (2014: 3 interest income and 0 change in fair value hedges) partly offsets the €13 million interest expense on hedges and €1 million fair value changes of cash flow hedges (2014: 12 interest expense and 1 change in fair value hedges).

23 Income taxes: 67 million (2014: 87)

In 2015, the tax expense amounted to €67 million (2014: 87) on income before taxes of €11 million (2014: -103), resulting in an effective tax rate of 609.1% (2014: -84.5%).

Income tax expense consisted of the following:

Specification of income tax expense

Year ended at 31 December	2015	2014
Current tax expense/(income)	49	50
Deferred tax expense/(income)	18	37
Total income taxes	67	87

(in € millions)

In 2015, the current tax expense amounted to €49 million (2014: 50). The difference between the total income taxes in the income statement and the current tax expense is due to movements in deferred tax assets and deferred tax liabilities.

Effective income tax rate

Year ended at 31 December	2015	2014
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding effective income tax rates other countries	(30.7)	18.0
Permanent differences:		
Non and partly deductible costs	136.0	(8.3)
Non and partly deductible impairments		(7.8)
Other	478.8	(111.4)
Effective income tax rate	609.1	(84.5)

(in percentages)

The mix of income from countries in which TNT operates resulted in a weighted average statutory tax rate of -5.7%. Several non-deductible costs affected the effective tax rate by 136 percentage points.

The line 'other' shows an impact of 478.8 percentage points and includes:
- the net impact of losses for which no deferred tax assets could be recognised due to uncertainty of the recoverability of those assets: 580.9 percentage points;
- the settlement with the French Competition Authority in excess of the provision already recorded is a non-deductible expense for tax purposes: 19.1 percentage points; and
- the remaining 'other' of -121.2 percentage points consists of several other items and includes local taxes and accounting estimates relating to tax balances and one-off movements in income tax payable.

At 31 December 2015, the income tax receivable amounted to €53 million (2014: 46) and the income tax payable amounted to €25 million (2014: 52). In 2015, TNT paid income taxes of €76 million (2014: 109).

The following table shows the movements in deferred tax assets in 2015:

Movements in deferred tax assets

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2013	59	6	108	25	198
Changes via other comprehensive income	37	0	0	(2)	35
Changes via income statement	0	2	(46)	3	(41)
(De)consolidation/foreign exchange effects	1	(1)	5	1	6
Deferred tax assets at 31 December 2014	97	7	67	27	198
Changes via other comprehensive income	(6)	0	0	(3)	(9)
Changes via income statement	(25)	(3)	(6)	12	(22)
(De)consolidation/foreign exchange effects	1	0	2	2	5
Deferred tax assets at 31 December 2015	67	4	63	38	172

(in € millions)

Deferred tax assets and liabilities are presented net in the statement of financial position if TNT has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority. Out of the total 'other' deferred tax assets of €38 million (2014: 27) an amount of €5 million (2014: 9) is related to temporary differences for assets that are both capitalised and depreciable for tax purposes only.

The total accumulated losses available for carry forward at 31 December 2015 amounted to €1,270 million (2014: 1,341). With these losses carried forward, future tax benefits of €361 million could be recognised (2014: 401). Tax deductible losses give rise to deferred tax assets at the substantively enacted statutory tax rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the realisation of such benefits, for example, as a result of the expiration of tax losses carried forward and projected future taxable income. As a result, TNT has not recognised €298 million (2014: 325) of the potential future tax benefits and has recorded deferred tax assets of €63 million at the end of 2015 (2014: 67). Of the total recognised deferred tax assets for loss carry forward an amount of €13 million (2014: 9) was offset against deferred tax liabilities.

The expiration of total accumulated losses is presented in the following table:

Expiration of total accumulated losses

2016	11
2017	18
2018	17
2019	16
2020 and thereafter	87
Indefinite	1,121
Total	1,270

(in € millions)

The following table shows the movements in deferred tax liabilities in 2015:

Movement in deferred tax liabilities

	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2013	13	2	15
Changes via income statement	(3)	(1)	(4)
(De)consolidation/foreign exchange effects	(1)		(1)
Deferred tax liabilities at 31 December 2014	9	1	10
Changes via income statement	(3)	(1)	(4)
(De)consolidation/foreign exchange effects	(1)		(1)
Deferred tax liabilities at 31 December 2015	5	0	5

(in € millions)

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The non-cash transactions in the consolidated statement of cash flows relate to depreciation, amortisation and impairment charges, share-based payment expenses, results from investments in associates and joint ventures, foreign exchange gains and losses, investments in property, plant and equipment financed via finance leases, book results on sale of property, plant and equipment, and changes in provisions.

24 Net cash from/(used in) operating activities: -6 million (2014: 106)

Cash generated from operations

The cash generated from operations decreased from €246 million in 2014 to €109 million in 2015. Profit before income taxes contributed €11 million (2014: -103) or €211 million (2014: 114), after adjusting for the non-cash impact of depreciation, amortisation, impairments and share-based payments.

The change in net pension liabilities of €2 million in 2015 (2014: -10), reflects the net cash movement of the total TNT non-cash employer pension expense for the post-employment defined benefit plans of €43 million (2014: 16), compared to the total TNT cash contributions to various post-employment defined benefit plans and other movements for a total amount of €33 million (2014: 34).

In 2015, there was a net cash outflow of €86 million in other provisions compared to a net cash inflow of €89 million in 2014. This was mainly due to the utilisation of the provisions of €132 million (mainly restructuring and other), offset by additions for restructuring and other.

In 2015, the net cash outflow related to working capital amounted to €41 million, which is a movement of €-91 million compared to 2014 (2014: 50).

Interest paid

The total cash outflow for interest paid in 2015 is €39 million (2014: 31). Interest paid includes interest on foreign currency hedges of €13 million (2014: 11), interest on TNT's financial leases of €10 million (2014: 9), interest payments of €8 million (2014: 5) related to short-term debt (of which €3 million (2014: 3) is due to (notional) cash pools that are offset against the interest received), and interest paid on taxes of €4 million (2014: 1). The increase in interest on foreign currency hedges was mainly caused by higher interest rate differentials between currencies in foreign exchange forward contracts.

The interest paid and received on (notional) cash pools are reported on a gross basis in accordance with IFRS. From an economic and legal perspective the €3 million (2014: 3) interest paid fully nets off against the €5 million (2014: 6) interest received. The amounts are not netted in the income statement and cash flow statement because under IFRS such offset needs in practice to be irreversibly exercised from time to time.

Similarly, the interest paid and received on various foreign currency derivatives have been aggregated on a gross basis, while economically the €6 million of interest received (2014: 3) is offset against the €13 million (2014: 11) of interest paid on hedges.

Income taxes paid

In 2015, TNT paid income taxes of €76 million (2014: 109).

25 Net cash used in investing activities: -159 million (2014: -117)

Interest received

In 2015, interest received of €15 million (2014: 12) mainly includes interest relating to short-term bank balances and deposits of €7 million (2014: 6) (of which €5 million (2014: 6) is due to cash pools that are offset against the interest paid), and realised interest on foreign currency hedges of €6 million (2014: 3).

Capital expenditure on other intangible assets and property, plant and equipment

In 2015, capital expenditure on property, plant and equipment amounted to €245 million (2014: 147), and was mainly related to construction-related activities at a number of depots, investments in vehicles, IT equipment and depot equipment. The capital expenditure on intangible assets of €64 million (2014: 43) is primarily related to purchased software and software development projects. In 2015, capital expenditures were funded primarily by cash generated from operations.

Proceeds from disposal of Group companies

Proceeds from disposal of Group companies in 2015 amounted to €2 million, which is related to the sale of TNT Business Solutions Ltd. as part of the BPO contract.

Proceeds from disposal of Group companies in 2014 amounted to €39 million, which was related to the sale of the Dutch operations of TNT Fashion Group B.V.

Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2015 amounted to €38 million (2014: 14), which is mainly related to the sale of land and buildings, vehicles and other depot equipment.

Cash from financial instruments/derivatives

In 2015, cash from financial instruments/derivatives amounted to €68 million (2014: 19), of this amount €42 million (2014: 0) is related to the settlement of cross-currency swaps, while the remaining is related to the settlement of foreign currency hedges. Financial instruments are further explained in note 30.

Other changes in (financial) fixed assets

Other changes in (financial) fixed assets amount to €19 million (2014: -17), is mainly related to the movements in prepayments for construction-related activities.

26 Net cash used in financing activities: -22 million (2014: -33)

Proceeds from and Repayments of long-term borrowings

In 2015, the total proceeds from long-term borrowings were related to net proceeds from local bank debt for a total amount of €2 million (2014: 12).

Proceeds from and Repayments of short-term borrowings

The total net proceeds of short-term borrowings largely pertained to the net of increases and decreases on local bank overdrafts of €10 million (2014: -4).

Repayments to finance leases

The repayments of finance leases are related to redemptions on the two Boeing 747 freighters of €14 million (2014: 12) and to redemptions on other finance lease contracts of €8 million (2014: 8).

Dividends paid

In 2015, a payment was made relating to the final dividend for 2014, for an amount of €12 million. No interim dividend was paid in 2015.

A payment was made in 2014, relating to the final dividend for 2013, for an amount of €7 million. In 2014, an interim cash dividend was paid of €14 million.

27 Reconciliation to cash and cash equivalents

The following table presents a reconciliation between the consolidated statement of cash flows, and cash and cash equivalents as presented in the consolidated statement of financial position:

Reconciliation to cash and cash equivalents

Year ended at 31 December	2015	2014
Cash at the beginning of the year	652	696
Exchange rate differences	(1)	
Total change in cash (as in consolidated cash flow statements)	(187)	(44)
Cash at the end of the year	464	652

(in € millions)

ADDITIONAL NOTES

28 Commitments and contingencies

(No corresponding financial statement number)

Off-balance sheet commitments		
At 31 December	2015	2014
Rent and operating lease	1,336	1,164
Capital expenditure	31	49
Purchase commitments	866	682
(in € millions)		

Of the total commitments indicated above, €521 million are of a short-term nature (2014: 425).

The increase in purchase commitments is mainly due to the outsourcing of IT activities related to the maintenance of various applications and the provision of global data centre services.

Guarantees

At the end of 2015, TNT, on behalf of TNT subsidiaries, had various parental and bank guarantees outstanding. Except for €1 million relating to the sale of TNT Fashion, none (2014: 1) of these guarantees resulted in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following the ordinary course of business.

Pension arrangements

Execution agreement with the pension funds

In 2011, TNT concluded an execution agreement with two pension funds (*'Stichting Pensioenfonds PostNL'* and *'Stichting Ondernemingspensioenfonds TNT'*), acting also on behalf of the companies affiliated to the company, under which it is liable for the payment of the premiums and lump sums, among other rights and obligations. It includes liabilities allocated to TNT as part of the TNT demerger, related to the pension entitlements of beneficiaries in the pension funds who are no longer employed by either TNT or PostNL (for example, employees of disposed subsidiaries, deferred members and pensioners). In the event TNT should fail to pay the amounts due under the execution agreements, the pension fund can directly address the companies affiliated to TNT (proportionally) for those amounts.

Arrangement between TNT and PostNL regarding pensions

The arrangement between TNT and PostNL regarding pensions entails, amongst others, that:
- TNT will provide a subsidiary guarantee for PostNL and vice versa for situations of violation of contractual terms, irregularity of payments and bankruptcy;
- the subsidiary guarantee will only be related to pension benefits accrued under the existing pension plans (up to the date of the demerger of TNT and PostNL in 2011) and will comprise a liability that will gradually decrease over time;
- the reciprocal liability of TNT and PostNL will only exist for as long as the coverage ratio of the fund(s) is below a certain level; the guarantee lapses if the coverage ratio rises above that level and remains above that level for three consecutive quarters; and
- the contractual agreement replaces any rights under article 334 (t) of Book 2 of the Dutch Civil Code.

TNT pension fund

In 2014, the pension fund ('*Stichting Pensioenfonds PostNL*') was split into a pension fund for the participants from PostNL and a separate pension fund for the participants from TNT, with effect from 1 January 2014. In June 2015, the pension fund, (*'Sichting Ondernemingspensioenfonds TNT'*) was split in a way that the (in)active participants form PostNL and their related pension obligations were allocated to *'Stichting Pensioenfonds PostNL'* and the (in)active participants from TNT and their related pension obligations were allocated to *'Stichting Pensionfonds TNT Express'*. The essence of the mutual guarantees described above was not affected by this split.

Rent and operating lease contracts

In 2015, operational lease expenses (including rental) amounted to €408 million (2014: 372). Rent and operating lease contracts mainly relate to aircraft, depots, hubs, vehicles and other depot equipment. Of the total rent and operating lease commitment, €351 million (2014: 356) is related to three Boeing 777 freighters.

Future payments on non-cancellable existing lease contracts are as follows:

Repayment schedule of rent and operating leases		
At 31 December	2015	2014
Less than 1 year	277	269
Between 1 and 2 years	203	181
Between 2 and 3 years	169	143
Between 3 and 4 years	134	113
Between 4 and 5 years	114	95
Thereafter	439	363
Total	1,336	1,164
of which guaranteed by a third party/customers	0	1

(in € millions)

Capital expenditure

Commitments in connection with capital expenditure amounted to €31 million (2014: 49), and are primarily related to construction-related activities at a number of depots and depot equipment.

Purchase commitments

At 31 December 2015, TNT had unconditional purchase commitments of €866 million (2014: 682), which primarily relate to short-term aircraft charter contracts and various service and maintenance contracts. These contracts for service and maintenance, relate primarily to facilities management, security, cleaning, salary administration, BPO outsourcing and IT support contracts.

Contingent tax liabilities

TNT is exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. TNT accounts for its income taxes on the basis of its own internal analyses, supported by external advice. TNT continually monitors its global tax position, and whenever uncertainties arise, TNT assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

At year-end 2015, total contingent tax liabilities for uncertainties are assessed to amount to between €70 million and €80 million (2014: between €70 million and €80 million) for which TNT, based on its own assessment and supported by external advice, has concluded that the likelihood of an outflow of economic benefits to settle the obligation is not probable.

Contingent legal liabilities

Ordinary course litigation

The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, subcontracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. TNT does not expect any liability arising from any of these legal proceedings to have a material effect on its results of operations, liquidity, capital resources or financial position. The company believes it has provided for all probable liabilities deriving from the normal course of business.

Foreign investigations

TNT announced on 16 July 2014 that it had received a Statement of Objections from the French Competition Authority with respect to alleged anti-competitive behaviour in the French parcels delivery sector, with regards to TNT France. TNT has cooperated with the investigation since it started in 2010. On 24 September 2014, TNT announced that it had entered into a settlement with the French Competition Authority, which includes a reduction percentage to the fine. TNT made a financial provision of €50 million in the third quarter of 2014. The French Competition Authority determined the amount of the fine on December 15, 2015 and ordered TNT to pay €58 million. TNT has reviewed the decision and decided to appeal the decision in January 2016.

TNT has voluntarily disclosed to the United States Bureau of Industry and Security its involvement in re-exports to entities sanctioned by the United States. In addition, the company has received and responded to information requests from competition authorities and co-operated with investigations in this respect. TNT does not currently expect any liability arising from any of the above investigations to have a material effect on its results of operation, liquidity, capital resources or financial position.

29 Financial risk management

(No corresponding financial statement number)

TNT's activities expose the company to a variety of financial risks, such as market risks (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. All of these risks arise in the normal course of business. To manage market risks, TNT uses a variety of financial derivatives.

The tables within this note provide quantitative information regarding TNT's exposure to the financial risks mentioned above. There are certain limitations and simplifications inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously, while at the same time, for example, the impact of changes in interest on foreign exchange exposures and vice versa is ignored. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

TNT uses derivative financial instruments solely for the purpose of hedging exposures. The company enters into contracts related to derivative financial instruments for periods commensurate with its underlying exposures and does not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

Financial risk management is carried out by the TNT Treasury department under policies approved by the Executive Board. The TNT Treasury department identifies, evaluates and hedges financial risk in close co-operation with operating units. The Executive Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, foreign exchange risk, credit risk and liquidity risk. Periodic reporting on financial risks has been embedded in the overall risk framework and has been provided to the Executive Board in a structural way.

Interest rate risk

Part of TNT's borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on TNT's financial results in any given reporting period. Borrowings that are issued at variable rates expose the company to cash flow volatility from movements in interest rates. Borrowings that are issued at fixed rates expose the company to fair value interest rate risk. TNT's financial assets are on average of such short-term nature that they bear no significant fair value interest rate risk, but do cause cash flow interest rate risks. Group policy is to significantly limit the impact of interest fluctuations over a term of seven years as a percentage of earnings before interest, taxes, depreciation and amortisation. At 31 December 2015, TNT's gross interest bearing borrowings, including finance lease obligations, totalled €230 million (2014: 216), of which €161 million (2014: 164) was at a fixed interest rate.

Although TNT generally enters into interest rate swaps and other interest rate derivatives in order to attempt to reduce its exposure to interest rate fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs.

At 31 December 2015, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant, the profit before income tax would have been €4 million higher (2014: 6), and equity would be impacted by €5 million (2014: 8), due to the outstanding interest rate swap(s) with a nominal value of US$168 million. Refer to note 30 for more information.

Foreign currency exchange risk

TNT operates on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro, TNT's functional and reporting currency. These significant operational foreign currency cash flow risks are mostly not hedged. TNT Treasury department matches and manages the intragroup and external financial exposures. Although the company generally enters into hedging arrangements and other contracts in order to reduce its exposure to currency fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs.

The two main (non-euro) currencies of TNT are the British pound and US dollar, of which the 2015 exchange rates to the euro are shown in the following table:

Principal exchange rates

	Year-end closing[1]	Annual average[2]
US dollar	1.08870	1.10548
British pound	0.73395	0.72439

[1]Source: European Central Bank, reference rate on the last day of the year.
[2]The annual average is calculated as the 12-months' average of the TNT month-end-closing rates based on the rate of the European Central Bank.

Management has set up a policy that requires Group companies to manage their foreign exchange risk against their local functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with the TNT Treasury department, whereby a financing company operated by the department trades these foreign exchange derivatives with external banks. TNT currently has no net investment hedges outstanding. Significant acquisitions and local debt is usually funded in the currency of the underlying assets.

At 31 December 2015, if the euro had weakened 10% against the US dollar with all other variables held constant, the profit before income tax on the foreign exchange exposure on financial instruments would have been impacted by 0 (2014: 0). The net income sensitivity to movements in EUR/USD exchange rates compared to 2014 has not changed. Impact on equity would have been 0 (2014: 0).

