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	Investments in associates and joint ventures	Other loans receivable	Deferred tax assets	Other financial fixed assets: Financial fixed assets at fair value	Other financial fixed assets: 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 31 December 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.

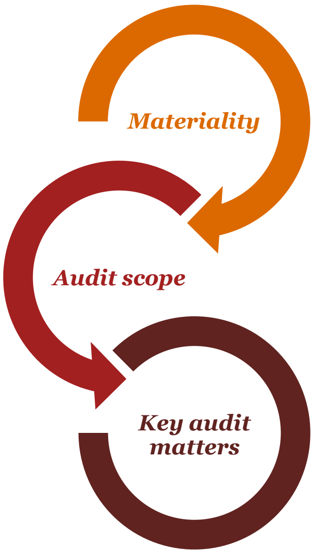
Our audit approach

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%	(12)	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	(18)	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