At 31 December 2015, if the euro had weakened 10% against the British pound with all other variables held constant, the profit before income tax on the foreign exchange exposure on financial instruments would have been impacted by 0 (2014: 0). The net income sensitivity to movements in EUR/GBP exchange rates compared to 2014 has not changed. Impact on equity would have been 0 (2014: 0).

Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom TNT enters into financial transactions are unable to fulfil the terms of the agreements. Credit risk arises from cash and cash equivalents, derivatives, and deposits with banks and financial institutions as well as credit exposures relating to customers. The company attempts to minimise its credit risk exposure by only transacting with financial institutions that meet established credit guidelines and by managing its customers' portfolio. TNT continually monitors the credit standing of financial counterparties and its customers. Individual risk limits are set on internal and external ratings in accordance with limits set by the Executive Board. The utilisation of credit limits is regularly monitored. At balance sheet date there were no significant concentrations of credit risk related to customers. The top ten customers of TNT account for 3% of the outstanding trade receivables at 31 December 2015.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of undrawn committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, TNT attempts to maintain flexibility in funding by keeping committed credit lines available.

TNT has central availability to the following undrawn committed facilities:

Undrawn committed facilities

At 31 December	2015	2014
Multi-currency revolving credit facility	600	600

(in € millions)

In November 2015, TNT successfully extended the €600 million multi-currency revolving credit facility with one year till November 2020, without incurring any costs. This facility was entered into in November 2014, for a period of five years plus two one-year extension options of which one is now exercised. The facility secures access to committed future financing capacity and can be used for general funding purposes and includes a €300 million liquidity back-up for TNT's euro commercial paper programme.

The following table shows TNT's financial liabilities per relevant maturity group based on the remaining period on the balance sheet to the contractual maturity date. The outgoing flows disclosed in the table are the contractual undiscounted cash flows which contains the redemptions and interest payments.

Liquidity risk schedule

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Outgoing flows based on the financial liabilities 2015					
Other loans	3	5	2		10
Finance leases	87	81	6	7	179
Interest rate and cross-currency swaps (outgoing)	90	74			7
Foreign exchange contracts (outgoing)	745				4
Short-term bank debt	34				34
Trade accounts payable	491				491
Other current liabilities	95				95
Mitigation incoming flows based on the financial liabilities 2015					
Interest rate and cross-currency swaps (incoming)	83	72			
Foreign exchange contracts (incoming)	745				
Total liquidity risk	717	88	8	7	820
Outgoing flows based on the financial liabilities 2014					
Other loans	3	11	1		14
Finance leases	21	144			162
Interest rate and cross-currency swaps (outgoing)	281	146			12
Foreign exchange contracts (outgoing)	918				6
Short-term bank debt	28				28
Trade accounts payable	471				471
Other current liabilities	102				102
Mitigation incoming flows based on the financial liabilities 2014					
Interest rate and cross-currency swaps (incoming)	290	141			
Foreign exchange contracts (incoming)	918				
Total liquidity risk	616	160	1	0	795

(in € millions)

Capital structure management

It is the objective of TNT when managing the capital structure to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. TNT's capital structure is managed along the following components:
- an investment grade credit rating of BBB+ by S&P and Baa1 by Moody's;
- an availability of at least €400 million of undrawn committed facilities;
- cash pooling systems facilitating optimised cash requirements for the Group; and
- a tax optimal internal and external funding focused at optimising the cost of capital for the Group, within long-term sustainable boundaries.

TNT's credit ratings per 31 December 2015 are BBB (Stable) by S&P and Baa2 (Stable) by Moody's. A downgrade in the credit rating of TNT may negatively affect its ability to obtain funds from financial institutions, retain investors and banks and increase its financing costs by increasing the interest rates of its outstanding debt or the interest rates at which the company is able to refinance existing debt or incur new debt. This could affect its return for shareholders and benefits to other stakeholders.

The terms and conditions of TNT's material short-term and long-term debts, as well as its material (drawn or undrawn) committed credit facilities, do not include any financial covenants. There are also no possibilities to accelerate these material debts and committed facilities in case of a credit rating downgrade. The debt and credit facility instruments vary on a case by case basis and mostly contain customary clauses as are generally observed in the market such as negative pledge conditions, restrictions on (the use of the proceeds of) the sale of assets or businesses and in most cases change of control clauses.

Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

Offsetting financial assets and financial liabilities

At 31 December	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial assets/liabilities offset in the balance sheet	Net amounts of financial assets/liabilities presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and bank balances	Net amount
Derivative financial assets	1		1	1		0
Cash and cash equivalents	464		464			464
Total financial assets	465		465	1		464
Derivative financial liabilities	7		7	1		6
Bank overdrafts	34		34			34
Total financial liabilities	41		41	1		40

(in € millions)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between TNT and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis or in the event of default of either party.

30 Financial instruments

(No corresponding financial statement number)

Summary of financial instruments

In accordance with IAS 39, the following categories of financial assets and financial liabilities can be identified:

Assets At 31 December	Notes	Financial assets measured at amortised costs	Financial assets at fair value through profit and loss	Total
Assets as per balance sheet 2015				
Other loans receivable	(3)	2		2
Other financial fixed assets	(3)	11	2	13
Accounts receivable	(5)	1,190		1,190
Prepayments and accrued income	(6)	148	1	149
Cash and cash equivalents	(7)	464		464
Total		1,815	3	1,818
Assets as per balance sheet 2014				
Other loans receivable	(3)	2		2
Other financial fixed assets	(3)	12	2	14
Accounts receivable	(5)	1,095		1,095
Prepayments and accrued income	(6)	163	19	182
Cash and cash equivalents	(7)	652		652
Total		1,924	21	1,945

(in € millions)

Liabilities At 31 December	Notes	Financial liabilities measured at amortised costs	Derivatives used for hedging	Total
Liabilities as per balance sheet 2015				
Long-term debt	(12)	99	4	103
Trade accounts payable		491		491
Other current liabilities	(13)	219	7	226
Total		809	11	820
Liabilities as per balance sheet 2014				
Long-term debt	(12)	154	12	166
Trade accounts payable		471		471
Other current liabilities	(13)	152	6	158
Total		777	18	795

(in € millions)

The fair value of financial instruments is based on foreign exchange and interest rate market prices. TNT uses commonly practised fair value valuation methods for its financial instruments. The valuations represent a best approximation of the trading value of these financial instruments at their valuation moment. The financial instruments are thereby grouped within level 2 of the fair value measurement hierarchy.

Finance leases

Total debt on finance leases consist of financial lease contracts on buildings (depots), vehicles and aircraft.

The following table provides an overview of the outstanding finance leases:

Overview of finance leases At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Boeing 747 freighters	154	floating	Yes	154	155
Other leases	25	floating/fixed	No	25	25
Total outstanding finance leases 2015	179			179	180
Boeing 747 freighters	151	floating	Yes	151	152
Other leases	11	floating/fixed	No	11	11
Total outstanding finance leases 2014	162			162	163

(in € millions)

Debit Value Adjustments and Credit Value Adjustments were evaluated for all applicable financial assets and liabilities. The impact of these adjustments was not considered to be material.

Interest rate swaps

TNT has US$168 million (2014: US$184) of interest rate swaps outstanding for which it pays fixed and receives floating interest. These interest rate swaps act as a hedge on the cash flow interest rate risk on outstanding debt.

As all previously outstanding forward starting swaps have been designated as cash flow hedges, the market value movements of the effective portion of the hedges are included in equity. The market value movements will remain in equity (the hedge reserve) and will be straight-line amortised to the income statement. In 2015, net financial expense included an amortisation of €1 million from the hedge reserve.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amounted to €0 million (2014: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounted to €0 million (2014: 0).

Cross-currency swaps

The cross-currency swaps of €250 million that TNT had outstanding per year-end 2014 matured in August 2015. At maturity, TNT paid €250 million and received US$321.5 million.

In 2014, the fair value of outstanding short-term cross-currency swaps was recorded as a current asset in prepayments and accrued income. An overview of interest rate and cross-currency swaps is presented in the following table:

Overview of interest rate and cross-currency swaps — At 31 December

Nominal	Forward starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value	Settlement amount
Interest rate swaps 2015								
81	No	USD	Yes	fixed	floating	cash flow	(3)	
87	No	USD	Yes	fixed	floating	cash flow	(4)	
Cross-currency swaps 2015								
250	No	EUR/USD	No	floating	floating	fair value		42
Interest rate swaps 2014								
89	No	USD	Yes	fixed	floating	cash flow	(5)	
95	No	USD	Yes	fixed	floating	cash flow	(7)	
Cross-currency swaps 2014								
250	No	EUR/USD	Yes	floating	floating	fair value	15	

(in € millions)

Foreign exchange contracts

TNT entered into short-term foreign exchange derivatives to hedge foreign exchange fair value and cash flow risks. The fair value of these outstanding foreign exchange hedges is recorded as a current asset in prepayments and accrued income or as a current liability in total current borrowings. The foreign exchange result on the outstanding fair value hedges is recorded in the income statement and mitigates the foreign exchange exposure and results on the underlying items of the statement of financial position. The details relating to outstanding foreign exchange contracts are presented in the following table:

Outstanding foreign exchange contracts

At 31 December

	Notes	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2015						
Asset	(6)	1	1	258	fair value/ cash flow	0
Liability	(12)/(13)	4	4	487	fair value	N/A
Foreign exchange contracts 2014						
Asset	(6)	4	4	476	fair value/ cash flow	0
Liability	(12)/(13)	6	6	442	fair value	N/A

(in € millions)

The cash flow hedges on highly probable forecasted transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on the effective portion of the forward exchange contracts as of 31 December 2015 amounted to €0 million (2014: 0). These reserves are recognised in the income statement in the period or periods during which the hedged forecasted transaction affects the income statement. The total ineffective portion recognised in the income statement arose from the usage of fair value hedges amounted to a result of €0 million (2014: 0). The total ineffective portion recognised in the income statement that arose from the usage of cash flow hedges amounted to a result of €0 million (2014: 0).

31 Earnings per share

(No corresponding financial statement number)

The diluted number of ordinary shares is zero.

The calculation of basic earnings per share is based on an average of 548,649,122 ordinary shares.

The following table summarises the outstanding shares for TNT's computation related to earnings per share:

Outstanding shares information

Year averages and numbers at 31 December	2015	2014
Number of issued and outstanding ordinary shares	548,898,900	548,208,226
Average number of ordinary shares per year	548,649,122	546,396,949
Average number of ordinary shares per year on fully diluted basis in the year	548,649,122	546,396,949

32 Disclosure on interest in other entities

The amounts recognised in the statement of financial position are as follows:

Amounts recognised in the financial statement		
Year ended at 31 December	2015	2014
Associates		
Joint ventures	18	17
Total	18	17
(in € millions)		

The amounts recognised in the income statement are as follows:

Amounts recognised in the income statement		
Year ended at 31 December	2015	2014
Associates		1
Joint ventures	7	6
Total	7	7
(in € millions)		

Investment in joint ventures

Investment in joint ventures	2015	2014
Balance at 1 January	17	15
Share of profit	7	6
Dividend received	(7)	(5)
Other comprehensive income/other	1	1
Balance at 31 December	18	17
(in € millions)		

The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
TNT Swiss Post AG	Switzerland	50	Note 1	Equity
TNT Express Luxembourg SA	Luxembourg	50	Note 1	Equity
PNG Air Charter Services Limited	Papua New Guinea	50	Note 2	Equity
X-Air Services NV/SA	Belgium	50	Note 3	Equity

Note 1: Express delivery services for domestic and international markets
Note 2: Air freight charter services in Asia Pacific
Note 3: Aircraft maintenance services and technical support

All joint ventures are private companies and there is no quoted market price available for their shares.

Commitments and contingent liabilities in respect of joint ventures

The Group has no commitments or contingent liabilities relating to its interest in joint ventures.

Summarised financial information for joint ventures

Set out below are the summarised financial information for TNT Swiss Post AG, which in the opinion of management is material to the Group and is accounted for using the equity method.

Summarised statement of financial position		
At 31 December	2015	2014
Non-current		
Total non-current assets	4	3
Financial liabilities	0	0
Other liabilities	1	2
Total non-current liabilities	1	2
Current		
Cash and cash equivalents	0	0
Other current assets (excluding cash)	55	56
Total current assets	55	56
Trade accounts payable	22	19
Other current liabilities (excluding trade accounts payables)	16	19
Total current liabilities	38	38
Net amount	20	19
(in € millions)		

Summarised statement of comprehensive income		
At 31 December	2015	2014
Revenue	143	128
Depreciation and amortisation	1	1
Interest income	0	0
Interest expense	0	0
Pre-tax profit from continuing operations	12	12
Income tax expense	(1)	(2)
Post-tax profit from continuing operations	10	10
Other comprehensive income	0	0
Total comprehensive income	10	10
Dividends received from joint ventures	5	4
(in € millions)		

The information above reflects the amounts presented in the financial statements of TNT Swiss Post AG, adjusted for differences between the accounting policies of TNT Swiss Post AG and that of the Group.

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of its interest in joint ventures.

Summarised financial information		
	2015	2014
Opening net assets at 1 January	34	31
Profit/(loss) for the period	14	13
Dividend received	(13)	(10)
Other comprehensive income	1	0
Closing net assets at 31 December	36	34
Interest in joint ventures @50%	18	17
Carrying value	18	17
(in € millions)		

33 Related party transactions and balances

(No corresponding financial statement number)

Joint ventures

TNT has trading relationships at arm's-length with a number of joint ventures and unconsolidated companies in which it holds minority shares. In some cases there are contractual arrangements in place under which the TNT entities source supplies from such undertakings, or such undertakings source supplies from TNT.

During 2015, purchases of TNT from joint ventures amounted to €25 million (2014: 25). Sales made by TNT companies to its joint ventures were €35 million (2014: 30). The net amounts due to joint venture entities amounted to €21 million (2014: 27). At 31 December 2015, net amounts due to associated companies amounted to €2 million (2014: 0).

Key management

In 2015, key management consisted of the Management Board (including the members of the Executive Board). The remuneration costs for key management are disclosed in the following table:

2015 Remuneration of key management and FedEx acquisition-related accruals

2015 Remuneration

	Salaries & short-term employee benefits	Post-employment benefits	Total
Executive Board[3,4]	1,302,800	312,500	1,615,300
Additional members of the Management Board[4]	4,750,076	788,752	5,538,828
Key management	6,052,876	1,101,252	7,154,128

2015 FedEx acquisition-related accruals

	Accrued for long-term incentive[1]	Expected severance payments[2]	Special incentive programme	Total
Executive Board[3,4]	548,753	3,205,209	0	3,753,962
Additional members of the Management Board[4]	2,025,284	0	2,127,922	4,153,206
Key management	2,574,037	3,205,209	2,127,922	7,907,168

2015 Remuneration and FedEx acquisition-related accruals

	Profit and loss impact	
	2015	2014
Executive Board[3,4]	5,369,262	1,441,533
Additional members of the Management Board[4]	9,692,034	7,043,557
Key management	15,061,296	8,485,090

[1]Calculations are based on the vesting of the equity series as determined in the Offer Memorandum.
[2]The expected severance payments are payable in 2016 and exclude the provision for additional employer wage tax (art. 32bb Dutch Wage Tax Act 1964), currently estimated at €2.4m.
[3]Refer to note 19 in chapter 5 for details of the remuneration of the members of the Executive Board.
[4]2015 represents the first full year costs of the current Management Board.
(in €)

Special incentive programme

To minimise the disruption of the FedEx acquisition process and to secure the continuity of the business, as well as the delivery of *Outlook*, the additional members of the Management Board are included in a special TNT incentive programme. The accrued amount as per the balance sheet date for the execution of the incentive programme is €2.1 million.

PostNL companies

At 31 December 2015, TNT is owned by PostNL N.V. ("PostNL") for approximately 14.6%, based on TNT's current issued share capital and the numbers of shares owned by PostNL as per the AFM register. TNT also has trading relationships with a number of PostNL subsidiary companies.

Relationship Agreement

As a result of the demerger, TNT and PostNL entered into a relationship agreement which contains certain arrangements in respect of the stake that PostNL retained in TNT after the demerger ('the Relationship Agreement'). The Relationship Agreement was updated in February 2013, amongst others to provide for relaxation of certain conditions and restrictions in respect of possible divestment by PostNL of its shareholding, or part thereof, in TNT. The Relationship Agreement will terminate if PostNL holds less than 5% of the ordinary shares.

The following is a summary of certain important elements of the Relationship Agreement.

- Future ordinary share sale
  PostNL may sell the ordinary shares it owns in whole or in part in an orderly market manner. PostNL must inform TNT of its intention to perform such sale. In the event of a private placement or accelerated bookbuild offering of 10% or more of the ordinary shares, PostNL is subject to another lock-up period of 90 days for the remainder of the stake as from completion of such placement or

offering, it being understood that PostNL may sell by way of a private placement part, or the whole, of the remainder of its stake during such 90-days lock-up period to a party who commits that it will not sell the shares for the remainder of such period of 90 days after that party's acquisition of the shares. This lock-up period may be shortened or waived with the prior written consent of TNT. Subject to this provision and except if a public offer is made for TNT (refer to section 'Public offer for TNT below), there will be no restrictions for PostNL as to the method of sale and transfer of (part of) its stake in TNT.

Subject to PostNL's obligations in case a public offer is made for TNT (refer to section 'Public offer for TNT below), PostNL may not sell in one transaction or a series of transactions other than by way of an accelerated bookbuild offering 15% or more of the shares to one party or a group of related parties, unless such party or parties commits that it will not exercise the voting rights beyond the 15%.
If PostNL proposes an offering that entails TNT's involvement in the form of a management road show and/or the preparation of a Prospectus (a "Fully Marketed Offering") of (part of) TNT's ordinary shares, PostNL and TNT will work together in preparing the Fully Marketed Offering to the highest possible standard. There may be one Fully Marketed Offering in any nine month period. In connection with a Fully Marketed Offering TNT may propose a bookrunner who will subsequently be appointed by PostNL.

If PostNL sells (part of) the ordinary shares it owns other than by way of a Fully Marketed Offering, TNT will facilitate such sale by providing an opportunity to perform a limited due diligence investigation by a bona fide, creditworthy potential buyer of more than 5% of the ordinary shares (if and to the extent requested by PostNL).

PostNL may not acquire any additional ordinary shares, provided that PostNL may acquire shares indirectly upon the acquisition of another business for other business reasons than the acquisition of shares in TNT as long as its stake in TNT as a result of such acquisition will be 29.9% or less.

– Public offer for TNT

If a public offer is made for TNT, PostNL will be obliged to tender its ordinary shares if the Executive Board and the Supervisory Board support that offer and/or recommend the offer to the shareholders. If the Executive Board and the Supervisory Board (i) support the offer and take a neutral position as to recommending it to the shareholders or (ii) do not support the offer and do not recommend the offer to the shareholders, then PostNL will be obliged to tender its stake (a) if 66.67% of the other ordinary shares are tendered under the offer (in the situation that PostNL's stake is between 29.8% and 25% of the ordinary shares) or (b) if a percentage of the other ordinary shares is tendered under the offer equal to 50% of all ordinary shares (in the situation that PostNL's stake is lower than 25% of the ordinary shares).

The position of the Executive Board and of the Supervisory Board towards the offer will be as set out in the position statement of the Executive Board (and the Supervisory Board) as is customary in the context of an offer.

If multiple public offers are simultaneously made for TNT by making an offer memorandum publicly available, PostNL must tender its stake under the offer for which most shares have been tendered, irrespective of the recommendation made by the Executive Board and the Supervisory Board, provided that more than 50% of the other shares have been tendered under all offers made.

In the event of a proposed legal merger of TNT, which merger entails a change of control of TNT, PostNL must attend the general meeting and must vote in favour of such legal merger if the majority of the other shareholders support and vote in favour of such legal merger. This obligation terminates if PostNL holds 10% or less of the ordinary shares in TNT.

– Mandatory offer

If TNT intends to resolve or propose that the general meeting resolve any matter that might trigger PostNL having to make a mandatory offer for TNT, TNT must inform PostNL in writing at least 20 business days before taking such resolution and/or proposing to take such resolution. This is to enable PostNL to take such measures as are required for it not having to make a mandatory offer. If TNT notifies PostNL of such proposed resolution, PostNL must sell or otherwise transfer such number of its ordinary shares to prevent that a mandatory offer has to be made within 30 days after a triggering event has taken place.

– Information and reporting

TNT will provide PostNL with certain financial and other information reasonably requested by PostNL as detailed in the Relationship Agreement, to enable PostNL to satisfy its ongoing financial reporting, audit and other legal and regulatory requirements. It is taken into account that TNT has to comply with legal obligations concerning the content and timing of disclosure and rules on disclosure.

– Governing law
The Relationship Agreement is governed by Dutch law.
In some cases there are contractual arrangements in place under which the TNT entities source supplies from PostNL, or PostNL sources supplies from TNT.

The following transactions were carried out with PostNL companies:

Transactions with PostNL companies

Year ended at 31 December	2015	2014
Direct operational services to PostNL companies	8	10
Direct operational services from PostNL companies[1]	(2)	(3)

[1]Amounts between brackets represent costs.
(in € millions)

34 Segment information

(No corresponding financial statement number)

The Executive Board discloses the following reportable segments:
- International Europe
- International AMEA
- Domestics
- Unallocated

Amounts reported regarding results and financial positions of the segments are measured in a manner consistent with that in the income statement and financial statement. Transactions between segments are carried out at arm's-length.

Segmentation – results

Segment information relating to the income statement

Year ended at 31 December 2015	International Europe	International AMEA	Domestics	Unallocated	Total
Net sales	2,845	994	2,578	257	6,674
Intercompany sales	4		2	(6)	0
Other operating revenues	15	8	1	216	240
Total operating revenues	2,864	1,002	2,581	467	6,914
Other income/(loss)	1	1	1	1	4
Depreciation/impairment of property, plant and equipment	33	11	58	58	160
Amortisation/impairment of intangibles	2	3	7	29	41
Total operating income	69	64	(14)	(81)	38
Net financial income/(expense)					(34)
Results from investments in associates and joint ventures					7
Income tax					(67)
Profit/(loss) for the period					(56)
Attributable to:					
Non-controlling interests					(6)
Equity holders of the parent					(50)
Number of employees (headcount)	15,239	8,999	27,210	4,751	56,199

(in € millions, except employees)

Taxes and net financial income are dealt with at TNT Group level and not within the reportable segments. As a result, this information is not presented as part of the reportable segments. The key financial performance indicator of the reportable segments for management is operating income, which is reported on a monthly basis to the CODM.

In 2015, other income related to a €1 million profit on the sale of TNT Business Solutions Ltd., and other assets held for disposal of €3 million.

Operating income included significant non-cash items related to depreciation, amortisation and impairment of €201 million.

Segment information relating to the income statement

Year ended at 31 December 2014	International Europe	International AMEA	Domestics	Unallocated	Total
Net sales	2,728	900	2,543	301	6,472
Intercompany sales	5		2	(7)	0
Other operating revenues	10	6	2	190	208
Total operating revenues	2,743	906	2,547	484	6,680
Other income/(loss)	1	2	4	10	17
Depreciation/impairment of property, plant and equipment	24	10	56	51	141
Amortisation/impairment of intangibles	34	3	8	24	69
Total operating income	30	50	(8)	(158)	(86)
Net financial income/(expense)					(24)
Results from investments in associates and joint ventures					7
Income tax					(87)
Profit/(loss) for the period					(190)
Attributable to:					
Non-controlling interests					5
Equity holders of the parent					(195)
Number of employees (headcount)	15,205	9,260	27,864	5,963	58,292

(in € millions, except employees)

Unallocated operating income

Year ended at 31 December	2015	2014
Software impairment	(1)	(2)
PP&E impairment	(1)	
Restructuring and related charges	(3)	(37)
Implementation cost		(50)
FedEx related cost	(24)	
Profit on the sale of TNT Fashion Group B.V.		7
French competition case	(8)	(50)
Other	(44)	(26)
Total Unallocated operating income	(81)	(158)

(in € millions, except percentages)

Unallocated covers mainly:
- the results of activities related to TNT Innight activities;
- the results of Central Networks; and
- the expenses of activities related to the TNT Head Office. These costs are included net of the recovery charges allocated to individual geographic and business segments.

In accordance with IAS 19.34a, TNT Express N.V., as the sponsoring employer for the Dutch pension fund, recognised in its corporate financial statements the contributions received from the relevant TNT Group companies as a benefit that offsets the defined benefit employer pension expense. The relevant TNT Group companies recognised in their financial statements the cost equal to the contributions payable for the period. For segment reporting, TNT Express N.V. and TNT Nederland B.V. (Head Office) are part of Unallocated, whereas the relevant Dutch operating companies are part of International Europe.

Information on statement of financial position

A reconciliation of the segment information relating to the statement of financial position of the reportable segments is presented in the following table:

Segment information relating to the statement of financial position

At 31 December 2015	International Europe	International AMEA	Domestics	Unallocated	Total
Intangible assets	595	255	185	107	1,142
Property, plant and equipment	195	39	479	282	995
Trade accounts receivable	374	173	458	45	1,050
Other current assets	87	111	127	510	835
Total assets	1,296	597	1,306	1,031	4,230
Trade accounts payable	145	53	220	73	491
Other current liabilities	209	102	479	341	1,131
Total liabilities	395	175	788	671	2,029
Cash out for capital expenditures	48	19	141	101	309

(in € millions)

The statement of financial position information at 31 December 2014 is as follows:

Segment information relating to the statement of financial position

At 31 December 2014	International Europe	International AMEA	Domestics	Unallocated	Total
Intangible assets	596	256	185	80	1,117
Property, plant and equipment	198	32	402	306	938
Trade accounts receivable	411	162	354	41	968
Other current assets	80	102	128	709	1,019
Total assets	1,377	566	1,135	1,199	4,277
Trade accounts payable	142	47	209	73	471
Other current liabilities	281	119	374	344	1,118
Total liabilities	471	185	792	637	2,085
Cash out for capital expenditures	23	18	73	76	190

(in € millions)

Geographical segment information

The segment information from a geographical perspective is derived as follows:
- The basis of allocation of net sales by geographical areas is the country or region in which the entity recording the sales is located.
- Segment assets and investments are allocated to the location of the assets.

Net sales

Year ended at 31 December	2015	2014
Europe		
The Netherlands	337	375
United Kingdom	989	902
Italy	560	543
Germany	752	744
France	742	736
Belgium	197	193
Rest of Europe	1,081	1,006
Other Americas		
United States and Canada	92	77
South & Middle America	332	393
Africa & the Middle East	209	176
Australia & Pacific	588	609
Asia		
China and Taiwan	350	328
India	57	47
Rest of Asia	388	343
Total net sales	6,674	6,472

(in € millions)

Employees

Year ended at 31 December	International Europe	International AMEA	Domestics	Unallocated	2015	2014
Europe						
The Netherlands	1,082		13	877	1,972	2,098
United Kingdom	790		8,344	516	9,650	9,540
Italy	207		2,249		2,456	2,636
Germany	3,655			893	4,548	4,722
France	484	11	3,877	25	4,397	4,443
Belgium	644			1,895	2,539	2,500
Rest of Europe	7,362			307	7,669	7,768
Other Americas						
United States and Canada	837				837	850
South & Middle America	8		8,388		8,396	9,184
Africa & the Middle East	170	1,796		59	2,025	2,653
Australia & Pacific			4,339		4,339	4,313
Asia						
China and Taiwan		3,043			3,043	3,051
India		623			623	749
Rest of Asia		3,526		179	3,705	3,785
Total	15,239	8,999	27,210	4,751	56,199	58,292

35 Subsequent events

Unconditional approval by the European Commission and Brazilian regulatory authority on the intended acquisition of TNT by FedEx

On 8 January 2016, FedEx and TNT jointly announced that they had obtained the unconditional approval of the European Commission in connection with the all-cash public offer for all the issued and outstanding shares of TNT. After its investigation, the European Commission concluded that the deal did not raise any competition concerns.

On 2 February 2016, FedEx and TNT jointly announced that they had obtained the unconditional approval of the Brazilian regulatory authority Conselho Administrativo de Defesa Econômica (CADE) in connection with the FedEx Offer.

FedEx and TNT continue to work constructively with the regulatory authorities to obtain clearance of the transaction in the remaining jurisdictions, including China. FedEx and TNT continue to make progress, and anticipate that the FedEx Offer will close in the first half of 2016.

Extension of the Acceptance Period

On 8 January 2016, FedEx and TNT jointly announced that the Acceptance Period for the recommended all-cash public offer for all the issued and outstanding shares of TNT was further extended until two weeks following the satisfaction or waiver of the offer condition with respect to competition clearances, but no later than 6 June 2016. The Acceptance Period was extended because the offer condition with respect to competition clearances was not fulfilled upon expiration of the Acceptance Period on 8 January 2016.

Conditional sale agreement for airlines operations

On 5 February 2016, TNT signed an agreement to sell its airlines operations, TNT Airways and Pan Air Líneas Aéreas to ASL Aviation Group, conditional on the completion of FedEx's intended acquisition of TNT. This completion condition is expected to be met in the first half of 2016.

The change of ownership and control of TNT's airlines operations will ensure continuity of service delivery as well as compliance with EU airline ownership and control rules. In conjunction with the transaction, ASL Aviation Group has entered into a service agreement with FedEx and TNT to operate flights for the intended FedEx-TNT combination.

TNT's Liège central air hub is not part of the sale. It will be maintained as a significant operation for the Group going forward.

36 Fiscal unity in the Netherlands

(No corresponding financial statement number)

TNT Express N.V. forms a fiscal unity with several Dutch entities for Corporate Income Tax and VAT purposes. The Dutch entities that are part of these fiscal unities are included in the list containing the information referred to in article 379 and article 414 of Book 2 of the Dutch Civil Code, which is filed at the office of the Chamber of Commerce in Amsterdam. The company and its subsidiaries that form part of the respective fiscal unities are jointly and severally liable for taxation payable by these fiscal unities. In the financial statements of the entities, which are part of fiscal unity for Corporate Income Tax, the tax expenses are calculated through the separate return approach. The tax expenses are settled through the intercompany accounts.

TNT EXPRESS N.V. CORPORATE BALANCE SHEET/CORPORATE INCOME STATEMENT

TNT Express N.V. Corporate balance sheet

Before proposed appropriation of profit	Notes	31 December 2015	variance %	31 December 2014
Assets				
Non-current assets				
Investments in Group companies	(37)	2,666		2,661
Deferred tax assets		32		33
Total financial fixed assets		2,698	0.1	2,694
Pension asset	(39)	0		0
Total non-current assets		2,698	0.1	2,694
Current assets				
Accounts receivable from Group companies	(40)	32		3
Other accounts receivable		105		71
Total current assets		137	85.1	74
Total assets		2,835	2.4	2,768
Liabilities and equity				
Equity	(9)(38)			
Issued share capital		44		44
Additional paid-in capital		2,293		2,500
Legal reserves		86		12
Other reserves		(177)		(181)
Retained earnings		(50)		(195)
Total shareholders' equity		2,196	0.7	2,180
Non-current liabilities				
Deferred tax liabilities		4		0
Provisions for pension liabilities	(39)	128		132
Total non-current liabilities		132		132
Current liabilities				
Accounts payable to Group companies	(40)	498		401
Short-term provision	(11)	0		50
Other current liabilities		0		4
Accrued current liabilities		9		1
Total current liabilities		507	11.2	456
Total liabilities and equity		2,835	2.4	2,768

(in € millions, except percentages)

TNT Express N.V. Corporate income statement

Year ended at 31 December	2015	2014
Results from investments in Group companies/associates after taxes	(62)	(149)
Other income and expenses after taxes	12	(46)
Profit/(loss) attributable to the shareholders	(50)	(195)

(in € millions)

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

NOTES TO THE CORPORATE BALANCE SHEET AND INCOME STATEMENT

ACCOUNTING POLICIES FOR VALUATION AND DETERMINATION OF RESULT TNT EXPRESS N.V.

The corporate financial statements for the year ended 31 December 2015 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. TNT has applied the option in article 362 (8) to use the same principles of valuation and determination of result for the corporate financial statements as the consolidated financial statements. As a result, TNT's investments in Group companies are stated using the 'net asset value method' ('*nettovermogenswaardemethode*'). For the principles of valuation of assets and liabilities and for the determination of results reference is made to the notes to the consolidated statement of financial position and income statement.

37 Investments in Group companies: 2,666 million (2014: 2,661)

Statement of changes

	Investments in Group companies
Balance at 31 December 2013	2,733
Changes in 2014	
Results	(149)
Exchange rate differences/other	77
Total changes	(72)
Balance at 31 December 2014	2,661
Changes in 2015	
Results	(62)
Exchange rate differences/other	67
Total changes	5
Balance at 31 December 2015	2,666

(in € millions)

At 31 December 2015, total investment in Group companies amounted to €2,666 million (2014: 2,661). No dividend was received in 2015 (2014: 0). Exchange rate differences/other changes of €67 million (2014: 77) consisted of cumulative translation adjustments and movement caused by actuarial gain and losses, cash flow hedges and share-based payments.

38 Equity: 2,196 million (2014: 2,180)

Consolidated statement of changes in equity

	Issued share capital	Additional paid-in capital	Legal reserves	Other reserves	Retained earnings	Attributable to equity holders of the parent
Balance at 31 December 2013	44	2,647	(84)	(69)	(125)	2,413
Profit/(loss) for the period					(195)	(195)
Other comprehensive income/(loss)			89	(109)		(20)
Total comprehensive income/(loss)			89	(109)	(195)	(215)
Final dividend previous year		(7)				(7)
Interim dividend		(15)				(15)
Compensation retained earnings		(125)			125	
Legal reserves reclassifications			7	(7)		
Share-based payments				5		5
Stock dividend	0	(0)				
Other				(1)		(1)
Total direct changes in equity	0	(147)	7	(3)	125	(18)
Balance at 31 December 2014	44	2,500	12	(181)	(195)	2,180
Profit/(loss) for the period					(50)	(50)
Other comprehensive income/(loss)			62	19		81
Total comprehensive income/(loss)			62	19	(50)	31
Final dividend previous year		(12)				(12)
Compensation retained earnings		(195)			195	
Legal reserves reclassifications			12	(12)		
Share-based payments				(5)		(5)
Stock dividend	0	(0)				
Other				2		2
Total direct changes in equity	0	(207)	12	(15)	195	(15)
Balance at 31 December 2015	44	2,293	86	(177)	(50)	2,196

(in € millions)

Refer to note 9 for additional details on equity.

39 Provision for pension liabilities: 128 million (2014: 132)

TNT Express N.V. is the sponsoring employer for the Dutch pension plan, which is externally funded in a separate pension fund and covers the majority of TNT's employees in the Netherlands. In accordance with IAS 19.34a, the net defined benefit cost is recognised in the corporate financial statements of TNT Express N.V. The relevant Group companies recognise the costs equal to the contribution payable for the period in their financial statements. For TNT, the contributions received from the other Group companies offset the pension expense.

The following table reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the TNT Express N.V. sponsored Group pension plans.

Pension disclosures

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	693	473
Service costs	29	20
Interest costs	17	19
Past service cost		(12)
Actuarial (loss)/gain	(19)	200
Benefits paid	(7)	(7)
Other movement/administration cost	1	
Benefit obligation at end of year	714	693
Change in plan assets		
Fair value of plan assets at beginning of year	561	451
Actual return on plan assets	6	93
Other movement/administration cost		(1)
Contributions	26	25
Benefits paid	(7)	(7)
Fair value of plan assets at end of year	586	561
Funded status at 31 December		
Funded status	(128)	(132)
Net pension asset/(liability)	(128)	(132)
Components of employer pension expense		
Service costs	(29)	(20)
Interest costs	(17)	(19)
Expected return on plan assets	13	16
Past service cost		12
Other cost/administration cost	(1)	(1)
Total post employment benefit income/(expenses)	(34)	(12)
Weighted average assumptions as at 31 December		
Discount rate	2.0%	2.3%
Expected return on plan assets	2.0%	2.3%
Rate of compensation increase	1.8%	2.0%
Rate of benefit increase	1.0%	1.3%

(in € millions, except percentages)

40 Accounts receivable from Group companies: 32 million (2014: 3) and Accounts payable to Group companies: 498 million (2014: 401)

Accounts receivable from Group companies relates to the participation of TNT Express N.V. in the notional cash pool of which TNT Finance B.V. is the cash pool leader.

Accounts payable to Group companies mainly relates to a deposit facility bearing floating interest rates, with interest calculated at EURIBOR plus 0.25%. TNT Express N.V. can draw and repay on the facility at any moment.

41 Wages and salaries

(No corresponding financial statement number)

The employees of TNT Express N.V. consist solely of the members of the Executive Board. Hence no salary and social security costs were incurred besides those disclosed in note 19. In accordance with IAS 19.34, the net defined benefit cost shall be recognised in the corporate financial statements of TNT Express N.V. Refer to note 39 for more information on defined benefit pension costs, and to note 19 for the remuneration of the Executive Board and Supervisory Board.

42 Commitments not included in the balance sheet

(No corresponding financial statement number)

Declaration of joint and several liability

At 31 December 2015, TNT Express N.V. issued a declaration of joint and several liability for some of its Group companies in compliance with article 403 Book 2 of the Dutch Civil Code. Those Group companies are:
TNT Express Holdings B.V.
TNT Express Nederland B.V.
TNT Express Road Network B.V.
TNT Express Worldwide N.V.
TNT Finance B.V.

TNT Nederland B.V.
TNT Holdings B.V.
TNT Innight B.V.
TNT Skypak Finance B.V.
TNT Skypak International (Netherlands) B.V.
TNT Transport International B.V.

Fiscal unity in the Netherlands

TNT Express N.V. forms a fiscal unity with several Dutch entities for Corporate Income Tax and VAT purposes. The Dutch entities that are part of these fiscal unities are included in the list containing the information referred to in article 379 and article 414 of Book 2 of the Dutch Civil Code, which is filed at the office of the Chamber of Commerce in Amsterdam. The company and its subsidiaries that form part of the respective fiscal unities are jointly and severally liable for taxation payable by these fiscal unities. In the financial statements of the entities, which are part of fiscal unity for Corporate Income Tax, the tax expenses are calculated through the separate return approach. The tax expenses are settled through the intercompany accounts.

Guarantees

TNT Express N.V. provided parental support in the form of specific guarantees to various subsidiaries, in addition to the declaration of joint and several liability in compliance with article 403 of Book 2 of the Dutch Civil Code: €600 million relating to the multi-currency committed revolving credit facility, a €500 million commercial paper programme, a €280 million (2014: 280) credit facility on its cross-currency cash pool as well as various guarantees included in International Swaps and Derivatives Association (ISDA) agreements with banks for the trading of financial derivatives which are materially issued for the TNT business; in addition to smaller uncommitted credit and guarantee facilities.

TNT Express N.V. also guarantees the liabilities under the financial and operating lease agreements of aircraft including the Boeing 747 freighters and Boeing 777 freighters. Furthermore, guarantees of €125 million (2014: 120) were issued amongst others for credit and foreign exchange facilities for its subsidiary TNT Express Worldwide (China) Ltd. in addition to smaller uncommitted credit and guarantee facilities to various subsidiaries. TNT Express N.V. has no guarantees outstanding for the benefit of unconsolidated subsidiaries and third parties, other than those provided in the ordinary course of divestments and other transactions.

The cross-guarantee arrangement between TNT and PostNL regarding pensions is described in note 28.

43 Subsidiaries and associated companies at 31 December 2015

(No corresponding financial statement number)

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

Hoofddorp, 16 February 2016

EXECUTIVE BOARD

L.W. Gunning (Chairman)
M.J. de Vries

SUPERVISORY BOARD

A. Burgmans (Chairman)
M.E. Harris
R. King
S. Levy
M. Scheltema
Sj.S. Vollebregt

TNT Express N.V.
Taurusavenue 111
2132 LS Hoofddorp
P.O. Box 13000
1100 KG Amsterdam
The Netherlands

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: the Annual General Meeting of Shareholders and Supervisory Board of TNT Express N.V.

Report on the financial statements 2015

Our opinion

In our opinion:
- the consolidated financial statements as set out on pages 62 to 120 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2015 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- the corporate financial statements as set out on pages 121 to 125 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2015 as set out on pages 62 to 125 of TNT Express N.V., Amsterdam ('the Company' or collectively with its subsidiaries 'TNT' or 'the Group'). The financial statements include the consolidated financial statements and the corporate financial statements.

The consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2015;
- the following statements for 2015: the consolidated income statement and the consolidated statements of comprehensive income, cash flows and changes in equity; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The corporate financial statements comprise:
- the corporate balance sheet as at 31 December 2015;
- the corporate income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the corporate financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of TNT Express N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

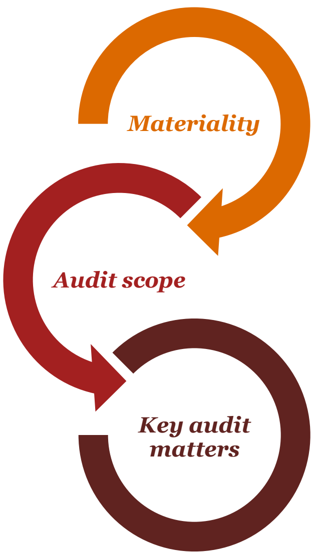
Our audit approach

Overview and context

During 2015, a number of significant events impacted TNT. FedEx Corporation and TNT Express N.V. announced the intended acquisition of TNT by FedEx. Furthermore, management continued to implement the various Outlook initiatives as explained in the Annual Report. This includes outsourcing of part of the IT organisation and Business Process Outsourcing to external service providers. These events also affected our audit in determining materiality (materiality section), our scoping procedures (scoping sections) and needed specific focus. We explain how we addressed this in our audit approach in the key audit matter section of our report.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Executive Board made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

Our engagement consists of a review of the half-year interim financial statements, pre year-end closing procedures in the fourth quarter 2015 and the year-end audit. Given the size of the Company and its operations we are involved on a continuous basis and have ongoing discussions with the finance functions, corporate and local management, the Executive Board and Audit Committee. We have attended all Audit Committee meetings during the year and presented our findings in the Supervisory Board meeting in February 2016.



Materiality

- Overall materiality: € 8 million which represents 5% of adjusted profit before tax.

Audit scope

- We conducted audit work on 32 components. We paid particular attention to the European Road Network, IT Central Services ('ICS') and TNT Airways network entities and (foreign) holding entities with treasury or tax significance or which represented higher risk.
- During the audit 13 site visits were conducted by senior members of the group audit team to components in 8 countries.
- Audit coverage: 81% of consolidated revenue, 82% of consolidated total assets and 81% of profit before tax.

Key audit matters

- Intended acquisition of TNT by FedEx
- Organisational changes and IT transformation
- Valuation of goodwill
- Uncertain tax positions and valuation of deferred tax assets in various jurisdictions
- Claims and litigations
- Management override of controls

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations as part of our risk analysis, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€ 8 million (2014: € 10 million).
How we determined it	5% of adjusted profit before tax. These adjustments consist mainly of FedEx related costs, restructuring related costs and transition costs which are audited in more detail.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company.
Component materiality	To each component in our audit scope, we, based on our judgment, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 0.5 million and € 4.2 million.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Audit Committee that we would report to them misstatements in the income statement identified during our audit exceeding € 0.4 million (2014: € 0.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

TNT Express N.V. is the holding company of a group of entities. The financial information of this group is included in the consolidated financial statements of TNT Express N.V.

When setting the scope of our audit of the Group we consider the following key factors in the control environment:

- we rely, where relevant and efficient, on the Group's Internal Control on Financial Reporting ('ICFR') framework and the monitoring of this framework. Where relevant, we test this framework at the Company's head office and in some selected countries in order to assess whether we are able to rely on it;
- the majority of the Group's IT applications is managed centrally by TNT's IT Central Services in the UK. We test these systems and procedures centrally and provide an independent assurance report on the central IT General Controls to the component audit teams;
- the system for international deliveries is centrally maintained. We use the system data as a basis for centralised revenue assurance procedures. These revenue reports are followed up at the component level by component audit teams;
- we undertake work and provide an independent assurance report concerning the Group's Financial Transfer Pricing process which is centrally organised; our component audit teams gain comfort from this report; and
- we liaise with the Group's Internal Audit Department. They perform financial and operational audits on a rotational and risk assessment basis. In addition to our group audit scope, we also selected 4 smaller entities on a rotational basis as part of our unpredictability procedures. These audits are performed by Internal Audit. We perform procedures to ensure that we can place sufficient reliance on Internal Audit, such as assessing their objectivity and competence, their system of quality review, by providing them specific instructions and reviewing their audit files.

Taking into account the key factors above we tailor the scope of our audit of the Group.

How we tailored the scope of our group audit

Determining factors for the scope of our audit are the geographic structure of the Group, country risk, the significance and/or risk profile of group entities or activities, the tone at the top, fraud risk, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group reporting entities for which an audit of financial information or specific balances was considered necessary and included tax, valuation, pension and share-based payments specialists in our group audit team.

TNT is a logistics company with activities located on numerous smaller and larger locations around the globe. No individual component is considered financially significant (e.g. more than 15% of the Group's revenue). To obtain sufficient coverage a total of 32 components are selected. Our scope ensures we cover all larger components in scope and focuses on entities with significant operations or activities which are relevant to the audit based on risk profile or supporting activities to the Group.

We achieved the following coverage on the financial line items:

Revenue	81%
Total assets	82%
Profit before tax	81%

None of the remaining components represented more than 2% of total group revenue or total group assets. For those remaining components we reviewed the monitoring controls performed by the head office functions which includes; the governance framework, ICFR procedures, Internal Audit reports and oversight by divisional management. In addition we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group audit is aligned with the divisional structure of TNT Express N.V. We conducted audit work on 32 components. In the 'Domestics' division, all countries with the exception of Chile have been identified as larger components, being - Australia, Brazil, France, Italy, and the UK. In addition, larger components have been identified in the 'International Europe' division (for example Germany) and the 'International AMEA' division (for example, China). In our view, due to their significance and/or risk characteristics, each of these components required a full scope audit of their financial information. We also included all significant network entities in our group audit scope by performing full scope or specified audit procedures on European Road Network, IT Central Services, TNT Eurohub and TNT Airways.

We issued detailed instructions to the audit teams of the components in our audit scope. These instructions included our risk analysis, materiality and global audit approach to centralised processes and systems. We determined the level of involvement in the audit work at those entities in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. We formally update our component teams three times during the year via conference calls in which we present recent developments, the scope of our audit, audit risks, materiality and our global audit approach. We also had individual calls with every component team on three occasions during the year. During these calls we discuss the reports of the component team, the findings of their procedures and other matters which could be of relevance for the group financial statements. In addition, separate calls were held on an ongoing basis between senior members of the group audit team and the component auditors. During these calls we share local findings and consider their follow up or the need for support or information from a central level. The group audit team annually visits a number of the component teams. During these visits, amongst others, we discuss the risk assessment, review local audit procedures and findings, and we meet local management. In the current year senior members of the group team visited: the United Kingdom, Italy, Germany, France, China, Australia, Belgium and Spain. Our selection is based on the relative significance of the entities within the group or specific risks identified - for example, in relation to the organisational changes (refer to key audit matter 'Organisational changes and IT transformation).

The Company operates three segments with centralised control. In addition, holding, central network and certain other activities are included in the unallocated segment. This implies that significant and/or complex transactions are executed or monitored by the TNT Head Office. Therefore the group audit team performs audit work on the following group entities: TNT Nederland B.V., TNT Finance B.V., TNT Transport International B.V., TNT Express N.V., TNT Express Nederland B.V. and TNT European Road Network B.V.

The group consolidation, financial statement disclosures and a number of items are audited by the group audit team at the TNT Head Office. These include, goodwill impairment testing, derivative financial instruments, hedge accounting, segmentation, aircraft valuations, group tax risks, certain deferred tax assets, share based payments, restructuring costs, claims and litigation, pension accounting, disposal of group companies, follow up on whistle-blower allegations, ethics and compliance with laws and regulations. We have also issued specified audit procedure instructions to obtain comfort over tax positions in the Belgian entities and the German and French holding entities.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory

Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
Intended acquisition of TNT by FedEx	
FedEx Corporation and TNT Express N.V. announced the intended acquisition of TNT by FedEx (see Chapter 1.V of the Annual report), subject to certain conditions, most notably the European Commission (EC) approval. The EC announced in October 2015 that no Statement of Objection would be issued, and in January 2016 their unconditional approval was provided. Based on the required steps and subject to the required approvals TNT anticipates that the FedEx offer will close in the first half of 2016.	In order to gain an understanding, we discussed the contemplated transaction and expected completion of the transaction with multiple head office functions including Mergers and Acquisitions, Group Control, Corporate Legal, Human Resources, the Executive Board and the Audit Committee. We discussed with management the potential accounting impact under IFRS of the proposed acquisition in the 2015 financial statements and concurred with management that share-based payments / remuneration and the airline disposal required particular consideration.
TNT has assessed the probability of the transaction and the impact this has on the Group and the accounting in the Financial Statements. In Chapter 4.IV of the Annual report and note 18, 19 and 33 of the Financial Statements the impact on accounting for share-based payment plans, executive board remuneration and key management has been disclosed.	We assessed the probability of offer closure by reviewing management's assessment of the required steps and necessary approvals. For share-based payments and executive remuneration our audit procedures included detailed assessment and challenging of the accounting positions, calculations performed and disclosures made by management. Our remuneration specialists and accounting subject matter specialists assisted us in evaluating and challenging the assumptions and disclosures applied by TNT.
In note 8 of the financial statement TNT's explains that the airline is not classified as 'asset held for disposal' because the scope and the timing of the transaction could not be determined as per 31 December 2015 and it was probable that significant changes to the plan could occur. In note 35 of the financial statements the conditional sale agreement for airlines operations signed on 5 February 2016 is disclosed as a subsequent event. The impact of the intended transaction is significant for our audit because the related contracts can trigger complex accounting topics, various management judgments and valuation assessments. This process is unique by nature and is based on expected future developments.	For the airline disposal we considered whether the airline disposal would qualify as an asset held for disposal based on discussions and documents concerning the negotiations. We agreed with management that the transaction would not qualify as an 'asset held for disposal' as the scope of the sales transaction, at 31 December 2015, could not be determined. We considered the accounting implications of the draft sales and purchase agreement on the 2015 financial statements and were assisted by accounting experts during this review. We performed subsequent events procedures, review of board minutes and enquiries with management. We reviewed the subsequent events disclosure in the financial statements and reconciled these to supporting documentation.
Organisational changes and IT transformation	
The Company has been engaged in a number of strategic organisational changes, most notably the Outlook program as disclosed in the Annual Report. • We have identified an increased risk in the Company's control environment in areas where these organisational changes took place. The Company has a framework in place which monitors the status of the internal control environment and management undertook mitigating actions based on internal and external	During our engagement we monitored the control environment risk on a corporate and local level - specifically with respect to the quality of closing procedures and IT general controls. This was done during our half-year review, pre year-end audit and year-end audit. In particular the deficiencies as reported in the ICFR framework and the mitigating procedures by management were assessed by the Company and us. In our role as group auditor we specifically discussed these risks and the local observations with the component audit teams. Where required,

audit findings, amongst others, where it was deemed necessary. We refer to the Risk Management paragraph in Chapter 4 of the Annual Report.

additional procedures were performed by management, the component audit team and/or the group audit team. We determined that sufficient additional procedures were performed to mitigate these risks.

- As part of the TNT transformation significant outsourcing of IT services and certain processes took place (stated in Chapter 1 and 2 of the Annual Report). Processes and part of the IT environment were transferred to external service providers for which specific Service Level Agreements were agreed. The transfer of the financial processes are relevant to our audit as they form the primary entries to the financial statements. The outsourcing of IT is relevant to our audit because the financial processes rely on the continuity, reliability and controls of the IT systems. Furthermore these contracts are material to the financial statements. Their impact has been disclosed in note 28 (commitments and contingencies).

During the transition we monitored the control environment risk particularly with respect to the ICFR process controls and IT general controls. We discussed the potential risks with management and discussed the transition approach for the relevant operating companies. We involved specialists in the monitoring of the potential impact on the IT general controls.

We considered the contract review performed by management and challenged the positions taken with the support of our accounting experts. We audited the transfer of assets in accordance with the agreed contracts. As group auditor we provided an ISAE3402 opinion to the component teams. We communicated with our component teams on the impact of the transition and the required follow up procedures on local level.

Valuation of goodwill

Goodwill amounting to € 1,006 million originating from previous acquisitions is recorded on the balance sheet. The Company performed goodwill impairment tests during the year- end close 2015. The assumptions and sensitivities in the impairment tests are disclosed in note 1 to the financial statements. These impairment tests are significant to our audit because the assessment process is complex, requires management judgment, and is based on assumptions that are affected by expected future market conditions.

Our audit procedures included detailed assessment and challenging of the calculations performed by management. Our valuation specialists assisted us in evaluating and challenging the assumptions and methodologies applied by TNT Express N.V. in its impairment test, in particular those relating to the forecasted revenue growth and the (country) discount rate for various CGU's. We also focused on the adequacy of the Company's disclosures regarding those assumptions including the sensitivity analyses.

Uncertain tax positions and valuation of deferred tax assets in various jurisdictions

The Group operates in various countries with local tax regulations. The country specific tax risks are a significant risk in our audit as these could result in potential material amounts payable. Management monitors these risks on a local and corporate level. The significant tax risks and mitigating actions are summarised in tax position papers. The Company has disclosed the tax risks in note 28 to the financial statements.

The main entities in the Group are subject to local audits and thus these risks are audited and reported at a component level. The group audit team reviewed those reports and discussed the associated risks with the component auditors. The TNT tax position papers and tax risks are audited by the group audit team with the involvement of our tax specialists. We liaised with our component audit teams in response to country specific tax risks.

The Company has recorded deferred tax assets in the financial statements resulting from deductible temporary differences and losses carried forward of € 172 million as disclosed in note 23 to the financial statements. The Company recognises these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered and recorded valuation allowances during 2015, which impacted income tax expense. The realisation probability is impacted by a 3-5 year period for realisation of the full benefits of the Outlook investment and restructuring programs, timing of these benefits, transfer pricing models, uncertainties regarding

We audited the available tax losses carried forward and deductible temporary tax differences. We considered the local expiry periods together with any applicable restrictions in recovery for each individual jurisdiction. In addition, our audit procedures included evaluating and challenging management's forecasts including the assumptions such as revenue growth and cost developments. We checked the consistency of underlying assumptions with those of the impairment analyses and particularly addressed allocation to the respective tax jurisdictions. We also assessed the past performance against business plans used by the Company to assess the realisation of such benefits, including the expiration date of losses and future expected taxable income.

the quality of the company's forecasting process in determining the future taxable income per country. We determined that the underlying plans provide sufficient ('convincing') evidence for recognition of the deferred tax asset under IFRS.

Claims and litigations

As outlined in the risk management section of Chapter 4 of the Annual Report, the Company is exposed to potential claims and litigation in a wide variety of areas. These areas include trade, anti-trust and export controls. In chapter 4 of the Annual Report, the risks and mitigating actions in response to potential claims and litigations have been reported.

In 2014 the Company received a Statement of Objections of the French Competition Authority ('FCA') with respect to the investigation of alleged anti-competitive behaviour in the French parcels delivery sector. The Company was fined by the FCA in December 2015. As disclosed in note 14 of the financial statements a current liability of € 58 million is recorded. In note 28 the Company disclosed the decision to appeal against the fine.

Claims and litigation including any provisions are significant to our audit because management judgment is required, the assessment process is complex and is based on (potential) future developments.

We had update meetings with relevant compliance departments in TNT who are responsible for managing the compliance risks. We also had interviews, took note of their internal reports and where necessary involved subject matter experts. We conclude that management's accounting for claims and litigations is in accordance with the requirements of IFRS.

In respect of the French anti-competition case we reviewed documentation of the France Competition Authority and the legal letter received from the French external lawyers. We assessed the objectivity and competence of these experts. We liaised with the French component audit team on the outcome of this case.

We discussed the fine, the appeal and timing of payment with various central functions in the Group including Corporate Legal, the Executive Board and the Audit Committee. We concur with the accounting for the FCA fine as a short term liability in the financial statements.

Management override of controls

The Company operates in multiple jurisdictions and is subject to the risk of management override of controls and fraud. In order to address this risk, the Company has established a company-wide compliance system, which includes for example; the TNT Business principles, training, the global whistle blower procedure and disciplinary actions, as detailed in Chapter 4 of the Annual Report.

In our audit, we performed audit procedures which allow us to rely, to the extent possible, on management's governance structure. We also performed additional audit procedures designed to identify the risk of management override of controls. These procedures included, amongst others, an assessment of the corporate 'tone-at-the-top', compliance with Company policies, review of internal audit reports, budget to actual analyses, consideration of bonus schemes, assessment of internal control deficiencies, follow-up on whistle-blower allegations, review of business ethics reports, review of compliance statements with laws and regulations specific for the industry such as export controls, the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act 2010, revenue recognition procedures and cost cut off procedures, as well as examination of unexpected and non-routine journal entries. Where necessary we extended our audit procedures to additional geographical units and/or requested follow up from group management. We also maintained unpredictability in our audits by, amongst others, selecting smaller entities in scope, review of expense claims of the Executive Board and made specific enquiries at different levels in the organisation to establish consistency.

Responsibilities of the Executive Board and the Supervisory Board

The Executive Board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board report as set out on pages 3 to 18, pages 37 to 48 and pages 55 to 60 in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the Executive Board and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Executive Board report and other information):
- We have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Executive Board report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of TNT Express N.V. following the demerger of PostNL N.V. in 2011 by the Audit Committee and Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held in 2011 representing a total period of uninterrupted engagement appointment of 4 years. As per TNT Policy on Auditor Independence and Pre-approval, the Audit Committee must review the auditor at least once every three years and communicate the outcome of this review to the shareholders at the annual meeting. The last time this took place was in the shareholders meeting of 9 April 2014.

Amsterdam, 16 February 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2015 OF TNT EXPRESS N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the accompanying financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, amongst others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Board.
- Concluding on the appropriateness of Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

EXTRACT FROM THE ARTICLES OF ASSOCIATION ON APPROPRIATION OF PROFIT

Article 30. Dividends. Reservations.

30.1 Out of the profit the credit balance of the profit and loss account earned in the past financial year shall first be paid, if possible, a dividend on the preference shares of a percentage equal to the average twelve monthly EURIBOR (EURO Interbank Offered Rate) – weighted to reflect the number of days for which the payment is made – plus a premium, to be determined by the Executive Board, subject to the approval of the Supervisory Board, of at least one percentage point and at most three percentage points, depending on the prevailing market conditions. In the event the relevant preference shares are issued in the course of a financial year the dividend shall be calculated as a proportion of the time lapsed. If at any time the twelve monthly EURIBOR is no longer fixed, the dividend percentage shall be equal to the arithmetic mean of the average effective yields of the five longest-dated state loans, as calculated by the Central Bureau of Statistics *(Centraal Bureau voor de Statistiek)* and published in the Official Price List, over the last twenty stock-exchange business days before the date of issue, plus a premium, to be determined by the Executive Board and subject to the approval of the Supervisory Board, of at least one quarter of a percentage point and at most one percentage point, depending on the prevailing market conditions.
If the distribution on the preference shares for any financial year as referred to in the preceding paragraph cannot be made or cannot be made in full because the profit does not permit it, the deficit shall be distributed as a charge to the distributable part of the shareholders' equity. The dividend on preference shares shall be calculated on the paid up part of the nominal value.

30.2 The Executive Board shall then subject to the approval of the Supervisory Board determine what part of the profit remaining after the application of article 30.1 is to be appropriated to reserves.

30.3 The part of the profit remaining after the appropriation to reserves shall be at the disposal of the general meeting, except that no further distributions can be made on the preference shares.

30.4 If a loss is sustained in any year, no dividend shall be distributed for that year. No dividend may be paid in subsequent years until the loss has been compensated by profits. The general meeting may, however, resolve on a proposal of the Executive Board which has received the approval of the Supervisory Board to compensate the loss out of the distributable part of the shareholders' equity or also to distribute a dividend out of the distributable part of the shareholders' equity.

30.5 The Executive Board may resolve to distribute an interim dividend. Such a resolution shall be subject to the approval of the Supervisory Board. 30.6 No dividend shall be paid on the shares held by the company in its own capital. For the computation of the profit distribution, the shares on which according to this article 30.6 no dividend shall be paid, shall not be included. The provisions laid down before in this article 30.6 shall not be applicable in the event that the Executive Board resolves otherwise, which resolution shall be subject to the approval of the Supervisory Board.
30.7 Sections 104 and 105 of Book 2 of the Dutch Civil Code shall also be applicable to distributions to shareholders.

Article 31. Distributions in shares and distributions charged to the reserves.

31.1 The Executive Board may resolve that all or part of the dividend on ordinary shares shall be paid in shares in the company instead of cash. In case of an interim distribution the Executive Board may also resolve that the payments shall take place to the debit of the distributable part of the shareholders' equity. These resolutions of the Executive Board shall be subject to the approval of the Supervisory Board.

31.2 The general meeting may resolve, on a proposal of the Executive Board which has received the approval of the Supervisory Board, to charge distributions to holders of ordinary shares to the distributable part of the shareholders' equity. All or part of these distributions may also be paid in shares in the company instead of cash.

DIVIDEND

In consideration of FedEx's all-cash public offer to acquire all the issued and outstanding shares of TNT, the Executive Board of TNT decided with the approval of the Supervisory Board, to not pay a dividend over 2015. If TNT were to pay a dividend, the dividend amount would be subtracted from the offer price upon the purchase by FedEx of the shares from TNT's shareholders.

APPROPRIATION OF PROFIT

The Executive Board of TNT Express has decided, with the approval of the Supervisory Board, to appropriate the loss of the period of €50 million to the reserves and to propose to compensate the loss out of the distributable part of the shareholders' equity. The profit remaining at the disposal of the general meeting is zero.

Appropriation of profit

	2015
Profit/(loss) attributable to the shareholders	(50)
Appropriation in accordance with the Articles of Association:	
Reserves adopted by the Executive Board and approved by the Supervisory Board (article 30, par.2)	50
Profit at disposal of the Annual General Meeting of Shareholders	0

(in € millions)

GROUP COMPANIES OF TNT EXPRESS N.V.

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

SUBSEQUENT EVENTS

Information relating to subsequent events is disclosed in note 35.

II. CORPORATE RESPONSIBILITY STATEMENTS

Consolidated statement of international standards

Year ended at 31 December	Notes	2015	variance %	2014
OHSAS 18001 certification (% of total FTE)	(1)	81%		81%
Investors in People certification (% of total headcount)	(2)	53%	(34.6)	81%
ISO 14001 certification (% of total FTE)	(3)	82%		82%
ISO 9001 certification (% of total FTE)	(4)	83%	(1.2)	84%

Consolidated statement of health and safety data

Year ended at 31 December	Notes		2015	variance %	2014
OSHA recordable fatalities	(5)	♦	0		0
Workplace fatalities (OHSA non-recordable)	(5)	♦	5		1
Public road fatalities (OHSA non-recordable)	(5)	♦	31	24.0	25
Lost-time accidents	(6)	♦	1,485	(3.5)	1,539
Lost-time accidents per 100 FTE	(6)	♦	2.67	(1.8)	2.72
Lost-time injury rate (LTIR) (per 200,000 working hours)	(6)	♦	2.73	(2.2)	2.79
Absenteeism (% of total standard working hours)	(7)	♦	3.5	(2.8)	3.6
Road traffic incidents/collisions per 100,000 kilometres	(8)		1.05	(2.8)	1.08

Figures with a (♦) fall within the reasonable assurance scope

Consolidated statement of environmental data

Year ended at 31 December	Notes		2015	variance %	2014
CO_2e emissions of own operations (Scope 1 and 2) (ktonnes)	(9)	♦	1,437	9.3	1,315
CO_2e emissions of subcontractor operations (Scope 3) (ktonnes)	(9)		1,637	3.2	1,587
Own drivers trained in safe and eco-driving (% of total drivers)	(10)	♦	25%	(3.8)	26%
Own vehicles in the European Union ≥ Euro 4 standard (% of total own vehicles)	(11)	♦	95%	11.8	85%
Own vehicles applied with telematics (% of total own PUD/LHL vehicles)	(12)	♦	13%	8.3	12%
Own linehaul vehicles/trailers equipped with aerodynamics	(13)	♦	57%	(3.4)	59%
CO_2e efficiency network flights (European Air Network + domestic) (g CO_2e/tonnes.km)	(15)	♦	1,733	(5.2)	1,828
CO_2e efficiency long haul air (g CO_2e/tonnes.km)	(15)	♦	550	7.4	512
CO_2e efficiency PUD vehicles (g CO_2e/km)	(16)	♦	564	2.7	549
CO_2e efficiency linehaul vehicles (g CO_2e/km)	(16)	♦	917	(2.8)	943
CO_2e efficiency buildings (kg CO_2e/m^2)	(17)	♦	23.0	0.9	22.8
Energy efficiency buildings (MJoules/m^2)	(17)	♦	395	4.5	378
Sustainable electricity (% of total electricity)	(17)	♦	51%	6.3	48%

Figures with a (♦) fall within the reasonable assurance scope

Consolidated statement of other data (social and engagement)

Year ended at 31 December	Notes	2015	variance %	2014
Gender profile (% of females of total headcount)	(19)	28%		28%
Gender profile of management (% of females of total management)	(19)	27%	(3.6)	28%
Voluntary turnover (% of total headcount)	(20)	9%	(10.0)	10%
Training hours per FTE	(21)	16	(5.9)	17
Orange Experience Score	(22)	47	17.5	40

Figures with a (♦) fall within the reasonable assurance scope

NOTES TO THE CORPORATE RESPONSIBILITY STATEMENTS

NOTES TO THE INTERNATIONAL STANDARDS

1 OHSAS 18001 certification

OHSAS 18001 sets out the minimum requirements for best practices in occupational health and safety management. It also provides a platform for work-related health and safety performance improvement at entity level, enhancing local focus and ownership for monitoring and implementing improvements. All TNT's operating units are required to achieve and maintain OHSAS 18001 certification as a minimum.

OHSAS 18001 certification		GRI indicators: G4-LA6
(in percentage of total FTE working at certified sites)	2015	2014
International Europe	97%	98%
International AMEA	97%	99%
Domestics	71%	70%
Unallocated	70%	59%
Total	81%	81%

In 2015, one operating unit lost their certification.

2 Investors in People certification

TNT uses the Investors in People (IiP) standard to provide a consistent and structured approach to people management. In 2015, IiP rolled out a new standard. The IiP standard focuses on three performance headings: leading, supporting and improving. The standard requires, amongst others, that TNT identifies and communicates clear business objectives to all employees and provides performance feedback, development plans and adequate training. Living up to the IiP standard, ensures TNT's employees receive the necessary learning and development opportunities they need, to be successful and thus create value for the business. Each year, performance evaluations are held with all employees, with a focus on their results, behaviour and personal development.

Investors in People certification		GRI indicators: G4-LA9
(in percentage of total headcount working at certified sites)	2015	2014
International Europe	63%	100%
International AMEA	43%	92%
Domestics	55%	74%
Unallocated	33%	40%
Total	53%	81%

TNT decided to fully assess the new standard as opposed to automatically re-certifying operating units. Partly as a result of this, 29 operating units lost their certification in 2015, while two achieved their certification.

3 ISO 14001 certification

TNT adopts the ISO 14001 environmental management system standard within its operations to provide a consistent and structured approach to the management of environmental aspects and the related impact. The standard also meets the demand of an increasing number of customers. All TNT's operating units are required to achieve and maintain ISO 14001 certification as a minimum.

ISO 14001 certification		
(in percentage of total FTE working at certified sites)	2015	2014
International Europe	96%	97%
International AMEA	97%	99%
Domestics	71%	70%
Unallocated	79%	78%
Total	82%	82%

In 2015, one operating unit lost their certification.

4 ISO 9001 certification

TNT aligns its customer management approach to the ISO 9001 quality management standard to ensure that all customers are offered excellent service. The standard sets requirements for continuous quality improvement at entity level, challenging all entities on the service and quality they provide, and enables a customised approach to implement improvements. TNT aims to obtain ISO 9001 certification within all its operating units.

ISO 9001 certification

(in percentage of total FTE working at certified sites)	2015	2014
International Europe	96%	97%
International AMEA	99%	99%
Domestics	72%	74%
Unallocated	81%	79%
Total	83%	84%

In 2015, one operating unit lost their certification.

NOTES TO THE HEALTH AND SAFETY PERFORMANCE

5 Fatalities

In 2015, TNT changed its methodology on reporting fatalities, to fully align with OSHA (Occupational Safety and Health Administration (Form 300)) requirements. TNT discloses both OSHA recordable (a fatality as a result of an injury that is work-related, resulting from events or exposures, which occur on TNT's premises) and OSHA non-recordable fatalities (a fatality as a result of an injury/illness that is not work-related, or a fatality as a result of an incident on a public road).

OSHA recordable fatalities			GRI indicators: G4-LA6
(in numbers)		2015	2014
International Europe	♦	0	0
International AMEA	♦	0	0
Domestics	♦	0	0
Unallocated	♦	0	0
Total	♦	0	0

Figures with a (♦) fall within the reasonable assurance scope

In 2014 and 2015, no OSHA recordable fatalities occurred.

Workplace fatalities (OSHA non-recordable)			GRI indicators: G4-LA6
(in numbers)		2015	2014
International Europe	♦	0	1
International AMEA	♦	0	0
Domestics	♦	4	0
Unallocated	♦	1	0
Total	♦	5	1

Figures with a (♦) fall within the reasonable assurance scope

In 2015, five OSHA non-recordable fatalities occurred in which four people died due to heart attacks (three subcontractors and one TNT employee), and one TNT employee as a result of suicide.

Public road fatalities (OSHA non-recordable)			GRI indicators: G4-LA6
(in numbers)		2015	2014
International Europe	♦	3	4
International AMEA	♦	1	1
Domestics	♦	18	17
Unallocated	♦	9	3
Total	♦	31	25

Figures with a (♦) fall within the reasonable assurance scope

On the public road, three (2014: 5) TNT employees and 22 subcontractors (2014: 18) were involved in incidents in which 31 people died (27 third parties (2014: 20) and four subcontractor drivers (2014: 5). Most recorded fatal road incidents happened in Brazil, Germany and the United Kingdom, and have a close relation to the road risk conditions in these countries.

6 Lost-time accidents

Lost-time accidents (LTA) involving own employees are reported as both an absolute number and as a ratio to show the relative change. The average number of days lost per accident is generally used in the industry as an indication of the severity of the accidents.

Lost-time accidents			GRI indicators: G4-LA6
(in numbers)		2015	2014
International Europe	♦	216	281
International AMEA	♦	36	39
Domestics	♦	976	1,030
Unallocated	♦	257	189
Total	♦	1,485	1,539

Figures with a (♦) fall within the reasonable assurance scope

Lost-time accidents ratio			GRI indicators: G4-LA6
(in lost-time accidents per 100 FTE)		2015	2014
International Europe	♦	1.71	2.09
International AMEA	♦	0.38	0.41
Domestics	♦	3.51	3.59
Unallocated	♦	4.53	3.82
Total	♦	2.67	2.72

Figures with a (♦) fall within the reasonable assurance scope

Both absolute LTAs and the LTA ratio showed a continued downward trend, due to the continued focus on the management of safety risk, and improvements to safety systems and processes at a local level. The increase in the Unallocated segment is mainly due to the shift of the road transit hubs from International Europe to the European Road Network which is part of Unallocated.

Average number of days lost due to a lost-time accident			GRI indicators: G4-LA6
(in days)		2015	2014
International Europe	♦	18.8	24.9
International AMEA	♦	27.9	23.2
Domestics	♦	14.8	18.7
Unallocated	♦	21.9	32.5
Total	♦	16.9	21.6

Figures with a (♦) fall within the reasonable assurance scope

The average number of days lost due to a lost-time accident provides an indication of the severity of the accident.

Lost-time injury rate (LTIR)			GRI indicators: G4-LA6
(in lost-time injuries per 200,000 working hours)		2015	2014
International Europe	♦	1.65	2.00
International AMEA	♦	0.38	0.40
Domestics	♦	3.72	3.89
Unallocated	♦	4.64	3.74
Total	♦	2.73	2.79

Figures with a (♦) fall within the reasonable assurance scope

The lost-time injury rate (LTIR) is a more stringent health and safety KPI, which has been retroactively calculated for 2014 and 2015 based on the lost-time injuries of TNT employees in relation to their working hours. This new KPI will be used from January 2016 to manage performance. The aim of this health and safety KPI is: *Zero Harm, Zero Blame*, with a maximum LTIR tolerance of 1.0 (1.0 = 1 lost-time injury per 200,000 working hours).

7 Absenteeism

TNT's approach to manage (long-term) absenteeism is to provide employees with a safe and timely return to work, regardless of the reason for being absent. In the event of a long-term absence, a 'return to work interview' is held in the form of an open discussion between employee and manager. This also gives management the opportunity to provide support to the employee and the possibility to improve the situation, where applicable. The employee's return to work is also closely monitored and managed by human resources and a registered medical practitioner if required.

Absenteeism			GRI indicators: G4-LA6
(in percentage of standard working hours)		2015	2014
International Europe	♦	3.7%	3.9%
International AMEA	♦	1.1%	1.2%
Domestics	♦	3.8%	3.8%
Unallocated	♦	5.9%	6.0%
Total	♦	3.5%	3.6%

Figures with a (♦) fall within the reasonable assurance scope

Absenteeism slightly improved from 3.6% to 3.5% in 2015.

8 Road traffic incidents/collisions

The road traffic incident ratio provides an indication of the driving performance of TNT's drivers. A road traffic incident is defined as a crash or collision involving an operational vehicle.

Road traffic incidents/collisions		GRI indicators: G4-LA6
(in number of road traffic incidents/collisions per 100,000 kilometres)	2015	2014
International Europe	1.00	1.07
International AMEA	0.39	0.46
Domestics	1.30	1.31
Unallocated	0.12	0.14
Total	1.05	1.08

The road traffic incident ratio improved by 2.8% to 1.05 incidents per 100,000 kilometres in 2015. Initiatives conducted in the United Kingdom confirmed that targeted action, including installing reversing cameras in vehicles and developing driver risk profiles, can significantly reduce the number of incidents.

NOTES TO THE ENVIRONMENTAL PERFORMANCE

9 CO_2e emissions absolute

For sector comparison purposes, the CO_2e footprint, according to the GHG Protocol Corporate Standard (revised 2004), can be reported in three categories:

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

CO_2e emissions according to the Greenhouse Gas Protocol	GRI indicators: G4-EN15, G4-EN16 & G4-EN17	
Emission source (in ktonnes)	2015	2014
Scope 1		
PUD vehicles	115	115
Linehaul vehicles	118	118
Other operational vehicles	12	11
Total operational vehicles	245	244
European Air Network and domestic flights	394	347
Long haul flights	593	624
Other flights	144	39
Total aviation	1,131	1,010
Gas	12	11
Heating fuel	3	1
Total heating	15	12
Total Scope 1	1,391	1,266
Scope 2		
District heating	1	1
Electricity	45	48
Total Scope 2	46	49
Scope 3		
Subcontractors	1,637	1,587
Total Scope 3	1,637	1,587
Total own CO_2e footprint (Scope 1 and 2)	1,437	1,315
Total CO_2e footprint (Scope 1, 2 and 3)	3,074	2,902

The total CO_2e footprint is based on a new methodology using operational data that includes any transport activity required to deliver the shipment from door-to-door. A mix of value categories is used depending on data available and the transportation segment. TNT reported data is used when reliable and accurate data is captured and reported. In case this information is not available, default values are applied. (This replaces the previous methodology using secondary indicators such as kilometres driven and costs. As a result prior year data has been restated).

In 2015, the CO_2e footprint of TNT's own and subcontractor operations (Scope 1, 2 and 3) increased by 5.9% to 3,074 ktonnes.

CO_2e emissions of own operations		GRI indicators: G4-EN15
(in ktonnes)	2015	2014
International Europe	29	31
International AMEA	46	44
Domestics	208	209
Unallocated	1,154	1,031
Total ♦	1,437	1,315

Figures with a (♦) fall within the reasonable assurance scope

TNT's own CO_2e emissions (Scope 1 and 2) increased by 9.3% compared to 2014, mainly due to the implementation of more efficient but larger aircraft in European Air Network operations, combined with the large increase of cargo carried for other shippers (an increase of 105 ktonnes).

CO_2e emissions of subcontractor operations		GRI indicators: G4-EN17
(in ktonnes)	2015	2014
International Europe	432	450
International AMEA	56	75
Domestics	138	151
Unallocated	1,011	911
Total	1,637	1,587

TNT's subcontractor CO_2e emissions (Scope 3) increased by 3.2% to 1,637 ktonnes, mainly due to an increase of air subcontracted activities, to provide additional capabilities which were required to ship increased volumes in TNT's air network (Unallocated).

CO_2e emissions of own and subcontractor operations				GRI indicators: G4-EN15, G4-EN16 & G4-EN17	
(in ktonnes)	Year	Own operations	Subcontractor operations	% Own	% Subcontractors
Road transport	2015	245	750	25%	75%
	2014	244	742	25%	75%
Air transport	2015	1,131	887	56%	44%
	2014	1,010	845	54%	46%
Buildings	2015	61	0	100%	0%
	2014	61	0	100%	0%
Total	2015	1,437	1,637	47%	53%
	2014	1,315	1,587	45%	55%

In 2015, 32% of the total CO_2e emissions (own and subcontractors) was related to road transport, 66% to air transport and 2% to buildings. TNT relies on subcontractors for a substantial part of its business activities. In 2015, 53% of TNT's CO_2e emissions were attributed to subcontractors (2014: 55%).

10 Own drivers trained in safe and eco-driving

TNT drivers are trained on safe and eco-driving. This training is specifically focused on leveraging driver skills to improve fuel efficiency and reduce CO_2e emissions.

Own drivers trained in safe and eco-driving		
(%of total own drivers)	2015	2014
International Europe	21%	7%
International AMEA	40%	21%
Domestics	21%	30%
Unallocated	49%	31%
Total	25%	26%

The reported percentage of own drivers trained in safe and eco-driving is only based on the number of drivers that were trained in 2015. Drivers are trained regularly, however not as a standard on an annual basis.

11 Own vehicles in the European Union ≥ Euro 4 standard

The objective of the European emission standards (Euro 4, 5 and 6) is to reduce emissions of:
- particulate matters (PM10);
- nitrogen oxides (NO_x); and
- carbon monoxide (CO).

European legislation requires new trucks and vans to comply with the highest norms for these emissions to improve air quality in the European Union.

European emission standards for PUD vehicles (in percentage of total PUD vehicles in European Union countries)		2015	2014
Vehicles complying with Euro 6	♦	16%	0%
Vehicles complying with Euro 5	♦	71%	73%
Vehicles complying with Euro 4	♦	7%	15%
Vehicles younger than 5 years (excluding Euro 4, 5 and 6)	♦	4%	3%
Vehicles older than 5 years	♦	2%	8%

European emission standards for linehaul vehicles (in percentage of linehaul vehicles in European Union countries)		2015	2014
Vehicles complying with Euro 6	♦	40%	5%
Vehicles complying with Euro 5	♦	54%	65%
Vehicles complying with Euro 4	♦	2%	4%
Vehicles younger than 5 years (excluding Euro 4, 5 and 6)	♦	2%	16%
Vehicles older than 5 years	♦	1%	10%

By the end of 2015, the medium-term target of 90% of TNT's fleet to be equal or above the Euro 4 standard was exceeded with a level of 95%. The composition of TNT's fleet of PUD and linehaul vehicles in European Union countries changed to include more Euro 6 compliant vehicles and therefore cleaner vehicles, particularly in the United Kingdom, where 500 new units of Euro 6 vehicles were added. Only 3% of the linehaul fleet and 6% of the PUD fleet in European Union countries are below the Euro 4 standard.

12 Own vehicles applied with telematics

Telematics help drivers to improve fuel-efficient driving and therefore reduce CO_2e emissions. Automated transmission of data from the vehicle to a fleet management system will reduce administrative handling and provide management information.

Own vehicles applied with telematics (in percentage of total number of vehicles)	2015	2014
International Europe	53%	50%
International AMEA	13%	21%
Domestics	6%	3%
Unallocated	63%	55%
Total	13%	12%

TNT had set a medium-term target of telematics being applied to 50% of own vehicles, with the aim of reducing the company's overall carbon footprint. This target continues to be met by International Europe and Unallocated.

13 Own linehaul vehicles/trailers equipped with aerodynamic devices

Aerodynamic devices such as spoilers and side-skirts installed on linehaul vehicles and trailers improve fuel efficiency by reducing drag and therefore reduce CO_2e emissions.

Own linehaul vehicles/trailers equipped with aerodynamics		
(in percentage of total number of linehaul vehicles/trailers)	2015	2014
International Europe	12%	8%
International AMEA	1%	1%
Domestics	66%	66%
Unallocated	15%	16%
Total	57%	59%

Linehaul vehicles and trailers equipped with aerodynamic devices are most common in Domestics and are even part of standard specifications for TNT UK. Currently, this technology is not commonly available in International AMEA.

14 Global CO_2e efficiency

In 2015, TNT introduced a new CO_2e efficiency indicator expressed in the number of grammes of CO_2e that are emitted to transport one metric tonne (1,000 kg) of cargo over a distance of one kilometre (g CO_2e/tonnes.km), in order to track the benefits of both route and load factor optimisation initiatives. In 2015, the global CO_2e efficiency KPI including both road and air, for own and subcontracted activities amounted to 490 g CO_2e/tonnes.km, which will be used as the baseline to track progress on a year-on-year basis. The CO_2e efficiency indicator using the new methodology is not comparable with the CO_2e efficiency figures of air transport.

15 CO_2e efficiency air transport

CO_2e efficiency air transport			GRI indicators: G4-EN15
(in g CO_2e / tonnes.km)		2015	2014
Network flights (European Air Network + domestic)	♦	1,733	1,828
Long haul flights	♦	550	512

Figures with a (♦) fall within the reasonable assurance scope

The CO_2e efficiency for TNT's European Air Network improved due to the replacement of aircraft and growth in volumes. The new aircraft are relatively more fuel-efficient. The deterioration of the efficiency of long haul flights is related to a decrease in volumes, and therefore, a drop in cargo load factor.

At the end of 2015, TNT operated 56 aircraft. Since 2010, TNT's air operations have been included in the EU Emission Trading Scheme (EU ETS). The EU ETS aims to reduce GHG emissions by putting a price on carbon and includes all flights departing from and arriving at an airport in the European Economic Area (EEA), according to the updated European Union regulation, effective 16 April 2014.

16 CO_2e efficiency road transport

Due to the ongoing developments to further improve its global CO_2e efficiency metrics and break it down to the lower level of the organisation, TNT still used the previous efficiency indicator, expressed in CO_2e per kilometre, for its own vehicles in 2015.

CO_2e efficiency - PUD vehicles

The number of PUD vehicles decreased from 6,595 in 2014 to 6,436 in 2015. The reduction occurred mainly in Brazil. In total, 1.8% of TNT's PUD vehicles are powered by alternative fuels.

CO_2e efficiency of PUD vehicles			GRI indicators: G4-EN15
(in g CO_2e / km)		2015	2014
International Europe	♦	420	418
International AMEA	♦	454	423
Domestics	♦	643	632
Unallocated	♦	383	313
Total	♦	564	549

Figures with a (♦) fall within the reasonable assurance scope

Overall CO_2e efficiency deterioration of PUD vehicles is visible in every reportable segment. In 2015, TNT further optimised routes to increase PUD stop density and to reduce kilometres driven.

CO_2e efficiency - Linehaul vehicles

The number of linehaul vehicles decreased from 1,179 in 2014 to 1,026 in 2015. The reduction occurred mainly in Brazil.

CO_2e efficiency of linehaul vehicles		GRI indicators: G4-EN15	
(in g CO_2e / km)		2015	2014
International Europe	♦	703	684
International AMEA	♦	675	733
Domestics	♦	949	985
Unallocated	♦	868	835
Total	♦	917	943
Figures with a (♦) fall within the reasonable assurance scope			

The CO_2e efficiency improvement of linehaul vehicles is visible in International AMEA and Domestics. Similar to the PUD fleet, TNT further optimised its European Road Network improving load factors and reducing distances, resulting in a higher CO_2e per kilometre ratio for Unallocated.

17 Efficiency of buildings

TNT uses different types of facilities around the world, including depots, road hubs, air hubs, and offices. TNT owns or leases approximately 2.7 million m^2 of buildings. The CO_2e efficiency and the energy efficiency metrics of buildings combine all types of energy consumed in buildings and cover electricity, gas, heating fuel and district heating. In 2015, the total energy use of TNT's buildings was 208.2 million kWh of electricity, 6.6 million m^3 of gas, 1.0 million litres of heating fuel and 0.07 million GJoules of district heating.

CO_2e efficiency of buildings		GRI indicators: G4-EN15 & G4-EN16	
(in kg CO_2e / m^2)		2015	2014
International Europe	♦	23.6	22.4
International AMEA	♦	62.9	65.1
Domestics	♦	16.6	16.2
Unallocated	♦	21.3	20.5
Total	♦	23.0	22.8
Figures with a (♦) fall within the reasonable assurance scope			

TNT's CO_2e efficiency of buildings overall remained flat with an improvement in International AMEA, offset by a deterioration in International Europe.

Energy efficiency of buildings		GRI indicators: G4-EN15 & G4-EN16	
(in M joules / m^2)		2015	2014
International Europe	♦	478	466
International AMEA	♦	378	377
Domestics	♦	316	301
Unallocated	♦	554	529
Total	♦	395	378
Figures with a (♦) fall within the reasonable assurance scope			

Sustainable electricity		GRI indicators: G4-EN3	
(in percentage of total electricity)		2015	2014
International Europe	♦	52%	54%
International AMEA	♦	2%	0%
Domestics	♦	53%	50%
Unallocated	♦	75%	75%
Total	♦	51%	48%
Figures with a (♦) fall within the reasonable assurance scope			

In 2015, 51% of electricity used was generated by sustainable sources, which resulted in 41 ktonnes of avoided net CO_2e emissions (2014: 37). The overall increase in sustainable electricity used can primarily be attributed to an increase in Domestics, as well as International AMEA, due to the first sustainable electricity contracts with electricity providers.

ADDITIONAL NOTES

NOTES TO THE SOCIAL AND ENGAGEMENT PERFORMANCE

18 Employee engagement

As part of *Outlook*, in September 2014, TNT launched a new brand identity highlighting TNT's people and unique European Road Network. The new tagline, *TNT - The People Network*, reflects TNT's culture and drive to develop strong relationships between employees and customers. Within *The People Network* framework, TNT aims to continue to nurture the Orange spirit and cultivate a strong sense of engagement with employees.

In 2015, as part of *The People Network* initiative, two countries (Slovenia and Portugal) were awarded with a TNT 'selfie truck', which displayed the faces of more than 95% of the respective country's employees. In addition, TNT launched several internal engagement programmes, such as: the 'Extra Mile', the 'Rising Star', and the 'Good Morning' photo competition. The customer campaign 'Keep Scoring with TNT', which included an online football game, also featured significant employee involvement.

19 Diversity

Gender profile — GRI indicators: G4-10

(in percentage of headcount)	Male 2015	Male 2014	Female 2015	Female 2014
International Europe	60%	63%	40%	37%
International AMEA	67%	67%	33%	33%
Domestics	79%	77%	21%	23%
Unallocated	80%	77%	20%	23%
Total	72%	72%	28%	28%

Gender profile of management — GRI indicators: G4-10

(in percentage of headcount of total management)	Male 2015	Male 2014	Female 2015	Female 2014
International Europe	67%	69%	33%	31%
International AMEA	65%	66%	35%	34%
Domestics	78%	75%	22%	25%
Unallocated	84%	83%	16%	17%
Total	73%	72%	27%	28%

The balance between male and female employees employed at TNT remained stable in 2015. The percentage of male managers increased slightly by 1%.

TNT supports various in-company networks aimed at increasing awareness of diversity, including TNT Pride (dedicated to lesbian, gay, bisexual and transgender employees) and TNT Linc (a network dedicated to the professional development of women in TNT through mentoring, learning and networking).

Labour contracts 2015 — GRI indicators: G4-10

	Permanent contract	Temporary contract	Permanent contract Part-time	Permanent contract Full-time
International Europe	92%	8%	20%	80%
International AMEA	73%	27%	1%	99%
Domestics	96%	4%	15%	85%
Unallocated	93%	7%	26%	74%
Total	91%	9%	15%	85%

The breakdown of workforce per contract type has been included in the monitoring and reporting tool since 2014, to ensure the collection of accurate and complete data.

20 Voluntary turnover

Voluntary turnover	GRI indicators: G4-LA1	
(in percentage of headcount)	2015	2014
International Europe	9%	8%
International AMEA	14%	16%
Domestics	8%	9%
Unallocated	6%	7%
Total	9%	10%

In 2015, voluntary turnover decreased by 1%, indicating employees' strong sense of engagement with TNT and its People Network.

21 Learning and development

The TNT Global Learning team develops and coordinates all corporate learning and development activities utilising dedicated development resources. Learning solution delivery is coordinated at a local level utilising own employees and external partners as appropriate. The team provides learning and development in both classroom and online mediums, to support the development of both functional and behavioural competencies that enhance business performance. Total number of training hours per FTE in 2015 was 16 (2014: 17).

22 Customer satisfaction

TNT aims to exceed customer expectations. Analysis shows that satisfied customers are more loyal than unsatisfied customers. Understanding the root causes of customers' dissatisfaction and using their feedback helps TNT develop strategies to improve customer retention.

TNT conducts a quarterly customer satisfaction survey. This approach of conducting regular surveys supports continuous improvement. In 2015, TNT received well over 40,000 completed surveys from customers across all customer segments. TNT measured customer satisfaction as the percentage of customers that rate TNT's performance as 'meeting or exceeding expectations'. This customer satisfaction score improved from 89.5 in 2014 to 90.8 in 2015.

TNT also calculated a net customer satisfaction score, called the 'Orange Experience Score', by subtracting the percentage of customers that rate its performance as 'below expectations' from the percentage of customers that rate it as 'exceeding expectations'. This score increased from 40 in 2014 to 47 in 2015, showing that TNT's focus on service improvement is clearly recognised by TNT's customers.

OTHER INFORMATION

Corporate Responsibility reporting and assurance scope

Corporate Responsibility reporting criteria

Corporate Responsibility (CR) data are prepared in accordance with the reporting criteria and guidelines of the core application level of the Global Reporting Initiative (GRI) G4 (refer to Annex 1). TNT is also a signatory of the United Nations Global Compact and therefore reports on its 10 principles. Key performance indicators (KPIs) are defined in Annex 2. KPIs are selected on the basis of interactive stakeholder dialogue and the issues relevant to TNT's operations.

CR data are gathered monthly via a monitoring and reporting system. All figures are based, accordingly, on the data provided by the reporting entities in TNT through the CR reporting and monitoring tool. Conversion factors are taken from internationally-acknowledged organisations and instruments such as the European Standard EN 16258, Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol.

Corporate Responsibility reporting scope

In accordance with TNT's policy on CR reporting, all companies acquired in any given year are required to report CR data as from the following year. TNT entities that are divested (full or partial sale as a result of which TNT no longer retains a controlling interest) are excluded from the CR reporting scope for the entire year in which the divestment took place, and comparative figures are adjusted to reflect such a divestment.

The 2015 annual report does not include the CR data of joint ventures to be in line with the ICFR requirements. As a result the joint ventures TNT Swiss Post AG, TNT Express Luxembourg SA, PNG Air Charter Services Limited and X-Air Services NV/SA, are excluded from the CR figures. TNT does rely on a large number of subcontractors to perform its daily business. TNT reports on the road traffic fatal accidents of its subcontractors, as well as absolute subcontractor CO_2e emissions (estimated).

The 2015 CR data are based on the same scope as the 2014 CR data. Global Business Services (GBS) is excluded from the reported figures as they were sold in 2015. In 2015, TNT started its own business in Ukraine and the CR data is included in the annual report.

Unless the reporting criteria require absolute figures to be disclosed, figures are presented in a relative way (using percentages and ratios) to allow readers to monitor and measure progress year-on-year. Figures related to absolute CO_2e emissions are all extrapolated unless stated otherwise. Extrapolation for buildings-related indicators is done on the basis of square metres. Where applicable, the coverage is defined as the number of FTEs working in entities that report data, divided by the total number of FTEs. TNT has taken all reasonable steps to ensure that the CR information in the 2015 annual report is accurate.

Labour force CR reporting scope

GRI indicators: G4-10

(in number of FTE and headcount)		2015 FTE	2015 Headcount	2014 FTE	2014 Headcount
International Europe	♦	12,638	14,008	13,464	14,952
International AMEA	♦	9,429	8,999	9,515	9,261
Domestics	♦	27,833	27,205	28,656	27,871
Unallocated	♦	5,649	5,987	4,953	5,342
Total in CR reporting scope	♦	55,549	56,199	56,588	57,426
Out of CR scope[1]		546	0	897	866
Total TNT		56,095	56,199	57,485	58,292

[1] Mainly excluding Global Business Services (GBS)

Figures with a (♦) fall within the reasonable assurance scope

Corporate Responsibility assurance scope

TNT has engaged PricewaterhouseCoopers Accountants N.V. to provide reasonable assurance on certain 2015 CR metrics (refer to the 2015 assurance report) and limited assurance on all other 2015 CR metrics. All indicators related to reasonable assurance have been audited and are marked by a (♦). Reasonable assurance is obtained through audit work, while other elements of the report have been reviewed. Limited assurance (obtained through review work) does not require exhaustive gathering of evidence, and therefore provides a lower level of assurance than audit work. Refer to PwC's assurance report on page 153.

The assurance work is performed in accordance with the Assurance Standard 3810N 'Assurance Engagements Relating to Sustainability Reports' as drawn up by the professional body of Dutch Accountants (NBA).

Audit work focuses on obtaining reasonable assurance, substantiated by sufficient supporting evidence. Limited assurance (obtained through review work) does not require exhaustive gathering of evidence and therefore provides a lower level of assurance than audit work.

An internal control framework (ICCR) is applicable for CR reporting processes to capture and report reliable CR data.

INDEPENDENT ASSURANCE REPORT

To: the Executive Board of TNT Express N.V.

The Executive Board of TNT Express N.V. ('TNT'), Amsterdam engaged us to provide assurance on certain information ('corporate responsibility information') in the Annual Report of TNT. We believe these procedures fulfil the rational objective as disclosed by TNT in the section 'Corporate Responsibility reporting scope' on page 151.

Our engagement consisted of a combination of reasonable assurance (leading to an 'opinion') and limited assurance (leading to a 'conclusion') on the corporate responsibility information in chapter 3, chapter 5 section II, and the annexes of the 2015 Annual Report of TNT (referred to as: 'corporate responsibility information sections').

- We performed reasonable assurance on data and tables included in the corporate responsibility information sections which are marked with a rhombus (♦).
- We performed limited assurance on all other elements (not marked with a rhombus, (♦)) included in the corporate responsibility information sections.

Our opinion

Based on the procedures we have performed and the evidence we have obtained, in our opinion the data and tables marked with a rhombus (♦) included in the corporate responsibility information sections of the Annual Report of TNT for the year ended 31 December 2015 are, in all material respects, presented reliably and adequately, in accordance with the TNT reporting criteria.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the other elements (not marked with a rhombus, ♦) in the corporate responsibility information sections of the Annual Report of TNT for the year ended 31 December 2015 do not provide a reliable and appropriate presentation of:

- the policy of TNT concerning the sustainable development as mentioned in the corporate responsibility information sections; and
- the activities, events and performance of TNT in accordance with the company's reporting criteria.

This opinion and conclusion are to be read in the context of the remainder of our report.

The scope of our assurance

We performed procedures and obtained evidence on the data and tables in the corporate responsibility information sections in chapter 3, sections I till IV, chapter 5, section II and the annexes of the 2015 Annual Report of TNT. The corporate responsibility information consists of:

- the policy of TNT concerning the sustainable development for the year ended 31 December 2015;
- the activities, events and performance of TNT concerning the sustainable development for the year ended 31 December 2015; and
- the scoping of the corporate responsibility information, disclosed by management in the paragraph Corporate Responsibility reporting scope, on page 151.

We have audited the corporate responsibility information marked with a rhombus (♦) included in the corporate responsibility information sections of the Annual Report of TNT for the year ended 31 December 2015.

We have reviewed the other elements (not marked with a rhombus, (♦)) in the corporate responsibility information sections included in the Annual Report for the year 2015 of TNT.

Limited assurance, leading to the above mentioned conclusion, is substantially less in scope than reasonable assurance in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Reasonable assurance, leading to the above-mentioned opinion, is expressed on the data and tables marked with a rhombus (♦).

The basis for our opinion and conclusion

Professional and ethical standards applied

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

We are independent of TNT in accordance with the "Verordening inzake de onafhankelijkheid van accountants by assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA) and other relevant regulations.

Limitations in our scope

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

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

Reporting criteria

TNT developed its corporate responsibility reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed on pages 160-163, together with detailed information on the reporting scope on page 151. We consider the corporate responsibility reporting criteria to be relevant and appropriate for our examination.

Understanding reporting and measurement methodologies

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

Our assurance approach

Materiality

TNT developed its corporate responsibility reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed on pages 160-163, together with detailed information on the reporting scope on page 151. We consider the corporate responsibility reporting criteria to be relevant and appropriate for our examination.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the responsibility reporting sections.

Our work is carried out by an independent and multi-disciplinary team (which is part of the group audit engagement team) with experience in corporate responsibility reporting and assurance and was performed at the head office in Amsterdam and during conducted visits to the significant group entities.
Our main procedures included the following:

- performing an external environment analysis and obtaining an understanding of the relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- evaluating the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material subjects, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the corporate responsibility information;

- evaluating the design and implementation and testing the operating effectiveness of the systems and processes for data gathering and processing of information as presented in the Report;
- interviewing management and relevant staff at corporate and country level responsible for the corporate responsibility strategy and policies;
- interviewing relevant staff responsible for providing the corporate responsibility information, carrying out internal control procedures on the data and the consolidation of the data in the corporate responsibility information sections;
- evaluating the work performed by Internal Audit on selected corporate responsibility information including their visits to the entities in the United Arab Emirates and United States. The purpose of these visits was to evaluate and test the source data and to evaluate the design and implementation of and to test the controls and validation procedures at local level;
- investigating internal and external documentation, in addition to interviews, to determine whether the information in the corporate responsibility information sections is adequately substantiated;
- analytical review of the data and trend explanations submitted for consolidation at group level;
- assessing the consistency of the corporate responsibility information and the information in the 2015 Annual Report not in scope for this Assurance Report; and
- assessing whether the corporate responsibility information has been prepared ‘in accordance’ with the Sustainability Reporting Guidelines version G4 of GRI.

In addition to the procedures mentioned above, for the data and tables, as included in the responsibility reporting chapters and marked with a rhombus (♦) we performed the following:

- assessing the systems and processes for data gathering, including testing the design, existence and the effectiveness of the relevant internal controls during the reporting year;
- conducting analytical procedures and substantive testing procedures on the relevant data;
- assessing the processing of other information, such as the aggregation process of data to the information as presented in the corporate responsibility information; and
- corroborating internal and external documentation to determine whether the corporate responsibility information is substantiated adequately.

Responsibilities

The Executive Board’s responsibilities

The Executive Board of TNT is responsible for the preparation of the responsibility reporting sections in accordance with the company’s reporting criteria, including the identification of the stakeholders and the determination of material subjects. Furthermore, the Executive Board is responsible for such internal control necessary to enable the preparation of the corporate responsibility information sections, that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Based on our assurance engagement in accordance with Standard 3810N, our responsibility is to:

- express an opinion on the data and tables, as included in the corporate responsibility information sections and marked with a rhombus (♦); and
- express a conclusion on all other information (not marked with a rhombus, (♦)) in the corporate responsibility information sections.

This requires that we comply with ethical requirements and that we plan and perform our work to obtain reasonable and limited assurance about whether the report is free from material misstatement.

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

Amsterdam, 16 February 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA

CHAPTER 6 INVESTOR RELATIONS AND SHARE PRICE PERFORMANCE

I. INTERACTING WITH THE CAPITAL MARKETS

Contact with the investment community is dealt with by the members of the Executive Board, TNT's investor relations professionals and, much less frequently, by the chairman of the Supervisory Board and TNT employees specifically mandated by the Executive Board. The CFO has the principal responsibility for investor relations. The Investor Relations department ensures timely, consistent and accurate disclosure of information to the financial community, and arranges the contacts between the Executive Board and the investment community.

The Executive Board provides explanations on quarterly results either via group meetings or teleconferences, accessible by telephone and the internet. Meetings with institutional investors are also held to ensure that the investment community receives a balanced and complete view of TNT's performance and the issues and opportunities the business is facing. In addition, TNT communicates with the financial community through press releases, the annual report, general meetings and its corporate website (www.tnt.com/corporate).

TNT's policy is to provide the financial community with equal and simultaneous information about matters that may be price sensitive. TNT does not compromise the independence of analysts in relation to the company and vice versa. Analysts' reports and valuations are not assessed, commented upon or corrected, other than to highlight factual mistakes. TNT does not pay any fees to parties conducting research for analysts' reports, or for the production or publication of analysts' reports, with the exception of credit rating agencies.

In 2015, TNT maintained a close dialogue with the capital markets through:
- Quarterly results presentations and teleconferences
- Day-to-day contacts via the Investor Relations department
- Road show meetings after results releases
- Ad hoc meetings with individual investors
- The Annual General Meeting of Shareholders
- The investor relations page on TNT's corporate website (www.tnt.com/corporate)

II. OUTSTANDING SHARES

As per 31 December 2015, TNT had 548,898,900 ordinary shares outstanding. The ordinary unregistered shares of TNT Express N.V. are listed on Euronext Amsterdam (ticker symbol: TNTE; ISIN common share: NL0009739424) and included in the AEX index. The AEX index consists of a maximum of 25 of the top companies in the Netherlands, ranked on the basis of turnover and free-float-adjusted market capitalisation.

TNT Express N.V. also sponsors a level 1 American Depository Receipts (ADR) programme (ticker symbol: TNTEY; CUSIP 87262N109).

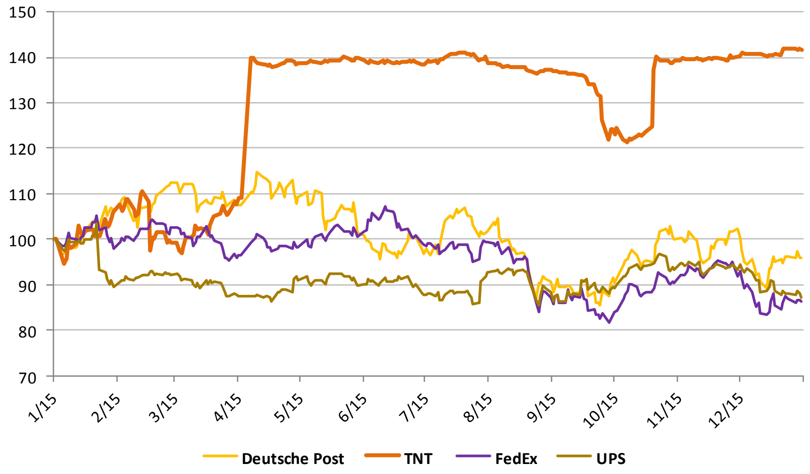
III. SHARE PRICE PERFORMANCE

Share price performance (ticker symbol: TNTE)

Share price (€)		
	High	€ 7.81
	Low	€ 5.20
	Close	€ 7.79
Average number of shares in issue in 2015		548,649,122

TNT's share price increased by 41% over 2015.

TNT's share price performance 2015 (rebased to 100)[5]



IV. DIVIDEND

POLICY

TNT aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividend distribution of around 40% of normalised income. Following Settlement Date, this policy may be discontinued as any dividend or distribution made in respect of shares after the Settlement Date will be deducted for the purpose of establishing the value per share in any statutory merger or other restructuring.

DIVIDEND PAYMENTS

Pending the intended acquisition by FedEx, TNT refrained from distributing a 2015 interim (pro forma) dividend, and will not pay a final dividend over 2015.

V. MAJOR SHAREHOLDERS

Pursuant to the Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*'), shareholders must disclose substantial percentage holdings in capital and/or voting rights in the company when such holdings reach, exceed or fall below: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Dutch Authority for the Financial Markets ('*AFM*') without delay. The company is notified by the AFM.

The register of AFM disclosed that as per 31 December 2015: UBS Group AG; Pentwater Capital Management LP; Blackrock Inc.; Tweedy, Browne Company LLC; Artisan Investments LLC; Post NL N.V.; Her Majesty the Queen in right of Alberta; and B. Rosenstein have a substantial percentage holding in TNT Express N.V. exceeding 3%.

VI. CREDIT RATING

Management seeks to optimise the cost of capital while preserving the company's financial stability and flexibility. TNT's targeted credit ratings are BBB+ by S&P and Baa1 by Moody's. Per January 2016 the credit ratings assigned to TNT were BBB (Stable) by S&P and Baa2 (Stable) by Moody's.

Financial calendar for 2016

16 February	Publication of 4Q15 and full-year results
06 April	Annual General Meeting of Shareholders
25 April	Publication of 1Q16 results
25 July	Publication of 2Q16 and half-year results
24 October	Publication of 3Q16 results

[5] Source: Thomson Reuters

ANNEXES

ANNEX 1 GLOBAL COMPACT AND GRI G4 INDEX

GLOBAL COMPACT

Mr Gunning, CEO of TNT, confirms continued support to the Global Compact, and as a signatory, TNT is committed to all of the 10 principles regarding human rights, labour, environment and anti-corruption.

Human Rights	
1	Businesses should support and respect the protection of internationally proclaimed Human Rights.
2	Businesses should make sure that they are not complicit in Human Rights abuses.
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
10	Businesses should work against corruption in all its forms.

GRI G4 INDEX

This GRI Index table is based on the G4 guidelines of the Global Reporting Initiative (GRI). This index is in accordance with the Core criteria of GRI G4.

G4	General standard disclosure	Page number/response	External assurance
Strategy and analysis			
G4-1	CEO statement	Letter to stakeholders, p.2 Chapter 1, p. 8; Executive Board compliance statement Chapter 4, p. 30; Message from the chairman	No
Organisational profile			
G4-3	Name of the reporting organisation	p. 0; Introduction	Yes
G4-4	Products and services	Chapter 2, p. 13; General market and business profile	No
G4-5	Location headquarters	Chapter 2, p. 13; General market and business profile	Yes
G4-6	Countries of operation	Chapter 2, p. 13-18; Business performance Chapter 5, p. 151-152; CR reporting and assurance scope	Yes
G4-7	Legal form of organisation	p. 0; Introduction	Yes
G4-8	Markets served	Chapter 2, p. 13-18; Business performance	No
G4-9	Scale of organisation	Chapter 2, p. 13-18; Business Performance Chapter 5, p. 151; Labour force CR reporting scope	Yes
G4-10	Workforce breakdown	Chapter 5, p. 93; Labour force Chapter 5, p. 149; Labour contracts 2015 Chapter 5, p. 151; Labour force CR reporting scope	Yes
G4-11	Collective bargaining agreements	In 2015, 69% of the employees is covered by collective bargaining agreements.	Yes
G4-12	Organisation's supply chain	Chapter 2, p. 13; General market and business profile	No

G4	General standard disclosure	Page number/response	External assurance
G4-13	Significant changes in size, structure, ownership or supply chain	Chapter 2, p. 13-18; Business performance Chapter 6, p. 157-158; Investor relations and share price performance	Partially
G4-14	Precautionary approach	Chapter 4, p. 55-60; Risk management	No
G4-15	External charters, principles or initiatives	Chapter 3, p. 26; Supply chain and innovation platforms Annex 1, p. 160-163; Global Compact and GRI G4	Yes
G4-16	Memberships of associations	Chapter 3, p. 26; Supply chain and innovation platforms Annex 1, p. 160-163; Global Compact and GRI G4	Yes
Identified material aspects and boundaries			
G4-17	Reporting scope	Chapter 5, p. 151-152; CR reporting scope Chapter 5, p. 68; Changes in accounting policies and disclosures	Yes
G4-18	Content defining process of the annual report	Chapter 3, p. 20-21; Materiality assessment Previous annual reports, the CR multi-stakeholder survey, feedback from benchmarks and management insights are the basis of defining the 2015 annual report content. Materiality and impact of the aspects are taken into account for the final selection.	Yes
G4-19	Identified material aspects	Chapter 3, p. 20-21; Materiality assessment	Yes
G4-20	Aspect boundary per material aspect within the organisation	Chapter 3, p. 20-21; Materiality assessment Health and safety and environment are given priority on TNT's strategic agenda. The health and safety aspect is material within the organisation to ensure a safe working environment for the employees, agency workers and subcontractors. In addition the labour aspect is also important as TNT exists by the commitment of its people.	Yes
G4-21	Aspect boundary per material aspect outside the organisation	Chapter 3, p. 20-21; Materiality assessment Health, safety and environment are given priority on TNT's strategic agenda. The health and safety aspect is material outside the organisation due to the emissions (PM10, NOx and CO, as included in euro norms) of transport activities that have impact on the health of people. The activities on the road can also have a safety impact on third parties in case of road traffic accidents (see Chapter 5, p. 141-143; note 5-8). The environmental aspect (emissions) is material outside the organisation due to the impact of the transport activities with respect to CO_2e emissions and the related climate change. Human rights is material in relation to subcontractors. The aspects training, labour, and customer satisfaction are material within the boundaries of the organisation because these aspects mainly have an impact on TNT's employees and the economic performance of the organisation.	Yes
G4-22	Restatements	Chapter 5, p. 151-152; CR reporting and assurance scope	Yes
G4-23	Significant changes in scope and aspect boundaries	Chapter 5, p. 151-152; CR reporting and assurance scope	Yes
Stakeholder engagement			
G4-24	Stakeholder groups	Chapter 3, p. 20-21; Materiality assessment	Yes

G4	General standard disclosure	Page number/response	External assurance
G4-25	Basis for identification of stakeholder groups	Chapter 3, p. 20-21; Materiality assessment The identified stakeholder groups are annually evaluated and it is concluded that these groups are most relevant with the highest impact to TNT.	Yes
G4-26	Approach to stakeholder engagement	Chapter 3, p. 20-21; Materiality assessment	Yes
G4-27	Key topics and concerns raised by stakeholders	Chapter 3, p. 20-21; Materiality assessment	Yes
Report profile			
G4-28	Reporting period	p. 0; Introduction	Yes
G4-29	Date of previous report	p. 0; Introduction	Yes
G4-30	Reporting cycle	p. 0; Introduction	Yes
G4-31	Contact point for questions regarding the report	p. 0; Introduction	Yes
G4-32	The 'in accordance' option	Chapter 3, p. 20-21; Materiality assessment	Yes
G4-33	External assurance	Chapter 5, p. 126-134 and 153-155	Partially
Governance			
G4-34	Governance structure	Chapter 4, p. 37-48; Governance structure	Yes
Ethics and integrity			
G4-56	Organisation's values, principles, standards and norms of behaviour	Chapter 4, p. 45; Business ethics	Partially

G4	Specific standard disclosure	Page number/response	External assurance
Economic			
Disclosure on Management Approach		Chapter 1, p. 3-7; Report of the Executive Board	
G4-EC1	Direct economic value	Chapter 1, p. 3; Financial highlights Chapter 5, p. 63-120; Consolidated financial statements	Yes
G4-EC2	Financial implications, risks and opportunities due to climate change	Chapter 4, p. 55-60; Risk management	No
G4-EC7	Indirect economic impacts	Chapter 5, p. 141-143 and 144-148; Notes to the health and safety performance; Notes to the environmental performance	Yes
Environmental			
Disclosure on Management Approach		Chapter 3, p. 24-27; Environment	
G4-EN3	Energy consumption within the organisation	Chapter 5, p. 144-148; Notes to the environmental performance	Yes
G4-EN4	Energy consumption outside the organisation	Chapter 5, p. 144-148; Notes to the environmental performance	Yes
G4-EN5	Energy intensity	Chapter 5, p. 144-148; Notes to the environmental performance	Yes
G4-EN15	Direct GHG emissions (Scope 1)	Chapter 5, p. 144-148; Notes to the environmental performance	Yes
G4-EN16	Energy indirect GHG emissions (Scope 2)	Chapter 5, p. 144-148; Notes to the environmental performance	Yes
G4-EN17	Other indirect GHG emissions (Scope 3)	Chapter 5, p. 144-148; Notes to the environmental performance	Yes
G4-EN18	GHG emissions intensity	Chapter 5, p. 144-148; Notes to the environmental performance	Yes

G4	General standard disclosure	Page number/response	External assurance
Social			
Disclosure on Management Approach		Chapter 3, p. 22-24; Health and safety Chapter 5, p. 149-150; Notes to the social and engagement performance	
G4-LA1	Employee turnover	Chapter 5, p. 149; note 19 The breakdown in age is not included in this annual report because it is not centrally available yet.	Yes
G4-LA6	Accidents and absenteeism	Chapter 5, p. 141-143; Notes to the health and safety performance	Yes
G4-LA9	Training	Chapter 5, p. 150; note 21 Chapter 5, p. 145; note 10; Own drivers trained in eco-training	Yes
G4-HR12	Human rights	Chapter 3, p. 28; Human rights	Yes
G4-SO8	Compliance	Chapter 1, p. 3-7; Report of the Executive Board Chapter 2, p. 13-18; Business Performance	Yes
G4-PR5	Customer satisfaction	Chapter 5, p. 150; note 22	Yes

ANNEX 2 GLOSSARY

Acceptance Period
The period during which shareholders can tender their shares to the offeror, which began at 9:00 hours CET, (3:00 hours New York time) on 24 August 2015 and ends, subject to extension in accordance with article 15 of the Decree or after receiving dispensation from the AFM for a further extension in accordance with Article 5:81 paragraph 3 DFSA, on the acceptance closing time. Refer to the corporate website of TNT (www.tnt.com/corporate) for more information.

Adjusted operating income
Adjusted operating income is calculated as operating income after adjusting for one-offs and is prepared by management to analyse the results, excluding non-recurring items for a better understanding of the business performance. The presentation and disclosure of adjusted operating income does not conform to IFRS.

Aerodynamics
Aerodynamics stand for technology which enables tractor-trailer truck to improve fuel efficiency through a drag reduction, with a seamless impact on either the operational utility of the trailers or the maintenance procedures.

Air cargo sales
An airport-to-airport air cargo transportation service.

Absenteeism
Total hours absent versus standard working hours.

ADRs
TNT has a sponsored level 1 American Depository Receipts (ADR) programme. The ADRs trade in the over-the-counter marketplace (ticker symbol: TNTEY; CUSIP US87262N1090). An ADR is a negotiable certificate issued by a U.S. bank representing a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange.

Alternative fuels
Vehicles that are powered by alternative fuels are: biofuel vehicles, CNG (compressed natural gas vehicles, hybrid vehicles and electric vehicles.

Carbon Disclosure Project
The Carbon Disclosure Project is an independent not-for-profit organisation working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. Refer to www.cdproject.net for more information.

Carbon dioxide emissions
Carbon dioxide emissions relate to the gas formed during the combustion of fossil fuel. Carbon dioxide (CO_2) is referred to as a greenhouse gas.

Civil society
As part of the stakeholder dialogue, the civil society cluster includes academic and research institutes, financial and investment service organisations, government agencies, industry associations and international organisations, NGOs and trade unions.

Climate change risks
Risks (and opportunities) posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure for the organisation. Changes in the climate system and weather patterns resulting in more frequent and intense storms, changes in sea level, temperature and water availability, but also impact on workforce due to health effects or the need to relocate operations.

CO_2 efficiency
CO_2 efficiency expresses the efficiency of TNT's business in terms of CO_2 emissions, i.e. the CO_2 emitted per service provided, per letter or parcel delivered.

CO_2e (Carbon dioxide equivalent)
The radiation effect of all greenhouse gases (carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC_5), perfluorocarbons (PFC_5) and sulphur hexafluoride (SF_6)) expressed as a concentration of carbon dioxide.

CO_2-neutral
Carbon-neutral is where the net CO_2 equivalent emissions from activities are zero.

Corporate governance
The OECD (refer to reference below in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure through which company objectives are set, the means of attaining those objectives and monitoring performance.

Corporate responsibility
Corporate responsibility is the umbrella term for the obligation a company has in considering the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

CR Materiality Matrix
The Corporate Responsibility (CR) Materiality Matrix reflects the importance and materiality of CR areas to stakeholders and to TNT. These areas are categorized in three dimensions: social, environmental and economic.

Customer privacy
Substantiated complaints regarding breaches of customer privacy and losses of customer data.

Customer satisfaction score
An annual worldwide customer satisfaction survey is conducted by TNT to measure customer satisfaction with all customers across all customer segments. TNT measures customer satisfaction as the percentage of customers that rate TNT's performance as 'meeting or exceeding expectations'.

Depot
This is the location where transport vehicles load and unload goods, either from collections or for deliveries. In addition to serving as operational platforms, TNT's depots also include Sales, Marketing, Finance & Accounting, Customer Service and IT departments.

Enhanced liability option
In a number of countries, TNT offers enhanced carrier liability on all express and economy express non-document consignments up to a maximum value of €25,000 or the declared invoice value of your goods, whichever is the lower.

Employment
As defined by GRI this reflects employee diversity with respect to gender, age group, employee turnover, new employee hires, full time and part time employees including benefit differences, parental leave, etc.

EU ETS
The EU emissions trading system (EU ETS) is the cornerstone of the European Union's policy to combat climate change and aims at reducing greenhouse gas emissions by putting a price on carbon. TNT complies with EU ETS through a monitoring plan on TNT's emissions and tonnes.kilometre data which is verified by an independent and accredited verifier.

European Economic Area (EEA)
The EEA includes all 28 European Union member states including Iceland, Norway and Liechtenstein.

European emission standards
Euro 4, Euro 5 and Euro 6 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union that define levels of vehicular emissions like particular matters (PM), nitrogen oxides (NO_x) and carbon monoxide (CO).

European Air Network
The European Air Network are all the destinations served by short haul aircraft, including onward connecting feeder flights.

European Road Network
TNT's European Road Network manages the international road linehaul connections of TNT. The headquarters is in Duiven (The Netherlands), where the international road hub is situated.

European Union
The European Union consists of the following countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

EVCA
European Private Equity and Venture Capital Association. Refer to www.evca.eu for more information.

Extra Mile
Extra Mile is an employee recognition programme showcasing the outstanding things colleagues do every day to contribute to achieving TNT's strategic goals.

FedEx Offer
The recommended public all-cash offer by FedEx Acquisition B.V. (the offeror), a wholly-owned indirect subsidiary of FedEx Corporation (FedEx), to all holders of issued and outstanding ordinary shares with a nominal value of EUR 0.08 (eight eurocents) each including all American depositary shares representing ordinary shares (each, an ADS), each ADS representing one ordinary share, in the share capital of TNT Express N.V. to purchase for cash their shares on the terms and subject to the conditions and restrictions set forth in the Offer Memorandum. Refer to the corporate website of TNT (www.tnt.com/corporate) for more information.

Full time equivalents (FTEs)
FTEs are the total number of hours worked by the headcount divided by the local number of contract hours (for example: 40 p/w or 196 p/m).

Gateway
A gateway is a specific dedicated hub that forms the link between TNT's air and road operations. Its activities include consolidating or separating shipments, but it does not have a full sorting activity. The gateway is often the international entry and exit point for a country.

Global Business Services (GBS)
GBS is a dedicated and centralised unit of TNT, that identifies, develops and implements shared-service centre solutions, to reduce costs by consolidating and standardising administrative and transactional processes (Finance, HR, Procurement, Data Management and Commercial/Operational Back Office) into one or more shared-service centres.

Global Network Operations (GNO)
The GNO is responsible for the planning and execution of the TNT worldwide international Network, and is functionally responsible for all operations.

Global Strategic Accounts Organisation (GSO)
The GSO centrally manages and coordinates all TNT's global accounts to ensure that TNT provides those customers with service of the highest quality.

Global Reporting Initiative (GRI)
The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. Starting in 1997, the GRI gained independence in 2002, is an official collaborating centre of the United Nations Environment Programme, and works with the United Nations Global Compact. Refer to www.globalreporting.org for more information.

Greenhouse Gas Protocol
The Greenhouse Gas Protocol Initiative (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions from companies.

Headcount
Headcount is the number of own employees on the payroll in active duty working for fully-consolidated companies.

Hub
A hub is a nodal point in a network, connecting multiple locations together to ensure optimum connectivity. TNT's hubs include: central hubs (Liège and Duiven), road transit hubs, air hubs, global

transit hubs, country hubs and gateways. Many hubs are characterised by their sorting activity, which handles shipments from many inbound sectors to a number of outbound sectors.

Integration Committee

The integration of FedEx and TNT will be the responsibility of FedEx and the Supervisory and Executive Boards of TNT. In order to facilitate such integration, an integration committee will be established as of the Settlement Date consisting of 4 (four) members, 2 (two) of which will be Mr Gunning and Mr De Vries (and if any such executive resigns, he or she will be replaced by another executive of TNT) and the other 2 (two) will be FedEx representatives (Mr Cunningham and Mr Henning) (and if any representative resigns, he or she will be replaced by another representative of FedEx) (the 'Integration Committee') for a minimum period of at least 2 (two) years after the Settlement Date. The chairman of the Integration Committee will be a FedEx representative and will have a casting vote. The Integration Committee will determine an integration plan and submit it to FedEx and the Supervisory and Executive Boards of TNT, monitor its implementation, and do all things necessary to assist and optimise the integration of FedEx and TNT.

Internal promotion

The number of TNT employees appointed to vacancies in management positions at the end of a reporting period. This refers to the number of actual appointments, not the number of FTE positions.

International Organization for Standardization (ISO)

The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives. The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. Refer to www.iso.org for further information.

Investors in People (IiP)

Developed in 1990 by a partnership of leading businesses and national organisations, Investors in People helps organisations to improve performance and realise objectives through the management and development of their staff. Refer to www.investorsinpeople.co.uk for further information.

ISO 9001 (quality management)

The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

ISO 14001 (environmental management)

The ISO 14001 standard is an international standard for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key Performance Indicators (KPIs)

KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Less than Truck Load (LTL)

LTL carriers collect and consolidate freight from various senders onto enclosed trailers for linehaul to the delivering depot or to a hub/gateway.

Linehaul

In the transport industry, linehaul refers to the road transport movements between hubs.

Lost-time accident (LTA)

For the purpose of CR reporting, LTAs are defined as the number of employees that are absent from work as a result of a work related accident for at least one day in the reporting period, excluding the day that the accident occurred.

Lost-time injury rate (LTIR)

Lost-time injuries are defined as occurrences that result in a fatality, disability or time lost from work of one day or more. The lost-time injury rate shows the number of lost time injuries per 200,000 man hours worked. Therefore, this number gives a picture of how save the workplace is for its workers.

Management positions by gender
Management positions are defined as the number of females/males employed in management positions or above (i.e. with responsibilities for other employees (including subcontractors) or with budget responsibility).

Market presence
As defined by GRI, this is the contribution of an organisation to the economic well-being of employees. This includes the social licence to operate (e.g. the competitiveness of wages, hiring senior management from local community and diversity).

Network
In the transport industry, a network is the sum of facilities on which consignments are moved. TNT's network, which is composed of its depots and hubs, supports the company's standard solutions (core product and services).

Road traffic incident
A road traffic incident is defined by TNT as a crash or collision involving a TNT vehicle. A vehicle incident can also result into an accident to be reported if the employee is also injured or dead. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

NO_x
NO_x (NO and NO_2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperature.

Offer Memorandum
The offer document describing the terms and conditions of and restrictions applicable to the Offer, of which for the avoidance of doubt the position statement does not form a part. Refer to the corporate website of TNT (www.tnt.com/corporate) for more information.

Orange Experience Score (OES)
OES is a way to measure customer satisfaction and is calculated by subtracting the percentage of customers who feel TNT performed below expectations from the percentage of customers who feel TNT exceeded their expectations. The score can be a value between -100 and +100.

Organisation for Economic Co-Operation and Development (OECD)
The OECD comprises 34 member countries that share a commitment to democratic government and the market economy. Member countries – sometimes referred to as OECD countries – represent the world's most developed countries. Refer to www.oecd.org for more information.

On-time delivery
Delivery of a consignment within the timeframe set for the service in question.

OHSAS 18001 (occupational health and safety management)
OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. Refer to www.ohsas-18001-occupational-health-and-safety.com for more information.

Occupational Safety and Health Administration (OSHA)
OSHA is the main federal agency charged with the enforcement of safety and health legislation in the United States of America.

OSHA non-recordable fatality
A fatality as a result of an injury/illness that is not work-related, or a fatality as a result of an incident on a public road.

OSHA recordable fatality
A fatality as a result of an injury that is work-related, resulting from events or exposures, which occur on TNT's premises.

Particulate Matter
Particulates, alternatively known as particulate matter (PM), including fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM10 is used to describe particles of 10 micrometers or less.

Perfect Depot
The Perfect Depot programme is part of the *Outlook* strategy, and aims to build a high quality, efficient and agile depot network across TNT.

Perfect Transaction
Perfect Transaction is a company-wide and cross-functional initiative to improve the order to invoice process. Perfect Transaction is not an isolated project. It is a means to achieve a transformation in the TNT culture and way of working.

Pick-up and Delivery (PUD)
The process that involves all movements from the sender to the collecting depot and from the delivering depot to the receiver.

Safe and eco-drive training
In-house or externally provided training to improve safety and fuel efficiency performance of drivers (for example: cruise-control driving, accelerating, breaking and other activities, such as maintaining good tire pressure).

Settlement
The settlement of the FedEx Offer entailing that shareholders who have tendered shares will receive the offer price in respect of each tendered share, and that the offeror shall acquire each tendered share, within 5 (five) business days following the unconditional Date. Refer to the corporate website of TNT (www.tnt.com/corporate) for more information.

Settlement Date
The date on which Settlement occurs.

SME
Small and medium-sized enterprises.

Sustainable electricity
Sustainable electricity is electricity from ‘green’ or ‘renewable’ sources such as solar, wind, geothermal, biomass, hydroelectric and ocean energy purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers’ invoices or other means). It does not include nuclear energy.

Telematics
Telematics refers to vehicle-based systems that integrate GPS sensors with wireless communication and computer capabilities. These systems can provide fleet owners and operators with extensive information and intelligence on vehicle location and performance, driver behaviour/efficiency and a wide range of other parameters.

Total Quality Management (TQM)
Total Quality Management (TQM) is a comprehensive and structured approach to organizational management that seeks to improve the quality of products and services through ongoing refinements in response to continuous feedback.

Training hours
Training hours are the number of hours spent on training by the total of employees on payroll during the reporting period (both on-and off-job and both internal and external programmes).

TSR
Total shareholder return.

Voluntary turnover
Voluntary turnover is the number of TNT employees on permanent contract (full-time or part-time) who resigned from the company of their own free will. This includes all resignations but not redundancies, dismissals, retirement or transfers.

Working hours
The definition of working hours is based on the total number of individually-calculated hours adjusted for overtime, leave or similar deviations.

‘Zero-emission’ supply chain solutions
The smart, stackable ‘zero-emission’ supply chain solutions, designed and piloted through TNT City Logistics initiative, contribute to cleaner, less congested city centres. The solutions work by eliminating sources of inefficiency from the supply chain (including that of the suppliers and customers) in several

ways, such as integrating networks and infrastructure, bundling multiple parcel deliveries or shifting to off peak period. They also reduce CO_2 and pollution by replacing conventional vehicles with 'zero-emission' transport, with the aim of securing crucial access to city centres.

'Zero-emission' last-mile solutions

The 'zero-emission' last-mile solutions such as tricycles or electric small vans contribute to reduce city centre congestion, noise and pollution. Combined with optimised networks and infrastructure, they help to mitigate TNT's environmental footprint and improve operational efficiency at city level.

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THE PEOPLE NETWORK